

# Opportunity Council

Consolidated Financial Statements and  
Supplementary Information with  
Independent Auditor's Report

Year Ended December 31, 2022  
(with Summarized Comparative Totals  
for Year Ended December 31, 2021)



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# Opportunity Council

## Contents

<b>Independent Auditor's Report</b>	1-3
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6-7
Consolidated Statement of Cash Flows	8-9
Notes to Consolidated Financial Statements	10-26
Appendix I: Affiliates	27-28
<b>Supplementary Information</b>	
Schedule of Expenditures of State Awards	29
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	32-34
Schedule of Audit Findings and Questioned Costs	35-36
Schedule of Expenditures of Federal Awards	37-40
Notes to Schedule of Expenditures of Federal Awards	41-42



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Opportunity Council  
Bellingham, Washington

### Report on the Audit of the Consolidated Financial Statements

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Opportunity Council (a Washington nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Opportunity Council as of December 31, 2022, and the changes in their net assets and their 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 audit 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*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Opportunity 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.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 consolidated 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 Opportunity 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Opportunity 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.

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2022 Opportunity Council adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

### ***Other Matter – Prior-Period Summarized Comparative Information***

We have previously audited the Opportunity Council's 2021 financial statements, and our report dated June 29, 2022 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of state awards is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The schedule of state awards and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of state awards and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in Appendix 1: Affiliates, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023, on our consideration of Opportunity 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 Opportunity 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 Opportunity Council's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Bellevue, Washington  
September 28, 2023

**Opportunity Council**  
**Consolidated Statement of Financial Position**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents - unrestricted	\$ 2,265,570	\$ 2,206,377
Due from granting agencies	6,096,610	8,192,923
Other current receivables	2,001,262	1,163,992
Other current assets	249,989	384,209
Total current assets	<u>10,613,431</u>	<u>11,947,501</u>
<b>Property and equipment, net</b>	12,417,526	11,883,440
<b>Operating Right-of-use assets</b>	1,388,165	-
<b>Other assets</b>		
Reserved funds		
Board-designated reserves	409,508	409,508
Contractually obligated property reserves	170,680	169,572
Total reserved funds	<u>580,188</u>	<u>579,080</u>
Funds held for others	190,056	338,421
Home loan receivable	2,556,043	2,553,396
Other long-term receivables	2,386,851	1,564,266
Total other assets	<u>5,713,138</u>	<u>5,035,163</u>
<b>Total assets</b>	<u><u>\$ 30,132,260</u></u>	<u><u>\$ 28,866,104</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 3,407,526	\$ 1,177,371
Accrued liabilities	1,356,464	2,183,647
Revolving loans payable	1,239,142	148,365
Deferred revenue	2,723,853	4,038,374
Due to affiliate	-	251,972
Current portion of operating lease liability	375,773	-
Current portion of notes payable	125,177	132,138
Total current liabilities	<u>9,227,935</u>	<u>7,931,867</u>
<b>Long-term liabilities</b>		
Tenant deposits	154,133	155,556
Due to funding agencies	2,556,043	2,553,396
Operating lease liability, net of current portion	1,026,955	-
Notes payable, net of current portion and unamortized debt issuance costs	<u>6,023,532</u>	<u>6,125,293</u>
Total long-term liabilities	<u>9,760,663</u>	<u>8,834,245</u>
<b>Net assets</b>		
Without donor restrictions		
Net investment in property and equipment	6,268,817	5,626,009
Undesignated	(382,650)	276,843
Board-designated	409,508	409,508
Total without donor restrictions	<u>6,295,675</u>	<u>6,312,360</u>
With donor restrictions	<u>4,847,987</u>	<u>5,787,632</u>
Total net assets	<u>11,143,662</u>	<u>12,099,992</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 30,132,260</u></u>	<u><u>\$ 28,866,104</u></u>

See accompanying notes to consolidated financial statements.

**Opportunity Council**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

	<b>2022</b>			<b>2021</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
<b>Revenue, gains, and public support</b>				
Grants from government agencies	\$ 64,538,987	\$ -	\$ 64,538,987	\$ 46,780,487
Grants from private organizations	4,150,594	-	4,150,594	3,727,584
Fee-for-service contracts	4,135,929	-	4,135,929	3,629,024
Contributions	714,229	86,584	800,813	2,177,080
Contributions of non-financial assets	172,550	-	172,550	190,923
Investment income	-	-	-	2
Satisfaction of donor restrictions	1,026,229	(1,026,229)	-	-
Total revenues, gains, and public support	74,738,518	(939,645)	73,798,873	56,505,100
<b>Expenses</b>				
Program services	68,394,434	-	68,394,434	50,774,838
Management and general	4,877,263	-	4,877,263	4,056,170
Other supporting services	1,421,614	-	1,421,614	1,190,818
Fundraising	61,892	-	61,892	103,343
Total expenses	74,755,203	-	74,755,203	56,125,169
<b>Change in net assets</b>	(16,685)	(939,645)	(956,330)	379,931
Net assets - beginning of year	6,312,360	5,787,632	12,099,992	11,720,061
<b>Net assets - end of year</b>	<u>\$ 6,295,675</u>	<u>\$ 4,847,987</u>	<u>\$ 11,143,662</u>	<u>\$ 12,099,992</u>

See accompanying notes to consolidated financial statements.

**Opportunity Council**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

	2022						
	Early Learning and Family Services	Weatherization and Home Repair Services	Energy Policy	Housing Services	Housing Enterprise	Community Services	Energy Assistance
<b>Expenses</b>							
Salaries and wages	\$ 6,044,775	\$ 540,013	\$ 53,687	\$ 4,348,203	\$ 838,093	\$ 581,603	\$ 581,950
Payroll taxes and benefits	2,853,673	258,016	25,372	2,159,061	418,499	289,040	276,292
Total payroll expenses	8,898,448	798,029	79,059	6,507,264	1,256,592	870,643	858,242
Advertising	3,407	75	-	2,404	600	23	50
Business taxes	92	-	-	15,080	16,041	-	-
Communications	83,401	5,384	629	76,823	14,733	9,458	7,378
Depreciation	-	-	-	18,156	2,075	-	-
In-kind	172,550	-	-	-	-	-	-
Insurance	9,966	3,756	-	42,857	5,587	442	-
Interest	-	-	-	43,746	-	-	-
Minor equipment	-	-	-	-	-	-	-
Occupancy	193,972	-	4,722	819,560	13,839	5,933	-
Other	88,852	7,904	2,138	16,381	41,466	14,589	680
Pass-through grants	230,432	-	-	-	-	-	-
Postage	4,677	3,065	-	6,023	866	824	12,965
Printing and copying	14,650	54	-	5,928	259	5,144	3,016
Professional and contract services	669,402	2,600,505	540,507	335,707	652,852	78,446	432,362
Repairs and maintenance	6,298	-	-	94,844	5,540	-	-
Specific assistance	301,506	-	-	34,753,112	336,789	92,394	5,127,595
Supplies	419,400	17,908	155	146,501	82,669	34,901	13,353
Training	58,758	10,631	4,749	17,540	10,191	1,448	5,669
Travel and vehicle expense	112,490	25,549	16,039	23,463	40,307	10,032	13,893
Total expenses	\$ 11,268,301	\$ 3,472,860	\$ 647,998	\$ 42,925,389	\$ 2,480,406	\$ 1,124,277	\$ 6,475,203

See accompanying notes to consolidated financial statements.



**Opportunity Council**  
**Consolidated Statement of Functional Expenses (Continued)**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

	2022					2021 Total
	Total Program Services	Administration	Other Supporting Services	Fundraising	Total	
<b>Expenses</b>						
Salaries and wages	\$ 12,988,324	\$ 2,335,347	\$ 171,446	\$ 38,886	\$ 15,534,003	\$ 15,096,505
Payroll taxes and benefits	6,279,953	975,699	83,483	18,872	7,358,007	4,913,622
Total payroll expenses	19,268,277	3,311,046	254,929	57,758	22,892,010	20,010,127
Advertising	6,559	680	50	-	7,289	8,755
Business taxes	31,213	-	15,093	-	46,306	29,959
Communications	197,806	16,402	38,160	500	252,868	247,944
Depreciation	20,231	402,395	204,567	-	627,193	528,892
In-kind	172,550	-	-	-	172,550	190,923
Insurance	62,608	111,946	27,409	-	201,963	166,123
Interest	43,746	-	117,202	-	160,948	140,388
Minor equipment	-	-	-	-	-	424,545
Occupancy	1,038,026	123,565	451,842	-	1,613,433	1,323,500
Other	172,010	122,375	3,497	836	298,718	399,095
Pass-through grants	230,432	-	-	-	230,432	654,979
Postage	28,420	7,593	-	520	36,533	30,295
Printing and copying	29,051	13,135	536	2,278	45,000	35,676
Professional and contract services	5,309,781	474,256	87,645	-	5,871,682	4,841,890
Repairs and maintenance	106,682	10,096	112,248	-	229,026	358,311
Specific assistance	40,611,396	1,549	597	-	40,613,542	25,779,045
Supplies	714,887	122,882	106,603	-	944,372	705,408
Training	108,986	33,789	155	-	142,930	95,144
Travel and vehicle expense	241,773	125,554	1,081	-	368,408	154,171
Total expenses	<u>\$ 68,394,434</u>	<u>\$ 4,877,263</u>	<u>\$ 1,421,614</u>	<u>\$ 61,892</u>	<u>\$ 74,755,203</u>	<u>\$ 56,125,170</u>

See accompanying notes to consolidated financial statements.

**Opportunity Council**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (956,330)	\$ 379,931
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	627,193	528,892
Amortization of debt issuance costs	-	1,610
(Increase) decrease in assets:		
Due from granting agencies	2,096,313	(4,228,284)
Other current receivables	(837,270)	(96,298)
Other current assets	134,220	(46,891)
Operating Right-of-use assets	(1,388,165)	
Increase (decrease) in liabilities:		
Accounts payable	2,230,155	16,320
Accrued liabilities	(827,183)	70,044
Deferred revenue	(1,314,521)	1,125,283
Operating lease liabilities	1,402,728	
Due to affiliate	(251,972)	85,000
<b>Net cash provided (used) by operating activities</b>	<u>915,168</u>	<u>(2,164,393)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(1,161,278)	(2,218,661)
Funds held for others in escrow	-	2,630,828
Interest earned on other long-term receivables	(822,585)	-
Increase in tenant deposits	(1,423)	11,744
<b>Net cash provided (used) by investing activities</b>	<u>(1,985,286)</u>	<u>423,911</u>
<b>Cash flows from financing activities</b>		
Increase in revolving loans payable	1,090,777	52,953
Proceeds from notes payable	-	688,676
Payments on notes payable	(108,722)	(128,589)
<b>Net cash provided by financing activities</b>	<u>982,055</u>	<u>613,040</u>
<b>Net decrease in cash and cash equivalents</b>	(88,063)	(1,127,441)
Cash and cash equivalents - beginning of year	<u>3,123,877</u>	<u>4,251,318</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 3,035,814</u>	<u>\$ 3,123,877</u>
<b>Summary of cash and cash equivalents</b>		
Cash and cash equivalents - unrestricted	\$ 2,265,570	\$ 2,206,376
Reserved funds		
Board-designated reserves	409,508	409,508
Contractually obligated property reserves	170,680	169,572
Capital Improvement Fund	-	-
Funds held for others	<u>190,056</u>	<u>338,421</u>
<b>Total cash and cash equivalents</b>	<u>\$ 3,035,814</u>	<u>\$ 3,123,877</u>

See accompanying notes to consolidated financial statements.

**Opportunity Council**  
**Consolidated Statement of Cash Flows (Continued)**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	<u>\$ 163,110</u>	<u>\$ 140,050</u>
Change in home loan receivables and amounts due to funding agencies	<u>\$ (2,647)</u>	<u>\$ (4,972)</u>

**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

**Note 1 – Summary of Significant Accounting Policies**

**Organization and purpose:** Opportunity Council (the Council) is a nonprofit corporation incorporated in the state of Washington on November 5, 1965. Opportunity Council functions as a Community Action Agency in accordance with the Economic Opportunity Act of 1964 and the Community Services Act of 1974. Principal operations of the Council consist of administration of government and community-funded programs directed toward economic betterment of low income, minority, and disadvantaged persons. The Council's major program activities include early learning and family services, community services and referrals, weatherization and home repair services, and housing and energy assistance. As the community action agency serving Whatcom, San Juan, and Island counties of Washington State, the Council primarily provides services and programs in these three counties. The Council also has contracts to deliver specific programming in Skagit and Snohomish counties and provides specialized services throughout Washington as well as in other states in the Pacific Northwest.

The Council has formed a number of separate state limited liability corporations (LLCs) for the purpose of providing certain management and other services to separate entities in which the LLCs are either a noncontrolling member or general partner. The sole member of these LLCs is Opportunity Council, therefore, they are consolidated with Opportunity Council (collectively, the Council) in these financial statements. All interagency accounts and transactions have been eliminated. All active LLCs are outlined in the list below:

<b>Name</b>	<b>Year of Formation</b>
CreateHousing, LLC	2006
22 North Manager, LLC	2016
Friday Harbor Housing I, LLC	2017
Opportunity Housing Ferndale, LLC	2018
OC Housing Partners I, LLC	2018
OCHP Pullman, LLC	2018
CreateHousing Riverview LLC	2019
CreateHousing Ravenswood, LLC	2019
CreateHousing Vantage II, LLC	2019
CreateHousing Holly Ridge, LLC	2020
CreateHousing Manor Way, LLC	2020
CreateHousing Four Corners, LLC	2020
OCHP Springtree, LLC	2020
OCHP Blackbird, LLC	2021
OCHP Sunshine Park, LLC	2021
OCHP Meeker, LLC	2021
OCHP Logan Park, LLC	2021
OCHP Solera, LLC	2021
OCHP Covey Run, LLC	2021
OCHP East Park MT, LLC	2021
OCHP Texas I, LLC	2021
OCHP Fire Tower MT, LLC	2022

**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

**Note 1 – Summary of Significant Accounting Policies – (Continued)**

**Basis of accounting:** The Council prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

**Basis of presentation:** Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Council and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Council or the passage of time totaled \$4,499,086 and \$5,439,003 as of December 31, 2022 and 2021, respectively. Net assets subject to donor-imposed restrictions that stipulate they be maintained in perpetuity but permit the Council to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes totaled \$348,630 as of December 31, 2022 and 2021, in the form of land that must be used for a specific purpose.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions that are restricted by donors are reported as increases in net assets without donor restriction if the restrictions expire in the reporting period in which the contributions are recognized.

The Council reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the assets are to be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Use of estimates:** The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated 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 highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

**Note 1 – Summary of Significant Accounting Policies – (Continued)**

**Due from granting agencies and other current receivables:** Amounts due from granting agencies and other receivables are recorded at their net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for doubtful accounts. Management of the Council bases its estimate of doubtful accounts on several factors. These factors include the Council's prior experience collecting receivables, the aging of the receivables at year-end, and management's appraisal of current economic conditions. Based on the above factors, management considers all receivables to be fully collectible, therefore, has not made any allowance for uncollectibility.

Receivables are considered past due if not collected within 90 days. The Council does not charge interest on past due receivables.

**Property and equipment:** Property and equipment are recorded at cost or, if acquired as a donation, at the estimated fair value at the date donated. Depreciation is computed utilizing the straight-line method and the following estimated economic useful lives:

Buildings	5 to 50 Years
Equipment and furnishings	5 Years
Vehicles	5 Years
Leasehold improvements	Shorter of remaining useful life, or lease term

The Council capitalizes new assets and expenditures that add to productive capacity or extend the productive life of an asset costing \$5,000 or more. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts, and any gain or loss is included in net change in net assets.

**Funds held for others:** Funds held for others consist of restricted cash representing tenant deposits held in separate accounts in accordance with the related lease agreements, cash on hand from the revolving home loan programs to be re-loaned to low-income homeowners, and cash held in agency for Foothills Food Bank.

	<u>2022</u>	<u>2021</u>
Funds held for:		
Tenant deposits	\$ 155,556	\$ 155,556
Revolving loans payable	-	148,365
Foothills Food Bank	34,500	34,500
Total funds held for others	<u>\$ 190,056</u>	<u>\$ 338,421</u>

**Home loans receivable and due to funding agencies:** As discussed further in Note 5, the Council records loans to homeowners and offsetting liabilities to funding agencies at the face amount of the loans.

**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

**Note 1 – Summary of Significant Accounting Policies – (Continued)**

**Deferred revenue:** Deferred revenue is recognized for program (grant) advances received by the Council that are in excess of eligible grant expenditures. Such amounts are restricted funds and as such can only be maintained and used in accordance with the respective grant contracts.

**Grants from government agencies and private organizations:** A substantial portion of the Council's revenue is derived from governmental and private grant awards that are intended to support specific programs or projects. Grants from governmental sources represented approximately 87% and 83% of total revenues, gains, and public support for the years ended December 31, 2022 and 2021, respectively. Grants from private sources represented approximately 6% and 7% of total revenues, gains, and public support for each of the years ended December 31, 2022 and 2021. The Council recognizes grant revenue as eligible expenditures are incurred in accordance with applicable grant or contract provisions. Cash received in excess of grant expenditures is accounted for as deferred revenue, and expenses incurred which are not yet reimbursed are accounted for as due from granting agencies on the consolidated statement of financial position. Amounts remaining under conditional grants totaled approximately \$56,191,600 as of December 31, 2022.

**Fee-for-service contracts:** Revenue from fee-for-service contracts is recognized at either (a) the point in time when services are provided or (a) the fee value can be reasonably determined. The amount of revenue recognized is determined based on the fees mutually agreed upon within the fee-for-service contract. Services provided are specific to the program or project to which the contract relates. For fixed-fee contracts, revenue is typically billed monthly and recorded in the month in which services are rendered.

These amounts are due from clients and the Council's housing projects. Generally, the Council bills the clients projects days after the services are performed. Performance obligations are determined based on the nature of the services provided by the Council. Revenue for performance obligations satisfied over time is recognized based on rates negotiated with the clients and its housing management contracts. The Council believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

**Contributions:** The Council recognizes donor contributions upon the earlier of receipt or when unconditionally promised. Contributions received are recorded as donor-restricted support depending on the existence and/or nature of donor restrictions.

**Contributed nonfinancial assets:** Donation of supplies, equipment, facilities and other goods are recorded at fair value on the date of receipt. Donated services are recognized if services received (a) create or enhance nonfinancial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not donated. During the year ended December 31, 2022, the Council received \$172,550 in donated facilities, which were valued at the market value of rental rates.

**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

**Note 1 – Summary of Significant Accounting Policies – (Continued)**

**Allocation of functional expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities and consolidated statement of functional expenses. Accordingly, certain costs are allocated between programs, other supporting services, administration, and fundraising based on the relative benefits received.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated based on time and effort include certain occupancy, depreciation, repairs and maintenance, and communication costs.

**Other supporting services:** Other supporting services in the consolidated statement of functional expenses include expenses incurred in connection with the commercial activities of the Council and third-party contract administration.

**Leases:** The Council leases facilities and equipment. The Council determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position.

ROU assets represent the Council's right to use an underlying asset for the lease term and lease liabilities represent the Council's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Council uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Council will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Council has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statements of financial position. These leases have varying expiration dates through July 2023.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Council has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Council has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.



**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

**Note 1 – Summary of Significant Accounting Policies – (Continued)**

**Federal income tax and uncertain tax positions:** The Council is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Therefore, the Council is exempt from federal income tax. The Council files income tax returns in the U.S. federal jurisdiction. As of December 31, 2022, tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions.

**Comparative financial information:** The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Council's consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

**Adoption of New Accounting Standards:** During the year ended December 31, 2022, the Council adopted FASB Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-Profit-Entities for Contributed Nonfinancial Assets*, which requires the Council to present contributed nonfinancial assets on a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. There was no material impact on the Council's financial position and results of its activities upon adoption of the new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Council adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Council has elected to adopt the package of practical expedients available in the year of adoption. The Council has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Council's ROU assets.

**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

**Note 2 – Liquidity and Availability**

Financial assets available for general expenditures consist of the following within one year of December 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash	\$ 3,035,814	\$ 3,123,878
Due from granting agencies	6,096,610	8,192,923
Other current receivables	<u>2,001,262</u>	<u>1,163,992</u>
Total financial assets	11,133,686	12,480,793
Less amounts not available to be used within one year:		
Reserved funds	(580,188)	(579,080)
Fund held for others	(190,056)	(338,421)
Net assets with donor restrictions	<u>(4,847,987)</u>	<u>(1,552,949)</u>
Financial assets not available to be used within one year	<u>(5,618,231)</u>	<u>(2,470,450)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,515,455</u>	<u>\$ 10,010,343</u>

The Council has certain contractual restrictions or internal board designations in which use of cash has been restricted as well as certain donor-restricted assets limited to use (further discussed in Note 4), which are not available for general expenditure within one year in the normal course of operations. Board-designated funds totaled \$409,508 each as of December 31, 2022 and 2021, and can be made available to meet short-term operating cash needs, if necessary.

The Council strives to maintain liquid financial assets sufficient to cover all general expenditures as they come due. During the years ended December 31, 2022 and 2021, the Council was able to meet its cash needs without utilizing designated reserves. Financial assets in excess of daily cash requirements are held in readily liquid short-term investments through bank sweep accounts, savings, money market accounts, and other short-term investments.

**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

### Note 3 – Property and Equipment

Property and equipment consist of the following at December 31:

	<b>2022</b>	<b>2021</b>
Land	\$ 2,249,891	\$ 2,249,891
Land improvements	32,085	32,085
Buildings	11,302,747	10,565,175
Vehicles	1,317,110	1,271,170
Equipment and furnishings	1,437,731	1,175,123
Leasehold improvements	462,038	462,038
Construction in process	1,727,551	1,612,392
Total	18,529,153	17,367,874
Less: Accumulated depreciation	(6,111,627)	(5,484,434)
Total property and equipment	<u>\$ 12,417,526</u>	<u>\$ 11,883,440</u>

Depreciation expense totaled \$627,193 and \$528,892 for the years ended December 31, 2022 and 2021, respectively.

### Note 4 – Reserved Funds

Reserved funds held consist of the following at December 31:

	<b>2022</b>	<b>2021</b>
Board-designated reserves		
Property reserves		
Dorothy Place future funds	\$ 6,403	\$ 6,403
Other	3,105	3,105
Total board-designated property reserves	9,508	9,508
Operating reserves	400,000	400,000
Total board-designated reserves	<u>409,508</u>	<u>409,508</u>
Contractually obligated property reserves		
Harbor View reserves	90,693	97,085
Dorothy Place capital reserves	3,965	3,965
Cornwall capital reserves	45,192	37,692
G Street reserves	15,524	15,524
Evergreen House reserves	15,306	15,306
Total contractually obligated property reserves	<u>170,680</u>	<u>169,572</u>
Total reserved funds	<u>\$ 580,188</u>	<u>\$ 579,080</u>

**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

**Note 5 – Home Loans Receivable and Due to Funding Agencies**

The Council periodically receives proceeds under certain agreements with the State and other agencies that require repayment in a future period. The proceeds are then used primarily to make zero interest home rehabilitation loans to low-income homeowners. These transactions are presented as loans receivable and associated liabilities to the funding agencies in the accompanying consolidated statement of financial position. New loans issued totaled \$206,090 and \$247,047 as of December 31, 2022 and 2021, respectively, and repayments on existing loans totaled \$203,445 and \$139,009 as of December 31, 2022 and 2021, respectively.

The loans are secured by deeds of trust on the homeowners' residences. The loans require repayment when the subject property is sold or when the use is changed from single-family residential use. Certain loans are forgiven if certain criteria are met by the eligible participants, under varying terms up to 28 years. Loans totaling \$103,065 were forgiven during the year ended December 31, 2021. There were no loans forgiven during the year ended December 31, 2022.

Since the loans are secured, management has not established an allowance for uncollectible accounts. Loans are evaluated for impairment and loan-write-offs however the loans under the program have not resulted in losses to the Council. As the loans are collected, the underlying agreements with the funding agency require the proceeds to be re-loaned for other eligible projects or returned to the funding agencies. The Council charges an administrative fee on certain loans in the revolving loan fund.

**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

**Note 5 – Home Loans Receivable and Due to Funding Agencies – (Continued)**

Outstanding loan balances under each program are as follows:

	<u>2022</u>	<u>2021</u>
State of Washington:		
Home Program 1994	\$ 7,183	\$ 7,183
Home Program 1995	60,485	60,485
Home Program 1996	31,542	31,542
Home Program 1997	31,482	31,482
Home Program 1998	57,710	57,710
Home Program 1999	110,519	126,847
Home Program 2000	77,883	77,883
Home Program 2001	121,397	121,397
Home Program 2002	99,140	113,359
Home Program 2003	58,417	58,417
Home Program 2006	114,706	131,966
Home Program 2007	182,791	185,454
Home Program 2008	35,603	35,603
Home Ownership Retention Program	166,138	166,138
Mobile Home Replacement Program	11,010	82,579
Matchmaker	24,093	24,093
Housing Trust Fund 1997	63,767	63,767
Housing Trust Fund 1999	52,950	52,950
Housing Trust Fund Revolving Fund	185,524	185,523
Rural Housing Assistance Program	-	23,929
Subtotal	<u>1,492,340</u>	<u>1,638,307</u>
Whatcom County	807,768	752,873
Skagit County	80,185	22,854
City of Bellingham	<u>175,750</u>	<u>139,362</u>
Total	<u><u>\$ 2,556,043</u></u>	<u><u>\$ 2,553,396</u></u>

In addition, there are \$1,239,142 and \$148,365 of funds on hand for redistribution at December 31, 2022 and 2021, respectively, presented as a revolving loan payable and reserved for as funds held for others in the consolidated statement of financial position.

**Note 6 – Line-of-Credit**

The Council established a revolving line-of-credit with a bank for up to \$1,000,000. The line was extended subsequent to year-end and expires on November 25, 2023. Also subsequent to year-end, the Council established a second line-of-credit tranche with the same bank for up to \$2,500,000, expiring on November 25, 2023. Interest is payable monthly at the Wall Street Journal Published prime rate plus 0% with a rate floor of 6.25% (resulting in a rate of 6.25% at December 31, 2022). At December 31, 2022 and 2021, there were no outstanding borrowings.

**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

**Note 7 – Notes Payable**

Notes payable consists of the following as of December 31:

	<u>2022</u>	<u>2021</u>
<b>Real estate loans</b>		
Mortgage payable to bank in monthly installments of \$14,629, including interest at 4.25%, maturing July 2028, secured by land and building located at 1111 Cornwall Avenue.	\$ 2,405,374	\$ 2,472,458
Mortgage payable to bank in monthly installments of \$1,625, including interest at 4.25%, maturing July 2028, secured by land and building located at 1421 Cornwall Avenue.	261,997	274,690
<b>Harbor View Apartments</b>		
Three notes originating from the acquisition of Harbor View Apartments.		
USDA loan, 3.5% stated interest rate, 50-year amortization schedule, final payment due June 2049.	1,221,789	1,242,206
Housing Trust Fund loan, 1% stated interest rate with interest accrual beginning January 1, 2020; principal and interest due annually on 50-year amortization schedule beginning March 2021, due in full March 2050, total authorized loan amount of \$1,100,000.	1,065,701	1,071,936
ORFH loan, 3.5% stated interest rate, 30-year amortization schedule, final payment due June 2049.	236,472	240,375
<b>Dorothy Place Apartments</b>		
Two notes originating from federal funds and payable to City of Bellingham, 0% stated interest rate, secured by Deed of Trust, Due in full upon sale, change of use, or on February 1, 2047.	579,226	579,226
Note payable to City of Bellingham, 0% stated interest rate, secured by Deed of Trust, due in full upon sale, change of use, or on February 1, 2047.	100,000	100,000
Note originating from federal funds, payable to City of Bellingham, 0% stated interest rate, secured by Deed of Trust, Due in full upon sale, change of use, or on February 1, 2047.	25,000	25,000
<b>Partnership House Apartments</b>		
Note originating from federal funds, payable to City of Bellingham, accruing interest at 4% compounded annually, secured by real property and improvements, due and payable upon sale, transfer, or change of use of the related property.	145,000	145,000
Accrued interest on the City of Bellingham note above.	137,444	137,444
Note originating from federal funds, payable to City of Bellingham, 0% stated interest rate, secured by Deed of Trust, due in full upon sale, change of use, or on October 1, 2047.	3,854	3,854
	6,181,857	6,292,189
Less unamortized debt issuance costs	(33,148)	(34,758)
Less current portion of notes payable	(125,177)	(132,138)
	<u>\$ 6,023,532</u>	<u>\$ 6,125,293</u>

**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

**Note 7 – Notes Payable – (Continued)**

Scheduled future minimum annual principal payments regarding notes payable are as follows for the years ending December 31:

2023	\$ 125,177
2024	129,198
2025	133,380
2026	137,729
2027	142,252
Thereafter	5,514,121
Total	<u>\$ 6,181,857</u>

**Note 8 – Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following purposes at December 31:

	<b>2022</b>	<b>2021</b>
Early learning and family services	\$ 289,657	\$ 430,872
Community services	134,774	161,815
Island County programs	112,528	67,211
Community development projects	97,868	351,142
Administrative activities	82,659	83,561
Homeless programs	66,550	50,148
Housing development	26,789	519,387
Energy and home repairs services	25,476	35,545
Volunteer programs	14,767	15,579
	<u>851,068</u>	<u>1,715,260</u>
Forgivable restricted loan balances - depreciable property	3,061,789	3,137,242
Restricted real estate	586,500	586,500
Total net assets subject to purpose and time restrictions	<u>4,499,357</u>	<u>5,439,002</u>
Forgivable restricted loan balances - land	348,630	348,630
Total net assets with donor restrictions	<u>\$ 4,847,987</u>	<u>\$ 5,787,632</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows for the years ended December 31:

	<b>2022</b>	<b>2021</b>
Purpose restrictions	\$ 950,777	\$ 541,383
Time restrictions	75,452	75,452
Total	<u>\$ 1,026,229</u>	<u>\$ 616,835</u>

**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

## **Note 9 – In-Kind Contributions**

A substantial number of unpaid volunteers have made significant contributions of their time in furtherance of the Council's programs. The value of this contributed time is not included in the accompanying consolidated financial statements as it does not meet the criteria for contributed services in accordance with accounting principles generally accepted in the United States of America. Management has estimated the fair value of these services at \$398,337 and \$562,158 for the years ended December 31, 2022 and 2021, respectively.

Following is a summary of in-kind contributions that have been recognized in the consolidated financial statements for the years ended December 31:

	<u><b>2022</b></u>	<u><b>2021</b></u>
Rental space	<u>\$ 172,550</u>	<u>\$ 186,923</u>

The Council also received noncash contributions of securities totaling \$5,031 and \$11,321 during the years ended December 31, 2022 and 2021, respectively. The noncash contributions are included in contributions on the consolidated statement of activities.

## **Note 10 – Leases (ASC 842)**

The Council leases equipment and facilities from various third parties under operating leases with varying terms and renewal options. Total lease cost of \$377,101 as of December 31, 2022, is included in occupancy on the Council's consolidated statement of functional expenses.

Amounts reported on the consolidated statement of financial position as of December 31, 2022 are as follows:

Operating Lease Right-of-Use Asset	\$ 1,388,165
Operating Lease Obligation	\$ 1,402,728



**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

**Note 10 – Leases (ASC 842) – (Continued)**

The following is a schedule of total future minimum lease payments and the present value of future minimum lease payments for operating leases:

<u>Year Ending December 31,</u>	<u>Operating</u>	<u>Total</u>
2023	\$ 407,087	\$ 407,087
2024	414,886	414,886
2025	346,733	346,733
2026	234,854	234,854
2027	70,344	70,344
Total Undiscounted Lease Payments	1,473,904	1,473,904
Less: Imputed Interest	71,176	71,176
Total Present Value	1,402,728	1,402,728
Short-Term Operating Lease Obligation	375,773	375,773
Long-Term Operating Lease Obligation	<u>\$ 1,026,955</u>	<u>\$ 1,026,955</u>

Other information related to the Council's operating leases as of December 31, 2022 was as follows:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Lease	\$ 362,538
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liability	\$ 1,734,973
Weighted-Average Remaining Lease Term - Operating Leases	3.2 Years
Weighted-Average Discount Rate - Operating Leases	2.37%

**Note 11 – Leases (ASC 840)**

The Council elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB ASC 840.

The Council leases equipment and facilities from various third parties under operating leases with varying terms and renewal options. These leases require monthly payments ranging from \$50 to \$9,488, plus all costs of maintenance, utilities, and taxes.

**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

**Note 11 – Leases (ASC 840) – (Continued)**

Future minimum lease payments under the above operating leases consist of the following for the years ending December 31:

2023	\$ 229,138
2024	227,406
2025	181,772
2026	92,676
Total	<u>\$ 920,892</u>

The Council also has operating leases for meal sites for its congregate meal program as well as off-site storage space and retail space. The total rent paid including the aforementioned long-term leases, totaled \$806,000 for the year ended December 31, 2022.

**Note 12 – Employee Benefits**

The Council sponsors a 403(b) qualified defined contribution retirement plan (the Plan). All employees are eligible to participate in the Plan at time of hire and may contribute up to 100% of their annual compensation up to Internal Revenue Service limits. After one year of employment, the Council also contributes an amount equal to 5% of the compensation of all eligible employees to the Plan. The Council's retirement plan contributions totaled \$699,651 and \$600,003 for the years ended December 31, 2022 and 2021, respectively.

**Note 13 – Concentrations of Credit Risk**

The Council receives a substantial amount of support from federal, state, and local governments. A significant reduction in the level of this support, if this were to occur, may affect the Council's ability to continue its operation.

The Council maintains its cash in bank accounts that may exceed federally insured limits as times during the year. The Council has not experienced any losses in these account, and managements does not believe it is exposed to any significant credit risk.

**Note 14 – Contingencies**

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Any disallowed claims, including amounts already collected, would become a liability of the Council if so determined in the future. It is management's belief that no material amounts received or receivable will be required to be returned in the future.

**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

**Note 14 – Contingencies – (Continued)**

Property and equipment acquired in conjunction with grant programs are recorded as net assets without donor restrictions in the accompanying consolidated financial statements. Grantors have, in many cases, placed restrictions on the Council's disposition of such assets. These restrictions may include a requirement that the Council obtains express approval for the sale or disposition of the asset, or that the grantor may require that any proceeds from the sale of such assets be returned to the granting agency. At the granting agency's option, the Council may be permitted to apply the proceeds from the sale of a program asset toward other program expenditures or may demand repayment. A significant portion of the Council's equipment is subject to such restrictions.

**Note 15 – Affiliates**

The Council, through solely owned limited liability companies, manages 40 LLCs and 8 LP. According to the terms of the management agreements for these entities, the Council is to receive the following:

- Annual administrative management fees ranging from \$5,000 – \$10,000.
- Profit and losses from operations and low-income tax credits are allocated 99 –99.99% to the non-managing member or partner, 0.005 – 0.5% to the administrative member or partner, and 0.005 – 0.5% to the managing member or partner.

The total amount of revenue generated by the Council affiliates totaled \$1,730,883 and \$1,680,370 for the years ended December 31, 2022 and 2021, respectively, and included in fee for service revenue on the statement of activities. While the Council has an economic interest in these affiliate organizations, it does not have a controlling interest. Therefore, the operations of the affiliates are not consolidated in the financial statements of the Council.

See Appendix I for a list of affiliates.

During 2020, an affiliate, Springtree Associates, LP (the Partnership), purchased Springtree Apartments in Portland, Oregon and launched a rehabilitation project. The Council was awarded two grants from the State of Oregon Housing and Community Services Department for \$5,000,000 and \$166,972. These funds are restricted for eligible costs related to the acquisition and rehabilitation of Springtree Apartments. The grants were conveyed to the Partnership in a lump sum loan totaling \$5,166,972 of which \$5,000,000 was received by the Council and disbursed to escrow as of December 31, 2020. As of December 31, 2020, eligible costs incurred totaled \$2,369,172 resulting in remaining funds held in escrow totaling \$2,630,828. The remaining funds held in escrow were fully expended and released in 2021. The grant balance of \$166,972 is reflected on the consolidated statement of financial position as an amount due to affiliate and due from granting agencies at December 31, 2021 and was fully expended in 2022.

**Opportunity Council**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2022**  
(with Comparative Totals for the Year Ended December 31, 2021)

**Note 15 – Affiliates – (Continued)**

During 2020, and affiliate, 22 North, LLC, entered into a loan agreement with the Council. The loan totaled \$1,500,000 and accrues interest at 1.5% annually. Loan matures in October 2067 and is recorded in other long-term receivable in the consolidated statement of financial position.

During June 2022, OCHP Blackbird, LLC was awarded a grant from the State of Oregon Housing and Community Services Department for \$9,192,290. This grant was conveyed to the Black & Main Managers, LLC in a loan for construction of an affordable housing complex in Beaverton, Oregon. This transaction was fully approved by the State of Oregon, and the risk is indemnified by Wishcamper Development Partners.

**Note 16 – Subsequent Events**

No events have occurred through September 28, 2023, which is the date the consolidated financial statements were available to be issued based on client facts and circumstances, for events requiring recording or disclosure in the consolidated financial statements for the year ended December 31, 2022.

**Opportunity Council  
Appendix I: Affiliates  
Year Ended December 31, 2022**

Name of Affiliate	Formation	General Partner	Limited Partner	Entry	Interest	Property	Location	Last Update
<i>Managed under CreateHousing, LLC</i>								
Wingate Limited Liability Company	1997	Regency Manager, LLC	Regency Investor, LLC	12/1/2006	0.050%	Regency Park Apartments	Whatcom County, WA	9/1/2016
Double X Associates 1995 Limited Partnership	1995	Double X Development Company, Inc.	Terrace Investor, LLC	11/1/2009	0.500%	Terrace Manor	Douglas County, WA	9/17/2020
Westfair Limited Liability Company	1997	Westfair Manager, LLC	Cedar Ridge Investor, LLC	11/1/2009	0.050%	Cedar Ridge	King County, WA	9/1/2016
Park Place 1998, LLC	1997	Park Place 1198 Manager, LLC	Park Place Investor, LLC	11/1/2009	0.050%	Park Place	King County, WA	9/1/2016
Admiralty Heights Associates II 1995, LP	1995	Admiralty Equities Development Company	Edison Capital Housing Partners VI, LP	10/1/2009	0.500%	Kent Manor	King County, WA	
Block 24, LLC	2009	Discovery Heights, LLC	Discovery Heights Housing, LLC	12/1/2010	0.010%	Discovery Heights	King County, WA	9/18/2020
Willow Tree Grove I, LLC	2010	Willow Tree Manager, LLC	Garnet LIHTC Fund XXXIX, LLC and Transamerica Affordable Housing, Inc.	8/1/2011	0.005%	Willow Tree Grove	Snohomish County, WA	6/24/2020
District, LLC	2012	District Manager, LLC	Enterprise Housing Partners XXV LP	5/13/2013	0.005%	The District Apartments	Snohomish County, WA	5/31/2017
Speedway, LLC	2012	Speedway Management, LLC	Garnet LIHTC Fund XXXVI, LLC and Transamerica Affordable Housing, Inc.	12/1/2013	0.005%	Vantage Apartments	Snohomish County, WA	8/1/2019
Park 16, LLC	2012	Park 16 Manager, LLC	BF Park 16, LLC	12/1/2013	0.005%	Park 16 Apartments	King County, WA	4/30/2016
Kitts Corner, LLC	2012	Kitts Corner Manager, LLC	Boston Financial Institutional Tax Credits XLI, LP and BFIM Special Limited Partner, Inc.	9/12/2014	0.005%	Kitts Corner Apartments	King County, WA	8/31/2016
High Point 320, LLC	2013	High Point Manager, LLC	BFMM Tax Credits Fund IV, LP and BFIM Special Limited Partner, Inc.	9/11/2014	0.005%	Uptown Square	King County, WA	1/31/2018
Axis Apartments, LLC	2013	Axis Manager, LLC	BF Axis Apartments, LLC and BFIM Special Limited Partner, Inc.	10/15/2014	0.005%	Axis Apartments	Snohomish County, WA	1/31/2018
Grandview Apartments, LLC	2013	GrandView Manager, LLC	Garnet LIHTC Fund XLIV, LLC and Transamerica Affordable Housing, Inc.	9/1/2014	0.005%	GrandView Apartments	King County, WA	9/1/2014
Scriber Creek, LLC	2014	Scriber Creek Manager, LLC	Enterprise Housing Partners XXV LP and Enterprise Housing Partners XXVII LP	3/2/2015	0.005%	Scriber Creek Apartments	Snohomish County, WA	11/30/2017
Promenade Apartments, LLC	2014	Promenade Manager, LLC	Enterprise Housing Partners XXVI LP	2/24/2016	0.005%	Promenade Apartments	King County, WA	5/1/2019
Gateway, LLC	2015	Gateway Manager, LLC	Boston Financial Institutional Tax Credits XLIII, LP and BFIM Special Limited Partner, Inc.	12/1/2015	0.005%	Gateway Apartments	Snohomish County, WA	12/1/2015
Madison Way Apartments, LLC	2015	Madison Management, LLC	PNC Real Estate Tax Credit Capital Institutional Fund 61, LLC and Columbia Housing SLP Corporation	5/1/2016	0.005%	Madison Way Apartments	Snohomish County, WA	5/1/2016
Kingsgate, LLC	2001	Kingsgate Manager, LLC	Springfield Investor, LLC	11/15/2016	0.005%	Springfield Apartments	Clark County, WA	5/1/2017
Puget Park, LLC	2016	Puget Park Manager, LLC	BF Puget Park, LLC and BFIM Special Limited Partner, Inc.	12/1/2016	0.005%	Puget Park Apartments	Snohomish County, WA	10/31/2019
Valley View I Limited Partnership	2004	Valley View Partners, LLC	SunAmerica Housing Fund 1279, LP	4/27/2017	0.050%	Creston Point	King County, WA	4/27/2017
Mill Pointe Limited Partnership	1999	Mill Pointe Devco, LLC	Mill Pointe Investor, LLC	5/25/2017	0.005%	Mill Pointe Apartments	Snohomish County, WA	12/15/2020
Heatherwood I, LLC	2002	Heatherwood Manager, LLC	Heatherwood Investor, LLC and DevCo, Inc.	12/1/2017	0.005%	Heatherwood Apartments	Snohomish County, WA	3/1/2018
The Seasons I, LLC	2006	The Seasons Managing Member, LLC	The Seasons Managing Member, LLC	9/22/2017	0.001%	The Seasons	King County, WA	9/15/2020
Waterview Crossing, LLC	2015	Waterview Manager, LLC	BF Waterview Crossing, LLC and BFIM Special Limited Partner, Inc.	8/1/2017	0.005%	Waterview Crossing	King County, WA	8/1/2017
Watermark 320, LLC	2016	Watermark Manager, LLC	LIHTC Fund 53, LLC and Transamerica Affordable Housing, Inc.	12/1/2017	0.005%	Watermark Apartments	King County, WA	12/1/2017
Redmond Ridge, LLC	2017	Redmond Ridge Manager, LLC	PNC LIHTC Fund 75, LLC and Columbia Housing SLP Corporation	10/10/2017	0.005%	Redmond Ridge Apartments	King County, WA	4/17/2020
Panorama Apartments, LLC	2017	Panorma Manager, LLC	Panorama Apartments Investor, LLC	5/1/2018	0.005%	Panorama Apartments	King County, WA	5/1/2018
Manor Way Apartments, LLC	2017	Manor Way Manager, LLC	Manor Way Apartments Investor, LLC	11/1/2018	0.005%	Manor Way Apartments	Snohomish County, WA	7/1/2020
22 North Development LLC	2016	22 North Manager, LLC	Heritage Bank Fund I, LLC	10/18/2017	0.010%	22 North	Whatcom County, WA	10/18/2017

**Opportunity Council**  
**Appendix I: Affiliates (Continued)**  
**Year Ended December 31, 2022**

Name of Affiliate	Year of Formation	Managing Member General Partner	Nonmanaging Member(s) Limited Partner	Date of Entry	Ownership Interest	Property	Location	Last Update
Teal Pointe Wishrock Limited Partnership	2018	Teal Pointe Wishrock, LLC and OC Housing Partners I, LLC	Teal Pointe Wishrock, LLC	10/1/2018	0.010%	Teal Pointe Apartments	Clark County, WA	10/1/2018
Riverview I, LLC	2017	Riverview Manager, LLC	Riverview Investor, LLC	3/1/2019	0.005%	Riverview Apartments	Snohomish County, WA	3/1/2019
Ravenswood Apartments, LLC	2018	Ravenswood Manager, LLC	Ravenswood Investor, LLC	12/1/2019	0.005%	Ravenswood Apartments	Snohomish County, WA	12/1/2019
Speedway II, LLC	2019	Speedway II Management, LLC	Garnet LIHTC Fund XX, LLC and Transamerical Affordable Housing, Inc.	12/1/2019	0.005%	Vantage II Apartments	Snohomish County, WA	12/1/2019
Holly Ridge, LLC	2018	Holly Ridge Manager, LLC	Holly Ridge Investor, LLC	4/1/2020	0.005%	Holly Ridge Apartments	Snohomish County, WA	4/1/2020
Manor Way Apartments, LLC	2017	Manor Way Manager, LLC	BF FRE 2018, LP	7/1/2020	0.005%	Manor Way Apartments	Snohomish County, WA	7/1/2020
Four Corners, LLC	2019	Four Corners Manager, LLC	Four Corners Investor, LLC	12/9/2020	0.005%	Four Corners Apartments	Snohomish County, WA	12/9/2020
Springtree Associates, LP	2019	OCHP Springtree, LLC and Springtree WDP LLC	PNC LIHTC Fund 76, LLC, Columbia Housing SLP Corporation, and Springtree Partners, LLC	10/29/2020	0.005%	Spruce Grove Apartments	Multnomah County, OR	10/29/2020
Blackbird & Main Managers, LLC	2020	Blackbird & Main Managers, Wishcamper Development Partners, LLC and OCHP Blackbird, LLC	n/a	3/4/2021	0.010%	Blackbird & Main Managers, LLC	Washington County, OR	3/4/2021
Oregon 4 Apartments, LLC	2020	Oregon 4 Manager, LLC	OCHP Covey Run, LLC	3/1/2021	0.010%	Covey Run Apartments	Washington County, OR	3/1/2021
Logan Park, LLC	2020	Loren Ness, Jennifer Ness, and OCHP Logan Park, LLC	n/a	3/22/2021	0.010%	Logan Park Apartments	Skagit County, WA	3/22/2021
Ovation at Meeker, LLC	2020	Ovation at Meeker Manager, LLC	OCHP Meeker, LLC and Meeker Investor, LLC	5/1/2021	0.005%	Ovation at Meeker	King County, WA	5/1/2021
Sunshine Housing Associates, LP	2018	OCHP Sunshine Park, LLC and Sunshine Managers LLC	OCHP Sunshine Park, LLC and AHP Housing Fund, 286, LLC	5/14/2021	0.005%	Sunshine Park Apartments	Douglas County, OR	5/14/2021
East Park Villas WDP, LLLP	2021	East Park Villas WDP Managers LLC and OCHP East Park MT LLC	East Park Villas wDP Limited Partner LLC and KFI Helena, LLC	5/28/2021	0.010%	East Park Villas	Lewis and Clark County, MT	5/28/2021
Solera Affordable, LLC	2021	Solera Manager, LLC	OCHP Solera, LLC, BR Solera Affordable, LLC, and BFIM Special Limited Partner, Inc.	8/31/2021	0.005%	Solera Apartments	King County, WA	8/31/2021
Weston Affordable, LLC	2018	Weston Family, LLC and OCHP Pullman, LLC	n/a	8/31/2021	0.100%	Outlook Apartments and Northwood Manor	Pullman County, WA	8/31/2021
Mondello Acquisition, LLC	2021	David Ratliff	OCHP Texas I, LLC	8/31/2021	0.010%	Mondello Apartments	Dallas, TX	8/31/2021

## **Supplementary Information**

**Opportunity Council  
Schedule of Expenditures of State Awards  
Year Ended December 31, 2022**

Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	State Expenditures
<b>Passed-Through Department of Children, Youth, and Families</b>		
Early Support for Infants and Toddlers (ESIT)	21-1158-04	\$ 896,923
Early Support for Infants and Toddlers (ESIT)	21-1158-06	1,009,537
Early Childhood Education and Assistance Program (ECEAP)	22-1087	134,779
Early Childhood Education and Assistance Program (ECEAP)	23-1047	671,528
Early Childhood Education and Assistance Program (ECEAP) Complex Needs	No Contract	82,745
<b>Total Department of Early Learning</b>		<b>2,795,512</b>
<b>Passed-Through State of Washington State Department of Financial Institutions</b>		
Financial Literacy and Renters Education	102-21-048	5,566
Financial Literacy and Renters Education	102-23-026	4,429
<b>Total Department of Financial Institutions</b>		<b>9,995</b>
<b>Passed-Through Washington State Department of Commerce</b>		
FCS Community Behavioral Health Rental Assistance Pilot (CRBRA)	22-46123-012	74,205
FCS Community Behavioral Health Rental Assistance (CRBRA)	23-46409-012	62,632
Consolidated Homeless Grant	22-46108-25	57,303
Tax Credit Community Outreach Program	S23-32TC212-020	3,862
Homeless Student Stability Prgm (HSSP)	22-46121-404	75,302
Operating, Maintenance, and Supportive Services (OMS)	23-465W0-066	213,808
Operating, Maintenance, and Supportive Services (OMS)	23-465W0-067	142,570
Asset Building Coalition	S22-32010-010	15,317
Low-Income Home Rehabilitation Revolving Loan Program (HRLP)	S20-92401-424	174,804
Matchmaker Program	S21-92401-424	534,221
Low-Income Community Solar Deployment	21-92201-019	160,804
Community Energy Efficiency Programs	S19-92404-001	217,898
Community Energy Efficiency Programs	S21-92404-001	454,799
Community Services Block Grant	S22-32101-222	38,746
Community Services Block Grant	S23-32B902-222	32,462
<b>Total Washington State Department of Commerce</b>		<b>2,258,733</b>
<b>Passed-Through State of Washington Office of Insurance Commissioner</b>		
SHIBA Volunteer Program	C202306	34,172
<b>Total State Awards</b>		<b>\$ 5,098,412</b>





**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Opportunity Council  
Bellingham, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Opportunity Council, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 28, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Opportunity 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 Opportunity Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Opportunity 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 Opportunity 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 black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Bellevue, Washington  
September 28, 2023



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

Board of Directors  
Opportunity Council  
Bellingham, Washington

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

#### ***Opinion on Each Major Federal Program***

We have audited Opportunity Council's 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 each of Opportunity Council's major federal programs for the year ended December 31, 2022. Opportunity Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Opportunity Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

#### ***Basis for Opinion on Each 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; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Opportunity 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 each major federal program. Our audit does not provide a legal determination of Opportunity 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 Opportunity Council's federal programs.

### ***Auditors' 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 Opportunity 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 Opportunity Council's compliance with the requirements of each 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 Opportunity 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 Opportunity 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 Opportunity 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.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Opportunity Council's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Opportunity Council's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001, to be significant deficiencies.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on Opportunity Council's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Opportunity Council's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



**CliftonLarsonAllen LLP**

Bellevue, Washington  
September 28, 2023

**Opportunity Council**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2021**

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**Section I - Summary of Auditors' Results**

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**Financial Statements**

Type of Auditors' Report Issued

Unmodified

Internal Control over Financial Reporting:

- |   |           |                             |
|---|-----------|-----------------------------|
| • Material Weakness(es) Identified  | _____ Yes | _____ X _____ No            |
| • Significant Deficiency(ies) Identified that is not Considered to be a Material Weakness | _____ Yes | _____ X _____ None Reported |
| • Noncompliance Material to Financial Statements Noted                                    | _____ Yes | _____ X _____ No            |

**Federal Awards**

Internal Control over Major Programs:

- |   |                   |                           |
|---|-------------------|---------------------------|
| • Material Weakness(es) Identified?       | _____ Yes         | _____ X _____ No          |
| • Significant Deficiency(ies) Identified? | _____ X _____ Yes | _____ _____ None Reported |

Type of Auditors' Report Issued on Compliance for the Major Federal Programs

Unmodified

Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ X \_\_\_\_\_ Yes \_\_\_\_\_ No

Major Programs

**Federal Grant Programs**

CFDA Number

Department of Housing and Urban Development:

Community Development Block Grants 14.228

Home Investment Partnerships Program 14.239

Department of Treasury:

Emergency Rental Assistance Program 21.023

Coronavirus State and Local Fiscal Recovery Funds 21.027

The Dollar Threshold used to Distinguish Between Type A and Type B Programs:

\$1,633,226/\$408,307

Auditee Qualified as Low-Risk Auditee?

\_\_\_\_\_ X \_\_\_\_\_ Yes \_\_\_\_\_ No

**Opportunity Council**  
**Schedule of Audit Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2022**

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**Section II - Financial Statement Findings**

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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

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2022-002

**Type of Finding: Significant Deficiency in Internal Control over Compliance and Compliance**

Program Name/ALN Title:	Coronavirus State and Local Fiscal Recovery Funds
Federal Assistance Listing Number:	21.027
Federal Agency:	Department of Treasury
Pass-Through Agency:	Washington State Department of Commerce
Award Period:	1/1/2022 – 12/31/2022
Federal Award Number:	21-4619C-130

**Criteria or specific requirement:** 2 CFR 200.318(i) states that "the non-Federal entity must maintain record sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price". In addition, 2 CFR 200.320(a)(2)(i) states that "... If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity". Per the Organization's written procurement policy, the adequate number of sources is determined to be three.

**Condition:** For the entire population (1 procurement), documentation was not retained for the adequate number of price comparisons prior to exercising the procurement, as required and stated in the Organization's written procurement policy.

**Context:** A sample of two disbursements from a population of one procurement transaction charged to the major program that exceeded the Organization's established micropurchase threshold of \$10,000. The transaction was found to be out of compliance with the Procurement requirements, as documentation was not retained for the adequate number of price comparisons.

**Cause:** An employee charged with the procurement process for these transactions misinterpreted the aggregation rules between capitalization and procurement thresholds, and therefore did not obtain nor retain three contemporaneous quotes.

**Effect:** Without adequate records retained, the Organization is at risk of noncompliance with the standards of Procurement.

**Repeat Finding?:** No

**Questioned Costs:** Unknown

**Opportunity Council**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2022**

Federal Grantor/ Pass-Through Grantor/ Program Title	COVID-19 Funding	Assistance Listing Number	Grant Identification Number	Passed Through to Subrecipients	Federal Expenditures
<b><u>Department of Health and Human Services</u></b>					
Head Start	No	93.600	10CH010550-04-01	\$ -	\$ 3,273,914
Head Start	No	93.600	10CH010550-05-00	-	134,781
				-	3,408,695
Passed Through the Washington State Department of Early Learning:					
Every Student Succeeds Act/Preschool Development Grants	No	93.434	0-110-201120-6100	-	15,642
Child Care and Development Block Grant	No	93.575	22-1118	-	193,538
Child Care and Development Block Grant	No	93.575	Unknown	-	115,888
Child Care and Development Block Grant	No	93.575	0-110-201120-6100	-	871,968
Child Care and Development Block Grant	No	93.575	0-110-201123-6100	-	101,484
				-	1,282,878
Passed Through the Washington State Child Care Resource and Referral Network					
Every Student Succeeds Act/Preschool Development Grants	No	93.434	0-110-201123-6100	-	7,104
				-	7,104
Department of Commerce:					
Community Services Block Grant	No	93.569	F21-32101-022	-	138,546
Community Services Block Grant	No	93.569	F22-32101-022	-	119,435
Community Services Block Grant	No	93.569	F20-32101C-022	-	285,679
				-	543,660
Temporary Assistance for Needy Families (TANF)	No	93.558	S22-32710-402	-	6,291
Temporary Assistance for Needy Families (TANF)	No	93.558	S22-32710-009	-	261
				-	6,552
Low-Income Home Energy Assistance Program	No	93.568	21-32606-078	-	897,346
Low-Income Home Energy Assistance Program	No	93.568	22-32606-078	-	1,196,110
Low-Income Home Energy Assistance Program	No	93.568	23-32606-078	-	42,241
Low-Income Home Energy Assistance Program	No	93.568	21-3260A-078	-	1,969,196
Low-Income Home Energy Assistance Program	No	93.568	21-32607-078	-	431,586
Low-Income Home Energy Assistance Program	No	93.568	22-32607-078	-	(727)
Low-Income Home Energy Assistance Program	No	93.568	F19-53101-424	-	254,741
Low-Income Home Energy Assistance Program	No	93.568	F21-5310C-424	-	431,146
				-	5,221,639
Whatcom County:					
Block Grants for Prevention and Treatment of Substance Abuse	No	93.959	202106006-3	-	60,977
Block Grants for Prevention and Treatment of Substance Abuse	No	93.959	202106006-5	-	42,971
				-	103,948
<b>Total Department of Health and Human Services</b>				-	<b>10,590,118</b>
<b><u>Centers for Medicare and Medicaid Services</u></b>					
Passed Through the Washington State Health Care Authority Medical Assistance Program	No	93.778	K3896	-	27,078
<b>Total Centers for Medicare and Medicaid Services</b>				-	<b>27,078</b>

See accompanying notes to the schedule of expenditures of federal awards



**Opportunity Council**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2022**

Pass-Through Grantor/ Program Title	Cares Act Funding	Listing Number	Grant Identification Number	Through to Subrecipients	Federal Expenditures
<b><u>Department of Energy</u></b>					
Passed Through the Washington State Department of Commerce:					
Weatherization Assistance for Low-Income Persons	No	81.042	F19-53103-705	\$ -	\$ 92,893
Weatherization Assistance for Low-Income Persons	No	81.042	F22-53103-705	-	295,096
Weatherization Assistance for Low-Income Persons	No	81.042	F21-53103-424	-	372,153
Weatherization Assistance for Low-Income Persons	No	81.042	F22-53103-424	-	50,460
Weatherization Assistance for Low-Income Persons	No	81.042	F21-53101-424	-	328,832
				-	1,139,434
Sustainable Energy for Homes and Business	No	81.999	F21-53104-424	-	71,392
<b>Total Department of Energy</b>				-	<b>1,210,826</b>
<b><u>Department of Agriculture</u></b>					
Child and Adult Care Food Program	No	10.558	SWV000724400	-	289,581
Child and Adult Care Food Program	No	10.558	37-02-0118-21	-	72,993
Child and Adult Care Food Program	No	10.558	37-02-0118-22	-	40,074
				-	402,648
Passed Through Washington State Department of Social and Health Services:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	No	10.561	2112-31091	-	55,361
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	No	10.561	2212-44560	-	19,592
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	No	10.561	2112-31090	-	8,410
				-	83,363
Passed Through Within Reach:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	No	10.561	1912-64581-14	-	41,359
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	No	10.561	2212-44425-14	-	21,044
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	No	10.561	1912-64581-13	-	29,011
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	No	10.561	2212-44425-13	-	22,033
				-	113,447
<b>Total Department of Agriculture</b>				-	<b>599,458</b>

**Opportunity Council**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2022**

Federal Grantor/ Pass-Through Grantor/ Program Title	Cares Act Funding	Assistance Listing Number	Grant Identification Number	Passed Through to Subrecipients	Federal Expenditures
<b><u>Department of Housing and Urban Development</u></b>					
Continuum of Care Program	No	14.267	WA0299L0T012006	\$ -	\$ 92,988
Continuum of Care Program	No	14.267	WA0299L0T012107	-	109,338
Continuum of Care Program	No	14.267	WA0368L0T012004	-	54,438
Continuum of Care Program	No	14.267	WA0368L0T012105	-	114,628
Continuum of Care Program	No	14.267	WA0393L0T012003	-	47,778
Continuum of Care Program	No	14.267	WA0393L0T012104	-	20,476
Continuum of Care Program	No	14.267	WA0229L0T012009	-	318,070
Continuum of Care Program	No	14.267	WA0229L0T012110	-	117,526
				-	875,242
Section 4 Capacity Building for Community Development and Affordable Housing	No	14.252	20SG1853	-	14,694
Passed Through the Washington State Department of Commerce:					
Home Investment Partnerships Program - Loan	No	14.239	Loan 2021 balance	-	1,083,786
Emergency Solutions Grants Program	No	14.231	202106045-1	-	26,112
Emergency Solutions Grants Program	No	14.231	HS-03-21	-	132,243
				-	158,355
Community Development Block Grant	No	14.228	HS-04-2021	-	150,088
Community Development Block Grant	No	14.228	202102005	-	36,862
				-	186,950
Passed Through Whatcom County:					
Emergency Solutions Grant Program	No	14.231	202110014	-	526,513
Community Development Block Grant	No	14.228	202102027	-	251,186
Community Development Block Grant	No	14.228	202110014	-	94,307
Community Development Block Grant	No	14.228	202209025	-	70,438
Community Development Block Grant	No	14.228	20-6221C-127	-	243,681
Community Development Block Grant -- Loan	No	14.228	Loan 2021 balance	-	755,705
Community Development Block Grant -- Loan	No	14.228	Loan 2020 balance	-	169,703
				-	1,585,020
Passed Through Skagit County:					
Community Development Block Grant	No	14.228	C20180510	-	133,190
Home Investment Partnerships Program	No	14.239	C20200734-1	-	95,331
Home Investment Partnerships Program	No	14.239	C20200732-1	-	53,685
				-	149,016
HOME CHDO	No	92.300	C20200409	-	23,404
Passed Through City of Bellingham:					
Home Investment Partnerships Program	No	14.239	C2000546	-	100,915
Home Investment Partnerships Program - Loan	No	14.239	Loan 2021 balance	-	683,081
Home Investment Partnerships Program - Loan	No	14.239	Loan 2021 balance	-	344,212
Home Investment Partnerships Program - Loan	No	14.239	Loan 2021 balance	-	502,000
Home Investment Partnerships Program - Loan	No	14.239	Loan 2021 balance	-	150,000
				-	1,780,208

See accompanying notes to the schedule of expenditures of federal awards

**Opportunity Council**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2022**

Federal Grantor/ Pass-Through Grantor/ Program Title	Cares Act Funding	Assistance Listing Number	Grant Identification Number	Passed Through to Subrecipients	Federal Expenditures
Community Development Block Grants/Entitlement Grants	No	14.218	C2100755	\$ -	\$ 342,111
Community Development Block Grants/Entitlement Grants	No	14.218	2019-0370	-	441
Community Development Block Grants/Entitlement Grants	No	14.218	C2100464	-	324,037
Community Development Block Grants/Entitlement Grants	No	14.218	C2200655	-	220,556
Community Development Block Grants/Entitlement Grants	No	14.218	C2100485	-	15,863
Community Development Block Grants/Entitlement Grants -- Loan	No	14.218	Loan 2021 balance	-	32,642
Community Development Block Grants/Entitlement Grants -- Loan	No	14.218	Loan 2021 balance	-	794,833
					<u>1,730,483</u>
<b>Total Department of Housing and Urban Development</b>					<b>8,246,861</b>
<b>Department of Education</b>					
Passed Through the Washington State Department of Children, Youth, and Families:					
Special Education - Grants for Infants and Families - Early Intervention Program	No	84.181	21-1158-04	-	98,772
Special Education - Grants for Infants and Families - Early Intervention Program	No	84.181	21-1158-06	-	49,608
<b>Total Department of Education</b>					<b>148,380</b>
<b>Department of Veterans Affairs</b>					
Supportive Services for Veteran Families	No	64.033	19-WA-079	230,264	1,229,776
Supportive Services for Veteran Families	No	64.033	19-WA-079SS	18,368	43,219
<b>Total for Department of Veterans Affairs</b>				<b>248,632</b>	<b>1,272,995</b>
<b>Department of Treasury</b>					
Passed Through Washington State Department of Commerce:					
Emergency Rental Assistance Program	Yes	21.023	HS-05-21	-	2,295
Emergency Rental Assistance Program	Yes	21.023	21-4616C-130	-	4,785,867
Emergency Rental Assistance Program	Yes	21.023	21-4618C-122	-	2,430,351
Emergency Rental Assistance Program	Yes	21.023	21-4616C-122	-	458,622
					<u>7,677,135</u>
Coronavirus State and Local Fiscal Recovery Funds	Yes	21.027	C2200949	-	847
Coronavirus State and Local Fiscal Recovery Funds	Yes	21.027	21-4618C-122	-	90,000
Coronavirus State and Local Fiscal Recovery Funds	Yes	21.027	21-4619C-122	80,000	286,125
Coronavirus State and Local Fiscal Recovery Funds	Yes	21.027	21-4619C-130	166,153	14,256,174
				<u>246,153</u>	<u>14,633,146</u>
Passed Through Whatcom County:					
Coronavirus State and Local Fiscal Recovery Funds	Yes	21.027	202012017-7	-	233,603
Coronavirus State and Local Fiscal Recovery Funds	Yes	21.027	202210022	-	1,775
Coronavirus State and Local Fiscal Recovery Funds	Yes	21.027	202111036	-	822,585
					<u>1,057,963</u>
Emergency Rental Assistance Program	Yes	21.023	202102025-2	-	2,798,995
Passed Through Island County:					
Coronavirus State and Local Fiscal Recovery Funds	Yes	21.027	HS-20-21	-	6,177,915
					<u>6,177,915</u>
<b>Total Department of Treasury</b>				<b>246,153</b>	<b>32,345,154</b>
<b>Total Federal Awards</b>				<b>\$ 494,785</b>	<b>\$ 54,440,870</b>
<b>Totals by Agency</b>					
Total Department of Health and Human Services				\$ -	\$ 10,617,196
Total Department of Housing and Urban Development				-	8,246,861
Total Department of Energy				-	1,210,826
Total Department of Agriculture				-	599,458
Total Department of Education				-	148,380
Total for Department of Veterans Affairs				248,632	1,272,995
Total Department of Treasury				246,153	32,345,154
<b>Total Federal Awards</b>				<b>\$ 494,785</b>	<b>\$ 54,440,870</b>

See accompanying notes to the schedule of expenditures of federal awards

**Opportunity Council**  
**Notes to Schedule of Expenditures of Federal Awards**  
**December 31, 2022**

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Council under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of 2 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 for all awards with the exception of Assistance Listing Numbers 21.023 and 21.027, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3 – Indirect Costs**

The accompanying schedule of expenditures of federal awards includes indirect costs, calculated at 12% of modified total direct federal expenditures.

**Note 4 – Programs that Include Federal and State Funds**

The Community Development Block Grant #2019-0370 is funded by both federal and state funding. The program expenditures are tracked as a program with no clear allocation of the funding source. For purposes of the Schedule, the amount reported under this grant includes state funding.

**Opportunity Council**  
**Notes to Schedule of Expenditures of Federal Awards**  
**December 31, 2022**

**Note 5 – Federal Loans**

The federal loan programs listed subsequently are administered directly by Opportunity Council, and balances and transactions relating to these programs are included in Opportunity Council's basic consolidated financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at December 31, 2022 consists of:

	<u>CFDA Number</u>	<u>Amount Outstanding End of Year</u>	<u>Amount Outstanding Beginning of Year</u>
U.S. Department of Housing and Urban Development			
Passed Through the Washington State Department of Commerce:			
Home Investment Partnership Program	14.239	\$ 683,081	\$ 683,081
Passed Through Whatcom County:			
Community Development Block Grant	14.228	698,228	755,705
Community Development Block Grant	14.228	169,703	169,703
Passed Through City of Bellingham:			
Home Investment Partnership Program	14.239	344,212	344,212
Home Investment Partnership Program	14.239	1,033,315	1,083,786
Home Investment Partnership Program	14.239	502,000	502,000
Home Investment Partnership Program	14.239	150,000	150,000
Community Development Block Grant	14.218	32,642	32,642
Community Development Block Grant	14.218	794,833	794,833
Total		<u>\$ 4,408,014</u>	<u>\$ 4,515,962</u>

**Significant Deficiency in Internal Controls – Procurement, Suspension and  
Debarment**

Funding Agency: Department of Treasury

Program: Emergency Rental Assistance Program

Assistance Listing Number: 21.027

**Criteria or Specific Requirement:**

Criteria or specific requirement: 2 CFR 200.318(i) states that "the non-Federal entity must maintain record sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price". In addition, 2 CFR 200.320(a)(2)(i) states that "... If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity". Per the Organization's written procurement policy, the adequate number of sources is determined to be three.

**Condition:**

For the entire population (two disbursements from one procurement), documentation was not retained for the adequate number of price comparisons prior to exercising the procurement, as required and stated in the Organization's written procurement policy.

**Context:**

A sample of two disbursements from a population of one procurement transaction charged to the major program that exceeded the Organization's established micropurchase threshold of \$10,000. The transaction was found to be out of compliance with the Procurement requirements, as documentation was not retained for the adequate number of price comparisons.

**Questioned Costs:**

Undeterminable

**Cause/Effect:.**

An employee charged with the procurement process for these transactions misinterpreted the aggregation rules between capitalization and procurement thresholds, and therefore did not obtain nor retain three contemporaneous quotes. Without adequate records retained, the Organization is at risk of noncompliance with the standards of Procurement.

Community Action

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**Recommendation:**

Opportunity Council has already taken steps to communicate the error with the applicable employee and is currently implementing an additional level of fiscal review earlier in the procurement process to ensure that documentation exists prior to procurement and that it is retained with the accounting record. We recommend moving forward with the additional layer of review and emphasizing the importance of the procurement standards and established policy to all authorized purchasers within the Organization.

**View of Responsible Official and Corrective Action**

Management accepts the finding and is taking the following corrective action to prevent recurrence:

- Updating Organizational Policies to clearly permit a higher small purchases threshold, combined with annual certification of eligibility, to sharply decrease the likelihood of recurrence of the underlying cause of the finding.
- Implementing accounting system-level controls that will require an additional approval from assigned fiscal staff to transactions exceeding the small purchase threshold prior to payment, ensuring accountability for monitoring of required documentation for procurements in excess of the threshold.
- Procurement training planned throughout the agency to ensure that personnel authorized to initiate procurement transactions are aware of organizational policies and have the guidance necessary to comply with procurement rules.

David L. Foreman, CFO 9/28/2023

David Foreman, Chief Financial Officer

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