



Reports of Independent Auditors
and Financial Statements
(with Supplementary Information)

Northwest Power & Conservation Council

September 30, 2023 and 2022

Table of Contents

	Page
Report of Independent Auditors	1
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6
Statements of Cash Flows	9
Notes to Financial Statements	10
Supplementary Information	
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 <i>Government Auditing Standards</i>	17
Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	19
Schedule of Findings and Questioned Costs	22
Summary Schedule of Prior Audit Findings	23
Schedule of Expenditures of Federal Awards	24
Notes to Schedule of Expenditures of Federal Awards	25

Report of Independent Auditors

The Council Members
Northwest Power & Conservation Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northwest Power & Conservation Council (the Council), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Northwest Power & Conservation Council as of September 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, in 2023, the Council adopted new accounting guidance Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary 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 schedule of expenditures of federal awards 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 31, 2024 on our consideration of the 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 the 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 the Council's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Portland, Oregon
January 31, 2024

Financial Statements

Northwest Power & Conservation Council
Statements of Financial Position
September 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 5,318,206	\$ 3,672,845
Restricted cash	1,235,525	1,108,614
Total cash and cash equivalents and restricted cash	6,553,731	4,781,459
Awards receivable	293,796	259,326
Prepaid expenses	520,164	203,090
Operating right-of-use assets	4,992,290	-
Property and equipment, at cost:		
Furniture and equipment	1,068,978	1,105,073
Leasehold improvements	116,608	174,651
Total property and equipment	1,185,586	1,279,724
Less accumulated depreciation and amortization	(1,171,938)	(1,257,658)
Net property and equipment, at cost	13,648	22,066
Total assets	\$ 12,373,629	\$ 5,265,941
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 408,838	\$ 436,816
Refundable advances - Bonneville Power Administration	4,847,555	3,058,649
Accrued payroll, payroll taxes, and employee benefits	524,397	575,806
Deferred project revenue	1,020,649	827,592
Operating lease liabilities	5,217,661	-
Deferred rent payable	-	195,307
Total liabilities	12,019,100	5,094,170
Net assets		
Without donor restrictions	354,529	171,771
Total liabilities and net assets	\$ 12,373,629	\$ 5,265,941

See accompanying notes.

Northwest Power & Conservation Council
Statements of Activities
Years Ended September 30, 2023 and 2022

	2023	2022
AWARDS AND REVENUES		
Bonneville Power Administration awards	\$ 12,148,281	\$ 11,630,365
Investment return	47,734	606
Other income	97,526	2,998
Total awards and revenues	12,293,541	11,633,969
EXPENSES		
Power division	2,865,355	2,428,331
Fish & wildlife division	1,311,706	1,195,557
State councils	2,649,212	2,805,964
Central council	3,063,055	3,081,692
Special projects	2,221,455	2,293,837
Total expenses	12,110,783	11,805,381
INCREASE (DECREASE) IN NET ASSETS	182,758	(171,412)
NET ASSETS WITHOUT DONOR RESTRICTIONS, beginning of year	171,771	343,183
NET ASSETS WITHOUT DONOR RESTRICTIONS, end of year	\$ 354,529	\$ 171,771

See accompanying notes.

Northwest Power & Conservation Council
Statement of Functional Expenses
Year Ended September 30, 2023

	Power Division	Fish & Wildlife Division	State Councils	Central Council	Special Projects	Total
Personnel service salaries	\$ 1,520,587	\$ 791,483	\$ 1,656,045	\$ 1,347,223	\$ 224,174	\$ 5,539,512
Professional service contracts	664,201	135,915	46,093	130,229	1,890,807	2,867,245
Payroll taxes and benefits	559,409	348,954	679,907	588,493	90,653	2,267,416
Facilities rent	-	-	111,726	458,637	-	570,363
Office supplies and services	60,507	4,692	25,149	421,245	15,821	527,414
Travel	37,900	18,179	127,183	79,631	-	262,893
Miscellaneous expenses	3,150	4,028	-	26,919	-	34,097
Sponsorships	13,000	1,250	1,500	1,676	-	17,426
Education and training	6,601	380	1,609	3,102	-	11,692
Equipment rental and maintenance	-	6,825	-	2,499	-	9,324
Depreciation and amortization	-	-	-	3,401	-	3,401
Total expenses	\$ 2,865,355	\$ 1,311,706	\$ 2,649,212	\$ 3,063,055	\$ 2,221,455	\$ 12,110,783

See accompanying notes.

Northwest Power & Conservation Council
Statement of Functional Expenses
Year Ended September 30, 2022

	Power Division	Fish & Wildlife Division	State Councils	Central Council	Special Projects	Total
Personnel service salaries	\$ 1,436,253	\$ 726,221	\$ 1,737,951	\$ 1,416,361	\$ 236,643	\$ 5,553,429
Professional service contracts	297,179	92,720	55,183	51,910	1,936,084	2,433,076
Payroll taxes and benefits	592,353	348,469	794,771	610,971	120,610	2,467,174
Facilities rent	-	-	110,384	433,472	-	543,856
Office supplies and services	22,717	16,116	26,116	401,840	500	467,289
Travel	19,559	6,886	78,711	35,757	-	140,913
Miscellaneous expenses	1,307	-	-	43,414	-	44,721
Sponsorships	24,077	-	-	9,200	-	33,277
Education and training	6,789	210	1,548	4,304	-	12,851
Equipment rental and maintenance	28,097	4,935	1,300	68,235	-	102,567
Depreciation and amortization	-	-	-	6,228	-	6,228
Total expenses	<u>\$ 2,428,331</u>	<u>\$ 1,195,557</u>	<u>\$ 2,805,964</u>	<u>\$ 3,081,692</u>	<u>\$ 2,293,837</u>	<u>\$ 11,805,381</u>

See accompanying notes.

Northwest Power & Conservation Council
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 182,758	\$ (171,412)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	3,401	6,228
Non-cash operating lease expense	30,064	-
Loss on disposal of assets	5,017	-
Changes in assets and liabilities:		
Awards receivable	(34,470)	96,154
Prepaid expenses	(317,074)	(48,090)
Accounts payable	(27,978)	79,523
Refundable advance – BPA	1,788,906	2,603,329
Accrued payroll, payroll taxes, and employee benefits	(51,409)	(445,842)
Deferred project revenue	193,057	(16,656)
Deferred rent payable	-	203,650
Net cash from operating activities	<u>1,772,272</u>	<u>2,306,884</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of property and equipment	-	(18,896)
Net cash used in investing activities	<u>-</u>	<u>(18,896)</u>
INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	1,772,272	2,287,988
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	<u>4,781,459</u>	<u>2,493,471</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of year	<u>\$ 6,553,731</u>	<u>\$ 4,781,459</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH FLOW INFORMATION		
Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ 5,520,432</u>	<u>\$ -</u>

See accompanying notes.

Northwest Power & Conservation Council

Notes to Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies

Organization – Northwest Power & 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 2020 for the Fish and Wildlife Program and in 2022 for the Northwest Power 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, 2023 and 2022, were \$9,889,328 and \$9,511,544, respectively. On a budgetary basis of accounting, which differs from the accrual method primarily by including capital outlay expenditures and excluding depreciation and amortization, expenses were \$9,885,927 with \$2,649,212 allocated for the operations of State Councils for the year ended September 30, 2023. Expenses were \$9,505,316 with \$2,805,964 allocated for the operations of State Councils for the year ended September 30, 2022.

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 statements 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, 2023 and 2022.

Northwest Power & Conservation Council

Notes to Financial Statements

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.

Recently adopted standards – Effective October 1, 2022, the Council changed its method of accounting for leases on a prospective basis as a result of the Council's adoption of Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases*, under the modified retrospective approach. Results for reporting periods beginning on or after October 1, 2022 are presented under ASC 842, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under ASC 840. The right-of-use (ROU) asset and liability totaled \$5,325,125 and \$5,520,432, respectively, at adoption.

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.

Prepaid expenses – Prepaid expenses consist of expenses paid in advance but not yet incurred.

Leases – The Council determines if an arrangement is a lease, or contains a lease, at the inception of the arrangement and reassesses that conclusion, if the arrangement is modified. When the Council determines the arrangement is a lease, or contains a lease, at lease inception, a determination is made as to whether the lease is an operating lease or a finance lease. Operating and finance leases result in the Council's recording a right-of-use (ROU) asset and lease liability on its statements of financial position. ROU assets represent the Council's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are initially recognized based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Council uses the implicit interest rate in the lease, if readily determinable, or when the implicit interest rate is not readily determinable, the Council has elected the practical expedient that permits use of a risk-free discount rate, determined using a period comparable with that of the lease term. Rent expense from operating leases is recognized on a straight-line basis over the term of the leases. For finance leases, interest expense is recognized, using the effective interest-rate method over the term of the leases, and ROU assets are depreciated on a straight-line basis over the term of the leases.

Northwest Power & Conservation Council

Notes to Financial Statements

The Council also elected the following practical expedients:

- Practical expedient on not separating lease components from non-lease components for classes of underlying assets. This was elected for the Council's real estate leases.
- Package of practical expedients, which must be elected as a package, to leases that commenced before October 1, 2022, which permit an entity to (1) not reassess whether any expired or existing contracts are or contain leases (2) not reassess the lease classification and (3) reassess initial direct costs.
- Practical expedient to not recognize ROU assets and lease liabilities that arise from short-term (12 months or less) leases for any class of underlying asset.

In periods prior to October 1, 2022, the Council recognized rent expense on a straight-line basis but did not recognize ROU assets and lease liabilities for its operating leases. The difference between the occupancy expense and rent paid was recorded as a deferred rent liability on the statements of financial position as of September 30, 2022.

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 \$5,000 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.

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 and deferred project revenue in the statements of financial position.

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.

Northwest Power & Conservation Council

Notes to Financial Statements

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, 2023 and 2022, 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, 2023 and 2022, no interest or penalties were recognized.

Reclassifications – Certain account reclassifications have been made to the financial statements of the prior year in order to conform to the current year presentation. These reclassifications have no impact on the total net assets or change in net assets for the year ended September 30, 2023.

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 31, 2024, 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,318,206	\$ 3,672,845
Awards receivable	<u>293,796</u>	<u>259,326</u>
	<u>\$ 5,612,002</u>	<u>\$ 3,932,171</u>

Northwest Power & Conservation Council

Notes to Financial Statements

Note 3 – Restricted Cash

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

Nature of restriction	2023	2022
Special projects funded by utilities	\$ 1,184,781	\$ 1,054,434
Council retirement funds	39,627	35,831
Deferred compensation funds	11,117	18,349
	\$ 1,235,525	\$ 1,108,614

Note 4 – Awards Receivable – Bonneville Power Administration Funding

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

	2023	2022
Council Programs	\$ 136,754	\$ 141,922
Regional Technical Forum Support	97,017	47,325
Independent Scientific Review Panel	30,394	23,131
Independent Scientific Advisory Board	29,631	46,948
Total awards receivable	\$ 293,796	\$ 259,326

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, 2023 and 2022, were \$247,783 and \$216,324, 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, 2023 and 2022, ISAB expenses, which are supported through revenue from Bonneville, were \$231,879 and \$171,232, respectively.

Northwest Power & Conservation Council

Notes to Financial Statements

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.

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, 2023 and 2022, were \$1,741,793 and \$1,906,281, respectively.

Note 8 – Operating Leases

The Council leases office through operating leases that expire at various times through February 2037. The leases are classified as operating leases under ASC 842 for the year ended September 30, 2023. The operating leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees.

As of September 30, 2023, the weighted average remaining lease term for operating leases totaled 12.90 years. The weighted average discount rate for operating leases was 3.90%.

The aggregate minimum rental commitments under the operating leases are as follows:

For the years ending September 30,	
2024	\$ 527,832
2025	506,177
2026	506,482
2027	517,058
2028	517,058
Thereafter	<u>4,092,067</u>
Total future lease payments	6,666,674
Less imputed interest	<u>1,449,013</u>
Present value of lease liabilities	<u><u>\$ 5,217,661</u></u>

The Council incurred operating lease expenses of \$570,363 during the year ended September 30, 2023 which was recorded within facilities rent on the statement of functional expenses.

As the Council has not restated prior-year information for the adoption of ASC 842, total operating lease rental expense under ASC Topic 840, *Leases*, for the year ended September 30, 2022 was \$543,856.

Northwest Power & Conservation Council

Notes to Financial Statements

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, 2023 and 2022. Employee salary deferrals not yet remitted to the plan, which are recorded within restricted cash and accrued employee benefits until distributed, were \$11,117 and \$18,349 for the years ended September 30, 2023 and 2022, 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, 2023 and 2022, the Council made contributions of \$876,408 and \$881,388, respectively, to this plan.

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 \$39,627 and \$35,831 for the years ended September 30, 2023 and 2022, 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, 2023 and 2022, 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

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*

The Council Members
Northwest Power & Conservation Council

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northwest Power & Conservation Council (the Council), which comprise the statement of financial position as of September 30, 2023, 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 31, 2024.

Report on 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 entity'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.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Portland, Oregon
January 31, 2024

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

The Council Members
Northwest Power & Conservation Council

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Northwest Power & Conservation Council's (the Council) compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, the Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Council's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Council's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Council's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Portland, Oregon
January 31, 2024

Northwest Power & Conservation Council
Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

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>Federal Assistance Listing Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Program</i>
81.U01	Independent Scientific Advisory Board, Independent Scientific Review Panel	<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

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

**Northwest Power & Conservation Council
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2023**

No prior year findings identified.

Northwest Power & Conservation Council
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Energy Pass-Through Programs From:				
Bonneville Power Administration – Independent Scientific Advisory Board	81.U01	00090753	\$ -	\$ 231,878
Bonneville Power Administration – Independent Scientific Review Panel	81.U01	00090683	-	<u>247,783</u>
			-	479,661
Bonneville Power Administration – Regional Technical Forum Support 2020-2024	81.U02	Grant 83607	-	<u>578,550</u>
			-	<u>578,550</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,058,211</u>

See notes to the schedule of expenditures of federal awards.

Northwest Power & Conservation Council
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Northwest Power & Conservation Council (the Council) under programs of the federal government for the year ended September 30, 2023. 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, functional expenses, 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.