

## Community Action Council of Lewis, Mason & Thurston Counties and Affiliates

Consolidated Financial Statements with  
Independent Auditor's Report and  
Single Audit Reports

Years Ended September 30, 2024 and 2023

## Community Action Council of Lewis, Mason & Thurston Counties and Affiliates

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## Independent Auditor's Report

To the Board of Directors  
Community Action Council of Lewis, Mason & Thurston Counties and Affiliates  
Lacey, Washington

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of Community Action Council of Lewis, Mason & Thurston Counties and Affiliates (the CAC) (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of the CAC as of September 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Virginia Station Associates Limited Partnership, a consolidated entity of the CAC, which statements reflect total assets of \$2,256,769 as of December 31, 2024, and total revenues of \$506,717 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Virginia Station Associates Limited Partnership, is based solely on the report of the other auditors.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CAC 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.

#### *Prior Period Financial Statements*

The financial statements of Community Action Council of Lewis, Mason & Thurston Counties and Affiliates as of and for the year ended September 30, 2023 were audited by Larson Gross, PLLC which restructured and created Larson Gross Assurance, PLLC as of December 19, 2024. Larson Gross, PLLC's report dated April 5, 2024, expressed an unmodified opinion on those statements.

### ***Responsibilities of Management for the 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 the CAC's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 the CAC'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 the CAC'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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2025 on our consideration of the CAC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CAC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CAC's internal control over financial reporting and compliance.

*Larson Gross Assurance, PLLC*

Bellingham, Washington  
June 26, 2025

Community Action Council of Lewis, Mason & Thurston Counties and Affiliates

**Consolidated Statements of Financial Position**

September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Cash and cash equivalents		
Operating	\$ 1,509,204	\$ 1,288,628
Reserves	650,696	668,517
Tenant security deposits	105,528	99,518
Total cash and cash equivalents	<u>2,265,428</u>	<u>2,056,663</u>
Certificate of deposit	77,317	-
Grants receivable	1,037,516	1,330,758
Tenant and other receivables	631,552	897,299
Weatherization in process	479,047	293,795
Inventories	18,472	57,710
Prepaid expenses	127,763	66,076
Notes receivable	613,079	613,079
Accrued interest receivable	399,915	375,980
Investment in Partnerships and LLCs	125,534	125,534
Right-of-use assets, net	274,435	376,891
Land, buildings, and equipment, net	<u>10,070,929</u>	<u>10,224,203</u>
<b>Total assets</b>	<u><u>\$ 16,120,987</u></u>	<u><u>\$ 16,417,988</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 425,157	\$ 394,378
Accrued payroll	70,327	71,932
Other accrued expenses	197,153	187,788
Deferred revenue	463,847	299,970
Rental deposits	105,066	100,976
Accrued interest payable	394,328	371,385
Operating lease liabilities	281,507	381,404
Notes payable	9,500,511	9,823,244
Total liabilities	<u>11,437,896</u>	<u>11,631,077</u>
<b>Net assets</b>		
Without donor restrictions	<u>4,683,091</u>	<u>4,786,911</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 16,120,987</u></u>	<u><u>\$ 16,417,988</u></u>

**Consolidated Statements of Activities and Changes in Net Assets**

For the Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Support and revenue without donor restrictions</b>		
Grants and subsidies	\$ 14,224,324	\$ 14,563,854
Rental income	1,888,526	1,710,963
Service fees	593,526	882,050
In-kind interest contributions	190,039	240,420
Contributions	613,820	163,545
Other income	<u>252,545</u>	<u>1,901,575</u>
<b>Total support and revenue without donor restrictions</b>	<b>17,762,780</b>	<b>19,462,407</b>
<b>Expenses</b>		
Program services	14,744,824	15,683,224
Accounting and administration	1,391,010	946,092
Depreciation and amortization	586,718	619,712
Facilities	482,521	442,254
Information technology	344,994	285,670
Corporate	302,285	290,097
Fundraising	<u>14,248</u>	<u>6,172</u>
<b>Total expenses</b>	<b>17,866,600</b>	<b>18,273,221</b>
<b>Change in net assets without donor restrictions</b>	<b>(103,820)</b>	<b>1,189,186</b>
Net assets without donor restrictions – beginning of year	<u>4,786,911</u>	<u>3,597,725</u>
<b>Net assets without donor restrictions – end of year</b>	<b><u>\$ 4,683,091</u></b>	<b><u>\$ 4,786,911</u></b>

Community Action Council of Lewis, Mason & Thurston Counties and Affiliates

**Consolidated Statement of Functional Expenses**

Year Ended September 30, 2024

	<b>Emergency Services</b>	<b>Family Services</b>	<b>Housing Services</b>	<b>Affordable Housing</b>	<b>Total Program Services</b>	<b>Facilities</b>	<b>Accounting and Administration</b>	<b>Information Technology</b>	<b>Corporate and Fundraising</b>	<b>Total</b>
Direct Client expenses	\$ 5,772,566	\$ 1,456,912	\$ 953,621	\$ -	\$ 8,183,099	\$ 3,036	\$ 825	\$ 25	\$ 42,747	\$ 8,229,732
Salaries and wages	1,145,294	1,368,930	991,285	312,465	3,817,974	95,331	466,007	143,864	13,397	4,536,573
Fringe Benefits	346,147	360,180	310,141	-	1,016,468	27,199	107,275	38,696	53,881	1,243,519
Utility and building maintenance	-	-	11,864	608,290	620,154	144,457	-	-	38,258	802,869
Professional fees	100	200	125	170,810	171,235	-	276,213	33,261	13,351	494,060
Bad debt expense	-	-	-	24,233	24,233	-	419,980	-	-	444,213
Interest expense	-	-	-	278,173	278,173	132,811	-	-	22,228	433,212
Small equipment	38,640	4,298	31,650	62,542	137,130	7,368	41,651	89,951	71,099	347,199
Insurance	1,230	5,047	35,647	51,805	93,729	31,412	24,264	11,888	5,332	166,625
Supplies	16,562	40,884	7,292	64,587	129,325	18,385	3,347	292	6,286	157,635
Occupancy	1,747	25,431	101,275	-	128,453	-	3,477	-	2,644	134,574
Travel	20,178	15,983	31,800	928	68,889	4,657	14,020	221	3,084	90,871
Communications	3,228	14,588	7,728	513	26,057	16,000	1,894	24,347	102	68,400
Other expense	700	439	1,459	1,387	3,985	1,260	30,160	2,449	21,074	58,928
Meeting and training	110	1,736	20,373	-	22,219	-	388	-	7,023	29,630
Photocopy/printing	4,577	4,437	3,818	-	12,832	145	703	-	1,673	15,353
Fundraising	-	-	-	-	-	-	-	-	14,248	14,248
Postage	7,711	1,144	2,014	-	10,869	460	806	-	106	12,241
Subtotal	7,358,790	3,300,209	2,510,092	1,575,733	14,744,824	482,521	1,391,010	344,994	316,533	17,279,882
Depreciation and amortization	722	3	29,988	419,569	450,282	89,303	5,551	24,209	17,373	586,718
Total	<u>\$ 7,359,512</u>	<u>\$ 3,300,212</u>	<u>\$ 2,540,080</u>	<u>\$ 1,995,302</u>	<u>\$ 15,195,106</u>	<u>\$ 571,824</u>	<u>\$ 1,396,561</u>	<u>\$ 369,203</u>	<u>\$ 333,906</u>	<u>\$ 17,866,600</u>

Community Action Council of Lewis, Mason & Thurston Counties and Affiliates

**Consolidated Statement of Functional Expenses**

Year Ended September 30, 2023

	<u>Emergency Services</u>	<u>Family Services</u>	<u>Housing Services</u>	<u>Affordable Housing</u>	<u>Total Program Services</u>	<u>Facilities</u>	<u>Accounting and Administration</u>	<u>Information Technology</u>	<u>Corporate and Fundraising</u>	<u>Total</u>
Direct client services	\$ 6,337,448	\$ 1,361,800	\$ 994,290	\$ -	\$ 8,693,538	\$ 1,700	\$ 1,324	\$ -	\$ 15,002	\$ 8,711,564
Salaries and wages	1,027,083	1,555,791	918,467	261,934	3,763,275	129,638	473,960	127,953	-	4,494,826
Payroll taxes and benefits	300,477	421,776	327,706	-	1,049,959	44,661	121,309	33,065	40,429	1,289,423
Utilities and building maintenance	-	915	11,319	704,622	716,856	87,834	2,431	-	3,071	810,192
Professional fees	75	153,375	75	133,753	287,278	25	229,182	52,700	94,791	663,976
Interest expense	-	-	3,034	352,032	355,066	82,155	300	-	75,541	513,062
Insurance	1,943	2,882	30,691	108,549	144,065	40,573	21,998	7,612	5,241	219,489
Supplies	24,909	53,705	14,779	54,795	148,188	17,336	5,953	1,858	15,313	188,648
Small equipment	3,866	4,092	38,945	39,270	86,173	4,153	36,302	48,403	13,376	188,407
Occupancy	-	42,748	90,652	-	133,400	4,850	7,162	-	-	145,412
Travel	10,894	26,464	73,434	3,183	113,975	9,654	7,046	251	5,933	136,859
Other	500	4,363	1,912	62,033	68,808	2,696	33,661	1,889	15,763	122,817
Communications	2,543	15,825	5,158	745	24,271	16,218	3,397	11,939	610	56,435
Photocopy/printing	11,677	35,083	5,217	-	51,977	-	753	-	1,345	54,075
Meeting and training	84	12,552	14,957	-	27,593	-	238	-	3,717	31,548
Postage and shipping	14,587	2,196	1,984	-	18,767	761	1,076	-	-	20,604
Fundraising	-	35	-	-	35	-	-	-	6,137	6,172
Subtotal	<u>7,736,086</u>	<u>3,693,602</u>	<u>2,532,620</u>	<u>1,720,916</u>	<u>15,683,224</u>	<u>442,254</u>	<u>946,092</u>	<u>285,670</u>	<u>296,269</u>	<u>17,653,509</u>
Depreciation and amortization	<u>3,691</u>	<u>-</u>	<u>35,501</u>	<u>431,053</u>	<u>470,245</u>	<u>45,927</u>	<u>6,991</u>	<u>28,937</u>	<u>67,612</u>	<u>619,712</u>
Total	<u>\$ 7,739,777</u>	<u>\$ 3,693,602</u>	<u>\$ 2,568,121</u>	<u>\$ 2,151,969</u>	<u>\$ 16,153,469</u>	<u>\$ 488,181</u>	<u>\$ 953,083</u>	<u>\$ 314,607</u>	<u>\$ 363,881</u>	<u>\$ 18,273,221</u>

**Consolidated Statements of Cash Flows**

For the Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities</b>		
Change in net assets without donor restrictions	\$ (103,820)	\$ 1,189,186
Adjustments to reconcile change in net assets without donor restrictions to net cash from operating activities:		
Depreciation and amortization	586,718	619,712
Amortization of loan fees	2,742	2,743
Non-cash lease costs	2,559	4,513
Change in operating assets and liabilities		
Receivables	558,989	(514,536)
Weatherization in process	(185,252)	3,340
Inventories	39,238	128,430
Prepaid expenses	(61,687)	(31,256)
Accrued interest receivable	(23,935)	(23,917)
Accounts payable	30,779	77,178
Accrued liabilities	7,760	(130,171)
Deferred revenue	163,877	(33,403)
Rental deposits	4,090	5,301
Accrued interest payable	22,943	22,493
Net cash from operating activities	<u>1,045,001</u>	<u>1,319,613</u>
<b>Cash flows from investing activities</b>		
Purchases of land, buildings, and equipment	(433,444)	(186,987)
Purchase of certificate of deposit	(77,317)	-
Collection of notes receivable	-	60,410
Net cash from investing activities	<u>(510,761)</u>	<u>(126,577)</u>
<b>Cash flows from financing activities</b>		
Net repayments on lines of credit	-	(991,994)
Proceeds (repayments) of notes payable	(325,475)	14,920
Net cash from financing activities	<u>(325,475)</u>	<u>(977,074)</u>
<b>Net change in cash, cash equivalents, and restricted cash</b>	208,765	215,962
<b>Cash, cash equivalents, and restricted cash – beginning of year</b>	<u>2,056,663</u>	<u>1,840,701</u>
<b>Cash, cash equivalents, and restricted cash – end of year</b>	<u>\$ 2,265,428</u>	<u>\$ 2,056,663</u>
<b>Supplemental cash flow information</b>		
Noncash investing and financing activities:		
Right-of-use assets and liabilities	<u>\$ 8,808</u>	<u>\$ 486,997</u>
Extinguishment of note payable on sale of building	<u>\$ -</u>	<u>\$ 222,194</u>

**Notes to Consolidated Financial Statements**

September 30, 2024 and 2023

**Note 1 – Principal Activity and Summary of Significant Accounting Policies**

**Nature of the organization** – The Community Action Council of Lewis, Mason & Thurston Counties and Affiliates (the CAC) is a nonprofit organization which operates primarily as the sponsoring agency of various federal, state and locally funded programs aimed at providing various types of aid to the underprivileged who reside in Lewis, Mason, and Thurston counties, state of Washington. As a community action agency (community action agencies were founded under the Economic Opportunity Action of 1964) the CAC is a locally controlled organization and is administered with the “maximum feasible participation” of the poor. This essential element distinguishes it from other nonprofit human service providers. The maximum feasible participation emphasis begins with the board of directors which, under the terms of the CAC’s Community Services Block Grant, is required to be tripartite, with one-third public sector representation, at least one-third low-income representatives, and the remaining balance representing the private sector.

**Principles of consolidation** – These financial statements include the activity of Community Action Council of Lewis, Mason & Thurston Counties, Deschutes Cove Apartments (DESC), Tolmie Cove Apartments (TOLM), Tilton River Court Apartments (TILT), and ACLMT Virginia Station LLC (VIRG) (collectively, the CAC). All significant intercompany accounts and transactions have been eliminated in consolidation.

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

**Net assets without donor restrictions** – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These net assets may be used at the discretion of the CAC’s management and board of directors.

**Net assets with donor restrictions** – Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with donor restrictions at September 30, 2024 and 2023.

**Cash and cash equivalents** – Operating cash consists of cash held in bank accounts and short-term investments, such as money market accounts, with original maturity dates of three months or less for statement of cash flow purposes. The CAC maintains its cash in bank accounts that may exceed federal insured limits at times during the year. The CAC has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Restricted cash includes reserves and tenant security deposits. For discussion of restricted cash and related accounting policies, see Note 3.

**Certificate of deposit** – Certificates of deposit are recorded at cost plus accrued interest.

**Notes to Consolidated Financial Statements**

September 30, 2024 and 2023

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

**Grants receivable and other receivables** – Grants receivable 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 CAC bases its estimate of doubtful accounts on several factors. These factors include the CAC's past experience collecting receivables, the aging of the receivables at year-end, and management's appraisal of current economic conditions. At September 30, 2024 and 2023, all receivables are current. Based on the above factors, management considers all receivables to be fully collectible, therefore, has not made any allowance for collectability.

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

**Weatherization in process** – When weatherization jobs are in progress, all costs are accumulated in a cost pool. Upon completion, the costs related to each job are charged to various weatherization contracts. As of September 30, 2024 and 2023, the cost of jobs in progress was \$479,047 and \$293,795, respectively. This amount is presented in the consolidated statements of financial position as weatherization in process. The expenses incurred for these jobs are allowable within the terms of the various weatherization contracts; therefore, the amount is due to the CAC. When the jobs are complete, they will be invoiced against individual weatherization contracts and the costs will be reimbursed.

**Inventories** – Inventories comprise program-related food held for food banks, and materials and supplies for the weatherization program, and are stated at the lower of cost or net realizable value determined by the first-in first-out method. Inventories of the United States Department of Agriculture (USDA) surplus commodities are shown at the cost value provided by the USDA. There was no such inventory at September 30, 2024. The cost of inventory of USDA Surplus Commodities at September 30, 2023 was \$32,412.

The CAC maintains an inventory of weatherization materials and supplies for the weatherization program. The cost of the inventory of weatherization materials as of September 30, 2024 and 2023, was \$18,472 and \$25,298, respectively.

**Notes receivable and allowance for credit losses** – The Financial Accounting Standards Board issued new guidance regarding the measurement of credit losses on financial instruments. The new guidance replaces the incurred loss impairment methodology in the current guidance with a methodology that reflects current expected credit losses ("CECL") and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. The CAC adopted the new guidance on October 1, 2023, using a modified retrospective approach with no material impact on the CAC's financial statements.

The allowance for credit losses is a valuation allowance for probable incurred credit losses based on an evaluation of the outstanding loans. Loan losses are charged against the allowance when management believes the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance. Management regularly evaluates the allowance for credit losses taking into consideration such factors as historical loss experience, changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay. At September 30, 2024 and 2023, all notes receivable are current. Based on the above factors, management considers all notes receivable to be fully collectible, therefore, has not made any allowance for collectability.

**Notes to Consolidated Financial Statements**

September 30, 2024 and 2023

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

**Notes receivable and allowance for credit losses – (Continued)** – A loan is considered impaired when, based on current information and events, it is probable that the CAC will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired.

Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for housing loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. The CAC had no notes receivable that would be considered impaired or nonperforming at September 30, 2024 and 2023.

When, for economic or legal reasons related to the borrower's financial difficulties, the CAC grants a concession to the borrower that the CAC would not otherwise consider, the modified loan is classified as a troubled debt restructuring. Loan modifications may consist of interest-only payments for a period of time, extending amortization terms, a reduction of the interest rate, and/or forgiveness of interest and/or principal. As of September 30, 2024 and 2023, there are no modifications of loans that are classified as troubled debt restructurings.

The CAC is subjected to credit risk related to loans receivable and outstanding due to swings in economic cycles and other factors. The CAC requires collateral on loans receivable, which remain in the borrowers possession until the loans are fully collected. 74% of notes receivable were due from one borrower at September 30, 2024 and 2023. The CAC has assessed the creditworthiness of the borrower, closely monitors activity on the loans, and judges the risk of loss as minimal.

**Land, buildings, and equipment** – Land, buildings, and equipment purchased over \$5,000 by the CAC with unrestricted (operating) funds are recorded at cost, or if donated, at fair value on the date of donation. Items costing less than \$5,000 per unit are expensed as minor equipment or supplies.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred; major renewals and improvements are capitalized. When items of buildings 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 recognized.

The cost of land, buildings, and equipment purchased by the CAC with restricted (grant) funds is generally charged as a period cost under the appropriate grant in accordance with the provisions of such grant where title remains with the grantor. When such purchases are made with resources from grants, and when after examining the facts and circumstances ownership rests with CAC, items exceeding the agency capitalization policy of \$5,000 are recorded as assets on the consolidated statement of financial position and depreciated over their estimated useful lives. The CAC reviews the carrying values of land, buildings, and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition.

**Notes to Consolidated Financial Statements**

September 30, 2024 and 2023

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

**Land, buildings, and equipment** – (Continued) – When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. At September 30, 2024 and 2023, no impairment had been recorded.

**Grants and subsidies** – A substantial portion of the CAC’s revenue is derived from governmental and private grants awards that are intended to support specific programs or projects. Grants and subsidies represented approximately 81% and 75% of total support and revenue for the years ended September 30, 2024 and 2023, respectively. The CAC 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 grants receivable on the consolidated statement of financial position. The CAC 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 CAC’s ability to continue its operation.

**Contributions** – Contributions are recognized when the donor makes a promise to give to the CAC that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

**Rental income** – Rental income is received and recognized monthly under the terms of the lease. Rent payments received in advance are recorded as deferred rent on the consolidated statement of financial position until the lease period occurs. Any unpaid rental from the previous month is presented as tenants receivable on the consolidated statement of financial position.

**Service fees** – Service fees are recognized at either (a) the point in time when services are provided or (b) the fee value can be reasonably determined. The amount of revenue recognized is determined based on the fees mutually agreed upon within the service contract. Services provided are specific to the program or project to which the contract relates.

**Donated services, materials, and facilities** – Volunteers have contributed services and materials toward the fulfillment of projects sponsored by the CAC; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP.

**Advertising** – The CAC’s policy is to expense advertising costs in the period in which they are incurred. Advertising expense for the years ended September 30, 2024 and 2023 were \$87,185 and \$102,222, respectively.

**Functionalized expenses** – The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the CAC. The allocations are the following:

- Payroll and related costs are allocated based on time spent on each function.
- Telephone costs are allocated based upon the number of telephones in use by each program.
- Occupancy costs are allocated based on square footage.
- Administrative costs are allocated based upon the number of employees for that month.
- Accounting costs are allocated based upon transaction counts for that month.
- Information technology costs are allocated based upon the units in service for that month.

**Notes to Consolidated Financial Statements**

September 30, 2024 and 2023

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

**Leases** – The CAC determines if an arrangement contains a lease at inception based on whether it has the right to control the asset during the contract period and other facts and circumstances. The CAC elected not to record right-of-use assets and lease liabilities for leases with an initial term of 12 months or less and recognizes lease expense on a straight-line basis over the lease term.

**Income taxes** – The CAC is a non-profit entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is necessary. The tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions.

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

**Subsequent events** – In preparing these financial statements, the CAC has evaluated events and transactions for potential recognition or disclosure through June 26, 2025, the date the financial statements were available to be issued.

**Note 2 – Availability and Liquidity**

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

	<u>2024</u>	<u>2023</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,265,428	\$ 2,056,663
Certificate of deposit	77,317	-
Grants receivable	1,037,516	1,330,758
Weatherization in process	<u>479,047</u>	<u>293,795</u>
Total financial assets	3,859,308	3,681,216
Less amounts not available for general expenditure:		
Cash restricted for reserves	(650,696)	(668,517)
Cash restricted for tenant security deposits	<u>(105,528)</u>	<u>(99,518)</u>
	<u>(756,224)</u>	<u>(768,035)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,103,084</u>	<u>\$ 2,913,181</u>

Additionally, the CAC has a line of credit available to be drawn on. See Note 7.

**Note 3 – Restricted Cash**

The CAC obtained the cooperation and support from the USDA and the United States Department of Housing and Urban Development (HUD) for several of its low-income housing projects.

**Notes to Consolidated Financial Statements**

September 30, 2024 and 2023

**Note 3 – Restricted Cash** – (Continued)

As part of its agreement with USDA and HUD, the CAC is required to maintain rehabilitation, replacement reserve, and security deposit accounts for DESC, TOLM, TILT, and VIRG. A summary of these accounts and restricted amounts is as follows for the years ending September 30:

	<b>2024</b>				<b>Total</b>
	<b>Deschutes Cove Apartments</b>	<b>Tolmie Cove Apartments</b>	<b>Tilton River Court Apartments</b>	<b>CACLMT Virginia Station LLC</b>	
Replacement reserve	\$ 199,658	\$ 309,241	\$ 10,470	\$ 35,463	\$ 554,832
Tax and insurance reserve	24,549	64,748	960	5,607	95,864
Total reserves	224,207	373,989	11,430	41,070	650,696
Security deposit trust	36,073	37,299	3,618	28,538	105,528
Less: Security deposit liability	(36,064)	(35,631)	(3,637)	(28,276)	(103,608)
Total	<u>\$ 224,216</u>	<u>\$ 375,657</u>	<u>\$ 11,411</u>	<u>\$ 41,332</u>	<u>\$ 652,616</u>
	<b>2023</b>				
	<b>Deschutes Cove Apartments</b>	<b>Tolmie Cove Apartments</b>	<b>Tilton River Court Apartments</b>	<b>CACLMT Virginia Station LLC</b>	<b>Total</b>
Replacement reserve	\$ 181,490	\$ 324,034	\$ 10,469	\$ 42,924	\$ 558,917
Tax and insurance reserve	32,549	70,484	960	5,607	109,600
Total reserves	214,039	394,518	11,429	48,531	668,517
Security deposit trust	35,168	34,141	3,074	27,135	99,518
Less: Security deposit liability	(35,168)	(34,141)	(3,074)	(27,135)	(99,518)
Total	<u>\$ 214,039</u>	<u>\$ 394,518</u>	<u>\$ 11,429</u>	<u>\$ 48,531</u>	<u>\$ 668,517</u>

**Note 4 – Investment in Partnership and LLCs**

The CAC has investments in certain limited partnerships and LLCs in the low-income housing industry that are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. At September 30, 2024 and 2023, no impairment was assessed for the investment in partnerships and LLCs. The total cost of the CAC's investment in these entities at September 30, 2024 and 2023 is \$125,534. While CAC has an economic interest in these partnerships and LLCs, it does not have a controlling interest. Therefore, the operations of these partnerships and LLCs are not consolidated in the financial statements of the CAC.

As part of the partnership agreements, there are certain management fees that the investees are required to pay. CAC records these as management fee income when received. All of the CAC's investments in limited partnerships and LLCs are described in more detail below:

**Prairie Run Associates Limited Partnership** – The CAC is the Managing General Partner in the Prairie Run Associates Limited Partnership. The CAC has an ownership interest of 0.01%.

**Notes to Consolidated Financial Statements**

September 30, 2024 and 2023

**Note 4 – Investment in Partnership and LLCs – (Continued)**

**Prairie Run Associates Limited Partnership** – (Continued) – The purpose of the partnership is to construct, maintain, and operate a low to moderate income housing project located in Yelm, Washington. The project is a qualified tax credit project with bond financing being provided by the Washington State Housing Finance Commission. The units are rented to families with moderate to low incomes.

The CAC entered into a loan agreement with the Department of Community, Trade and Economic Development, Office of Development, during the year ended September 30, 2002. The loan proceeds of \$163,700 were provided to the CAC by the housing trust fund of \$103,700 and the Developmental Disabilities demonstration Program of \$60,000 and were remitted by the CAC to the Prairie Run Associates Limited Partnership.

The CAC assigned all rights, duties, and obligations under the loan agreement to Prairie Run Associates Limited Partnership. However, the CAC, as part of that assignment, was not released from its responsibilities under the agreement.

The terms of the loan require interest accrual at 1% compounded annually. Payments of \$4,177 began on November 1, 2003, and are due at the end of each successive annual for 49 years. The loan is secured by a third lien position of a deed of trust in property located at 205 Mountain View Road, Yelm, WA. The loan is a nonrecourse loan with recourse of the holder being limited to its rights under the deed of trust. The proceeds of the loan were used help construct the Prairie Run housing project.

**Montesano Harbor, LLC** – The CAC is the Managing Member in the Montesano Harbor, LLC. The CAC has an ownership interest of 0.01%. The purpose of the LLC is to acquire, rehabilitate, maintain, and operate a low to moderate income housing project located in Montesano, Washington. The project is a qualified tax credit project with bond financing being provided by the Washington State Housing Finance Commission. The units are rented to seniors with moderate to low incomes.

The CAC entered into a loan agreement with the Department of Community, Trade and Economic Development, Housing Trust Fund, during the fiscal year ended September 30, 2006. The loan proceeds of \$638,889 were provided to the CAC and remitted to Montesano Harbor, LLC. The CAC assigned all rights, duties, and obligations under the loan agreement to Virginia Station Associates Limited Partnership. However, the CAC, as part of that assignment, was not released from its responsibilities under the agreement. The terms of the loan provide for a 40-year deferral at 0% interest. The full principal loan amount is due on June 30, 2047. The loan is evidenced by a promissory note and secured by a deed of trust in favor of the Department of Community, Trade and Economic Development.

The carrying amount of the CAC's investment in this low-income housing LLC is \$58,834 for the years ended September 30, 2024 and 2023.

**Montesano Harbor Annex, LLC** – The CAC is the Managing Member in the Montesano Harbor Annex, LLC. The CAC has an ownership interest of 0.01%. The purpose of the LLC is to acquire, rehabilitate, maintain, and operate a low to moderate income housing project located in Montesano, Washington. The project is a qualified tax credit project with bond financing being provided by the Washington State Housing Finance Commission. The units are rented to seniors with moderate to low incomes.

**Notes to Consolidated Financial Statements**

September 30, 2024 and 2023

**Note 4 – Investment in Partnership and LLCs – (Continued)**

**Montesano Harbor Annex, LLC – (Continued)** – In May of 2007, during the transfers of property and financing to Montesano Harbor Annex LLC the CAC assumed two notes, the Mortgage Restructuring Note (MRN note) and the Contingent Repayment Mortgage Note (CRM note). The Mortgage Restructuring Note, in the original amount of \$284,736, bears interest at 4.9% and matures on May 1, 2037. The Contingent Repayment Mortgage Note, in the original amount of \$168,343, bears interest at 4.9% and matures on May 1, 2037. These notes are nonrecourse and are secured by a subordinate lien position deed of trust in property located at 141 S River Street, Montesano, Washington. In exchange for its assumption of these notes the CAC received promissory notes from Montesano Harbor Annex, LLC with exactly the same original balances, interest rates, and repayment terms as the MRN and CRM notes.

The CAC entered into a loan agreement with the Department of Community, Trade and Economic Development, Housing Trust Fund, during the fiscal year ended September 30, 2006. The loan proceeds of \$136,111 were provided to the CAC and remitted to Montesano Harbor Annex, LLC. The CAC assigned all rights, duties, and obligations under the loan agreement to Virginia Station Associates Limited Partnership. However, the CAC, as part of that assignment, was not released from its responsibilities under the agreement.

The terms of the loan provide for a 40-year deferral at 0% interest. Payments on the loan were deferred until September 30, 2017. Payments of \$1,000 began on September 30, 2017, and are due at the end of each successive quarter for 39 years. The final payment of \$17,111 is due on June 30, 2047. The loan is secured by a third lien position of a deed of trust in property located at 141 S. River Street, Montesano, WA. The proceeds of the loan were used to help construct the Montesano Harbor Annex housing project.

The carrying amount of the CAC's investment in this low-income housing LLC is \$66,700 for the years ended September 30, 2024 and 2023.

**Salmon Run Yelm Associates LLLP** – The CAC is the Managing General Partner in the Salmon Run Yelm Associates Limited Liability Limited Partnership. The CAC has an ownership interest of 0.01%. The purpose of the partnership is to construct, maintain, and operate a 40-unit housing project in Yelm, Washington. The project is a qualified tax credit project with bond financing being provided by the Washington State Housing Finance Commission. The units are rented to families with moderate to low incomes.

**CAC 515 Preservation Portfolio Associates LLLP** – The CAC withdrew as a General Partner in the CAC 515 Preservation Portfolio Associates Limited Liability Limited Partnership effective September 1, 2015. The purpose of the partnership is to acquire, rehabilitate, construct, maintain and operate four low-income housing projects located in Mason and Thurston counties, Washington. The projects are qualified tax credit projects with bond financing being provided by the Washington State Housing Finance Commission. The units are rented to families with moderate to low incomes.

The CAC entered into a loan agreement with the Department of Commerce, Housing Trust Fund, during the fiscal year ended September 30, 2015. The loan proceeds of \$2,500,000 were provided to the CAC and remitted to CAC 515 Preservation Portfolio Associates LLLP. The CAC assigned all rights, duties, and obligations under the loan agreement to CAC 515 Preservation Portfolio Associates LLLP. However, the CAC, as part of that assignment, was not released from its responsibilities under the agreement.

**Notes to Consolidated Financial Statements**

September 30, 2024 and 2023

**Note 4 – Investment in Partnership and LLCs – (Continued)**

**CAC 515 Preservation Portfolio Associates LLLP – (Continued)** – The terms of the loan provide for a 40-year with interest accrual at 1% compounded annually beginning on January 1, 2016. A lump sum payment of principal and interest in the amount of \$3,722,159 is due on December 31, 2055. The loan is secured a third lien position of a deed of trust of Ashford House, Belfair House, Killion Court, and Saratoga Springs. The proceeds of the loan were used to help construct the Ashford House, Belfair House, Killion Court, and Saratoga Springs housing projects.

**Note 5 – Land, Buildings, and Equipment**

Land, buildings, and equipment consist of the following at September 30:

	<b>Estimated Useful Life In Years</b>	<b>2024</b>	<b>2023</b>
Buildings and improvements	25 to 35	\$ 16,324,255	\$ 15,714,987
Land	Indefinite	2,060,529	2,060,529
Equipment	3 to 10	1,110,786	1,247,776
Construction in progress		-	157,841
Accumulated depreciation		(9,424,641)	(8,956,930)
		<u>\$ 10,070,929</u>	<u>\$ 10,224,203</u>

**Note 6 – Notes Receivable**

The CAC operates programs that provide low, or no interest deferred or installment loans for residential housing purposes (housing down payment, housing rehabilitation) and business development low-income purposes (business loans to assist in the acquisition and development of housing projects). The loans have varying terms and security, dependent on the source and circumstance, appropriate to the loan. Repaid business loan funds are required to be used for repayment of loan sources and to cover loan losses.

**Notes to Consolidated Financial Statements**

September 30, 2024 and 2023

**Note 6 – Notes Receivable – (Continued)**

Notes receivable consisted of the following at September 30:

	<u>2024</u>	<u>2023</u>
Montesano Harbor Annex LLC loan #1. Annual payments are due in an amount equal to 75% of surplus cash available in the project. Interest accrues at 4.9%. The note matures May 1, 2037 and is collateralized by real property and equipment.	\$ 284,736	\$ 284,736
Montesano Harbor Annex LLC loan #2. No debt service payments are required until repayment in full of Montesano Harbor Annex LLC Loan #1 occurs. Interest accrues at 4.9%. The note matures May 1, 2037, and is collateralized by real property and equipment.	168,343	168,343
CAC 515 Preservation Portfolio LLLP. Payment of principal and interest are deferred until December 31, 2056, when both principal and interest shall be paid in full. Interest accrues at 1.0% compounded annually. The note is unsecured.	<u>160,000</u>	<u>160,000</u>
Total	<u>\$ 613,079</u>	<u>\$ 613,079</u>
2025	\$ -	
2026	-	
2027	-	
2028	-	
2029	-	
Thereafter	<u>613,079</u>	
Total	<u>\$ 613,079</u>	

There are no principal maturities on notes receivable due in the next five years.

**Note 7 – Line of Credit**

The CAC has a line of credit with Timberland Bank in the amount of \$850,000. The line of credit carried an interest at the prime rate (8.00% at September 30, 2024) plus 1.0% and is secured by a Thurston County office building. There was no outstanding balance September 30, 2024 and 2023. The line of credit expires on May 15, 2026.

**Notes to Consolidated Financial Statements**

September 30, 2024 and 2023

**Note 8 – Notes Payable**

Notes payable consisted of the following at September 30:

	<u>2024</u>	<u>2023</u>
United States Department of Agriculture (Deschutes Cove) loans #002, #003, #004, #005, and #006. Payments total \$12,403 per month including accrued interest at 1.0%. Collateralized by a deed of trust on real property.	\$ 2,467,716	\$ 2,594,460
United States Department of Agriculture (Tolmie Cove) loans #002, #003, #004 and #005. Payments total \$6,228 per month including accrued interest at 1.0%.	2,211,384	2,317,714
Timberland Bank – Payable at \$7,206 per month including interest accrued at 4.75%. Collateralized by a building.	1,702,230	1,739,641
Rural Development – Payable at an effective interest rate of 1% through March 2035. The stated rate of 6% varies from the effective rate of 1% due to a mortgage interest subsidy provided. Collateralized by property.	883,149	893,006
Thurston County, Washington – PHSS Housing and Community Renewal. Maturity date is September 30, 2047. No debt service payments are required until maturity. Interest accrues at 0.0% (with a default interest rate of 10.0%). Provided that the CAC is not in default on the maturity date, the entire unpaid balance of principal and accrued interest shall be forgiven. Collateralized by property.	504,838	504,833
Department of Commerce – Housing Assistance Program. Maturity date is September 30, 2059. No debt service payments are required until maturity. Interest accrues at 0.0%. The full principal of the loan shall be due and payable on or before the maturity date. Collateralized by a second deed of trust on the property.	457,304	457,304
Washington Community Reinvestment Association – Monthly payments of \$4,567 including interest at 7%, due through June 2035. Collateralized by property.	414,727	440,590

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

**Note 8 – Notes Payable** – (Continued)

	<u>2024</u>	<u>2023</u>
United States Department of Housing and Urban Development Mortgage Restructuring Note. Annual payments are due to HUD in an amount equal to 75% of surplus cash in Montesano Harbor Annex, LLC. Interest accrues at 4.9%. The note matures May 1, 2037. Collateralized by rental property and equipment held by Montesano Harbor Annex, LLC.	\$ 284,736	\$ 284,736
Washington State Department of Commerce – Payable at an effective rate of 1% through December 2044. Collateralized by property.	188,295	192,420
United States Department of Housing and Urban Development Contingent Repayment Mortgage Note. No debt service payments are required until repayment in full of the Mortgage Restructuring Note occurs. Interest accrues at 4.9%. The note matures May 1, 2037. Collateralized by rental property and equipment held by Montesano Harbor Annex, LLC.	168,343	168,343
United States Department of Agriculture (Deschutes Cove) loan #007. Payable at \$7,890 on June 15th and December 15th each year including accrued interest at 2.375% Collateralized by a deed of trust on the property.	155,035	170,185
Shelter Resources, Inc. – Payments deferred until December 31, 2056, when the entire amount is due, including unpaid interest accrued at 1.0% compounded annually.	<u>90,000</u>	<u>90,000</u>
	9,527,757	9,853,232
Less unamortized debt issuance costs	<u>(27,246)</u>	<u>(29,988)</u>
Total notes payable	<u>\$ 9,500,511</u>	<u>\$ 9,823,244</u>

Principal maturities of notes payable are as follows:

2025	\$ 274,272
2026	281,090
2027	288,264
2028	314,807
2029	284,838
Thereafter	<u>8,084,486</u>
	<u>\$ 9,527,757</u>

**Notes to Consolidated Financial Statements**

September 30, 2024 and 2023

**Note 8 – Notes Payable – (Continued)**

**Notes payable – Department of Commerce – Housing Assistance Program** – The CAC has received two long-term, no interest loans from the Washington State Department of Commerce, Housing Finance Unit for the total amount of \$457,304. The funds were used to rehabilitate the Tilton River Court Apartments, a HUD subsidized senior-housing complex. The notes are both noninterest bearing and repayment is deferred. The notes are collateralized by a deed of trust on the property. Terms of the note require that the CAC maintains the property as low-income senior housing for the period of the loan.

In the event that the property is sold or no longer used as required, the CAC would be required to repay the loan. An imputed interest rate of 8.5% for the first loan and 5.25% for the second loan is used to calculate interest expense and contribution revenue for each fiscal year.

**Note payable – Thurston County – PHSS Housing and Community Renewal** – The CAC has received a long-term, no interest loan from the Thurston County for the total amount of \$504,833. The fund was used for property acquisition. The note is noninterest bearing and repayment is deferred. The note is collateralized by a deed of trust on the property. Terms of the note required that the CAC maintains the property as low-income housing for the period of the loan.

In the event that the CAC is not in compliance with the requirements of the note, the CAC would have to repay the loan and accrued default interest. An imputed interest rate of 2.75% is used to calculate the interest expense and contribution revenue for each fiscal year.

**Note 9 – Rural Housing Projects (USDA)**

On August 20, 2003, the CAC reached agreement with the USDA and the existing owner to purchase two low-income housing projects. Both projects were existing Rural Development Authority projects. Each of the projects consists of 44 rental units. As part of the purchase agreement, the USDA agreed to provide a series of subsidized loans to facilitate the purchase of the projects and to fund reserve accounts for repair, maintenance, and rehabilitation. All loans carry a term of 35 years beginning August 30, 2003, and a stated interest rate of 5.375%.

The USDA has agreed to subsidize 4.375% of the stated interest rate on all loans providing the projects continue to rent to low and very low-income individuals as defined by USDA. The CAC has also signed a rental assistance agreement that provides rental assistance to individuals residing in both projects. Low and very low-income individuals pay no more than 30% of their monthly income towards rent.

The difference between the individual's payment and the unit rental rate is paid by USDA. On September 13, 2005, USDA approved a loan to repair/rehabilitate TOLM. The loan amount approved was \$1,036,748 with a loan term of 30 years and an interest rate of 3.25%.

Loan terms state that interest accrued on loan advances be capitalized and when the rehabilitation is complete that the loan proceed through a final closing process, with principal and interest payments beginning at that time. At September 30, 2015, rehabilitation was complete, and all of the funds had been advanced under the loan agreement.

**Notes to Consolidated Financial Statements**

September 30, 2024 and 2023

**Note 9 – Rural Housing Projects (USDA) – (Continued)**

On December 20, 2016, USDA approved a loan for improvements to DESC. The loan amount approved was \$240,500 with a loan term of 20 years and an interest rate of 2.375%. Principal semi-annual and interest payments are due beginning June 15, 2017, and continue on a basis thereafter.

A summary of loans by project and terms is as follows:

	<u>Interest Rate</u>	<u>2024</u>	<u>2023</u>
<b>Tolmie Cove Apartments</b>			
Loan #002	5.375%	\$ 1,176,342	\$ 1,231,189
Loan #003	5.375	214,689	224,699
Loan #004	5.375	79,169	82,860
Loan #005	3.250	741,184	778,966
Total		<u>\$ 2,211,384</u>	<u>\$ 2,317,714</u>
<b>Deschutes Cove Apartments</b>			
Loan #002	5.375%	\$ 247,900	\$ 259,459
Loan #003	5.375	650,602	680,938
Loan #004	5.375	390,185	408,378
Loan #005	5.375	143,655	150,353
Loan #006	5.375	1,035,374	1,095,332
Loan #007	2.375	155,035	170,185
Total		<u>\$ 2,622,751</u>	<u>\$ 2,764,645</u>

**Note 10 – Operating Leases**

The CAC leases office space under a lease expiring in November 2024, with an option to extend for an additional three-year period. Options to extend are included in the calculation of right-of-use assets and lease liabilities when reasonably certain to be exercised. Including options to extend, the lease expires November 2027. During the year ended September 30, 2024, the CAC entered into an additional equipment lease that expires in March 2029. The CAC also leases vehicles and office space under short-term leases.

A summary of lease costs and related information follows for the years ended September 30:

<b>Lease costs</b>	<u>2024</u>	<u>2023</u>
Operating lease costs	\$ 115,709	\$ 114,761
Short-term and variable lease costs	24,212	49,342
Total lease expense	<u>\$ 139,921</u>	<u>\$ 164,103</u>
<b>Other information</b>		
Operating cash flows from operating leases	\$ 113,056	\$ 110,248
Weighted average remaining lease term	3.2 years	3.8 years
Weighted average discount rate	1.5%	1.3%

**Notes to Consolidated Financial Statements**

September 30, 2024 and 2023

**Note 10 – Operating Leases** – (Continued)

Maturities of lease liabilities as of September 30, 2024, were as follows:

2025	\$	87,450
2026		90,016
2027		92,657
2028		17,129
2029		<u>941</u>
Total lease payments		288,193
Less imputed interest		<u>(6,686)</u>
Operating lease liabilities	\$	<u><u>281,507</u></u>

**Note 11 – Retirement Plan**

The CAC provides a 401(k) plan for all eligible employees. The CAC will match 100% of employee contributions up to the first 1% of plan compensation, plus 50% of employee contributions up to the next 5% of plan compensation. In addition, employees are able to make contributions to the plan themselves from salary deferrals. Total contributions made by the CAC were \$80,012 and \$102,732 for years ended September 30, 2024 and 2023, respectively.

## **Single Audit Reports**

**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Directors  
Community Action Council of Lewis, Mason & Thurston Counties and Affiliates  
Lacey, 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 consolidated financial statements of Community Action Council of Lewis, Mason and Thurston Counties and Affiliates (the CAC) (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2024, and the related consolidated statements of activities and changes in net assets, 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 June 26, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the CAC’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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CAC’s internal control. Accordingly, we do not express an opinion on the effectiveness of the CAC’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 consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Report on Compliance and Other Matters**

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

*Larson Gross Assurance, PLLC*

Bellingham, Washington  
June 26, 2025

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

To the Board of Directors  
Community Action Council of Lewis, Mason & Thurston Counties and Affiliates  
Lacey, Washington

### Report on Compliance for the Major Federal Program

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

We have audited Community Action Council of Lewis, Mason and Thurston Counties and Affiliates' (the CAC) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the CAC's major federal program for the year ended September 30, 2024. The CAC's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the CAC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2024.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

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

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the CAC'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 the CAC'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the CAC's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the CAC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the CAC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the CAC's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the consolidated financial statements of the CAC as of and for the year ended September 30, 2024, and have issued our report thereon dated June 26, 2025, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Larson Gross Assurance, PLLC*

Bellingham, Washington  
June 26, 2025

Community Action Council of Lewis, Mason & Thurston Counties

**Schedule of Expenditures of Federal Awards**

For the Year Ended September 30, 2024

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>				
Rural Rental Housing Loans	10.415	N/A	N/A	\$ 5,258,515
<b>U.S. Department of Housing and Urban Development</b>				
Mark-to-Market Program - Loan (Mortgage Restructuring Loan)	14.U01	N/A	N/A	284,736
Mark-to-Market Program - Loan (Contingent Repayment Loan)	14.U02	N/A	N/A	168,343
Section 8 Project-Based Cluster				
Section 8 Housing Assistance Payments Program	14.195	N/A	N/A	457,304
Pass-through from Thurston County				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.218	1516-CDBG-CAC-SEWER	N/A	504,000
Community Development Grant	14.218	B-23-US-53-0007	N/A	99,488
Subtotal Community Development Block Grants/Entitlement Grants				<u>603,488</u>
Pass-through from Mason County				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-6221C-118	17821	106,343
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	21-62210-010	10222	106,787
Pass-through from Children's Advocacy Centers of Washington				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-6221C-174	18321	9,247
Subtotal Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				<u>222,377</u>
Total U.S. Department of Housing and Urban Development				1,736,248
<b>U.S. Department of Justice</b>				
Pass-through from Children's Advocacy Centers of Washington				
Coronavirus Emergency Supplemental Funding Program	16.034	20-44120-360	27621	19,278
Pass-through from Washington State Department of Commerce				
Crime Victim Assistance	16.575	20-31219-412	13222	152,515
Crime Victim Assistance	16.575	22-31219-412	13224	76,298
Crime Victim Assistance	16.575	24-31310-167	21523	168,009
Crime Victim Assistance	16.575	25-31310-167	21524	43,155
Subtotal Crime Victim Assistance				<u>439,977</u>
Total U.S. Department of Justice				459,255

Community Action Council of Lewis, Mason & Thurston Counties

**Schedule of Expenditures of Federal Awards**

For the Year Ended September 30, 2024

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Treasury</b>				
Pass-through from Washington State Department of Agriculture Emergency Food Assistance Program (Food Commodities)	21.027	K3480	11123	\$ 42,960
<b>U.S. Department of Energy</b>				
Pass-through from Washington State Department of Commerce Weatherization Assistance for Low-Income Persons	81.042	F22-92401F-410	14022	116,806
Weatherization Assistance for Low-Income Persons	81.042	F23-53103-410	10623	<u>334,399</u>
Subtotal Weatherization Assistance for Low-Income Persons				451,205
Pass-through from Washington State Department of Commerce Bonneville Power Administration Weatherization	81.999	F23-53104-410	10823	<u>116,517</u>
Total U.S. Department of Energy				567,722
<b>U.S. Department of Health and Human Services</b>				
Pass-through from Washington State Department of Commerce Low-Income Home Energy Assistance Block Grant	93.568	F23-32606-069	10323	3,149,054
Low-Income Home Energy Assistance Block Grant	93.568	F24-32606-069	10324	2,884,088
Low-Income Home Energy Assistance Weatherization	93.568	F24-32607-069	18424	285,952
Low-Income Home Energy Assistance Weatherization	93.568	F21-53101-410	10522/10523	548,236
Low-Income Home Energy Assistance Supplemental	93.568	F23-53105-410	10723	304,627
Low-Income Home Energy Assistance IIJA	93.568	F24-3260I-069	10424	<u>115,732</u>
Subtotal Low-Income Home Energy Assistance				7,287,689
Family Violence Prevention and Services/ Sexual Assault/ Rape Crisis Services and Supports	93.497	F21-31321-004	18521	46,993
Pass-through from Washington State Department of Commerce				
Pass-through from Washington State Department of Commerce Community Services Block Grant	93.569	F23-32101-009	10123	209,455
Community Services Block Grant	93.569	F24-32101-009	10124	<u>192,615</u>
Subtotal Community Services Block Grant				402,070
Total U.S. Department of Health and Human Services				<u>7,736,752</u>
<b>Total Expenditures of Federal Awards</b>				<u><u>\$ 15,801,452</u></u>

**Notes to Schedule of Expenditures of Federal Awards**

For the Year Ended September 30, 2024

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Community Action Council of Lewis, Mason and Thurston Counties and Affiliates’ (the CAC) under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the CAC, it is not intended to, and does not, present the consolidated financial position, changes in net assets, or cash flows of the CAC.

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**Note 3 – Indirect Cost Rate**

The CAC has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4 – Loans Outstanding**

The CAC has the following loan balances outstanding at September 30, 2024:

Program Title	Federal Assistance Listing Number	Amount Outstanding
U.S. Department of Agriculture Rural Rental Housing Loans	10.415	\$ 4,834,135
U.S. Department of Housing and Urban Development Community Development Block Grants	14.218	504,838
U.S. Department of Housing and Urban Development Section 8 Housing Assistance Payments Program	14.195	457,304
U.S. Department of Housing and Urban Development Mark-to-Market Program - Loan (Mortgage Restructuring Loan)	14.U01	284,736
U.S. Department of Housing and Urban Development Mark-to-Market Program - Loan (Contingent Repayment Loan)	14.U02	168,343
Total		\$ 6,249,356

**Schedule of Findings and Questioned Costs**

For the Year Ended September 30, 2024

**I. Summary of Auditor's Results**

**Consolidated Financial Statements**

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes       X       No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes       X       None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes       X       No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes       X       No
- Significant deficiency (ies) identified? \_\_\_\_\_ Yes       X       None reported
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes       X       No

**Identification of major federal program:**

<i><b>Assistance Listing Number</b></i>	<i><b>Name of Major Federal Program or Cluster</b></i>	<i><b>Type of Auditor's Report Issued on Compliance for the Major Federal Program</b></i>
93.568	U.S Department of Health and Human Services – Low-Income Home Energy Assistance	Unmodified

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

- Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes       X       No

**Schedule of Findings and Questioned Costs**

For the Year Ended September 30, 2024

**Section II – Consolidated Financial Statement Findings**

None reported for the year ended September 30, 2024.

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

None reported for the year ended September 30, 2024.