



REPORTS OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS  
(WITH SUPPLEMENTARY INFORMATION)

**NORTHWEST POWER & CONSERVATION COUNCIL**

September 30, 2020 and 2019

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## **Report of Independent Auditors**

To the Council Members  
Northwest Power and Conservation Council

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Northwest Power and Conservation Council (the Council), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 Council'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 Council'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 Northwest Power and Conservation Council as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter***Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 January 8, 2021 on our consideration of Northwest Power and Conservation Council'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 solely 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 effectiveness of Northwest Power and Conservation Council's 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 Northwest Power and Conservation Council's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon  
January 8, 2021

## Northwest Power and Conservation Council Statements of Financial Position

	September 30,	
	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 542,426	\$ 354,795
Restricted cash	1,136,948	1,222,147
	1,679,374	1,576,942
Total cash and cash equivalents and restricted cash		
Awards receivable	401,802	652,408
Prepaid expenses	42,600	-
Property and equipment, at cost:		
Furniture and equipment	1,332,244	1,332,244
Leasehold improvements	174,279	174,279
	1,506,523	1,506,523
Total property and equipment		
Less accumulated depreciation and amortization	(1,454,050)	(1,369,962)
	52,473	136,561
Net property and equipment, at cost		
Total assets	\$ 2,176,249	\$ 2,365,911
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 411,304	\$ 507,549
Accrued payroll, payroll taxes, and employee benefits	944,302	869,188
Deferred project revenue	668,086	837,272
Deferred rent payable	39,256	83,244
	2,062,948	2,297,253
Total liabilities		
Net assets		
Without donor restrictions	113,301	68,658
Total liabilities and net assets	\$ 2,176,249	\$ 2,365,911

## Northwest Power and Conservation Council Statements of Activities

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	Years Ended September 30,	
	<u>2020</u>	<u>2019</u>
<b>AWARDS AND REVENUES</b>		
Bonneville Power Administration awards	\$ 13,482,345	\$ 13,577,455
Investment return, net	754	1,289
Other income	435	19,513
	<u>13,483,534</u>	<u>13,598,257</u>
<b>EXPENSES</b>		
Power division	3,166,480	2,913,397
Fish & wildlife division	1,019,207	1,615,894
State councils	3,203,071	3,134,453
Central council	3,780,637	3,591,512
Special projects	2,269,496	2,371,806
	<u>13,438,891</u>	<u>13,627,062</u>
INCREASE (DECREASE) IN NET ASSETS	44,643	(28,805)
NET ASSETS WITHOUT DONOR RESTRICTIONS, beginning of year	<u>68,658</u>	<u>97,463</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, end of year	<u>\$ 113,301</u>	<u>\$ 68,658</u>

**Northwest Power and Conservation Council**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2020**

	<u>Power Division</u>	<u>Fish &amp; Wildlife Division</u>	<u>State Councils</u>	<u>Central Council</u>	<u>Special Projects</u>	<u>Total</u>
Personnel service salaries	\$ 1,537,087	\$ 581,085	\$ 1,902,880	\$ 1,759,197	\$ 228,046	\$ 6,008,295
Payroll taxes and benefits	725,901	274,177	986,175	821,590	115,528	2,923,371
Professional service contracts	756,000	140,925	42,610	1,858	1,923,879	2,865,272
Office supplies and services	109,215	3,969	28,390	427,813	2,043	571,430
Facilities rent	-	-	128,797	435,554	-	564,351
Equipment rental and maintenance	20,000	-	15,144	144,793	-	179,937
Travel	16,326	17,586	98,357	25,942	-	158,211
Depreciation and amortization	-	-	-	84,088	-	84,088
Miscellaneous expenses	-	-	250	59,972	-	60,222
Education and training	1,951	465	468	9,138	-	12,022
Publicity	-	1,000	-	10,692	-	11,692
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	<u>\$ 3,166,480</u>	<u>\$ 1,019,207</u>	<u>\$ 3,203,071</u>	<u>\$ 3,780,637</u>	<u>\$ 2,269,496</u>	<u>\$ 13,438,891</u>

**Northwest Power and Conservation Council**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2019**

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	<u>Power Division</u>	<u>Fish &amp; Wildlife Division</u>	<u>State Councils</u>	<u>Central Council</u>	<u>Special Projects</u>	<u>Total</u>
Personnel service salaries	\$ 1,543,705	\$ 961,996	\$ 1,871,027	\$ 1,700,815	\$ 223,265	\$ 6,300,808
Payroll taxes and benefits	711,622	420,613	828,906	731,605	110,971	2,803,717
Professional service contracts	480,772	187,415	43,626	62,484	2,031,116	2,805,413
Office supplies and services	64,728	2,098	38,980	439,610	6,454	551,870
Facilities rent	-	-	140,110	401,639	-	541,749
Equipment rental and maintenance	24,400	-	19,969	69,491	-	113,860
Travel	60,143	38,380	190,928	84,054	-	373,505
Depreciation and amortization	-	-	-	95,746	-	95,746
Miscellaneous expenses	-	-	-	2,412	-	2,412
Education and training	12,027	892	907	871	-	14,697
Publicity	16,000	4,500	-	2,785	-	23,285
	<u>\$ 2,913,397</u>	<u>\$ 1,615,894</u>	<u>\$ 3,134,453</u>	<u>\$ 3,591,512</u>	<u>\$ 2,371,806</u>	<u>\$ 13,627,062</u>
Total expenses	<u>\$ 2,913,397</u>	<u>\$ 1,615,894</u>	<u>\$ 3,134,453</u>	<u>\$ 3,591,512</u>	<u>\$ 2,371,806</u>	<u>\$ 13,627,062</u>



## Northwest Power and Conservation Council Statements of Cash Flows

	Years Ended September 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 44,643	\$ (28,805)
Adjustments to reconcile decrease in net assets to net cash from (used in) operating activities:		
Depreciation and amortization	84,088	95,746
Changes in assets and liabilities:		
Awards receivable	250,606	(37,322)
Prepaid expenses	(42,600)	-
Accounts payable	(96,245)	30,611
Accrued payroll, payroll taxes, and employee benefits	75,114	19,690
Deferred project revenue	(169,186)	(91,598)
Deferred rent payable	(43,988)	(31,443)
Net cash from (used in) operating activities	102,432	(43,121)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(20,169)
Net cash used in investing activities	-	(20,169)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	102,432	(63,290)
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year</b>	1,576,942	1,640,232
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of year</b>	\$ 1,679,374	\$ 1,576,942

# Northwest Power and Conservation Council

## Notes to Financial Statements

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### Note 1 – Organization and Summary of Significant Accounting Policies

**Organization** – Northwest Power and Conservation Council (the Council) was established by the Pacific Northwest Electric Power Planning and Conservation Act (the Act), as enacted by Congress of the United States, on December 5, 1980.

The Council, which consists of two representatives from each of the four states of Oregon, Washington, Idaho, and Montana, is charged with developing a comprehensive long-range plan for meeting the electric energy needs of the four-state region. The Council is also specifically charged with establishing a program to protect and enhance the fishery resources of the Columbia River System, as well as balancing the energy needs and resources of the region with environmental considerations.

The Council has developed the Columbia River Basin Fish and Wildlife Program, which was originally adopted on November 15, 1982, and subsequently amended to include salmon recovery measures. The Council has also developed the Northwest Conservation and Electric Power Plan, which was originally adopted on April 27, 1983. The Council now directs its efforts to the implementation and revision of these programs at both the regional and state levels. The most recent revisions were adopted in 2014 for the Fish and Wildlife Program and in 2016 for the Seventh Northwest Electric Power and Conservation Plan.

As provided by the Act, the Bonneville Power Administration (Bonneville) pays compensation and other expenses of the Council for the performance of its functions and responsibilities relating to the Act. Bonneville is required to pay the Council for expenses not to exceed 0.02 mills per kilowatt-hour (kwh) of forecasted firm power sales for the year to be funded. However, funding may be increased up to 0.10 mills per kwh of forecasted firm power sales in any year upon a showing of need by the Council. Actual Council program expenses funded through Bonneville for the years ended September 30, 2020 and 2019 were \$11,169,395 and \$11,255,256, respectively. On a budgetary basis of accounting, which differs from the accrual method primarily by including capital outlay expenditures and excluding depreciation, expenses were \$11,085,307 with \$3,203,071 allocated for the operations of State Councils for the year ended September 30, 2020. Expenses were \$3,203,071 with \$3,134,453 allocated for the operations of State Councils for the year ended September 30, 2019.

**Financial statement presentation** – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The definitions used to classify and report net assets are as follows:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Council and/or the passage of time. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed stipulations which must be maintained in perpetuity by the Council. Generally, the donors of these assets permit the use of all or a part of the income earned on any related investments for general or specific purposes. There were no net assets under this category as of September 30, 2020 or 2019.

# Northwest Power and Conservation Council

## Notes to Financial Statements

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### **Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

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

**Use of estimates** – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents** – The Council considers all cash on hand, including restricted cash, and investments in money market funds with an original maturity date of three months or less, as cash and cash equivalents.

**Restricted cash** – Restricted cash represents the amount of funds received from outside sources that are restricted for specific projects as well as funds reserved for employee retirement plan obligations. Restricted cash balances generally cannot be used for any reason other than their intended purpose.

**Awards receivable** – Awards receivable are reported at their outstanding principal amount. Awards receivable are considered by management to be fully collectible within one year and, accordingly, no allowance for doubtful accounts is considered necessary.

**Property and equipment** – The cost of property and equipment is being depreciated over the estimated useful lives of the assets using the straight-line method. Estimated useful lives range from three to five years. New equipment with costs exceeding \$1,500 is capitalized; expenditures for repairs and maintenance are expensed when incurred.

The cost of leasehold improvements is capitalized and amortized over the shorter of the term of the applicable leases or their estimated useful lives, which range from one to five years.

**Deferred project revenue** – Deferred project revenue represents funds received in the current fiscal year which relate to the following fiscal year's activities. The deferred project revenue balance is recognized as related program expenditures are incurred.

**Deferred rent payable** – The Council records lease expense over the lease term on a straight-line basis for leases with fixed escalation clauses. Accordingly, the Council recognizes deferred rent to the extent that the straight-line recognition of lease expense exceeds required lease rental payments. Deferred rents are reduced when lease payment requirements exceed the recognized amount of expense.

# Northwest Power and Conservation Council

## Notes to Financial Statements

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### Note 1 – Organization and Summary of Significant Accounting Policies (continued)

**Revenue and revenue recognition** – All funding is considered available for general use unless specifically restricted by the donor.

A portion of the Council's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue as the Council has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. Amounts reported as refundable advances, recorded as deferred project revenue, totaled \$668,086 and \$837,272 as of September 30, 2020 and 2019, respectively.

The Council has adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*, as management believes the standard improves the usefulness and understandability of the Council's financial reporting.

**Professional service contracts** – As provided by the Act, the Council contracts with independent third parties to conduct studies or provide specific services in conjunction with the development of long-range plans. Liabilities and expenses for contractual services are recognized when incurred.

**Travel expenses** – Travel expenses of individuals paid directly by the Council are subject to its travel regulations. Travel expenses of Council members paid directly by member states are also subject to Council travel regulations.

**Functional allocation of expenses** – The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and effort or directly to the programs benefited.

**Income taxes** – Under current federal and state income tax regulations, the Council is exempt from income taxes under a Federal Act of Congress and has no requirements to file exempt organization tax returns.

The Council follows generally accepted accounting principles related to uncertain tax positions. In this regard, and if applicable, the Council would recognize the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions would be sustained upon examination by tax authorities, based on the technical merits of the position. The tax benefit measurement is based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. As of September 30, 2020 and 2019, the Council has not identified any uncertain tax positions requiring accrual or disclosure. The Council recognizes interest and penalties, if any, related to income tax matters in miscellaneous expenses. During the years ended September 30, 2020 and 2019, no interest or penalties were recognized.

# Northwest Power and Conservation Council

## Notes to Financial Statements

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### Note 1 – Organization and Summary of Significant Accounting Policies (continued)

**Subsequent events** – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Council recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Council's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. The Council has evaluated subsequent events through January 8, 2021, which is the date the financial statements were available to be issued.

### Note 2 – Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 542,426	\$ 354,795
Awards receivable	<u>401,802</u>	<u>652,408</u>
	<u>\$ 944,228</u>	<u>\$ 1,007,203</u>

As part of the Council's liquidity management plan, the Council invests cash in excess of daily requirements in short-term investments and money market funds.

### Note 3 – Restricted Cash

Restricted cash balances consisted of the following as of September 30:

	<u>2020</u>	<u>2019</u>
Nature of restriction		
Special projects funded by utilities	\$ 781,158	\$ 828,090
Council retirement funds	<u>355,790</u>	<u>394,057</u>
	<u>\$ 1,136,948</u>	<u>\$ 1,222,147</u>

# Northwest Power and Conservation Council

## Notes to Financial Statements

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### Note 4 – Awards Receivable – Bonneville Power Administration Funding

The following represents awards receivable from Bonneville as of September 30:

	<u>2020</u>	<u>2019</u>
Council Programs	\$ 252,984	\$ 248,180
Regional Technical Forum Support	90,083	277,940
Independent Scientific Review Panel	36,319	50,462
Independent Scientific Advisory Board	<u>22,416</u>	<u>75,826</u>
Total awards receivable	<u>\$ 401,802</u>	<u>\$ 652,408</u>

### Note 5 – Independent Scientific Review Panel

In 1997, Congress passed the Energy and Water Development Appropriations Act, which added an amendment to the Act. The amendment requires the Council to create an independent panel of scientists and peer review groups to examine projects proposed for funding by Bonneville. Funding for the panel is provided by Bonneville and is separate from the Council's operating budget. Expenses of the Independent Scientific Review Panel for the years ended September 30, 2020 and 2019 were \$439,792 and \$286,472, respectively.

### Note 6 – Independent Scientific Advisory Board

In 1996, the Council and the National Oceanic and Atmospheric Administration (NOAA) Fisheries established the Independent Scientific Advisory Board (ISAB). The ISAB was formed to provide independent advice and recommendations regarding scientific issues posed by representative agencies on matters that relate to their fish and wildlife programs. In 2002, the Columbia River Basin Indian Tribes were added as equal partners in the sponsorship of the ISAB. For the years ended September 30, 2020 and 2019, ISAB expenses, which are supported through revenue from Bonneville, were \$133,259 and \$253,991, respectively.

### Note 7 – Regional Technical Forum Support

The Regional Technical Forum Support (RTF) is an advisory committee established in 1999 to develop standards to verify and evaluate conservation savings. Members are appointed by the Council and include individuals experienced in conservation program planning, implementation, and evaluation. The RTF is also responsible for developing a conservation and renewable resources rate discount (C&RD) for Bonneville. The C&RD program awards rate discounts to customers who have implemented effective energy conservation measures.

## Northwest Power and Conservation Council Notes to Financial Statements

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### Note 7 – Regional Technical Forum Support (continued)

RTF projects include the assessment of potential energy efficiency technologies, measures, practices and renewable resources to determine their incremental costs, energy and capacity savings, reliability, and value to the region's bulk power system. RTF work is funded by Bonneville and other utilities and is performed by Council staff and contractors employed by the Council for specific analytical tasks. Expenses of the RTF for the years ended September 30, 2020 and 2019 were \$1,696,445 and \$1,831,343, respectively.

### Note 8 – Commitments

The Council leases office space and various equipment under operating lease agreements. Future minimum lease payments under these leases for the year ending September 30, 2020 is as follows:

2021	\$ 503,092
2022	<u>103,998</u>
	<u>\$ 607,090</u>

Certain leases contain periodic escalation clauses. Total facilities and equipment rental expense, including short-term rentals, maintenance contracts, and leases of less than one year was \$479,936 and \$490,741 for the years ended September 30, 2020 and 2019, respectively.

### Note 9 – Deferred Compensation Trust and Pension Plan

The Council has established a state and local government deferred compensation trust for its employees. The trust was established during 2000 to replace the structure of a previous deferred compensation plan. As a result of formation of the trust, all plan assets and related benefit obligations were removed from the books and records of the Council and placed with the trust. Under the deferred compensation trust, pursuant to Section 457 of the Internal Revenue Code, the Council has a contractual relationship with each employee participant to pay his or her deferred compensation balance upon termination. The Council did not contribute to this plan for the years ended September 30, 2020 or 2019. Employee salary deferrals not yet remitted to the plan, which are recorded within restricted cash and accrued employee benefits until distributed, were \$21,226 and \$22,931 for the years ended September 30, 2020 and 2019, respectively.

The Council also has a retirement plan and trust plan, which was adopted on December 31, 1987, under Code Section 401(a) of the Internal Revenue Code. All Council contributions to the retirement plan are held in a trust for the benefit of employee participants. During the years ended September 30, 2020 and 2019, the Council made contributions of \$962,801 and \$978,632, respectively, to this plan.

## **Northwest Power and Conservation Council**

### **Notes to Financial Statements**

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#### **Note 9 – Deferred Compensation Trust and Pension Plan (continued)**

The Council's contributions recognize the fact that the Council does not participate or contribute to FICA and, therefore, employees do not receive benefits under the Federal Social Security system.

Contributions on behalf of employees not yet remitted to the plan, which are recorded within restricted cash and accrued employee benefits until distributed, were \$277,080 and \$322,451 for the years ended September 30, 2020 and 2019, respectively.

#### **Note 10 – Concentrations of Credit Risk**

Financial instruments that potentially subject the Council to concentrations of credit risk consist principally of cash and cash equivalents. The Council places substantially all of its cash and cash equivalents with federally insured financial institutions; however, cash balances may periodically exceed federally insured limits. As of September 30, 2020 and 2019, management considers the Council to have no undue concentration of credit risk resulting from its cash management and banking practices.

As discussed in Note 1, the Council was established on December 5, 1980 by the Pacific Northwest Electric Power Planning and Conservation Act (the Act), as enacted by the Congress of the United States. The Council receives essentially all of its revenues from the Bonneville Power Administration. Should Bonneville Power Administration cease to exist or discontinue funding the Council for any reason, the Council's source of funding would be uncertain.



## **Supplementary Information**

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## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Council Members  
Northwest Power and Conservation Council

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 Northwest Power and Conservation Council (the Council), which comprise the statement of financial position as of September 30, 2020, 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 January 8, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing 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 the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 Council'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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council'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 financial statements. 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 Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Moss Adams LLP*

Portland, Oregon  
January 8, 2021

## **Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Council Members  
Northwest Power and Conservation Council

### **Report on Compliance for the Major Federal Program**

We have audited Northwest Power and Conservation Council's (the Council) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Council's major federal program for the year ended September 30, 2020. The Council'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 programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Council'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 the Council'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 the major federal program. However, our audit does not provide a legal determination of the Council's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Council 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 September 30, 2020.

### **Report on Internal Control Over Compliance**

Management of the Council 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 the Council's internal control over compliance with the types of requirements that could have a direct and material effect on 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 the 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 the Council'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

*Moss Adams LLP*

Portland, Oregon  
January 8, 2021

**Northwest Power and Conservation Council**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2020**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major federal programs and type of auditor’s report issued on compliance for major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i>
81.U02	Regional Technical Forum Support	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

# Northwest Power and Conservation Council

## Schedule of Findings and Questioned Costs

### Year Ended September 30, 2020

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#### Section II – Financial Statement Findings

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#### **FINDING 2020-001 – Financial Close and Reporting, Significant Deficiency in Internal Control over Financial Reporting**

*Criteria:*

The Council must maintain a system of internal controls over financial reporting which is consistently followed.

*Condition:*

During our audit procedures, we noted the following:

- No evidence of review over monthly reconciliations, manual journal entries, or monthly financial statements;
- Lack of supporting documentation for certain manual journal entries;
- Instances of expenses recorded in the incorrect period;
- Lack of recording additions, disposals, and depreciation to capital assets; and
- Lack of segregation of duties within the cash disbursement process.

*Cause:*

During the period under audit, the Council complied with local stay-at-home orders due to the COVID-19 pandemic. Since mid-March 2020, employees worked primarily from home. Prior to, and throughout the stay-at-home orders, the Council also underwent a transition from paper to electronic documentation. As a result of both of these changes, we noted several instances where internal controls were not followed or consistently documented throughout our audit procedures.

*Effect or potential effect:*

The effect of the items mentioned above has the potential to cause misstatements in the financial statements.

*Recommendation:*

We recommend management implement a monthly closing checklist that states all the items needed to close the books, the individuals responsible for gathering the information, the date on which the information is needed, and the appropriate documentation. Recurring journal entries needed for the close process should be among the items required. In addition to a monthly closing calendar, we recommend the Council also develop a year-end closing checklist. This should include all closing entries, schedules, reconciliations, account analyses, and other financial reports needed by management as well as the auditors. Both checklists should include the person responsible for completing the information as well as the person responsible for reviewing the information including a way to document review of the specified information. Finally, we recommend management establish a standard journal entries form and checklist that assists management in documenting their review and approval of journal entries.

*Views of responsible officials:*

Management agrees with the finding.

**Northwest Power and Conservation Council  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2020**

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**Section III – Federal Award Findings and Questioned Costs**

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None reported.



**Northwest Power and Conservation Council  
Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2020**

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No prior year findings identified.

Richard Devlin  
Chair  
Oregon

Ted Ferrioli  
Oregon

Guy Norman  
Washington

Patrick Oshie  
Washington



## Northwest Power and Conservation Council

Bo Downen  
Vice Chair  
Montana

Jennifer Anders  
Montana

Jim Yost  
Idaho

Jeffery C. Allen  
Idaho

January 8, 2021

Re: Financial Statement Findings prepared by Moss Adams for Year Ended September 30, 2020: Views of responsible officials

The Council's managing officials accept and concur in the findings, and we appreciate the assessment and recommendations by the auditors. And while we acknowledge and also appreciate the context noted by the auditors – especially that the period under audit and the audit itself has occurred during the COVID-19 pandemic, with all its attendant difficulties for work – we also acknowledge the internal control deficiencies are notable, cannot be excused just because of the pandemic conditions, and need to be corrected.

In January of 2021, prior to the release of the final audit report, the Council hired a qualified financial consultant to review the Council's finance and accounting operations to ensure our financial and accounting processes are effective and efficient according to best practices, that staffing is at the appropriate level and qualifications, and that methods are in place to ensure the internal controls are indeed followed. The Council will use the consultant's findings to ensure accounting and financial responsibilities are clearly defined and documented with internal controls in place for management oversight.

As part of the Organization's review of its accounting and financial processes, we will develop and adopt checklists and templates to ensure monthly reconciliations, manual journal entries and monthly financial statements are prepared in a timely matter, supported by appropriate documentation and submitted to management for review and approval which is also documented and available to auditors. A year-end closing checklist will similarly be developed and adopted which includes all closing entries, schedules, reconciliations, account analyses, and other financial reports needed by management as well as the auditors. The Council will also consider the consultant's recommendations for addressing the lack of segregation of duties within the cash disbursement process. Management anticipates these items will be resolved by September 30, 2021.

Sincerely,

*Bill Edmonds*

Bill Edmonds  
Executive Director

**Northwest Power and Conservation Council**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Energy Pass-Through Programs From:				
Bonneville Power Administration – Independent Scientific Advisory Board	81.U01	00058846	\$ -	\$ 133,259
Bonneville Power Administration – Independent Scientific Review Panel	81.U01	00058844	-	439,791
			-	573,050
Bonneville Power Administration – Regional Technical Forum Support 2015-2019	81.U02	Grant 67732	-	153,725
Regional Technical Forum Support 2020-2024	81.U02	Grant 83607	-	405,375
			-	559,100
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 1,132,150</b>

**Northwest Power & Conservation Council**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2020**

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**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Northwest Power & Conservation Council (the Council) under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) 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 Council, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Council.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such 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. Negative amounts shown on the schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**Note 3 – Indirect Cost Rate**

The Council has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

