

HOOD CANAL COORDINATING COUNCIL

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

June 30, 2017

HOOD CANAL COORDINATING COUNCIL
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hood Canal Coordinating Council
Poulsbo, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Hood Canal Coordinating Council (a Washington nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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. 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 Hood Canal Coordinating Council as of June 30, 2017, 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 Coordinating Council's fiscal year 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hearthstone CPA Group

Bremerton, WA
February 28, 2018

HOOD CANAL COORDINATING COUNCIL
STATEMENT OF FINANCIAL POSITION
June 30, 2017
with comparative totals for June 30, 2016

ASSETS

	2017	2016
Current assets		
Cash	\$ 165,346	\$ 159,330
Grants receivable	265,377	219,684
Other receivable	7,783	3,614
Prepaid expenses	14,777	12,915
Total current assets	453,283	395,543
Furniture and equipment		
Furniture and equipment	52,671	63,502
Less accumulated depreciation	(31,718)	(36,318)
Total furniture & equipment, net	20,953	27,184
Other assets		
Cash - in-lieu fee mitigation program	6,013,274	6,327,978
Total assets	\$ 6,487,510	\$ 6,750,705

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 70,786	\$ 42,099
Payroll liability	20,183	22,637
Payroll tax payable	10,295	10,681
Deferred revenue - dues & grants	77,066	37,066
Miscellaneous accrued liabilities	1,062	1,532
Employer retirement contribution payable	19,693	19,530
Annual leave payable	29,995	25,652
Total current liabilities	229,080	159,197
Non-current liabilities		
Deferred revenue - ILF mitigation program	5,994,636	6,314,353
Total liabilities	6,223,716	6,473,550
Net assets		
Unrestricted	263,794	277,155
Total net assets	263,794	277,155
Total liabilities and net assets	\$ 6,487,510	\$ 6,750,705

The accompanying notes are an integral
part of these financial statements

HOOD CANAL COORDINATING COUNCIL
STATEMENT OF ACTIVITIES
For the year ended June 30, 2017
with comparative totals for the year ended June 30, 2016

	2017	2016
<u>Unrestricted</u>		
Support and Revenue		
Dues	\$ 12,500	\$ 12,500
Grants - Federal	740,000	812,908
Grants - State	429,711	63,635
Grants - Private		100
Interest income - ILF	1,086	627
In-lieu fee mitigation contracts	347,690	261,734
	1,530,987	1,151,504
Expenses		
Program	1,311,333	950,693
Management and general	233,015	217,183
	1,544,348	1,167,876
Change in net assets	(13,361)	(16,372)
Net assets at beginning of year	277,155	293,527
Net assets at end of year	\$ 263,794	\$ 277,155

The accompanying notes are an integral
part of these financial statements

HOOD CANAL COORDINATING COUNCIL
STATEMENT OF CASH FLOWS
For the year ended June 30, 2017
with comparative totals for the year ended June 30, 2016

	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (13,361)	\$ (16,372)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,231	7,385
(Increase) decrease in:		
Grants receivable	(45,694)	156,973
Other receivable	(4,169)	15,136
Prepaid expenses	(1,862)	(8,808)
Other assets	314,705	276,508
Increase (decrease) in:		
Accounts payable	28,687	(78,792)
Miscellaneous accrued liabilities	(470)	1,532
Payroll taxes payable	(386)	(887)
Payroll accrual	(2,454)	(2,926)
Deferred revenues	(279,717)	(255,483)
Employer retirement contribution payable	163	(2,105)
Annual leave liability	4,343	5,718
Net cash provided by operating activities	6,016	97,878
Net increase in cash	6,016	97,878
Cash - beginning of year	159,330	61,452
Cash - end of year	\$ 165,346	\$ 159,330

Supplemental information:

Disposal of fixed assets	10,831
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The accompanying notes are an integral
part of these financial statements

HOOD CANAL COORDINATING COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2017
with comparative totals for the year ended June 30, 2016

	<u>Program</u>	<u>Management and General</u>	<u>2017</u>	<u>2016</u>
Salaries & benefits - officer (retirement plan of \$9,376 included)	\$ 58,200	\$ 58,200	\$ 116,400	\$ 114,369
Salaries and wages - other employees	215,644	91,300	306,944	304,472
Employer retirement contribution	21,657	8,603	30,260	29,875
Employee medical benefits	18,226	16,399	34,625	33,049
Payroll taxes	25,154	11,055	36,209	36,125
Sub-total	<u>338,881</u>	<u>185,557</u>	<u>524,438</u>	<u>517,890</u>
Depreciation	3,904	2,327	6,231	7,385
Dues and subscription	222	224	446	391
Insurance - general liability and property	2,343	176	2,519	570
Insurance- vehicles	3,511	648	4,159	6,715
Other insurance	45	225	270	1,957
Office supplies	6,223	1,021	7,244	12,605
Phone/fax/internet	7,179	5,162	12,341	12,587
Printing & copying				43
Fees for services - legal	19,993	4,386	24,379	39,040
Fees for services - accounting and bookkeeping	19,245	5,959	25,204	17,437
Fees for services - subcontracts & other professional fees	583,469	1,174	584,643	361,804
Information technology	3,228	2,036	5,264	7,136
Janitorial	960	701	1,661	1,625
Rent, parking, utilities, and other occupancy	23,583	15,152	38,735	38,248
Equipment rental and maintenance	5,062	5,009	10,071	9,838
Staff development	670	1,249	1,919	2,068
Conferences, conventions, meetings	12,949		12,949	9,718
Travel	4,770	1,955	6,725	10,038
Other expenses	77		77	516
Taxes - other	281	54	335	159
Capital expenditures - ILF	274,738		274,738	110,106
	<u>\$ 1,311,333</u>	<u>\$ 233,015</u>	<u>\$ 1,544,348</u>	<u>\$ 1,167,876</u>

The accompanying notes are an integral
part of these financial statements

HOOD CANAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – DESCRIPTION OF ORGANIZATION

Hood Canal Coordinating Council (the "Council") is located in Poulsbo, Washington. The Council was established in 1985 under an interlocal agreement between Jefferson, Kitsap, and Mason Counties and Port Gamble S'Klallam and Skokomish Tribes. The Council was formed in response to concerns about water quality problems and related natural resource issues in the Hood Canal watershed. The Council's primary activity is to assure the existence of wild salmon in Hood Canal for the next 150 years.

On November 21, 2000, the Council became a Washington non-profit corporation. Prior to its establishment as a corporation, Kitsap County processed the Council's financial activities. The initial funding of the Council as a non-profit corporation was the transfer of the net assets held by the County. This amount totaled \$18,543 and was recorded as a contribution for the year ended December 31, 2001. Income of the Council is derived primarily from federal, state, ILF mitigation programs, private grants funding specified projects, and the Council's members' dues.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Federal Income Taxes: On July 3, 2002, the Council received notice from the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code retroactive to November 21, 2000. In addition, the Council has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Council has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Council believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Council's financial condition, results of operations or cash flows. Accordingly, the Council has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax at June 30, 2017.

The Organization is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2014.

Revenues and Expenses Recognition: Revenues and expenses are recorded on the accrual basis of accounting.

Property and Equipment: Property and equipment are recorded at cost if purchased or at fair market value if donated. The Council follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$5,000.

Depreciation: Depreciation is provided on a straight-line method over the estimated useful lives of the assets, three to seven years.

Cash Equivalents: For purposes of the statement of cash flows, the Council considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

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

Concentration of Credit Risk: The Organization keeps its excess cash in various checking accounts at a financial institution. At times, such amount may be in excess of the FDIC insurance amounts. The Organization believes it is not exposed to significant credit risk on cash and cash equivalents. Cash in excess of FDIC insured limit was \$1,719,529 at June 30, 2017. Refer to Note 12 regarding ILF Mitigation funds.

HOOD CANAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, the Organization purchased certificates of deposits through Kitsap Bank, agent and custodian. Such deposits have been placed through CDARS (Certificate of Deposit Account Registry Service) with 18 FDIC-insured depository institutions, each below \$250,000, except one account that went over the FDIC limit by approximately \$31,800. These funds were from the ILF Mitigation programs. The deposits renew every four weeks.

Grants Receivable: Receivables are stated at the amount management expects to collect from outstanding balances. Management believes that receivables are fully collectible; therefore no allowance for uncollectible accounts is required at June 30, 2017 and 2016.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Programs consist of salmon recovery planning, habitat project development, water quality, and in lieu-fee mitigation. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs allocation of major expenses were based on time and effort while occupancy was allocated based on square footage.

Temporarily Restricted Revenue: Revenues that are restricted by the payers are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the receipts are recognized. All other restricted receipts 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. All revenues earned during the year ended June 30, 2017 and 2016 were unrestricted.

Comparative Financial Statements: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Advertising Costs: Advertising costs are expensed when incurred.

NOTE 3 – LEASES

The Council's lease contracts with Heartland Toyota for two vehicles were renewed for two years expiring in March 2018. The leases are operating leases at a total of \$593 a month. Total lease payments for the year ended June 30, 2017 and 2016 were \$7,116 & \$6,657, respectively. Scheduled payments for the fiscal year 2018 (July 2017 through March 2018) is \$5,041.

The Council's lease contract for a copier was renewed for three years with an expiration date of September 2019. The lease is an operating lease. Total lease payments for the year ended June 30, 2017 & 2016 were \$1,788 each. Scheduled payments from year 2017 through 2019 are \$1,788 each year.

The Council leases three units of office space from Liberty Bay Marina. The leases will expire in June 2018. Total payments for the years ended June 30, 2017 and 2016 were \$36,400 and \$36,148, respectively. Scheduled payments for the fiscal year ending June 30, 2018 are \$36,420.

NOTE 4 – DUES

Dues are paid by counties and tribes surrounding the Hood Canal that wish to participate in the activities and Board of Directors of the Council. Dues during the year ended June 30, 2017 for the calendar year ended December 31, 2017 consisted of the following:

**HOOD CANAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 4 – DUES (CONTINUED)

Kitsap County	\$ 2,500
Jefferson County	2,500
Mason County	2,500
Skokomish Tribe	2,500
Port Gamble S'Klallam Tribe	<u>2,500</u>
	<u>\$ 12,500</u>

Dues for the year ended June 30, 2016 for the calendar year ended December 31, 2016 were the same.

NOTE 5 – GRANTS AND CONTRACTS

Grants and contracts are received by the organization to further their mission. Grant and contract revenues and receivables are recorded to the extent of costs incurred and billable as most grants and contracts are cost reimbursable. For the year ended June 30, 2017 grants and contracts revenue included the following:

WA State Dept. of Fish & Wildlife	\$ 3
WA State Dept. of Health- PIC Program	240,443
Puget Sound Partnership – SIAT	2,147
Puget Sound Partnership - LIO Year 4 - 6	155,304
WA State Recreation and Conservation Office	<u>771,813</u>
	<u>\$ 1,169,710</u>

For the year ended June 30, 2016 grants and contracts revenue included the following:

Laird Norton Foundation	\$ 100
WA State Dept. of Health- PIC Program	238,449
WA State Dept. of Ecology - ILF- IWMP	19,543
Puget Sound Partnership – LIO Year 3 - 5	133,733
WA State Recreation and Conservation Office	<u>484,818</u>
	<u>\$ 876,643</u>

NOTE 6 – RETIREMENT PLAN

As part of employee benefits, Hood Canal Coordinating Council established a 401(k) cash or deferred plan in 2003. All employees, who were employees as of January 1, 2003, became eligible to participate in the plan. Future employees will become eligible upon reaching age 21 and after completing 1 hour of service. At June 30, 2017 and 2016, there were seven employees that were eligible to participate. The vested interest in all employee accounts is 100% at all times. For the years ended June 30, 2017 and 2016 the employer's discretionary contribution was \$39,636 and \$39,125, respectively, 10% of the participants' salaries.

NOTE 7 – CONCENTRATION

The Council receives a substantial amount of its revenues in the form of grants and contracts. At June 30, 2017 and 2016, approximately 50.4% and 42.1%, respectively, of the Organization's revenues were provided

**HOOD CANAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7 – CONCENTRATION (CONTINUED)

by the State of Washington Recreation and Conservation Office (RCO). RCO owed the Council \$225,191 and \$129,970 at June 30, 2017 and 2016, respectively.

NOTE 8 – DEFERRED REVENUE AND CASH ADVANCES

Deferred revenue and cash advances consisted of the following:

	<u>2017</u>	<u>2016</u>
Laird Norton Foundation	\$ 70,816	\$ 30,916
Member dues	6,250	6,250
ILF Mitigation Programs	<u>5,994,636</u>	<u>6,314,354</u>
Total	<u>\$ 6,071,702</u>	<u>\$ 6,351,420</u>

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure through February 28, 2018, the date of the audit report.

NOTE 10 – IN-LIEU FEE MITIGATION PROGRAM

In June 2012, the United States Army Corps of Engineers, Washington State Department of Ecology, and HCCC signed an agreement regarding the operation of the Hood Canal Coordinating Council ILF (In Lieu Fee) Program. This agreement authorizes HCCC to sell mitigation credits for impacts to marine and freshwater habitats and aquatic resources. HCCC issues a Statement of Sale for each credit sale, which transfers mitigation responsibility to HCCC. Upon acceptance of the fees, HCCC agrees to implement mitigation actions and assume all associated obligations and liabilities according to the terms of the June 2012 Program Instrument.

In October 2012, the US Navy purchased advance credits from the HCCC ILF Program for the EHW2 project totaling \$6,897,350. Total credit fees of \$328,399 were allotted for the WRIA 15 Service Area for freshwater wetland impacts and total credit fees of \$6,568,951 were allotted for Marine/Near-Shore Service Area. These mitigation funds were deposited into HCCC's ten separate ILF Program accounts as required by the Program Instrument. The Statement of Sale, which was signed by the Navy and HCCC in October 2012, transfers mitigation responsibility to HCCC.

In May 2014, the Washington State Department of Transportation purchased advance mitigation credits from HCCC's ILF Program for the BAWSI project totaling \$204,755 which was allotted for the WRIA 15 Service Area for freshwater wetlands impacts. These mitigation funds were deposited into HCCC's WRIA 15 Service Area five separate ILF Program accounts as required by the Program Instrument.

In November 2014 and December 2016, two private individuals purchased advance mitigation credits from HCCC's ILF Program for \$60,500 and \$27,982 for Marine/Near-Shore Service Area. All funds were deposited to the Marine/Near-Shore's five separate bank accounts.

**HOOD CANAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 10 – IN-LIEU FEE MITIGATION PROGRAM (CONTINUED)

The WRIA 15 Wetland mitigation advanced credits sold to WSDOT have been fully fulfilled with the purchase and restoration of the Irene Pond Mitigation site. This mitigation project has already generated enough credits to fully fulfill the WSDOT and Navy’s EHW2 advanced credit sales; and additional credits will be released from this site as restoration milestones are met over the next five years. The WRIA 15 Service Area currently has credits available to sell in excess of the advanced credits. Credits from the Myrvang Wetland mitigation site, acquired for the EHW2 credit sale, have not been released to the ILF Program as the COE has not approved the site mitigation plan that was submitted to them in May of 2017. Released credits from this mitigation project will increase the available credits for sale in excess of the advanced credits.

No mitigation credits have been released within the Marine/Nearshore Service Area to date; but the initial mitigation obligation for the EHW2 credit sale has been met with the purchase of the Little Anderson Bluff property.

Cash accounts in the ILF mitigation program at June 30, 2017 comprised of the following:

WRIA (Water Resource Inventory Area) 15:	
WRIA 15 - Long Term	\$ 41,526
WRIA 15 - Program Administration	36,621
WRIA 15 - Land Fee	-0-
WRIA 15 - Contingency	76,097
WRIA 15 – Mitigation Projects	<u>94,434</u>
Subtotal	<u>\$ 248,678</u>
Marine/Nearshore:	
Hood Canal Marine Long Term	\$ 497,774
Hood Canal Marine Program Administration	163,453
Hood Canal Marine Land Fee	445,954
Hood Canal Marine Contingency	911,467
Hood Canal Marine Mitigation Projects	<u>3,745,948</u>
Subtotal	<u>\$ 5,764,595</u>
Total	<u>\$ 6,013,274</u>

Cash accounts in the ILF mitigation program at June 30, 2016 comprised of the following:

WRIA (Water Resource Inventory Area) 15:	
WRIA 15 - Long Term	\$ 41,526
WRIA 15 - Program Administration	36,621
WRIA 15 – Land Fee	9,199
WRIA 15 - Contingency	76,097
WRIA 15 – Mitigation Projects	<u>94,511</u>
Subtotal	<u>\$ 257,954</u>

**HOOD CANAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 10 – IN-LIEU FEE MITIGATION PROGRAM (CONTINUED)

Marine/Nearshore:

Hood Canal Marine Long Term	\$ 495,404
Hood Canal Marine Program Administration	213,914
Hood Canal Marine Land Fee	440,816
Hood Canal Marine Contingency	907,568
Hood Canal Marine Mitigation Projects	<u>4,012,322</u>
Subtotal	<u>\$ 6,070,024</u>
 Total	 <u>\$ 6,327,978</u>

Revenue and expenses at June 30, 2017 totaled \$348,776 (\$1,086 of interest income included) and \$351,594, respectively. Revenue and expenses at June 30, 2016 totaled \$262,261 (\$627 of interest income included) and \$265,538, respectively.

NOTE 11 – CHANGE IN FUTURE FINANCIAL STATEMENTS PRESENTATION

The Organization was created through an interlocal agreement between counties and tribes; therefore, the Washington State Auditor's office is requiring the Council to comply with the RCW (Revised Code of Washington). This means that the organization would have to change their financial statements presentation to reflect governmental GAAP (generally accepted accounting principles).

NOTE 12 – AUTHORIZED DEPOSITORIES

In accordance with the Washington State Auditor's office recommendation, under RCW Chapter 39.58, the organization is required to deposit funds that are legally theirs with authorized depositories. As of June 30, 2017 the organization has maintained all of their bank accounts with Kitsap Bank. Furthermore, the Council maintains a CDARS account (Certificate of Deposit Account Registry Service) for \$4,251,485 of the ILF Mitigation funds. Such funds placed through CDARS are deposited only in FDIC insured banks. This allows the organization to obtain competitive rates and become eligible for the \$250,000 FDIC insurance maximum coverage.

NOTE 13 – NEW ACCOUNTING STANDARDS AND DEVELOPMENT

On August 18, 2016, the FASB released ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, with the goal of improving not-for-profit entity (NFP) financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. The ASU significantly changes how NFPs present net assets on the face of the financial statements, as well as requires additional disclosures for expenses by nature and function and for the liquidity and availability of resources. The new guidance will be effective for annual financial statements for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. It should be applied on a retrospective basis. The Organization did not adopt this ASU in fiscal year 2017.

ASU 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash - It provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows, thereby reducing the diversity in practice. It is effective for fiscal years beginning after December 15, 2018 for nonpublic and other entities; early adoption is permitted. It should be applied on a retrospective basis. The Organization did not adopt this ASU in fiscal year 2017.

**HOOD CANAL COORDINATING COUNCIL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – AUDITOR COMMENTS
Year Ended June 30, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-01 Financial Reporting - Corrective action was taken where the De Minimis rate of 10% was adopted and implemented. The Hood Canal Coordinating Council continued to apply 35% in the calculation of fringe benefits for billings to the pass through agency; however, the pass through agency approved the grant agreement and continued to pay the Council's requests for reimbursement. The Council agreed to the fringe benefits rate and continued to execute their grant responsibilities in accordance with the approved grant contract. Therefore, we consider this item as being resolved.

2015-02 Financial Reporting – Corrective action was taken where the organization started submitting quarterly progress reports to the pass through agency shortly after the FYE June 30, 2016 audit was completed.

2015-03 Financial Reporting – Corrective actions were taken shortly after the FYE June 30, 2016 audit was completed where the organization started providing the CFDA number to sub-recipients and obtaining audited financial statements for their review.