

COPPER RIVER / PRINCE WILLIAM SOUND  
MARKETING ASSOCIATION

FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

# ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the Copper River/Prince William Sound Marketing Association (the Association) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, 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 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 the Association as of June 30, 2014 and 2013, 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***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* 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, the 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 March 26, 2015 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 the Association's internal control over financial reporting and compliance.



March 26, 2015

COPPER RIVER / PRINCE WILLIAM SOUND MARKETING ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents; unrestricted	\$ 158,406	\$ 91,492
Cash and cash equivalents, board designated	22,000	-
Accounts receivable	1,200	5,000
Short-term investments, board designated	152,146	111,480
Other current assets	<u>50</u>	<u>8,716</u>
Total current assets	333,802	216,688
LONG-TERM INVESTMENTS, board designated	<u>140,594</u>	<u>139,132</u>
	<u>\$ 474,396</u>	<u>\$ 355,820</u>
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES:		
Accounts payable	\$ 10,401	\$ 100,396
Payroll liabilities	<u>2,016</u>	<u>5,580</u>
Total current liabilities	<u>12,417</u>	<u>105,976</u>
NET ASSETS:		
Unrestricted net assets, no designation	147,239	-
Unrestricted net assets, designated for operating reserve	<u>314,740</u>	<u>249,844</u>
Total net assets	<u>461,979</u>	<u>249,844</u>
Total liabilities and net assets	<u>\$ 474,396</u>	<u>\$ 355,820</u>

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

COPPER RIVER / PRINCE WILLIAM SOUND MARKETING ASSOCIATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Changes in unrestricted net assets from operating activities:		
SUPPORT:		
State financial assistance - tax receipts	\$ 617,759	\$ 533,722
Member dues	2,500	5,500
Total support	<u>620,259</u>	<u>539,222</u>
REVENUES:		
Interest and dividends	2,501	2,454
Other income	7,289	25,179
Total support and revenues	<u>630,049</u>	<u>566,855</u>
EXPENSES:		
Program services	315,813	461,956
Supporting services - General and administrative	<u>102,101</u>	<u>102,069</u>
Total expenses	<u>417,914</u>	<u>564,025</u>
Change in net assets	212,135	2,830
NET ASSETS, beginning of year	<u>249,844</u>	<u>247,014</u>
NET ASSETS, end of year	<u><u>\$ 461,979</u></u>	<u><u>\$ 249,844</u></u>

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

COPPER RIVER / PRINCE WILLIAM SOUND MARKETING ASSOCIATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 212,135	\$ 2,830
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in current assets:		
Accounts receivable	3,800	(5,000)
Other current assets	8,666	(8,716)
Increase (decrease) in current liabilities:		
Accounts payable	(89,995)	97,056
Payroll liabilities	<u>(3,564)</u>	<u>1,665</u>
Net cash provided by operating activities	<u>131,042</u>	<u>87,835</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	<u>(42,128)</u>	<u>(55,336)</u>
Net cash used for investing activities	<u>(42,128)</u>	<u>(55,336)</u>
Net increase in cash and cash equivalents	88,914	32,499
Cash and cash equivalents at beginning of year	<u>91,492</u>	<u>58,993</u>
Cash and cash equivalents at end of year	<u><u>\$ 180,406</u></u>	<u><u>\$ 91,492</u></u>

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

# COPPER RIVER / PRINCE WILLIAM SOUND MARKETING ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2014 and 2013

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

#### 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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements* and 958-210-45-1 *Other Presentation Matters*. Under FASB ASC 958-210-45-1, the Association is required to report 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 net assets that are not subject to donor-imposed stipulations or restrictions. Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by the passage of time. Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. There were no permanently or temporarily restricted net assets at June 30, 2014 or 2013.

#### Revenue Recognition

Revenue consists of tax receipts, contributions, member dues, 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.

#### Receivables

Accounts receivable consist of amounts due for services, which were not received by the Association at year-end. Management considers all receivables to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

NOTES TO FINANCIAL STATEMENTS

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments

Investments consist of short-term investments intended to be held more than 90 days, but less than a year, and long-term investments intended to be held for a year or more. Both types of investments are interest-bearing certificates of deposit in financial institutions. The investments are valued at cost plus reinvested interest, which approximates fair value. Interest income for the Association's investments is included in the accompanying statements of activities. The investment balance is designated for operating reserves.

Designated Net Assets - Operating Reserve

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 unrestricted net assets, designated for operating reserve, in the statement of financial position.

Cash and Cash Equivalents – Board Designated

Cash and cash equivalents designated by the Board consist of funds that have been designated for operating reserves, but have not yet been used to purchase investment assets.

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 Organization follows the provisions of FASB ASC 740 *Income Taxes*, and management believes that it has appropriate support for any tax positions taken. The Organization'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.

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.

Subsequent Events

The Association has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

Reclassifications

Certain fiscal year 2013 balances have been reclassified to conform to the current year financial statement presentation.



COPPER RIVER / PRINCE WILLIAM SOUND MARKETING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

**NOTE 2 – OPERATING LEASES**

The Association leases office space in Cordova, Alaska. Rent expense from the lease for the year ended June 30, 2014 and 2013 was \$9,054 and \$9,961, respectively. Minimum rent expense on an annual basis, based on the current lease, was \$7,200 for fiscal year 2014 and 2013.

**NOTE 3 – ADVERTISING**

The Association expenses the costs of advertising the first time the advertising takes place. At June 30, 2014 and 2013, the Association had \$8,818 and \$14,226, respectively, in advertising expenses.

**NOTE 4 – 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.

State Financial Assistance – Regional Seafood Development Associations

Expenditures made pursuant to RSDA statutes may be subject to additional audits by government agencies or their representatives. Although subjected to state single audit requirements, certain amounts reflected in the financial statements have not been audited by government agencies. 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.

PART II – STATE SINGLE AUDIT

COPPER RIVER / PRINCE WILLIAM SOUND MARKETING ASSOCIATION

SCHEDULE OF STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2014

<u>State of Alaska Grantor / Program Title</u>	<u>Grant Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
Department of Revenue			
Passed through the State of Alaska Department of Commerce, Community, and Economic Development			
Rural Seafood Development Association - Seafood Development Tax *	n/a	<u>\$ 617,759</u>	<u>\$ 617,759</u>
Total Department of Revenue		<u>617,759</u>	<u>617,759</u>
Total State Financial Assistance		<u>\$ 617,759</u>	<u>\$ 617,759</u>

\* Denotes Major Program

COPPER RIVER / PRINCE WILLIAM SOUND MARKETING ASSOCIATION

NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2014

General

The accompanying schedule of state financial assistance presents the activity of all state award programs of the Copper River/Prince William Sound Marketing Association (the Association).

Basis of Accounting

The accompanying schedule of state financial assistance is presented using the accrual basis of accounting, which is described in Note 1 to the Association's financial statements.

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## 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 of  
Copper River/Prince William Sound Marketing Association

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 Copper River/Prince William Sound Marketing Association (the Association) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to financial statements and have issued our report thereon dated March 26, 2015.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Association'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 the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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 a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Association's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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 results 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.



March 26, 2015

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## 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 of  
Copper River/Prince William Sound Marketing Association

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

We have audited Copper River/Prince William Sound Marketing Association's (the Association) 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 the Association's major state program for the year ended June 30, 2014. The Association's major state program is 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 program.

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

Our responsibility is to express an opinion on compliance of the Association's major state program 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 the Association'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 the Association's compliance.

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

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2014.

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

Management of the Association 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 the Association's internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance of the 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 the Association's internal control over compliance.

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. 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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



March 26, 2015



COPPER RIVER / PRINCE WILLIAM SOUND MARKETING ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

**SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

***State Financial Assistance***

Type of auditor's report issued on compliance for major program: Unmodified

Internal control over major program:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Dollar threshold used to distinguish a state major program: \$50,000

**FINDINGS – FINANCIAL STATEMENT AUDIT**

No matters reported.

**FINDINGS AND QUESTIONED COSTS – STATE MAJOR AWARD PROGRAM AUDIT**

No matters reported.

COPPER RIVER / PRINCE WILLIAM SOUND MARKETING ASSOCIATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2014

**FINDINGS – FINANCIAL STATEMENT AUDIT**

No prior year audit findings.

**FINDINGS AND QUESTIONED COSTS – MAJOR STATE AWARD PROGRAMS AUDIT**

No prior year audit findings.