

HPETERSEN

cpas and advisors | pllc

South Central Washington Resource Conservation and Development Council

Financial Statement and
Independent Auditors' Reports
December 31, 2016



South Central Washington Resource Conservation and Development Council

Table of Contents

	<u>Page</u>
<i>INDEPENDENT AUDITORS' REPORT</i>	1
<i>FINANCIAL STATEMENTS:</i>	
<i>Statement of Assets, Liabilities and Net Assets</i>	3
<i>Statement of Support, Revenue and Expenses</i>	4
<i>Statement of Cash Flows</i>	5
<i>Notes to Financial Statements</i>	6
<i>SINGLE AUDIT SECTION:</i>	
<i>AUDITORS' SECTION:</i>	
<i>Independent auditors' 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</i>	8
<i>Independent auditors' report on compliance for each major program and on internal control over compliance required by the Uniform Guidance</i>	10
<i>Schedule of Findings and Questioned Costs</i>	12
<i>AUDITEE'S SECTION:</i>	
<i>Schedule of Expenditures of Federal Awards</i>	14
<i>Corrective Action Plan</i>	15
<i>Summary Schedule of Prior Audit Findings</i>	16



INDEPENDENT AUDITORS' REPORT

MATHEW D. PETERSEN

ABBY M. SANDERS

RYAN D. SMITH



3702 KERN ROAD

YAKIMA, WA 98902

509 575 1040 P

509 457 2145 F

Council Officers
South Central Washington Resource
Conservation and Development Council
Yakima, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of South Central Washington Resource Conservation and Development Council (South Central Washington RC&D) (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets as of December 31, 2016, and the related statements of support, revenue and 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.

Auditors' 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 auditors' 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 South Central Washington RC&D as of December 31, 2016, 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.

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* (CFR) 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 July 18, 2017 on our consideration of South Central Washington RC&D'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 South Central Washington RC&D's internal control over financial reporting and compliance.

Petersen CPAs + Advisors, PLLC

July 18, 2017

**South Central Washington Resource Conservation
and Development Council**
Statement of Assets, Liabilities and Net Assets
December 31, 2016

Assets

Current Assets:

Cash and cash equivalents	\$ 88,264
Grants receivable	180,666
Total current assets	<u>268,930</u>

Capital Assets:

Furniture and fixtures	8,326
Accumulated depreciation	(8,270)
Total capital assets	<u>56</u>
	<u>\$ 268,986</u>

Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 99,838
Accrued payroll and related taxes	6,633
Total current liabilities	<u>106,471</u>

Net Assets:

Unrestricted, undesignated	<u>162,515</u>
	<u>\$ 268,986</u>

**South Central Washington Resource Conservation
and Development Council**
Statement of Support, Revenue and Expenses
Year Ended December 31, 2016

Revenue, Gains and Support:

Federal grants and contracts	\$ 1,246,578
Interest income	464
Dues	800
Total revenue, gains and support	1,247,842

Expenses:

<i>Program service expenses:</i>	
Salaries and wages	149,788
Payroll tax	17,601
Miscellaneous	18,063
Contracted services	897,797
Supplies	4,059
Office expense	1,845
Advertising	9,923
Professional fees	8,314
Telephone and internet services	5,527
Travel and training	10,106
	1,123,023

Management and general expenses:

Salaries and wages	33,752
Fringe benefits	6,800
Payroll tax	4,589
Miscellaneous	300
Rent	6,000
Supplies	833
Depreciation	290
Dues and subscriptions	748
Insurance	1,500
Office expense	151
Advertising	135
Professional fees	2,075
Telephone and internet services	958
Travel and training	636
	58,767
Total expenses	1,181,790

<i>Change in Unrestricted Net Assets</i>	66,052
<i>Unrestricted Net Assets, Beginning of Year</i>	96,463
<i>Unrestricted Net Assets, End of Year</i>	\$ 162,515

See accompanying notes to financial statements.

**South Central Washington Resource Conservation
and Development Council
Statement of Cash Flows
Year Ended December 31, 2016**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash received from public support and revenue	\$ 1,237,023
Cash paid to suppliers and employees	(1,254,873)
Net cash used by operating activities	<u>(17,850)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(17,850)
<i>Cash and Cash Equivalents, Beginning of Year</i>	<u>106,114</u>
<i>Cash and Cash Equivalents, End of year</i>	<u><u>\$ 88,264</u></u>

Reconciliation of Change in Net Assets to Net Cash

Used by Operating Activities:

Change in net assets	<u>\$ 66,052</u>
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	290
Increase (decrease) in operating assets:	
Grants receivable	(10,819)
Increase (decrease) in operating liabilities:	
Accounts payable	(75,754)
Payroll and related liabilities	2,381
Total adjustments	<u>(83,902)</u>
Net cash used by operating activities	<u><u>\$ (17,850)</u></u>

**South Central Washington Resource Conservation
and Development Council
Notes to Financial Statements
December 31, 2016**

Note 1 — Organization:

South Central Washington Resource Conservation and Development Council (SCWRC&D) is a nonprofit organization incorporated in the state of Washington that provides leadership on issues of regional significance by facilitating the planning, coordination, and implementation of initiatives which promote a sustainable rural lifestyle for current and future generations.

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. SCWRC&D has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions.

Note 2 – Summary of Significant Accounting Policies:

Method of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

Financial statement presentation – The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

Unrestricted net assets – Those net assets which are currently available for use in the Organization’s activities.

Temporarily restricted net assets – Those net assets which are restricted by donors for specific purposes or time periods. There were no temporarily restricted net assets at December 31, 2016.

Permanently restricted net assets – Those net assets which are subject to donor-imposed stipulations that require their permanent maintenance by the Organization. There were no permanently restricted net assets at December 31, 2016.

Contributions – All contributions are considered available for utilization in the general programs of SCWRC&D unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of support, revenue, and expenses as net assets released from restrictions.

SCWRC&D also utilizes volunteer and donated services in many of its activities, the value of which is not reflected in the financial statements.

Property and equipment – It is the Organization’s policy to capitalize property and equipment over \$500. Purchased property and equipment is capitalized and depreciated on a straight-line basis over estimated useful lives of 5 to 10 years. Major expenditures for property and those which substantially increase useful lives over certain thresholds are capitalized. Routine maintenance is expensed as incurred. Depreciation expense was \$290 for the year ended December 31, 2016.

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 at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**South Central Washington Resource Conservation
and Development Council**
Notes to Financial Statements
December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued):

Cost allocation method – Indirect costs have been allocated to programs based on the purpose of the payment and the actual costs incurred.

Subsequent events – Subsequent events were evaluated through July 18, 2017, which is the date the financial statements were available to be issued.

Note 3 – Commitments and Contingencies:

Grant and contract expenditures are subject to the approval of various granting and contracting agencies. To be eligible for reimbursement of expenditures made under federal, state, and locally funded programs, SCWRC&D must comply with regulations established by the granting or contracting agency. Agency determination of a failure to comply with such regulations may result in disallowed costs and a liability for reimbursements received.

Note 4 – Concentrations of Risk:

SCWRC&D maintains cash balances on deposit in banks which are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2016, SCWRC&D had no cash in banks which exceeded the insured amount.

SINGLE AUDIT SECTION

AUDITORS' SECTION



*INDEPENDENT AUDITORS' 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*

Council Officers
South Central Washington Resource
Conservation and Development Council
Yakima, Washington

We have audited, in accordance with the 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 South Central Washington Resource Conservation and Development Council (South Central Washington RC&D), which comprise the statement of assets, liabilities and net assets as of December 31, 2016, and the related statements of support, revenue and expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 18, 2017

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Central Washington RC&D'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 South Central Washington RC&D's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Central Washington RC&D'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 South Central Washington RC&D'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.

Petersen CPAs + Advisors, PLLC

July 18, 2017



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

Council Officers
South Central Washington Resource
Conservation and Development Council
Yakima, Washington

Report on Compliance for the Major Federal Program

We have audited South Central Washington Resource Conservation and Development Council (South Central Washington RC&D)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on South Central Washington RC&D's major federal program for the year ended December 31, 2016. South Central Washington RC&D's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for South Central Washington RC&D's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 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 South Central Washington RC&D'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 of the major federal program. However, our audit does not provide a legal determination of South Central Washington RC&D's compliance.

Opinion on Each Major Federal Program

In our opinion, South Central Washington RC&D complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of South Central Washington RC&D 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 South Central Washington RC&D's internal control over compliance with the types of requirements that could have a direct and material effect of the 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 South Central Washington RC&D'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.

Petersen CPAs + Advisors, PLLC

July 18, 2017

**South Central Washington Resource Conservation
and Development Council
Schedule of Findings and Questioned Costs
Year Ended December 31, 2016**

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 X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

_____ yes X none reported

Noncompliance material to financial statements noted

_____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

_____ yes X none reported

Type of auditors' report issued on compliance for major program

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance?

_____ yes X no

Identification of major programs:

CFDA
Number(s)
81.xxx

Name of Federal Program or Cluster
Yakima Tributary Access and Habitat Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

**South Central Washington Resource Conservation
and Development Council**
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2016

Section II – Financial Statement Findings

No matters were reported

Section III – Federal Award Findings and Questioned Costs

No matters were reported

AUDITEE'S SECTION

**South Central Washington Resource Conservation
and Development Council
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016**

Federal Grantor/ Program Title	CFDA	Contract Number	Disbursements/ Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through The Watershed Research and Training Center:</i>			
Cooperate Forestry Assistance	10.664	n/a	\$ 38,530
<i>Passed through The Nature Conservancy:</i>			
Cooperate Forestry Assistance	10.664	WAC-150217-038	3,182
Total United States Department of Agriculture			<u>41,712</u>
DEPARTMENT OF THE INTERIOR			
<i>Passed through The Watershed Research and Training Center:</i>			
WA Fire Adapted Communities Learning Network Grant	15.228	L115AS000176	137,904
Total Department of the Interior			<u>137,904</u>
ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed through Washington State University</i>			
Water Environment Research Foundation	66.509	n/a	8,279
Total Environmental Protection Agency			<u>8,279</u>
DEPARTMENT OF ENERGY			
<i>Passed through Bonneville Power Administration:</i>			
Yakima Tributary Access and Habitat Program	81.xxx	00042079	722,814
Total Department of Energy			<u>722,814</u>
		Total Federal Awards	<u>\$ 910,709</u>

Notes to Schedule of Expenditures of Federal Awards:

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the grant activity of South Central Washington Resource Conservation and Development Council. It is presented on the basis of accounting described in Note 1 to the financial statements. The information in this schedule is presented in accordance with the 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*).

Indirect Cost Rate – The Organization has elected to use the 10% de minimis indirect cost rate.

**South Central Washington Resource Conservation
and Development Council
Corrective Action Plan
Year Ended December 31, 2016**

The current year Schedule of Findings and Questioned Costs reported no matters in Section II – Financial Statement Findings nor in Section III-Federal Award Findings and Questioned Costs. Therefore, no corrective action plan is necessary nor has one been prepared.

**South Central Washington Resource Conservation
and Development Council
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2016**

No audit findings during 2015.