Prior version.

HOOD CANAL COORDINATING COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	2025	2024
REVENUES, GAINS (LOSSES) AND OTHER SUPPORT				
Grant revenue	$ 1,025,462	$ -	$ 1,025,462	$ 1,093,956
ILF mitigation program	285,355	35,663	321,018	711,103
Membership dues	-	-	-	30,821
Other revenues	240	9,250	9,490	5,236
Interest income - ILF mitigation program	-	593,103	593,103	647,016
Total	1,311,057	638,016	1,949,073	2,488,132
Net assets released from restriction	44,913	(44,913)	-	-
Total revenue, gains (losses) and other support	1,355,970	593,103	1,949,073	2,488,132
EXPENSES				
Program service	~~768,154~~	-	~~768,154~~	1,421,379
Management and general	~~472,024~~	-	~~472,024~~	344,548
Total expenses	1,240,178	-	1,240,178	1,765,927
CHANGE IN NET ASSETS	115,792	593,103	708,895	722,205
NET ASSETS, BEGINNING OF YEAR	360,903	1,201,942	1,562,845	840,640
NET ASSETS, END OF YEAR	$ 476,695	$ 1,795,045	$ 2,271,740	$ 1,562,845

The accompanying notes are an integral part of these financial statements

Prior version.

HOOD CANAL COORDINATING COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024

	Program Service	Management and General	2025	2024
Salaries, taxes, and benefits	$ ~~483,770~~	$ ~~406,433~~	$ 890,203	$ 646,946
Capital expenditures - ILF mitigation program	-	-	-	511,935
Contracts for services	238,083	40,514	278,597	525,371
Occupancy	23,406	15,804	39,210	35,439
Office	6,999	5,090	12,089	35,823
Travel	4,911	670	5,581	3,756
Depreciation	5,351	-	5,351	-
Insurance	5,037	2,481	7,518	5,177
Conferences and training	597	531	1,128	1,092
Other expenses	-	459	459	269
Taxes - other	-	42	42	44
Membership dues unallocated	-	-	-	75
TOTAL EXPENSES	$ ~~768,154~~	$ ~~472,024~~	$ 1,240,178	$ 1,765,927

The accompanying notes are an integral part of these financial statements

Corrected

HOOD CANAL COORDINATING COUNCIL

REVIEWED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2025

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1-2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3-4
STATEMENT OF ACTIVITIES	5
STATEMENT OF FUNCTIONAL EXPENSES	6
STATEMENT OF CASH FLOWS	7
NOTES TO THE FINANCIAL STATEMENTS	8-14

CLARKE WHITNEY CPA GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS
www.clarkewhitney.com

610 Warren Avenue
Bremerton, WA 98337
Phone: 360-377-4496
Fax: 360-377-4497

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Hood Canal Coordinating Council (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Hood Canal Coordinating Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on Comparative Information

The prior year comparative information has been derived from the June 30, 2024 financial statements of Hood Canal Coordinating Council, which were reviewed by us. We issued our review report on those financial statements dated November 10, 2025. The comparative information presented herein should be read in conjunction with those reviewed financial statements and our report thereon.

Clarke Whitney CPA Group LLC
Bremerton, Washington
April 20, 2026

HOOD CANAL COORDINATING COUNCIL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025
WITH COMPARATIVE TOTALS FOR JUNE 30, 2024

ASSETS

	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	$ 104,568	$ 1,223
Cash - ILF mitigation program	8,070,556	8,285,273
Grants, dues, and other receivables	269,516	368,571
Prepaid expenses	2,960	2,540
Total current assets	8,447,600	8,657,607
PROPERTY AND EQUIPMENT		
Fixed assets	74,459	50,431
Less accumulated depreciation	(34,863)	(50,431)
Total property and equipment, net	39,596	-
LONG-TERM ASSETS		
Operating lease right of use asset	4,010	32,878
Cash - LNFF	27,461	27,461
Cash - aquatic rehabilitation	54,632	44,272
Cash - ILF mitigation program, net	4,798,190	4,275,663
Total long-term assets	4,884,293	4,380,274
TOTAL ASSETS	$ 13,371,489	$ 13,037,881

The accompanying notes are an integral part of these financial statements

HOOD CANAL COORDINATING COUNCIL
STATEMENT OF FINANCIAL POSITION (Continued)
JUNE 30, 2025
WITH COMPARATIVE TOTALS FOR JUNE 30, 2024

LIABILITIES AND NET ASSETS

	2025	2024
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 118,693	$ 143,505
Deferred revenue - ILF mitigation program	7,780,706	8,074,200
Deferred revenue - other	31,383	30,578
Current portion long term debt	1,220	28,429
Total current liabilities	7,932,002	8,276,712
NON-CURRENT LIABILITIES		
Operating lease liabilities, net	2,790	5,029
Deferred revenue - ILF mitigation program, net	3,164,957	3,193,295
Total non-current liabilities	3,167,747	3,198,324
TOTAL LIABILITIES	11,099,749	11,475,036
NET ASSETS		
Without donor restrictions	422,063	316,631
Reserved for aquatic rehabilitation	54,632	44,272
Total without donor restriction	476,695	360,903
With donor restrictions		
ILF mitigation program interest income	1,795,045	1,201,942
TOTAL NET ASSETS	2,271,740	1,562,845
TOTAL LIABILITIES AND NET ASSETS	$ 13,371,489	$ 13,037,881

The accompanying notes are an integral part of these financial statements

HOOD CANAL COORDINATING COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	2025	2024
REVENUES, GAINS (LOSSES) AND OTHER SUPPORT				
Grant revenue	$ 1,025,462	$ -	$ 1,025,462	$ 1,093,956
ILF mitigation program	285,355	35,663	321,018	711,103
Membership dues	-	-	-	30,821
Other revenues	240	9,250	9,490	5,236
Interest income - ILF mitigation program	-	593,103	593,103	647,016
Total	1,311,057	638,016	1,949,073	2,488,132
Net assets released from restriction	44,913	(44,913)	-	-
Total revenue, gains (losses) and other support	1,355,970	593,103	1,949,073	2,488,132
EXPENSES				
Program service	889,347	-	889,347	1,421,379
Management and general	350,831	-	350,831	344,548
Total expenses	1,240,178	-	1,240,178	1,765,927
CHANGE IN NET ASSETS	115,792	593,103	708,895	722,205
NET ASSETS, BEGINNING OF YEAR	360,903	1,201,942	1,562,845	840,640
NET ASSETS, END OF YEAR	$ 476,695	$ 1,795,045	$ 2,271,740	$ 1,562,845

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, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024

	Program Service	Management and General	2025	2024
Salaries, taxes, and benefits	$ 604,963	$ 285,240	$ 890,203	$ 646,946
Capital expenditures - ILF mitigation program	-	-	-	511,935
Contracts for services	238,083	40,514	278,597	525,371
Occupancy	23,406	15,804	39,210	35,439
Office	6,999	5,090	12,089	35,823
Travel	4,911	670	5,581	3,756
Depreciation	5,351	-	5,351	-
Insurance	5,037	2,481	7,518	5,177
Conferences and training	597	531	1,128	1,092
Other expenses	-	459	459	269
Taxes - other	-	42	42	44
Membership dues unallocated	-	-	-	75
TOTAL EXPENSES	$ 889,347	$ 350,831	$ 1,240,178	$ 1,765,927

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, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 708,895	$ 722,205
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,351	-
Gain on sale of fixed assets	(9,250)	-
Decrease (increase) in:		
Grants, dues and other receivables	99,055	(251,588)
Prepaid expenses	(420)	(260)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(24,812)	48,001
ILF deferred revenue	(321,832)	(499,885)
Other deferred revenue	805	(27,704)
Net cash provided (used) by operating activities	457,792	(9,231)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for ILF-long-term purpose	(307,810)	(189,109)
Payments on purchase of fixed assets	(44,947)	-
Proceeds from sale of fixed assets	9,250	-
Net cash provided (used) by investing activities	(343,507)	(189,109)
CASH FLOW FROM FINANCING ACTIVITIES		
Net provided (used) by operating leases	(580)	(280)
Net cash provided (used) by financing activities	(580)	(280)
CHANGE IN CASH AND CASH EQUIVALENTS	113,705	(198,620)
Cash and cash equivalents - beginning	72,956	271,576
Cash and cash equivalents - ending	$ 186,661	$ 72,956
SUPPLEMENTAL INFORMATION:		
Cash and cash equivalents	$ 104,568	$ 1,223
Cash - LNFF	27,461	27,461
Cash - Aquatic rehabilitation	54,632	44,272
Total unrestricted cash and cash equivalents	$ 186,661	$ 72,956
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	$ -	$ -
Cash paid for taxes	$ -	$ -

The accompanying notes are an integral part of these financial statements

HOOD CANAL COORDINATING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 — NATURE OF THE ORGANIZATION

Hood Canal Coordinating Council (the "Organization") is located in Poulsbo, Washington. The Organization was established in 1985 under an interlocal agreement between Jefferson, Kitsap and Mason Counties and Port Gamble S'Klallam and Skokomish Tribes. The Organization was formed in response to concerns about water quality problems and related natural resource issues in the Hood Canal watershed. The Organization works with partners and communities to advance a shared regional vision to protect and recover Hood Canal's environmental, economic, and cultural well being.

On November 21, 2000, the Organization became a Washington non-profit corporation. Prior to its establishment as a corporation, Kitsap County processed the Organization's financial activities. The initial funding of the Organization as a non-profit corporation was the transfer of net assets held by the County totaling $18,543. Income of the Organization is derived primarily from federal and state grants, private grants funding specified projects, credit sales and interest earnings from the In-Lieu Fee (ILF) mitigation programs, and the Organization's members' dues.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates
The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates

Cash and Cash Equivalents
The Organization considers all cash and highly liquid financial instruments with purchased maturities of three months or less, which are neither held for, nor restricted by, donors for long term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments designated by the board of directors, endowments that are perpetual in nature, or other long term purposes are excluded from this definition.

The Organization maintains sweep accounts with Kitsap Bank, which serves as agent and custodian. Under the sweep arrangement, funds are automatically placed among FDIC-insured depository institutions in amounts below the applicable FDIC insurance limits. These funds are part of the In-Lieu Fee (ILF) mitigation program and are restricted for use in accordance with program requirements. The sweep balances renew on a four-week cycle. All ILF funds are obligated for the mitigation program. The carrying amount of the sweep accounts approximates fair value. Interest earned is reported as interest income – ILF in the statements of activities. Refer to Note 9 for additional information regarding ILF mitigation funds. None of the sweep balances exceed the FDIC-insured limit.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)
The Organization also has a Local Government Investment Pool (LGIP) account, which is managed by the Washington State Treasurer. Local government agencies, schools, and government entities are allowed to participate in the program. The LGIP is managed in a manner generally consistent with the Securities and Exchange regulated rule 21-7 money market funds to maintain a stable net asset value of $1 per share. The LGIP offers 100% liquidity to its participants. For purposes of the statement of cash flows, cash that is contractually held and obligated for the Organization's ILF Mitigation Program is excluded.

Reclassifications
Certain reclassifications have been made to prior year amounts to conform with current financial statement presentation.

Accounts Receivable
Accounts receivable consists of non-interest-bearing amounts. The Organization measures the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Management believes that receivables are fully collectible; therefore, no allowance for uncollectible accounts is required at June 30, 2025.

Fixed assets
Fixed assets are stated at cost. Depreciation is computed by the straight-line method over the estimated useful life ranging from 3 to 7 years. The Organization's capitalization policy is to capitalize all furniture and equipment over $5,000. Depreciation expense for the year ended June 30, 2025 was $5,351.

Net assets
The financial statements of Hood Canal Coordinating Council have been prepared in accordance with accounting principles generally accepted in the United States of America. Hood Canal Coordinating Council reports information regarding its financial position and activities according to two classes of net assets as follows:

- **Net Assets Without Donor Restrictions:** Net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.
- **Net Assets With Donor Restrictions:** Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor-restricted contributions received and expended in the same reporting period are recorded as net assets without donor restrictions

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets (Continued)
The Organization received funds from Aquatic Rehabilitation totaling $320,000 between 2011 and 2015. Revenues were considered earned when received and were recognized accordingly. These funds are neither board-designated or donor-restricted, but the Organization is continuing to track expenditures related to the program annually and reducing cash and net assets by expense amounts and presenting amounts separately in the financial statements.

Revenue Recognition
Revenue is recognized when earned. Government grants are on a cost-reimbursement basis, with revenue recognized as expenditures are incurred in accordance with the agreements. The Organization recognizes revenue from exchange transactions in accordance with ASC 606, whereby revenue is recognized when performance obligations are satisfied and control of goods or services is transferred to the customer. As of June 30, 2025, there were no remaining unsatisfied performance obligations.

Deferred revenue includes payments received from the ILF mitigation program credits, and grants from the Laird Norton Family Foundation (LNFF). Payments received for these items are recorded as deferred revenue until earned or the conditions or events on which they or obligated, have been substantially met.

Comparative Financial Statements
The financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Functional Allocation of Expenses
The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocated labor-related expenses are based on time and effort and allocated occupancy expenses are based on square footage.

Certain line-item expenses are allocated between management/general and programs because each functional category receives benefits. Cost allocation should be reasonable and consistently applied. Upon adoption of this accounting standard update (ASU), the Organization believes that there was no significant impact on its financial presentation and reporting.

Income and Property Taxes
On July 3, 2002, the Organization 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. In addition, the Organization 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.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income and Property Taxes (Continued)
The Organization has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Organization 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 Organization's financial condition, results of operations, or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax at June 30, 2025.

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 2023.

Operating Leases
The Organization has long-term leases for space for the operations of two locations with monthly payments ranging from $685 to $1,490 and expired June 30, 2025. Rent expense for these locations for the year ended June 30, 2025 was $28,500.

The Organization also leases office equipment under a non-cancelable lease with a monthly payment of $101, expiring June 30, 2029.

The leases have been accounted for in accordance with ASU 2016-02, Leases (Topic 842). The related right-of-use assets and lease liabilities were recorded at the present value of future lease payments using the Organization's incremental borrowing rates, which were approximately 2.85% for the office leases and 4.00% for the copier lease. Right-of-use assets are amortized on a straight-line basis over the respective lease terms. Total lease expense for office space and equipment for the year ended June 30, 2025 was $29,720.

Minimum lease rental commitments under leasing agreements for the years ended June 30 are as follows:

2026	$ 1,220
2027	1,220
2028	1,220
2029	712
Total	$ 5,592

NOTE 3 — RISKS AND UNCERTAINTIES

Cash
The Organization maintains its cash in several financial institutions which, from time to time, exceed insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE 3 — RISKS AND UNCERTAINTIES (Continued)

Concentration

The Organization receives a substantial amount of its revenues in the form of grants and contracts. At June 30, 2025 approximately 85%, of the Organization's revenues excluding the in lieu fee mitigation program, were provided by grants from the Washington State Recreation and Conservation Office (RCO). RCO owed the Organization $231,848 at June 30, 2025.

The Organization receives a significant portion of its revenues from federal and state government funding, which may be subject to audit by the grant making agency. Until such audits have been completed and final settlements determined, there exists a contingency to refund any amount received in excess of allowable costs. Management believes that no material liability will result from such audits.

NOTE 4 — FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects the Organization's financial assets, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date due to donor restrictions or internal board designations.

	2025
Cash and cash equivalents	$ 186,661
ILF mitigation program checking, savings, certificate of deposit	12,868,746
Grants and other receivables	269,516
	13,324,923
Less amounts unavailable for general expenditure within one year due to contractual restrictions:	
Cash - Laird Norton (LNFF) restricted	(27,461)
Cash - aquatic rehabilitation	(54,632)
Kitsap Bank - program administration	(119,192)
Kitsap Bank - marine land fee	(1,578,095)
Kitsap Bank - marine long-term management	(6,032,913)
Kitsap Bank - marine contingency fee	(1,053,547)
Kitsap Bank - marine mitigation projects	(1,859,974)
Kitsap Bank - WRIA 15 long term management	(41,526)
Kitsap Bank - WRIA 15 contingency fee	(48,097)
Kitsap Bank - WRIA 15 mitigation projects	(27,902)
Kitsap Bank - WRIA 17 Land fee	(6,280)
Kitsap Bank - WRIA 17 Long term management	(16,324)
Kitsap Bank - WRIA 17 contingency fee	(25,914)
Kitsap Bank - WRIA 17 mitigation projects	(135,898)
	(11,027,755)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,297,168

NOTE 4 — FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Continued)

As part of the Organization's liquidity management, short-term cash advances are available from the Washington State Recreation and Conservation Office (RCO) for Salmon Recovery Funding Board projects (see WA State RCO Manual 8, Section 6: Salmon Recovery Cash Advances).

NOTE 5 — RETIREMENT PLAN

The Organization has a 401(k) cash or deferred plan. Employees are eligible upon reaching age 21 and after completing 1 hour of service. As of June 30, 2025, there were nine employees, that were eligible to participate. The vested interest in all employee accounts is 100% at all times. For the year ended June 30, 2025, the Organization's discretionary contribution was $40,310.

NOTE 6 — DUES

Membership dues are paid by Organization members representing three counties and two tribes surrounding the Hood Canal and that participate in the activities of the Board of Directors of the Organization. Dues revenue is recognized in the year(s) as expended. No dues revenue was recognized for the year ended June 30, 2025, as no dues were collected.

NOTE 7 — GRANTS AND CONTRACTS

The Organization receives grants and contracts to further their mission. Grant and contract revenue and receivables are recorded to the extent of costs incurred and billable as most grants and contracts are cost reimbursable. Grants and contract revenue included the following as of June 30:

	2025
Federal	$ 729,185
State of Washington	296,277
	$ 1,025,462

NOTE 8 — AUTHORIZED DEPOSITORIES

In accordance with the Washington State Auditor's Office, under Revised Code of Washington Chapter 39.58, the Organization is required to deposit funds that are legally theirs with authorized depositories. As of June 30, 2025, the Organization has maintained all of their bank accounts with Kitsap Bank. Furthermore, the Organization has maintained all of their ILF mitigation funds with the Local Government Investment Pool (LGIP). Such funds placed through the LGIP and in IntraFi Network Deposits 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 9 — IN-LIEU FEE MITIGATION PROGRAM

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

The HCCC ILF program completed one sale of mitigation credits during for the year ended (FYE) 2025. In December 2025, mitigation credits were sold to the Washington Department of Transportation for impacts in the Water Resource Inventory Area (WRIA) 17 in the amount of $210,330.

No additional mitigation credits were released for sale during FYE2025 from completed mitigation projects having met all required performance standards under the requirements of the program.

The 2012 ILF Program Instrument grants the Organization authority to sell mitigation credits which then transfer mitigation responsibility to the Organization. The Instrument specifies that the funds received from credit sales are divided up into different bank accounts for specific purposes at different stages of the mitigation site's development. Thus, some funds are set aside for long term use. Furthermore, the mitigation fees are calculated to cover all costs including the ILF program staff members' salaries and benefits, and other ILF program administration costs incurred. ILF cash is drawn as the Organization performs their mitigation obligation.

Revenue and expenses for the year ended June 30, 2025 totaled $1,949,073 and $1,240,178, respectively.

NOTE 10 — CHANGE IN FUTURE FINANCIAL STATEMENTS PRESENTATION

The Organization was created in 1985 under an interlocal agreement between three local counties and two tribes. The Organization has the characteristic of being a governmental entity because of the election of officers of a controlling majority of the members of the Organization's governing body of officials of one or more local governments. As a result, the Organization may be required to prepare the financial statements in accordance with the BARS Manual (Budgeting Accounting and Reporting System). This future change in the financial statement presentation will reflect governmental GAAP (generally accepted accounting principles). The date in which this change will take place has not yet been determined.

NOTE 11 — SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 20, 2026, the date on which the financial statements were available to be issued.