



# BRISTOL BAY

Regional Seafood Development Association

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

Audited Financial Statements  
Years Ended December 31, 2022 and 2021

State Single Audit  
Year Ended December 31, 2022

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

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

Statements of Financial Position

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 4,584,498	4,997,101
Prepays	4,685	180
<b>TOTAL ASSETS</b>	<b><u>\$ 4,589,183</u></b>	<b><u>4,997,281</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
Accounts payable	\$ 12,145	5,307
Projects and contracts payable, net of encumbered projects and contracts of \$31,428 and \$76,187, respectively	249,445	242,930
Accrued payroll liabilities	82,342	82,981
Other liabilities	9,941	1,960
<b>TOTAL LIABILITIES</b>	<b><u>353,873</u></b>	<b><u>333,178</u></b>
 Net assets:		
Without donor restrictions:		
Undesignated	1,335,122	1,770,680
Designated by the Board for the Budget Reserve	2,868,760	2,817,236
Designated by the Board for encumbered projects and contracts	31,428	76,187
<b>Net assets without donor restrictions</b>	<b><u>4,235,310</u></b>	<b><u>4,664,103</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,589,183</u></b>	<b><u>4,997,281</u></b>

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

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

Statements of Activities

	Years Ended	
	December 31,	
	<u>2022</u>	<u>2021</u>
<b><u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u></b>		
From operating activities:		
Support:		
Assessments	\$ 2,972,757	1,744,201
Grant income	-	54,844
Total support	<u>2,972,757</u>	<u>1,799,045</u>
Revenue:		
Other income	<u>71,474</u>	<u>519</u>
Total revenue	<u>71,474</u>	<u>519</u>
Total support and revenue	<u>3,044,231</u>	<u>1,799,564</u>
Expenses:		
Program services	<u>3,335,474</u>	<u>2,131,678</u>
Management and general	<u>137,550</u>	<u>158,907</u>
Total expenses	<u>3,473,024</u>	<u>2,290,585</u>
Change in net assets from operating activities and without donor restrictions	(428,793)	(491,021)
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
Beginning of year	<u>4,664,103</u>	<u>5,155,124</u>
End of year	<u>\$ 4,235,310</u>	<u>4,664,103</u>

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

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

Statement of Functional Expenses

Year Ended December 31, 2022

	Marketing	Fishery Development	Quality	Sustainability	Total Program Expense	Management and General	Total Expenses
Projects and contracts	\$ 1,113,513	84,745	125,299	1,171,279	2,494,836	-	2,494,836
Payroll and related	178,229	115,423	46,600	96,903	437,155	37,803	474,958
Professional services	2,816	65,222	-	70,064	138,102	79,392	217,494
Board meeting	10,663	76,241	-	2,547	89,451	84	89,535
Conferences and meetings	36,088	17,198	-	-	53,286	-	53,286
Travel - non board	20,044	22,094	-	-	42,138	-	42,138
Advertising	13,258	26,473	-	-	39,731	-	39,731
Dues and subscriptions	9,268	14,541	-	-	23,809	3,687	27,496
Printing	350	13,211	-	1,296	14,857	1,894	16,751
Occupancy	-	100	-	-	100	6,377	6,477
Insurance	-	-	-	-	-	4,424	4,424
Computer and internet	-	-	-	-	-	2,527	2,527
Postage and mailing	320	1,095	-	-	1,415	366	1,781
Miscellaneous	30	500	-	64	594	631	1,225
Office Supplies	-	-	-	-	-	365	365
Interest	-	-	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 1,384,579</b>	<b>436,843</b>	<b>171,899</b>	<b>1,342,153</b>	<b>3,335,474</b>	<b>137,550</b>	<b>3,473,024</b>

If encumbrance requirements are met, additional projects and contracts expense will be incurred as follows:

Encumbered expenses	\$ -	12,699	-	18,729	31,428	-	31,428
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The accompanying notes are an integral part of these financial statements.

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

Statement of Functional Expenses

Year Ended December 31, 2021

	Marketing	Fishery Development	Quality	Sustainability	Total Program Expense	Management and General	Total Expenses
Projects and contracts	\$ 894,306	72,240	235,391	336,535	1,538,472	-	1,538,472
Payroll and related	179,851	93,951	41,265	70,829	385,896	59,607	445,503
Professional services	-	7,230	-	79,051	86,281	59,643	145,924
Board meeting	3,070	36,411	-	-	39,481	-	39,481
Dues and subscriptions	72	15,904	-	-	15,976	16,194	32,170
Printing	126	21,250	-	-	21,376	8,120	29,496
Advertising	5,115	13,444	-	-	18,559	382	18,941
Conferences and meetings	1,519	11,946	-	-	13,465	50	13,515
Travel - non board	5,351	5,203	-	-	10,554	-	10,554
Occupancy	-	-	-	-	-	6,330	6,330
Insurance	-	-	-	-	-	3,858	3,858
Computer and internet	-	-	-	-	-	2,539	2,539
Postage and mailing	1,324	-	-	-	1,324	660	1,984
Miscellaneous	37	257	-	-	294	463	757
Office Supplies	-	-	-	-	-	719	719
Interest	-	-	-	-	-	342	342
<b>TOTAL EXPENSES</b>	<b>\$ 1,090,771</b>	<b>277,836</b>	<b>276,656</b>	<b>486,415</b>	<b>2,131,678</b>	<b>158,907</b>	<b>2,290,585</b>

If encumbrance requirements are met, additional projects and contracts expense will be incurred as follows:

Encumbered expenses	\$ 40,153	-	7,755	28,279	76,187	-	76,187
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The accompanying notes are an integral part of these financial statements.

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

Statements of Cash Flows

	Years Ended	
	December 31,	
	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (428,793)	(491,021)
Change in operating assets and liabilities that provided (used) cash:		
Prepays	(4,505)	(180)
Accounts payable	6,838	(1,883)
Projects and contracts payable, net	6,515	(53,685)
Accrued payroll liabilities	(639)	51,190
Other liabilities	<u>7,981</u>	<u>(359)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(412,603)	(495,938)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>4,997,101</u>	<u>5,493,039</u>
End of year	<u>\$ 4,584,498</u>	<u>4,997,101</u>

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

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

### Notes to the Financial Statement

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

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

- Promotion of seafood and seafood by-products that are harvested in the region and processed for sale.
- Promotion of improvements to the commercial fishing industry and infrastructure in the seafood development region.
- Establishment of education, research, advertising, or sales promotion programs for seafood products harvested in the region.
- Preparation of market research and product development plans for the promotion of seafood and their by-products that are harvested in the region and processed for sale.
- Cooperation with the Alaska Seafood Marketing Institute and other public or private boards, organizations, or agencies engaged in work or activities similar to the work of the organization, including entering into contracts for joint programs of consumer education, sales promotion, quality control, advertising, and research in the production, processing, or distribution of seafood harvested in the region.
- Cooperation with commercial fishermen, fishermen's organizations, seafood processors, the Alaska Fisheries Development Foundation, the Fisheries Industrial Technology Center, state and federal agencies, and other relevant persons and entities to investigate market reception to new seafood product forms and to develop commodity standards and future markets for seafood products.
- Conduct other related activities as directed by its Board but only if permitted by governing laws and regulations.

#### **Basis of Accounting**

The financial statements of the Association have been prepared on the accrual basis of accounting (generally accepted accounting principles in the United States of America) and, accordingly, reflects all significant receivables, payables, and other liabilities. Net assets are classified on the statement of financial position as net assets with or without donor restrictions based on the absence or existence and type of donor-imposed restrictions.

#### **Basis of Presentation**

The Association reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. Net assets without donor restrictions are those that are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for encumbered projects and contracts and for the Budget Reserve. All net assets are without donor restrictions for use by the Association for the years presented.



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

Notes to the Financial Statement, Continued

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

#### Use of Estimates

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

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and any other highly liquid investments without restrictions and with an initial maturity of three months or less. In determining what money market fund to invest in, the Association puts tremendous weight on safety of principal.

	<u>2022</u>	<u>2021</u>
Cash deposits in Alaskan bank. FDIC insured.	\$ 523,131	932,208
Cash deposits in Vanguard Treasury Money Market, VUSXX, which invests per its prospectus in short-term treasury securities (underlying securities are backed by the full faith and credit of the U.S. government). Not FDIC insured.	1,192,607	1,247,657
Cash deposits for Budget Reserve are held in Vanguard Federal Money Market Fund, VMFXX, which invests per its prospectus in short-term U.S. government securities (underlying securities are backed by the full faith and credit of the U.S. government). Not FDIC insured.	<u>2,868,760</u>	<u>2,817,236</u>
Total cash and cash equivalents	<u>\$ 4,584,498</u>	<u>4,997,101</u>

The Association's Vanguard accounts are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum of \$250,000 for cash claims and \$500,000 total. Vanguard has obtained private insurance from Lloyd's of London Company (Lloyd's) to provide additional protection and security for client accounts. For customers who have reached the full SIPC limits, further protection (with a customer limit of \$1.75 million for cash) is provided by the Lloyd's policy, subject to an aggregate loss limit of \$250 million for all eligible customer claims. Funds other than those held at Vanguard are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2022 and 2021, approximately \$281,000 and \$692,000 of the balances exceeded insured limits, respectively.

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

Notes to the Financial Statement, Continued

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

#### **Budget Reserve**

Pursuant to its bylaws, the Board of Directors (Board) established a budget reserve account. The intent of the Board in establishing this fund is to ensure that the Association has options irrespective of the outcome of any single fishing season. The Board shall establish by resolution the method for setting, attaining, and maintaining the reserve account balance. Reserve funds are to be held in a single account but will be segmented into three categories for internal accounting purposes: Baseline Reserve, Specific Need Reserve, and Investment Reserve. The Baseline Reserve amount is set at \$2,500,000. This amount may be revised by the Board via action at a Board meeting or an email vote. Prior to each fiscal year, the board will identify reserve funds needed for specific future needs. This reserve component is intended to hold back funds for foreseeable organizational needs. Investment Reserve funds are intended to be spent on mission-appropriate activities as they arise and can be drawn upon with approval of the Board. As of December 31, 2022, the total Budget Reserve and earnings are outlined below.

Total Budget Reserve to date	\$ 2,658,860
Interest and dividends earned to date	<u>209,900</u>
Total Budget Reserve and earnings	<u>\$ 2,868,760</u>

#### **Income Taxes**

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

Although the Association is generally exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirement of filing Form 990-T and an income tax liability may be determined on those activities. The Association had no income derived from unrelated business activities for the years ended December 31, 2022 and 2021.

#### **Termination Requirements**

Upon the termination, dissolution or winding up of the Association, the Board of Directors, after paying or making provisions for the payment of all liabilities of the Association, shall distribute all assets of the Association to such organization or organizations engaged in activities substantially similar to those of the Association and at the time qualify as an exempt organization or organizations under Section 501(c)(6) of the Internal Revenue Code (IRC), or shall be distributed to federal, state or local government, for public purposes. Any such assets not so disposed of shall be disposed of by the appropriate U.S. District Court exclusively for such purposes or to such organization or organizations as said Court shall determine, which are organized and operated exclusively for such purposes.

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

Notes to the Financial Statement, Continued

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

#### Support

Contributions are recognized as revenue when received. All contributions are considered to be without restrictions unless specifically restricted by the donor. Contributions made by a granting agency that are conditioned upon the Association incurring certain qualifying expenditures are recognized as revenue as those expenditures are incurred. All restricted support received and released from restrictions within the same year are treated as support without restrictions.

Assessments - In May 2006, Bristol Bay driftnet permit holders voted pursuant to Alaska Statute 43.76.370 to approve a 1% seafood development tax on the ex-vessel price of seafood sold, the "assessment", on their harvests to support BBRSDA. The tax is collected by the State of Alaska and distributed to BBRSDA. The collection and disbursement process, from the salmon season in which the tax is collected until the assessment amount is received by BBRSDA, takes a year to complete. Because the funds are considered part of the State's general fund prior to distribution, BBRSDA does not recognize them as support until the beginning of the State fiscal year in which they will be distributed to BBRSDA. The Association receives substantially all its support from the State of Alaska. Annual funding by the State of Alaska is subject to appropriation by the legislature. A reduction in the annual appropriation by the State of Alaska would have a significant impact on the Association's ability to sustain operations at current levels. According to the Alaska Department of Administration, the pass-through local option tax revenues appropriated from the general fund by the legislature (salmon development tax) is considered financial assistance for purposes of presentation in the schedule of state financial assistance as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. However, the Alaska Department of Commerce, Community, and Economic Development (DCCED) has provided BBRSDA with written guidance on the nature of its revenues. DCCED, in consultation with the Alaska Department of Law, considers the BBRSDA assessment to be "generated tax revenue." The written guidance from DCCED states that the seafood development tax is not considered state financial assistance and therefore not subject to the regulatory prohibitions provided by 3 AAC 149.080.

#### Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. When possible, expenses are directly identified to specific programs and supporting services. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll and related, professional services (accounting, audit and tax fees), board meeting, printing, postage and mailing, computer and internet, occupancy, and travel, which are allocated on the basis of estimates of time and effort.

#### Advertising

Advertising costs are expensed as incurred.

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

Notes to the Financial Statement, Continued

### **NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 4,584,498	4,997,101
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,584,498</u>	<u>4,997,101</u>

As part of its liquidity management plan, the Association invests cash in excess of daily requirements in money market accounts. Although the Board does not intend to spend from money market accounts, these amounts could be made available if necessary.

### **NOTE 3 – ENCUMBERED PROJECTS AND CONTRACTS**

Program projects and contracts authorized but unpaid at year-end are reported as liabilities. At December 31, 2022 and 2021, the projects and contracts authorized and payable within one year totaled \$249,445 and \$242,930, respectively.

The Association has also authorized program projects and contracts that are encumbered based on projects starting, specific performance or required reporting. The encumbered projects and contracts will be considered incurred when the encumbrance requirements are met. All current program projects and contracts are written to be completed within one year. The following is a summary of encumbered projects and contracts as of December 31, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Projects and contracts encumbered upon specific performance	\$ 31,428	28,279
Projects and contracts encumbered upon receipt of required reports detailing performance	-	47,908
Total encumbered projects and contracts	<u>\$ 31,428</u>	<u>76,187</u>

### **NOTE 4 – CONCENTRATIONS**

In addition to revenue concentration, the Association incurred expenses of approximately \$529,000 and \$614,000 to Rising Tide Communications which represents 21% and 27% of total expenses for 2022 and 2021, respectively.

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

Notes to the Financial Statement, Continued

### **NOTE 5 – RETIREMENT PLAN**

Beginning in 2022, the Association is an affiliate employer participating in a 403(b) Thrift Plan administered by The Foraker Group. Employees who have completed six months of service are eligible to contribute to the plan. Employees' contributions to the plan are matched to a maximum of 6% of annual compensation. Matching employer contributions were \$19,040 for the year ended December 31, 2022.

### **NOTE 6 – CONTINGENCIES**

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

### **NOTE 7 – ADOPTION OF NEW ACCOUNTING STANDARDS**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The new lease guidance requires the recognition of a right-of-use asset and a lease liability for operating leases. The Company adopted the requirements of the new lease guidance as of January 1, 2022, utilizing the full retrospective transition method, and elected the following:

- The package of practical expedients, which allowed, among other things, for not reassessing the lease classification or initial direct costs for existing leases.
- The practical expedient allowing hindsight in determining the lease term related to options to extend and in assessing impairment of right-of-use assets.
- The practical expedient allowing all lease and non-lease components to be combined for all leases.
- The accounting policy electing not to record "short term" leases on the balance sheet for all leases.

No adjustments to the financial statements were required.

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

Notes to the Financial Statement, Continued

### **NOTE 8 – RISKS AND UNCERTANTIES**

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. The pandemic adversely affected workforces, economies, and financial markets globally, including within the fishing industry and the Bristol Bay Region of Alaska. The Association has taken measures to provide personal protective equipment and services following social distancing, CDC guidelines, and state and local mandates. The Association has received additional grant and relief funding and continues to maintain adequate liquidity.

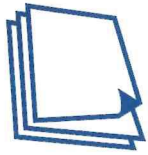
The pandemic remains a rapidly evolving situation. The Association cannot reasonably estimate the length or severity of this pandemic. The extent of the impact of COVID-19 on the Association’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak, impact on the fishing industry, customers, resource providers, employees, vendors, and financial markets all of which are uncertain and cannot be predicted or reasonably estimated. However, the pandemic has dramatically increased risk and uncertainty within global wild salmon markets resulting in higher operating costs for operators throughout the supply chain.

BBRSDA assessment revenues are derived from the ex-vessel value of Bristol Bay salmon, principally sockeye salmon. The BBRSDA assessment is typically paid out in July or August and reflects the value of salmon caught in the previous calendar year. The fishery’s ex-vessel price and harvest volume is affected by a myriad of factors each year, some of which affect the global economy and others which are more specific to the Bristol Bay region of Alaska or the sockeye salmon market. Therefore, future annual revenues may vary widely on a percentage basis. BBRSDA current policy is to keep a “baseline reserve” of \$2.5 million to weather the volatile wild salmon market.

Since 2022 was a record harvest year with a price above \$1.30/lb., BBRSDA’s revenues will increase substantially in fiscal year 2023. Ex-vessel prices for Bristol Bay sockeye salmon declined sharply in 2023 and harvest volume returned to a more average level compared to years 2016 - 2021. Thus, BBRSDA’s revenues will likely decline substantially in fiscal year 2024, barring any substantial increase in ex-vessel price or supplemental funding.

### **NOTE 9 – SUBSEQUENT EVENTS**

The Association has evaluated subsequent events through September 26, 2023, the date which the financial statements were available to be issued. No events were identified that required adjustment or disclosure in the financial statements, except as already disclosed.



## Independent Auditor's Report

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Bristol Bay Regional Seafood Development Association, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bristol Bay Regional Seafood Development Association, Inc. as of December 31, 2022 and 2021, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bristol Bay Regional Seafood Development Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bristol Bay Regional Seafood Development Association, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bristol Bay Regional Seafood Development Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bristol Bay Regional Seafood Development Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information – State Single Audit (Schedule of State Financial Assistance)***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of state financial assistance, as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 26, 2023 on our consideration of Bristol Bay Regional Seafood Development Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bristol Bay Regional Seafood Development Association, Inc.'s internal control over financial reporting and compliance.



September 26, 2023

STATE SINGLE AUDIT

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

Schedule of State Financial Assistance

Year Ended December 31, 2022

(See Independent Auditor's Report)

<u>State Agency / Program Title</u>	<u>Award Number</u>	<u>Award (Assessment) Amount</u>	<u>Amount Received</u>	<u>** State Expenditures</u>
Department of Commerce, Community and Economic Development:				
Pass through local option tax revenues appropriated from the general fund by the legislature:				
Salmon Development Tax	* N/A	\$ 2,972,757	2,972,757	3,401,550
Total State Financial Assistance:		<u>\$ 2,972,757</u>	<u>2,972,757</u>	<u>3,401,550</u>

\* Major program

\*\* Represents substantially all BBRSDA expenditures during current year

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

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

Notes to Schedule of State Financial Assistance

Year Ended December 31, 2022

### **Basis of Presentation**

The accompanying schedule of state financial assistance (Schedule) includes the state award activity of Bristol Bay Regional Seafood Development Association, Inc. (BBRSDA) under programs of the State of Alaska for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of BBRSDA, it is not intended to and does not present the financial position, changes in net assets or cash flows of BBRSDA.

### **Basis of Accounting**

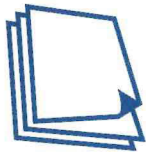
Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in BBRSDA's financial statements.

### **Nature of Revenues**

In May 2006, Bristol Bay driftnet permit holders voted pursuant to Alaska Statute 43.76.370 to approve a 1% seafood development tax on the ex-vessel price of seafood sold, the "assessment", on their harvests to support BBRSDA. The tax is collected by the State and distributed to BBRSDA. The collection and disbursement process, from the salmon season in which the tax is collected until the assessment amount is received by BBRSDA, takes a year to complete. Because the funds are considered part of the State's general fund prior to distribution, BBRSDA does not recognize them as support until the beginning of the State fiscal year in which they will be distributed to BBRSDA. The Association receives substantially all its support from the State of Alaska. Annual funding by the State of Alaska is subject to appropriation by the legislature. A reduction in the annual appropriation by the State of Alaska would have a significant impact on the Association's ability to sustain operations at current levels. According to the Alaska Department of Administration, the pass-through local option tax revenues appropriated from the general fund by the legislature (salmon development tax) is considered financial assistance for purposes of presentation in the schedule of state financial assistance as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. However, the Alaska Department of Commerce, Community, and Economic Development (DCCED) has provided BBRSDA with written guidance on the nature of its revenues. DCCED, in consultation with the Alaska Department of Law, considers the BBRSDA assessment to be "generated tax revenue." The written guidance from DCCED states that the seafood development tax is not considered state financial assistance and therefore not subject to the regulatory prohibitions provided by 3 AAC 149.080.

### **Other**

Current year state expenditures by BBRSDA in excess of current year award (assessment) amount relate to award (assessment) amounts received in prior years.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bristol Bay Regional Seafood Development Association, Inc., which comprise the statement of financial position as of December 31, 2022, 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 26, 2023.

***Report on Internal Control over Financial Reporting***

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

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

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 over financial reporting 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 or significant deficiencies may exist that have not been identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Bristol Bay Regional Seafood Development Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

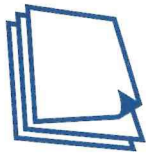
***Purpose of this Report***

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

*Thomas, Head, & Greisen, PC*

September 26, 2023





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

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

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

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

We have audited Bristol Bay Regional Seafood Development Association, Inc.'s compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of Bristol Bay Regional Seafood Development Association, Inc.'s major state programs for the year ended December 31, 2022. Bristol Bay Regional Seafood Development Association, Inc.'s major state programs are identified in the accompanying schedule of state financial assistance.

In our opinion, Bristol Bay Regional Seafood Development Association, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2022.

***Basis for Opinion on Each Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements in the *State of Alaska Audit Guide*. Our responsibilities under those standards and the *State of Alaska Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Bristol Bay Regional Seafood Development Association, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provided a legal determination of Bristol Bay Regional Seafood Development Association, Inc.'s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statues, regulations, rules and provisions of contracts and grant agreements applicable to its state programs.



### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Bristol Bay Regional Seafood Development Association, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and *State of Alaska Audit Guide* requirements will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Bristol Bay Regional Seafood Development Association, Inc.'s compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *State of Alaska Audit Guide*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Bristol Bay Regional Seafood Development Association, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Bristol Bay Regional Seafood Development Association, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report internal control over compliance in accordance with the State of Alaska requirements, but not for the purpose of expressing an opinion on the effectiveness of Bristol Bay Regional Seafood Development Association, Inc.'s control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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.



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

Page 3 of 3

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 in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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. Accordingly, this report is not suitable for any other purpose.

*Thomas, Head & Greisen, PC*

September 26, 2023

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

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2022

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

**Financial Statements**

Type of auditor’s report issued:

**Unmodified**

Internal control over financial reporting:

Significant deficiency(ies) identified?  Yes

None Reported

Material weakness(es) identified?  Yes

No

Noncompliance material to financial statements?  Yes

No

**State Financial Assistance**

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

**Unmodified**

Internal control over major programs:

Significant deficiency(ies) identified?  Yes

None Reported

Material weakness(es) identified?  Yes

No

Dollar threshold used to distinguish a state major program:

**\$750,000**

Auditee qualified as a low-risk auditee?  Yes

No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

The Bristol Bay Regional Seafood Development Association, Inc. did not have any findings that relate to the financial statements.

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

There are no reportable matters.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

There are no reportable matters.