GRANDE RONDE
MODEL WATERSHED

Annual Financial Report

FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2016

GRANDE RONDE MODEL WATERSHED FOUNDATION
Table of Contents

Introductory Section:
List of Officials i

Financial Section:
Independent Auditors' Report 1-2

Basic Financial Statements:
Statement of Financial Position – Modified Cash Basis 3
Statement of Activities – Modified Cash Basis 4
Statement of Functional Expenses – Modified Cash Basis 5
Statement of Cash Flows – Modified Cash Basis 6
Notes to Financial Statements 7-10

Audit Deliverables Required by the Single Audit Act:
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* 11-12

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance 13-14

Schedule of Expenditures of Federal Awards 15
Notes to Schedule of Expenditures of Federal Awards 16
Schedule of Findings and Questioned Costs 17-18
Summary Schedule of Prior Audit Findings 19

INTRODUCTORY SECTION

GRANDE RONDE MODEL WATERSHED FOUNDATION
List of Officials

BOARD OF DIRECTORS

Ted Taylor, Chair	Public Interest Representative
Dave Yost, Vice Chair	Public Interest Representative
Mark Davidson	Union County Commission
Norm Cimon	Conservationist Representative
Joe McCormack	Nez Perce Tribe
Susan Roberts	Wallowa County Court Representative
Katie Frenyea	Union Soil & Water Conservation District
Larry Cribbs	Economic Development & Industry Representative
Allen Childs	Confederated Tribes of the Umatilla Indian Res
Jed Hassinger	Private Landowner Representative
Nick Myatt	Fish & Wildlife Representative
Larry Nall	Private Forest & Land Owners Industry
Vacant	Eastern Oregon University
Vacant	OSU/EOU Student Representative
Vacant	High School FFA Representative (non-voting)

Jeff Oveson, Executive Director

This page intentionally left blank

FINANCIAL SECTION

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
CERTIFIED PUBLIC ACCOUNTANTS
1121 ADAMS AVENUE • P.O. BOX 1024
LA GRANDE, OREGON 97850-1024

Independent Auditors' Report

Board of Directors
Grande Ronde Model Watershed Foundation
1114 J Avenue
La Grande, Oregon 97850

Report on the Financial Statements

We have audited the accompanying financial statements of Grande Ronde Model Watershed Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grande Ronde Model Watershed Foundation as of December 31, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 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 May 26, 2017, on our consideration of the Grande Ronde Model Watershed Foundation'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 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 Grande Ronde Model Watershed Foundation's internal control over financial reporting and compliance.

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
Certified Public Accountants

By Yvonne K. Roberts, CPA
Yvonne Roberts, CPA

La Grande, Oregon
May 26, 2017

This page intentionally left blank

BASIC FINANCIAL STATEMENTS

GRANDE RONDE MODEL WATERSHED FOUNDATION
Statement of Financial Position - Modified Cash Basis
December 31, 2016

Assets		
Current assets:		
Cash and cash equivalents:		
Cash in bank	$	317,088
Property and equipment:		
Furniture and equipment		116,868
Less: accumulated depreciation		(72,146)
Net property and equipment		44,722
Total assets		361,810
Liabilities and Net Assets		
Liabilities		-
Net assets:		
Unrestricted net assets		361,810
Total liabilities and net assets	$	361,810

(The accompanying notes are an integral part of these financial statements)

GRANDE RONDE MODEL WATERSHED FOUNDATION
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Support:			
Bonneville Power Administration	$ -	$ 730,271	$ 730,271
Oregon Watershed Enhancement Board	-	327,679	327,679
Other grants	-	207,182	207,182
Other revenue	389	-	389
Total support and revenue	389	1,265,132	1,265,521
Net assets released from restrictions	1,265,132	(1,265,132)	-
Total support and revenue	1,265,521	-	1,265,521
Expenses:			
Program services	911,222		911,222
Management & General	73,035		73,035
Total expenses	984,257	-	984,257
Changes in net assets	281,264	-	281,264
Net assets - beginning of year	80,546	-	80,546
Net assets - end of year	$ 361,810	$ -	$ 361,810

(The accompanying notes are an integral part of these financial statements)

GRANDE RONDE MODEL WATERSHED FOUNDATION
Statement of Functional Expenses - Modified Cash Basis
For the Fiscal Year Ended December 31, 2016

	Program Services	Management & General	Totals
Expenses:			
Administration		1,101	1,101
Advertising	-	1,529	1,529
Computer expense	3,358	1,371	4,729
Conference room rentals	-	916	916
Construction Engineering	13,278		13,278
Contract work	615,789	26,273	642,062
Copier lease		5,479	5,479
Designs	5,583		5,583
Dues & subscriptions		600	600
Education supplies	1,142		1,142
Fencing for projects	54,739		54,739
Field supplies	10,801		10,801
Gauging station operations	96,000		96,000
Janitorial		5,160	5,160
Meeting expense		272	272
Membership fees		960	960
Misc other	28	4,582	4,610
Office supplies		3,696	3,696
Project planner	6,665		6,665
Project costs	7,872	98	7,970
Postage		1,267	1,267
Printing & reproduction	350		350
Professional fees		13,803	13,803
Rent	43,788	1,800	45,588
Ripples/editor	5,832		5,832
Supplies	236		236
Telephone	7,753	1,321	9,074
Travel	16,532		16,532
Vehicle	5,074	2,807	7,881
Total expenses before depreciation	894,820	73,035	967,855
Depreciation expense	16,402	-	16,402
Total expenses	$ 911,222	$ 73,035	$ 984,257

(The accompanying notes are an integral part of these financial statements)

GRANDE RONDE MODEL WATERSHED FOUNDATION
Statement of Cash Flows - Modified Cash Basis
For the Fiscal Year Ended December 31, 2016

Cash Flows Used For Operating Activities:		
Change in net assets	$	281,264
Adjustment to reconcile change in net assets to net cash used for operating activities:		
Depreciation		16,402
Net cash provided by operating activities:		297,666
Cash Flows From Investing Activities:		
Purchase of property and equipment		(41,360)
Net increase in cash and cash equivalents		256,306
Cash and cash equivalents at beginning of year		60,782
Cash and cash equivalents at end of year		317,088

(The accompanying notes are an integral part of these financial statements)

This page intentionally left blank

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies:

Organization and Nature of Activities

Grande Ronde Model Watershed Foundation is an Oregon based non-profit organization formed in 1992 and governed by a fourteen member board of directors. GRMW Foundation is the primary entity coordinating habitat restoration on both private and public lands within the Grande Ronde Basin. The Grande Ronde Basin was selected by the Northwest Power Planning Council as the model watershed project in Oregon. This selection was reviewed and agreed upon by the Strategic Water Management Group and certified by the Office of the Governor. The mission of the Organization is to develop and oversee the implementation, maintenance, and monitoring of coordinated resource management that will enhance the natural resources of the Grande Ronde River Basin. The Oregon legislature authorized the creation of non-regulatory watershed councils to offer opportunity to independently evaluate watershed conditions and identify opportunities for coordination and cooperation for improvement.

Public Support and Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Grande Ronde Model Watershed Foundation receives funding in part from the Bonneville Power Administration and Oregon Watershed Enhancement Board.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements have been prepared on the modified cash basis of accounting. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the Organization utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the Statement of Cash Flows exclude any permanently restricted cash and cash equivalents.

Property, Equipment and Depreciation

Acquisitions of property and equipment in excess of $500, with a life greater than one year, are capitalized at cost or, if donated, at their fair market value at the time of donation. Depreciation of equipment is provided over the estimated useful lives of the respective assets on a straight-line basis ranging from 5 to 40 years.

Compensated Absences

The organization has no significant amount of vesting compensated absences at fiscal year end. Therefore, these financial statements make no allowance for this type of liability.

Advertising Costs

Costs incurred for advertising are expensed when paid. Advertising costs for the year ended December 31, 2016 were $1,529.

Income Taxes

The Council is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. None of its present or future activities are anticipated to be subject to unrelated business income taxes; therefore, no provision for federal or state income taxes is made in the financial statements.

Accounting Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the organization requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Budgets and Budgetary Accounting

Budgets are prepared in accordance with the requirements of the individual grants and as a cost control used by management.

Note 2 - Concentration of Credit Risk:

All accounts are insured up to $250,000. Deposits exceeded federally insured limits by $67,088 as of December 31, 2016. Deposits that exceeded FDIC limits were fully collateralized, in accordance with standard banking practices throughout the fiscal year.

Note 3 - Property and Equipment:

A summary of changes in property and equipment follows:

Balance, January 1, 2016	$	75,508
Additions		41,360
Deletions		-
Balance, December 31, 2016	$	116,868

A summary of changes in accumulated depreciation follows:

Balance, January 1, 2016	$	55,744
Additions		16,402
Deletions		-
Balance, December 31, 2016	$	72,146

Note 4 - Leases:

Effective October 1, 2010, the GRMW entered into a 5-year, renewable lease with CR2, LLC for lease of a 3,348 square foot building located at 1114 J Ave., La Grande, OR. Terms call for monthly lease payments of $3,980.70, to include an annual increase in August of 2.5%. Effective March 1, 2016, the GRMW signed a 12 month renewal of this lease for monthly lease payments of $3,980.70. A total lease expense of $43,788 was incurred during the year ended December 31, 2016. A new 3-year, renewable lease agreement was signed May 1, 2017 with CR2, LLC for the building. The new terms call for monthly lease payments of $4,180 and an annual 2.5% increase annually.

Effective August 17, 2004, the GRMW entered into a 2-year, renewable sublease lease with RY Timber (who leases from State of Oregon) for lease of 152 square foot of office located at 936 West North Street, Enterprise, OR. This lease has been renewed several times. Terms call for monthly lease payments of $300. A total lease expense of $3,600 was incurred during the year ended December 31, 2016.

Effective December 23, 2009, the GRMW entered into a 5-year lease with Leaf Funding, Inc., for lease of a Lanier copy machine. Terms call for monthly lease payments of $162.60 + taxes. On November 10, 2014, the GRMW renewed the lease with Leaf for another 24 month term. The new lease payment calls for monthly payments of $119 + taxes. On November 29, 2016, the GRMW changed their lease for the same copy machine to contract directly with SECL, Inc. for a 12 month term. The new lease payment calls for monthly payments of $109.75+per copy charges. A total lease expense of $1,570 was incurred during the year ended December 31, 2016.

Effective April 23, 2015, the GRMW entered into a lease with General Services Administration (GSA) for the lease of a Ford Explorer. This lease has no set termination date, it is at the discretion of GSA. However, when this happens, GSA exchanges vehicles with GRMW and most vehicles have approximately the same monthly lease rate. Terms call for monthly lease payments of $149 a month + mileage usage. A total lease expense of $3,268 was incurred during the year ended December, 2016.

Effective April 18, 2013, the GRMW entered into a lease with General Services Administration (GSA) for the lease of a Chevy Silverado. This lease has no set termination date, it is at the discretion of GSA. However, when this happens, GSA exchanges vehicles with GRMW and most vehicles have approximately the same monthly lease rate. Terms call for monthly lease payments of $268 per month + mileage usage. The total lease expense of $4,696 was incurred during the year ended December 31, 2016.

A summary of future minimum lease payments follows:

Year Ending December 31,		
2017	$	57,374
2018		56,000
2019		57,275
2020		22,570
2021		5,004
Total payments	$	198,223

Note 5 - Economic Dependency:

A material part of the Organization's funding is dependent on contracts with the Bonneville Power Administration and the Oregon Watershed Enhancement Board . Although these are not formal continuing contracts that assure funding beyond the annual contract period, the Organization has operated these contracts for a number of years.

Note 6 - Uncertain Tax Positions:

The Organization's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statues of limitations on those tax returns. In general, the federal and state income tax returns have a three year statute of limitations. The Organization would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of the income tax provision.

Note 7 - Subsequent Events:

Management has evaluated subsequent events through May 26, 2017 the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

This page intentionally left blank

AUDIT DELIVERABLES REQUIRED

BY THE SINGLE AUDIT ACT

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
CERTIFIED PUBLIC ACCOUNTANTS
1121 ADAMS AVENUE • P.O. BOX 1024
LA GRANDE, OREGON 97850-1024

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*

Board of Directors
Grande Ronde Model Watershed Foundation
1114 J Avenue
La Grande, Oregon 97850

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 Grande Ronde Model Watershed Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 May 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grande Ronde Model Watershed Foundation'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 our opinion on the effectiveness of the Grande Ronde Model Watershed Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grande Ronde Model Watershed Foundation'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grande Ronde Model Watershed Foundation'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*.

Grande Ronde Model Watershed Foundation's Response to Findings

Grande Ronde Model Watershed Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Grande Ronde Model Watershed Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements, accordingly, we express no opinion on it.

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 purposes.

Lewis, Poe, Moeller, Gunderson & Roberts, LLC

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC

La Grande, Oregon
May 26, 2017

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
CERTIFIED PUBLIC ACCOUNTANTS
1121 ADAMS AVENUE • P.O. BOX 1024
LA GRANDE, OREGON 97850-1024

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Grande Ronde Model Watershed Foundation
1114 J Avenue
La Grande, Oregon 97850

Report on Compliance for Each Major Federal Program

We have audited the Grande Ronde Model Watershed Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Grande Ronde Model Watershed Foundation's major federal programs for the year ended December 31, 2016. Grande Ronde Model Watershed Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Grande Ronde Model Watershed Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements for 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 Grande Ronde Model Watershed Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Grande Ronde Model Watershed Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, Grande Ronde Model Watershed Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Grande Ronde Model Watershed Foundation 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 Grande Ronde Model Watershed Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grande Ronde Model Watershed Foundation'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.

Lewis, Poe, Moeller, Gunderson & Roberts, LLC

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC

La Grande, Oregon
May 26, 2017

GRANDE RONDE MODEL WATERSHED FOUNDATION
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Program Title	Federal CFDA Number	Total Federal Expenditures
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	$ 160,943
Bonneville Power Administration	81.XXX	730,271
TOTAL FEDERAL EXPENDITURES		$ 891,214

Note A - Purpose of the Schedule:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a supplementary schedule to the Grande Ronde Model Watershed Foundation's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the Grande Ronde Model Watershed Foundation, it is not intended to and does not present either the financial position, results of operations, or changes in net assets of the Grande Ronde Model Watershed Foundation.

Note B - Significant Accounting Policies:

Reporting Entity

The reporting entity is fully described in Note 1 to the Grande Ronde Model Watershed Foundation's basic financial statements. The Schedule includes all federal programs administered by the Grande Ronde Model Watershed Foundation for the year ended December 31, 2016.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Grande Ronde Model Watershed Foundation under programs of the federal government for the year ended December 31, 2016. The information in the 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). Because the Schedule presents only a selected portion of the operations of the Grande Ronde Model Watershed, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Client.

Federal Financial Assistance

Pursuant to the Single Audit Act and Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the Grande Ronde Model Watershed Foundation and the federal government for which the federal government procures tangible goods or services are not considered to be federal

Major Programs

The Single Audit Act and Uniform Guidance establish criteria to be used in defining major programs. Major programs for the Grande Ronde Model Watershed Foundation are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

Basis of Accounting

Federal awards are reported using the modified cash basis of accounting. Revenues and expenses are recorded when they result from cash transaction.

Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Insurance Coverage

For the fiscal year ended December 31, 2016, the Grande Ronde Model Watershed Foundation had insurance coverage in effect comparable to other entities of similar size and circumstance.

Indirect Cost Rate

The Grande Ronde Model Watershed has not elected to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

GRANDE RONDE MODEL WATERSHED FOUNDATION
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

A. Summary of Audit Results

	Results
Financial Statements Audit	
1. Type of auditor's report issued	Unmodified
2. Internal control over financial reporting:	
Were significant deficiencies disclosed?	Yes
Of the significant deficiencies disclosed were any material weaknesses?	Yes
3. Did the audit disclose any noncompliance material to the financial statements?	No
Federal Awards	
1. Type of auditor's report issued:	
Major programs:	
Bonneville Power Administration	
CFDA Number 81.XXX	Unmodified
2. Internal control over major programs:	
Were significant deficiencies disclosed?	No
Of the significant deficiencies disclosed were any material weaknesses?	N/A
3. Were any of the following disclosed in accordance with section 510(a) of Uniform Guidance?	
Significant deficiencies in internal control over major programs?	No
Material Noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to major programs?	No
Known questioned costs which are greater than $10,000 for a type of compliance requirement for a major program?	No
Known questioned costs which are greater than $10,000 for a federal program which is not audited as a major program?	No
4. The threshold for distinguishing Types A and B programs:	$ 750,000
5. Auditee qualified as a low-risk auditee	No

B. Findings and Questioned Costs - Financial Statement Audit		**Questioned Costs**
2016-001	**Material Weakness:** The Organization relies on us as the auditor to assist them in drafting the financial statements including note disclosures and ensuring they contain all of the elements require to comply with the modified cash basis of accounting. We do believe the Organization's staff has the ability to understand, review, and take responsibility for the financial statements required to comply with independence standards outlined under both Government Auditing Standards and Independence Standards. However, our assistance in drafting the financial statements described above does produce a material weakness in the Organization's	None Noted

Criteria: Auditing standards require us to assess the internal control system of the entity. In addition, the standards clearly state that the auditor cannot be relied upon as part of the entity's control system. Statement on Auditing Standards, Communicating Internal Control Related Matters Identified in an Audit defines the reporting requirements for internal control related matters. One aspect of this standard requires us to extend this assessment to controls over financial statement presentation. Proper controls over financial statement presentation require adequate knowledge and involvement to detect errors and omissions in the financial statements.

Condition: Although we believe GRMW Foundation has staff with the ability to understand, review, and take responsibility for the financial statements required to comply with independence standards outlined under both Government Auditing Standards and AICPA 101-3; our assistance in drafting the financial statements described above produces a material weakness in the entity's internal control system.

Cause: This condition is caused by the office manager's limited education and experience with the modified cash basis of accounting. GRMW personnel are unable to prepare the financial statements and related note disclosures without a likely material misstatement being prevented, or detected and corrected, on a timely basis; therefore, the entity relies on us, as the auditors, to assist them in drafting the financial statements and related notes.

Effect: Since the financial statements and related note disclosures are prepared by independent auditors annually, there is no effect caused by this condition.

Context: Although the condition results in a finding, the reader should be aware that it is not unusual for an entity to rely on its auditors to assist them in drafting the financial statements and related note disclosures. This finding is a repeat finding. The 2015 finding is 2015-001.

Recommendation: We do not recommend any change in the preparation of the financial statements, but the board should be aware of this control deficiency and stress the importance of thorough review of the financial statements prior to approval of the audit.

View of Responsible Officials and Planned Corrective Action: GRMW agrees with this finding, however, as recommended, Grande Ronde Model Watershed Foundation has not made any change in the preparation of the financial statements. Grande Ronde Model Watershed Foundation does not feel it is cost effective to hire additional staff or an independent contractor to prepare the financial statements.

C. Federal Awards Findings and Questioned Costs

None noted as a result of our procedures

2015-001 **Material Weakness:** The Organization relies on us as the auditor to assist them in drafting the financial statements including note disclosures.

Condition: Although we believe GRMW foundation staff has the ability to understand, review, and take responsibility for the financial statements required to comply with independence standards outlined under both Government Auditing Standards and AICPA 101-3; our assistance in drafting the financial statements described above produces a material weakness in the entity's internal control system.

Recommendation: We do not recommend any change in the preparation of the financial statements, but the board should be aware of this control deficiency and stress the importance of thorough review of the financial statements prior to approval of the audit.

Current Status: While Grande Ronde Model Watershed Foundation agrees with the finding, as recommended above, has not made any change in the preparation of the financial statements. Grande Ronde Model Watershed Foundation does not feel it is cost effective to hire additional staff or an independent contractor to prepare the financial statements.