

HOOD CANAL SALMON ENHANCEMENT GROUP

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Hood Canal Salmon Enhancement Group  
Belfair, Washington

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

We have audited the accompanying financial statements of Hood Canal Salmon Enhancement Group, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Hood Canal Salmon Enhancement Group's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 18, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 September 30, 2019, on our consideration of Organization'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 Organization's internal control over financial reporting and compliance.

*Clarke Whitney, CPA, Inc.*

Clarke Whitney, CPA, Inc.  
Bremerton, Washington  
September 30, 2019

**HOOD CANAL SALMON ENHANCEMENT GROUP**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 29,588	\$ 94,077
Restricted and reserved cash	101,645	73,079
Contracts and grants receivable, net of allowance for doubtful contracts of \$0 (2018) and \$0 (2017)	182,801	52,326
Costs in excess of billings	12,084	34,756
Prepaid expenses	<u>12,800</u>	<u>11,040</u>
Total current assets	338,918	265,278
Endowment investments	64,198	68,502
Property and equipment, net	<u>4,992,950</u>	<u>4,031,913</u>
Total assets	<u>\$ 5,396,066</u>	<u>\$ 4,365,693</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 236,330	\$ 100,017
Accrued liabilities	44,315	28,775
Lease deposit	100	-
Credit cards	2,748	4,792
Current portion of long-term debt	<u>41,400</u>	<u>51,400</u>
Total current liabilities	324,893	184,984
Long-term debt	<u>1,001,444</u>	<u>1,027,794</u>
Total liabilities	1,326,337	1,212,778
Net assets		
Without donor restrictions	1,382,323	1,405,026
With donor restrictions	<u>2,687,406</u>	<u>1,747,889</u>
Total net assets	<u>4,069,729</u>	<u>3,152,915</u>
Total liabilities and net assets	<u>\$ 5,396,066</u>	<u>\$ 4,365,693</u>

See the accompanying notes to the financial statements and independent auditor's report.

**HOOD CANAL SALMON ENHANCEMENT GROUP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2018 Total</b>
Revenues			
Revenues, gains and support			
Grants and contracts	\$ -	\$ 2,245,673	\$ 2,245,673
Contributions	41,551	10,189	51,740
Dues-membership	1,738	-	1,738
Program income	57,354	-	57,354
Investment income (loss)	-	(4,304)	(4,304)
Rental income	10,800	-	10,800
Other income	<u>105</u>	<u>-</u>	<u>105</u>
Total revenues, gains and support	111,548	2,251,558	2,363,106
Sales			
Sales revenue	8,984	-	8,984
Cost of goods sold	<u>(6,813)</u>	<u>-</u>	<u>(6,813)</u>
Gross profit	2,171	-	2,171
Net assets released from restrictions			
Satisfaction for use restrictions	<u>1,312,041</u>	<u>(1,312,041)</u>	<u>-</u>
Total revenues	1,425,760	939,517	2,365,277
Expenses			
Program services	1,352,516	-	1,352,516
Management and general	95,947	-	95,947
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>1,448,463</u>	<u>-</u>	<u>1,448,463</u>
Change in net assets	(22,703)	939,517	916,814
Net assets, beginning of year	<u>1,405,026</u>	<u>1,747,889</u>	<u>3,152,915</u>
Net assets, end of year	<u>\$ 1,382,323</u>	<u>\$ 2,687,406</u>	<u>\$ 4,069,729</u>

See the accompanying notes to the financial statements and independent auditor's report.

**HOOD CANAL SALMON ENHANCEMENT GROUP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2017 Total</b>
Revenues			
Revenues, gains and support			
Grants and contracts	\$ -	\$ 1,041,639	\$ 1,041,639
Contributions	24,588	7,650	32,238
Dues-membership	2,004	-	2,004
Program income	103,951	-	103,951
Investment income (loss)	-	7,912	7,912
Rental income	12,000	-	12,000
Other income and gains	<u>63,735</u>	<u>-</u>	<u>63,735</u>
Total revenues, gains and support	206,278	1,057,201	1,263,479
Sales			
Sales revenue	5,801	-	5,801
Cost of goods sold	<u>(9,746)</u>	<u>-</u>	<u>(9,746)</u>
Gross profit	(3,945)	-	(3,945)
Net assets released from restrictions			
Satisfaction for use restrictions	<u>1,041,865</u>	<u>(1,041,865)</u>	<u>-</u>
Total revenues	1,244,198	15,336	1,259,534
Expenses			
Program services	1,134,089	-	1,134,089
Management and general	93,223	-	93,223
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>1,227,312</u>	<u>-</u>	<u>1,227,312</u>
Change in net assets	16,886	15,336	32,222
Net assets, beginning of year	<u>1,388,140</u>	<u>1,732,553</u>	<u>3,120,693</u>
Net assets, end of year	<u>\$ 1,405,026</u>	<u>\$ 1,747,889</u>	<u>\$ 3,152,915</u>

See the accompanying notes to the financial statements and independent auditor's report.

**HOOD CANAL SALMON ENHANCEMENT GROUP  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Program</b>	<b>Management</b>	<b>Fundraising</b>	<b>Total</b>
Staff salaries	\$ 413,518	\$ 38,855	\$ -	\$ 452,373
Staff payroll taxes	48,211	5,596	-	53,807
Staff payroll benefits	<u>50,551</u>	<u>12,638</u>	-	<u>63,189</u>
Total salaries and related expenses	512,280	57,089	-	569,369
Advertising	1,619	-	-	1,619
Bad debt	200	-	-	200
Bank charges	798	57	-	855
Contract labor	111,056	-	-	111,056
Dues, licenses and subscriptions	10,557	-	-	10,557
Education and outreach	19,973	-	-	19,973
Equipment rental	12,840	-	-	12,840
Insurance	16,784	4,196	-	20,980
Interest expense	70,812	17,703	-	88,515
Meetings and conferences	1,239	-	-	1,239
Miscellaneous	2,569	-	-	2,569
Postage	453	-	-	453
Prizes and gifts	205	-	-	205
Professional services	8,924	226	-	9,150
Rental expenses	25	3,515	-	3,540
Repairs and maintenance	13,276	-	-	13,276
Research projects	17,960	-	-	17,960
Restoration projects	464,284	-	-	464,284
Scholarships	11,921	3,750	-	15,671
Supplies	3,883	-	-	3,883
Taxes	-	344	-	344
Telephone	6,989	-	-	6,989
Travel and transportation	2,861	-	-	2,861
Utilities	<u>9,630</u>	<u>-</u>	<u>-</u>	<u>9,630</u>
Total expenses before depreciation and amortization	1,301,138	86,880	-	1,388,018
Depreciation and amortization	<u>51,378</u>	<u>9,067</u>	<u>-</u>	<u>60,445</u>
Total functional expenses	<u>\$ 1,352,516</u>	<u>\$ 95,947</u>	<u>\$ -</u>	<u>\$ 1,448,463</u>

See the accompanying notes to the financial statements and independent auditor's report.

**HOOD CANAL SALMON ENHANCEMENT GROUP  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Program</b>	<b>Management</b>	<b>Fundraising</b>	<b>Total</b>
Staff salaries	\$ 369,054	\$ 42,529	\$ -	\$ 411,583
Staff payroll taxes	47,348	4,635	-	51,983
Staff payroll benefits	<u>35,334</u>	<u>8,834</u>	-	<u>44,168</u>
Total salaries and related expenses	451,736	55,998	-	507,734
Advertising	851	-	-	851
Bank charges	349	90	-	439
Contract labor	103,052	-	-	103,052
Dues, licenses and publications	4,415	-	-	4,415
Education and outreach	9,077	-	-	9,077
Equipment rental	13,745	3,436	-	17,181
Insurance	10,961	2,740	-	13,701
Interest expense	61,039	15,260	-	76,299
Meetings and conferences	1,080	-	-	1,080
Miscellaneous	221	44	-	265
Postage	873	-	-	873
Printing and publications	63	-	-	63
Prizes and gifts	1,938	-	-	1,938
Professional services	13,467	375	-	13,842
Rental expenses	75	3,536	-	3,611
Repairs and maintenance	9,649	1,072	-	10,721
Research projects	10,523	-	-	10,523
Restoration projects	377,253	-	-	377,253
Scholarships	1,400	-	-	1,400
Supplies	1,543	-	-	1,543
Taxes	-	328	-	328
Telephone	3,493	-	-	3,493
Travel and transportation	1,671	-	-	1,671
Utilities	<u>7,195</u>	<u>1,799</u>	-	<u>8,994</u>
Total expenses before depreciation and amortization	1,085,669	84,678	-	1,170,347
Depreciation and amortization	<u>48,420</u>	<u>8,545</u>	-	<u>56,965</u>
Total functional expenses	<u>\$ 1,134,089</u>	<u>\$ 93,223</u>	<u>\$ -</u>	<u>\$ 1,227,312</u>

See the accompanying notes to the financial statements and independent auditor's report.

**HOOD CANAL SALMON ENHANCEMENT GROUP  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 916,814	\$ 32,222
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	60,445	56,965
Capitalized in-kind contributions	-	(3,341)
Unrealized loss (gain) on investments	5,726	(3,511)
Debt extinguishments	-	(63,735)
(Increase) decrease in operating assets:		
Restricted and reserved cash	(28,566)	62,940
Contracts and grants receivable	(130,475)	(22,301)
Costs in excess of billings	22,672	26,725
Prepaid expenses	(1,760)	(2,760)
Increase (decrease) in operating liabilities:		
Accounts payable	136,313	57,639
Accrued liabilities	15,540	(10,355)
Lease deposit	100	-
Net cash provided by operating activities	<u>996,809</u>	<u>130,488</u>
Cash flows from investing activities		
Endowment fund investments	(2,154)	(4,677)
Payments for the purchase of property and equipment	(1,021,482)	(7,291)
Appropriations from endowment fund investments	732	276
Net cash used by investing activities	<u>(1,022,904)</u>	<u>(11,692)</u>
Cash flows from financing activities		
Proceeds from borrowings	125,382	61,690
Payments on borrowings	<u>(163,776)</u>	<u>(163,298)</u>
Net cash used by financing activities	<u>(38,394)</u>	<u>(101,608)</u>
Net increase (decrease) in cash and cash equivalents	(64,489)	17,188
Cash and cash equivalents, beginning of year	<u>94,077</u>	<u>76,889</u>
Cash and cash equivalents, end of year	<u>\$ 29,588</u>	<u>\$ 94,077</u>
Cash paid for interest	\$ 82,174	\$ 74,110

See the accompanying notes to the financial statements and independent auditor's report.

**HOOD CANAL SALMON ENHANCEMENT GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Hood Canal Salmon Enhancement Group (the Organization) is a not-for-profit organization that was formed as a corporation in the State of Washington to protect and enhance the genetic diversity and populations of Wild Salmon (naturally spawning salmon) in Hood Canal by the protection and restoration of habitats, water quality, education, wild salmon incubators and other means to achieve an abundance of Wild Salmon. The Organization also does business under the names: Pacific Northwest Salmon Center and Farm at the Water's Edge.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Financial Statement Presentation**

The Organization follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions, and without donor restrictions.

**With Donor Restrictions:** Net assets that result from contributions whose use by the Organization is restricted by donor imposed stipulations that may expire with the passage of time or can be fulfilled or otherwise removed by actions of the Organization.

**Without Donor Restrictions:** Net assets that are not restricted by donor stipulation.

**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, liabilities, revenues and expenses in the financial statements. Actual results could differ from management's estimates.

**Credit Risk**

The Organization maintains cash balances in one local bank, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2018 the Organization's cash balance did not exceed the FDIC limit at its financial institution.

**HOOD CANAL SALMON ENHANCEMENT GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of ninety days or less to be cash equivalents. Restricted and reserved cash are limited in use, as designated by donors or the reserved intent. These financial instruments are valued at fair market value due to their short-term maturity and low risk nature.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**Contracts and Grants Receivable**

Grants and contracts receivable are valued at their net realizable value. The calculation of allowance for doubtful contracts is based on an assessment made by management, which determined which of the outstanding contracts receivable are not expected to be collectible.

**Fixed and Intangible Assets**

Fixed and intangible assets are stated at cost for purchased assets and fair market value for donated assets. It is the Organization's policy to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are expensed. Donated equipment is recorded at its fair market value at the date of receipt. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and capital improvements	40 years
Office furniture and equipment	5 to 7 years
Vehicles	5 years
Intangible assets	5 to 15 years

**Revenue Recognition**

Grant and contract revenues and fees for service are recognized when the service is provided.

**HOOD CANAL SALMON ENHANCEMENT GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Restrictions on gifts of fixed assets or cash for the purchase of fixed assets expire when the asset is placed in service.

**Functional Allocation of Expenses**

The costs of providing various programs and other activities 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 based on the programs and supporting services actual and estimated incurrence of such expenses.

**Advertising**

The Organization expenses advertising costs when they are incurred. The total advertising cost incurred during the year ended December 31, 2018 was \$1,619.

**Income Taxes**

The Organization has been determined to be exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) by the Internal Revenue Service. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Interest and penalties from such unrelated business income taxes are recognized as separate expenses when incurred, for which there were none incurred for the year ended December 31, 2018. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal Exempt Organization Business Income Tax Returns for 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

**Land Held for Conservation**

Land held for conservation is recorded at cost when purchased and at fair market value at the date of acquisition, if donated. Management reviews each parcel periodically to determine if there has been an impairment to the value that is recorded in the statement of financial position.

**HOOD CANAL SALMON ENHANCEMENT GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Costs in Excess of Billings**

The Organization receives most of its revenues through contracts and agreements that require billings to be on a reimbursement basis. The costs in excess of billings account allows the Organization to recognize revenues as soon as reimbursable costs are incurred.

**Subsequent Events**

There were no other subsequent events discovered up to September 30, 2019, which is the date the financial statements were available to be issued.

**NOTE B - RESTRICTED AND RESERVED CASH**

The Organization receives restricted donations from donors, which are limited for use in programs designated by the donor. The Organization also holds reserved funds related to the repayment of debt and for payments related to the maintenance and repair of its facilities, as required under loan covenants. The balances of restricted and reserved funds as of December 31, 2018 are as follows:

	<b><u>2018</u></b>
Community fund of south puget sound	\$ 3,640
Farm animal feed and care fund	946
Dog park restricted fund	750
Trail project restricted fund	103
Founder's restricted fund	27,732
Cutthroat assessment restricted fund	24,741
4-H club funds	502
Amphitheater fund	6,561
Dan O'Neil memorial fund	22,033
Facility repairs and maintenance reserve fund	<u>14,637</u>
	<u>\$ 101,645</u>

**NOTE C - ENDOWMENT FUND - DONOR DESIGNATED**

The Board of Directors of the Organization established an endowment fund for the purpose of supporting the scholarship and internship programs. This endowment has been funded with restricted donor contributions. This endowment fund has a spending policy that only appropriates interest and dividends generated by the endowment as well as any capital gains in excess of 7.00%. The endowment fund has an investment policy that restricts the ability to manage the funds to three elected trustees who are members of the Board of Directors of the Organization.

**HOOD CANAL SALMON ENHANCEMENT GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE C - ENDOWMENT FUND - DONOR DESIGNATED (CONTINUED)**

Composition of and changes in endowment net assets for the year ended December 31, 2018 were as follows:

	<u>2018</u>
Without donor restrictions	\$ -
With donor restrictions	<u>64,198</u>
Total net endowment assets	<u>\$ 64,198</u>

Changes in endowment net assets as of December 31, 2018 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Net Endowment Assets</b>
Endowment net assets, as of January 1, 2018	\$ -	\$ 68,502	\$ 68,502
Contributions	-	-	-
Investment income (loss)	<u>-</u>	<u>(4,304)</u>	<u>(4,304)</u>
Endowment net assets, as of December 31, 2018	<u>\$ -</u>	<u>\$ 64,198</u>	<u>\$ 64,198</u>

Investment income (loss) includes the following:

	<u>2018</u>
Dividends and interest earned	\$ 1,728
Unrealized gain/(loss)	(5,726)
Realized gain/(loss)	426
Amounts appropriated for expenditures	<u>(732)</u>
Total	<u>\$ (4,304)</u>

**NOTE D - FIXED AND INTANGIBLE ASSETS**

Total depreciation and amortization expense incurred by the Organization for the year ended December 31, 2018 was \$57,005 and \$3,440, respectively. The Organization's land, works of art, construction in process and certain educational equipment are non-depreciable. The Organization had fixed and intangible assets as of December 31, 2018 that consisted of:

**HOOD CANAL SALMON ENHANCEMENT GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE D - FIXED AND INTANGIBLE ASSETS (CONTINUED)**

	<u>2018</u>
Land	\$ 3,359,315
Capital improvements	69,980
Buildings	1,766,170
Furniture and equipment	392,081
Vehicles	14,141
Construction in process	36,591
Works of Art	15,400
Intangible assets	<u>17,915</u>
Total fixed and intangible assets	5,671,593
Accumulated depreciation and amortization	<u>(678,643)</u>
Total fixed and intangible assets, net	<u>\$ 4,992,950</u>

**NOTE E - OPERATING LEASES**

**Non-cancelable lease**

The Organization entered into a non-cancelable sixty month operating lease for a copy machine on August 26, 2014. That lease was replaced in December of 2018 with another non-cancelable sixty month operating lease. Total rental expenses incurred under this lease for the year ended December 31, 2018 was \$12,866. The future minimum payments under this lease are listed in the table below.

<b>Year Ended December 31,</b>	
2019	\$ 19,702
2020	12,313
2021	12,313
2022	12,313
2023	<u>9,155</u>
Total	<u>\$ 65,796</u>

**NOTE F - OPERATING LEASE COMMITMENTS**

The Organization also owns residential property, which it leases to tenants on a month-to-month basis. The tenants, that have occupied the property since it was purchased, have never changed and have provided rental income during the year ended December 31, 2018, in the amount of \$10,800. There was no schedule of future minimum rental receipts prepared, since the tenants are on a month-to-month basis.

**HOOD CANAL SALMON ENHANCEMENT GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE G - LONG-TERM DEBT**

The Organization incurred the following debt as of December 31, 2018:

	<b>2018</b>
Note payable to Reeve's Excavating and Land Clearing, Inc., settlement agreement provides a payment of \$15,000 to be made in December of 2019.	\$ 15,000
Secured mortgage with Craft 3 Capital Corporation has variable monthly payments of principal and interest in a range between \$8,500 and \$7,600 and one irregular last payment estimated at \$975,044, incurs interest at a variable rate of Prime plus 3.25% resulting in an interest rate of 8.25% as of December 31, 2018, was entered into on April 1, 2016 by the Organization, and is secured by the first deed of trust on the buildings and property located at 600 NE Roessel Road, Belfair, Washington.	<u>1,027,844</u>
Total notes payable	1,042,844
Less current portion of long-term debt	<u>(41,400)</u>
Total notes payable, net current portion of long term debt	<u><u>\$ 1,001,444</u></u>

Future maturities of debt over the next five years are as follows:

<b>Year ended December 31,</b>		
2019	\$	41,400
2020		26,400
2021		<u>975,044</u>
Total	\$	<u><u>1,042,844</u></u>

**NOTE H - REVENUE CONCENTRATIONS**

The Organization receives substantial support from the State and Federal government to operate various programs. A material reduction in funding or a change in the eligibility to receive such funding could have an adverse impact on the Organization's ability to continue its operations.

**HOOD CANAL SALMON ENHANCEMENT GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE I - RESTRICTIONS ON NET ASSETS**

Restrictions on net assets at December 31, 2018 consist of the following:

	<u><b>2018</b></u>
Without donor restrictions	\$ 1,382,323
With donor restrictions:	
Land held for habitat restoration/conservation	2,613,019
Donor restricted donations	10,189
Endowment fund	<u>64,198</u>
Total with donor restrictions	<u>2,687,406</u>
Total net assets	<u><u>\$ 4,069,729</u></u>

The Organization has obtained properties that were either purchased by or donated to the Organization for habitat restoration and/or conservation, but only the use of the property is restricted and not the sale or transfer thereof. The value of these temporarily restricted properties held by the Organization was \$1,701,954 as of December 31, 2018.

The Organization received restricted donations, which were restricted by the donors for various limited uses and purposes. As of December 31, 2018, the Organization had \$10,189 of these restricted donations.

The Organization has an endowment fund that is restricted, as noted in Note B - Endowment Fund - Donor Designated. The amount of funds available to fund scholarships as of December 31, 2018 was \$18,719.

The Organization received \$0 in donations deposited in a restricted endowment fund for college scholarships during the year ended December 31, 2018. The principal balance in the endowment account, which is permanently restricted, was \$45,479 as of December 31, 2018.

**HOOD CANAL SALMON ENHANCEMENT GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE J - DONATED SERVICES AND MATERIALS**

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

The Organization received contributed materials during the year ended December 31, 2018, with a fair value on the dates of donation of \$3,643.

In addition, a number of volunteers donated a total of 10,064 hours to the Organization's program and support services during the year ended December 31, 2018. These contributions in-kind are not reflected in the financial statements since these services do not meet the criteria for recognition.

**NOTE K - FAIR VALUE MEASUREMENTS**

The Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 820-201, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure fair value of its investment. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 and 3 inputs are used only when Level 1 inputs are not available.

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment at Edward Jones	\$ 64,198	\$ -	\$ -	\$ 64,198

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Level 1: Quoted market prices in active markets for identical assets and liabilities

**HOOD CANAL SALMON ENHANCEMENT GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE K - FAIR VALUE MEASUREMENTS (CONTINUED)**

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization's investments are classified as Level 1. Carrying Value and the Fair Value amounts are the same for the year ended December 31, 2018.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

**NOTE L - NEW ACCOUNTING PRONOUNCEMENT**

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization's financial statements:

- The restricted net assets class has been renamed net assets with donor restrictions.
- The unrestricted net assets class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note M)
- 

The changes have the following effect on net assets at December 31, 2017:

<b><u>Net Asset Classes</u></b>	<b><u>As Originally Presented</u></b>	<b><u>After Adoption of ASU 2016-14</u></b>
Unrestricted net assets	\$ 1,405,026	\$ -
Temporarily restricted net assets	563,304	-
Permanently restricted net assets	1,184,585	-
Without donor restrictions	-	1,405,026
With donor restrictions	-	1,747,889
Total net assets	<u>\$ 3,152,915</u>	<u>\$ 3,152,915</u>

**HOOD CANAL SALMON ENHANCEMENT GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE M - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

	<b><u>2018</u></b>
Financial assets, at year end	\$ 5,396,066
Less those available for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>(2,687,406)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,708,660</u>

**HOOD CANAL SALMON ENHANCEMENT GROUP  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Federal Agency</u>	<u>Federal Grantor/Pass-through or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Name of Program</u>	<u>Pass-through Entity Identifying Number</u>	<u>Grant Amount Date</u>	<u>Matching Contribution</u>	<u>Total Project Cost</u>	<u>Prior Years Federal Expenditures</u>	<u>Current Year Federal Expenditures</u>	<u>Total Project Federal Expenditures</u>	<u>Remaining Budget for Federal Exp</u>
Department of the Interior	US Fish and Wildlife Service	15.630	USFWS Passthrough Funding	F17AC00304	\$ 137,339 July 5, 2017	\$ -	\$ 137,339	\$ 85,879	\$ 51,040	\$ 136,919	\$ 420
Department of the Interior	US Fish and Wildlife Service	15.630	Big Quilcene Moon Valley Reach Acquisition & Plan	F17AC00378	35,000 July 25, 2017	-	35,000	5,722	6,704	12,426	22,574
Department of the Interior	National Fish and Wildlife Foundation	15.633	Hood Canal Weed Management Area	NFWF-1701.16.054383	163,996 January 18, 2017	-	163,996	70,710	73,417	144,127	19,869
Department of the Interior	US Fish and Wildlife Service	15.630	Lower Big Quilcene River Prelim Design	F16AC00491	77,000 June 28, 2016	-	77,000	73,742	3,258	77,000	-
Department of the Interior	US Fish and Wildlife Service	15.630	USFWS Passthrough Funding	F18AC00628	149,010 August 9, 2018	-	149,010	-	58,460	58,460	90,550
Department of Commerce	National Oceanic and Atmospheric Administration	11.411	Steelhead - Hood Canal Steelhead Project	NOAA-133MF-18-PNFFP0036	18,500 June 29, 2018	-	18,500	-	6,269	6,269	12,231
Department of Commerce	Recreation and Conservation Office	11.438	Tahuya River Watershed Assessment	RCO 17-1058	208,930 August 22, 2018	510	209,440	-	42,786	42,786	166,654
Department of Commerce	Recreation and Conservation Office	11.438	Duckabush Oxbow Side Channel Restore Design	RCO 16-1472	25,398 January 31, 2017	-	25,398	13,127	12,271	25,398	-
Department of Commerce	Recreation and Conservation Office	11.438	Big Quilcene Moon Valley Reach Acq. & Planning	RCO 16-1494	770,936 January 31, 2017	640,425	1,411,361	15,297	727,684	742,981	27,955
Department of Commerce	Recreation and Conservation Office	11.438	Hood Canal Forage Fish Assessment	RCO 16-1474P	17,808 January 31, 2017	42,170	59,978	5,165	3,105	8,270	51,708
Department of Commerce	Recreation and Conservation Office	11.438	Duckabush Estuary Restoration Supp Acquisition	RCO 16-1492	234,694 February 20, 2018	-	234,694	4,752	134,995	139,747	94,947
Department of Commerce	Recreation and Conservation Office	11.438	Seabeck Creek Restoration Design	RCO 15-1194P	\$ 86,250 March 24, 2016	\$ -	\$ 86,250	\$ 78,896	\$ 5,264	\$ 84,160	\$ 2,090

<u>Federal Agency</u>	<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Name of Program</u>	<u>Pass-through Entity Identifying Number</u>	<u>Grant Amount Date</u>	<u>Matching Contribution</u>	<u>Total Project Cost</u>	<u>Prior Years Federal Expenditures</u>	<u>Current Year Federal Expenditures</u>	<u>Total Project Federal Expenditures</u>	<u>Remaining Budget for Federal Exp</u>
Department of Commerce	Recreation and Conservation Office	11.438	Union River Reach Restoration Planning	RCO 17-1059	\$ 122,635 August 22, 2018	\$ -	\$ 122,635	\$ -	\$ 45,603	\$ 45,603	\$ 77,032
Department of Commerce	National Oceanic and Atmospheric Administration	11.411	Steelhead Research Project	WE-133F-17-SE-0824	18,500 June 27, 2017	-	18,500	212	18,288	18,500	-
United States Environmental Protection Agency (EPA)	Environmental Protection Agency	66.951	HC Environmental Exploration and Education Project	EPA-01J36301	91,000 May 4, 2017	31,536	122,536	13,845	61,141	74,986	16,014
United States Environmental Protection Agency (EPA)	Washington Department of Health	66.123	Bacteria Reduction Study	DOH N22417-0	29,067 January 23, 2017	-	29,067	19,821	3,343	23,164	5,903
United States Environmental Protection Agency (EPA)	Washington Department of Health	66.123	Hood Canal Zooplankton Sample	LLTK-SSMSP-54	10,150 June 14, 2017	-	10,150	3,913	5,872	9,785	365
United States Environmental Protection Agency (EPA)	Hood Canal Coordinating Council	66.123	Hood Canal Reg Pollution ID and Correction	HCCC Contract	62,000 June 26, 2017	-	62,000	9,589	29,051	38,640	23,360
United States Environmental Protection Agency (EPA)	Recreation and Conservation Office	66.456	Hood Canal Summer Chum Riparian Enhancement	RCO 16-1476	188,314 May 8, 2018	-	188,314	-	63,989	63,989	124,325
Department of the Interior	Washington Department of Fish and Wildlife	15.608	Regional Fisheries Enhancement Group Contract	WDFW 17-09066/18-10724	408,800 July 19, 2017	-	408,800	44,304	83,943	128,247	280,553
Department of the Interior	USFWS Division of Bird habitat Conservation	15.623	Moon Valley Reach Acquisition and Enhancement Project	F18AP00733	\$ 82,500 August 25, 2018	\$ -	\$ 82,500	\$ -	<u>\$ 82,125</u>	\$ 82,125	\$ 375
<b>Total Expenditures of Federal Awards</b>									<u>\$ 1,518,608</u>		

See accompanying notes to schedule of expenditures of federal awards

**HOOD CANAL SALMON ENHANCEMENT GROUP  
NOTES TO SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE A -BASIS FOR PRESENTATION**

The accompanying schedule of federal expenditures of federal awards includes the federal grant activity of Hood Canal Salmon Enhancement Group and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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  
Hood Canal Salmon Enhancement Group  
Belfair, Washington

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 Hood Canal Salmon Enhancement Group (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Hood Canal Salmon Enhancement Group'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 Hood Canal Salmon Enhancement Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Hood Canal Salmon Enhancement Group'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clarke Whitney, CPA, Inc.*

Clarke Whitney, CPA, Inc.  
Bremerton, WA  
September 30, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Hood Canal Salmon Enhancement Group  
Belfair, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Hood Canal Salmon Enhancement Group's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Hood Canal Salmon Enhancement Group's major federal programs for the year ended December 31, 2018. Hood Canal Salmon Enhancement Group's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of Hood Canal Salmon Enhancement Group's major federal 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 federal program occurred. An audit includes examining, on a test basis, evidence about Hood Canal Salmon Enhancement Group'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 federal program. However, our audit does not provide a legal determination of Hood Canal Salmon Enhancement Group's compliance.

## OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Hood Canal Salmon Enhancement Group 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 federal programs for the year ended December 31, 2018.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Hood Canal Salmon Enhancement Group 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 Hood Canal Salmon Enhancement Group's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Hood Canal Salmon Enhancement Group'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 federal 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 federal 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 federal 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Clarke Whitney, CPA, Inc.*

Clarke Whitney, CPA, Inc.  
Bremerton, WA  
September 30, 2018

**HOOD CANAL SALMON ENHANCEMENT GROUP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Section I—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
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  
 none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes     no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes     no
- Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes  
 none reported

**Type of auditor's report issued on compliance for major programs :** unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? \_\_\_\_\_ yes     no

**Identification of major programs:**

**CFDA Number(s)    Name of Federal Program or Cluster**

11.438            Big Quilcene Moon Valley Reach Acquisition and Planning

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes     no

**Section II—Financial Statement Findings**

There were no reportable findings.

**HOOD CANAL SALMON ENHANCEMENT GROUP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Section III—Federal Award Findings and Questionable Costs**

There were no reportable findings

**Section IV—Prior Year Audit Findings**

There were nor prior year audit findings