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Required Communication with Those Charged with Governance

The Board of Directors
Portland Opportunities Industrialization Center, Inc.

We have audited the financial statements of Portland Opportunities Industrialization Center, Inc. (the Organization) for the year ended June 30, 2021, and have issued our report thereon dated March 7, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 13, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2021. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management’s estimate of useful lives of assets that are depreciated or amortized, certain calculations of accrued payroll related liabilities, and certain allocation of expenses by function. We evaluated the key factors and assumptions used to develop the estimates in determining these estimates are reasonable in relation to the financial statements taken as a whole.

The financial statements disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.
Significant Audit Matters - Continued

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. A schedule of corrected misstatements is presented on page 4. There were no uncorrected misstatements noted during our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors’ report. We are pleased to report no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 7, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Significant Audit Matters - Continued

Other Information Related to Audited Financial Statements

With respect to the schedule of expenditures of federal awards included with the reports required by Government Auditing Standards and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), we made certain inquiries of management, and evaluated the form, content and methods of preparing the information to determine it complies with the Uniform Guidance, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the schedule of expenditures of federal awards to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

* * * *

This communication is intended solely for the information and use of the Board of Directors, Finance Committee, and management of the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
March 7, 2022
### PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
#### Schedule of Corrected Misstatements
**June 30, 2021**

<table>
<thead>
<tr>
<th>Increase (Decrease) in</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Beginning Net Assets</th>
<th>Revenues</th>
<th>Expenses</th>
<th>Change in Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Donor restricted grant revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To recognize restricted grant revenue versus increases to beginning net assets or deferred revenue</td>
<td>$ -</td>
<td>$ (851,863)</td>
<td>$ (374,187)</td>
<td>$ 1,226,050</td>
<td>$ -</td>
<td>$ 1,226,050</td>
</tr>
<tr>
<td>To reclassify the release from restrictions</td>
<td>-</td>
<td>-</td>
<td>263,822</td>
<td>(263,822)</td>
<td>-</td>
<td>(263,822)</td>
</tr>
<tr>
<td>To adjust accrued payroll liabilities</td>
<td>-</td>
<td>45,587</td>
<td>-</td>
<td>-</td>
<td>45,587</td>
<td>(45,587)</td>
</tr>
<tr>
<td>To accrue accounts payable and expenses</td>
<td>-</td>
<td>54,165</td>
<td>-</td>
<td>-</td>
<td>54,165</td>
<td>(54,165)</td>
</tr>
<tr>
<td>To record as asset and liability for a capital lease</td>
<td>55,335</td>
<td>44,343</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(10,992)</td>
</tr>
<tr>
<td>To record amortization for the lease incentive liability</td>
<td>-</td>
<td>(20,780)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(20,780)</td>
</tr>
<tr>
<td>To adjust depreciation expense</td>
<td>(14,195)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,195</td>
<td>(14,195)</td>
</tr>
<tr>
<td>To adjust accounts receivable and deferred revenue</td>
<td>(27,500)</td>
<td>(27,500)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other adjustments - net</td>
<td>6,746</td>
<td>1,273</td>
<td>-</td>
<td>-</td>
<td>(5,473)</td>
<td>5,473</td>
</tr>
<tr>
<td><strong>Net effect</strong></td>
<td>$ 20,386</td>
<td>$ (754,775)</td>
<td>$ (110,365)</td>
<td>$ 962,228</td>
<td>$ 76,702</td>
<td>$ 885,526</td>
</tr>
</tbody>
</table>
Letter of Comments and Suggestions

The Board of Directors
Portland Opportunities Industrialization Center, Inc.

In planning and performing our audit of the financial statements of Portland Opportunities Industrialization Center, Inc. (the Organization) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 Organization’s financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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 may exist that have not been identified.

It is also our intention to use our knowledge of the Organization gained during our work to make comments and suggestions we hope will be useful to you. These comments and suggestions, many of which were presented during the prior year audit, are summarized on the following pages.

We would like to take this opportunity to extend our thanks to, and acknowledge the courtesy extended to us by all personnel of the Organization during our audit of the financial statements. We would be pleased to discuss these items in greater detail with you at your convenience.

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This communication is intended solely for the information and use of the Board of Directors, Finance Committee, and management of the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Hoffman, Stewart & Schmidt, P.C.

March 7, 2022
**Recommendations**

**Fiscal Policies and Procedures**

The Organization has well-written fiscal policies and procedures, but it appeared that several policies and procedures are not followed. The current fiscal policies and procedures were last approved by the Board of Directors in 2012. As such, we recommend management review and update the fiscal policies and procedures as needed. Specific policies and procedures, along with others, to review and update as necessary include:

- Dollar threshold for when purchases should be approved by the Board of Directors and/or the Chief Executive Officer (CEO) (currently, purchases greater than $2,500 should be approved by the Board of Directors and all purchases should be approved by the CEO).

- Dollar threshold for when checks should be signed by the CEO and when checks require two signatures (currently, all checks should be signed by the CEO and there is no requirement for when checks should be signed by two signers).

- The management member responsible for the review and approval of journal entries and bank statement reconciliations (currently, the CEO is responsible).

- Dollar threshold for when property and equipment purchases should be capitalized (currently, the threshold is $1,800).

- The individuals responsible for the approval of pay increases (currently, the Board of Directors is responsible for the approval of all pay increases).

**Accounting for Grants with Donor Restrictions**

During the audit, we noted that revenue related to donor restricted grants was not recorded as revenue but rather as increases directly to net assets or recorded as deferred revenue. As a result, the change in net assets for the year ended June 30, 2021, was increased by $962,228.

We acknowledge there could be budgeting reasons for why donor restricted grants are not recorded as revenue when received. But, to comply with GAAP and for external financial reporting, we recommend donor restricted grants be recorded as revenue when received versus when the related restriction is satisfied.

**Review of Journal Entries**

During the audit, we noted a management member did not review and approve each non-routine journal entry. Our belief is that there is a greater chance of inaccurate financial reporting when journal entries for non-routine transactions are not reviewed. Non-routine transactions might include adjusting accrued payroll liabilities, recording grant revenue and receivables, and adjusting net asset with donor restrictions. To improve internal controls, we recommend all non-routine journal entries be reviewed.
Procurement Requirements under Uniform Guidance

The Uniform Guidance requires recipients of federal awards to follow new procurement guidance. The Uniform Guidance outlines five methods of procurement: micro-purchases, small purchases, sealed bids, competitive proposals, and noncompetitive (sole source) proposals. In addition, the Uniform Guidance requires that entities follow certain general standards.

We recommend the Organization develop a written policy that details, among other items, thresholds and processes for each of the five procurement methods, and how conflicts of interest involving procurement will be addressed. Also, we recommend the Organization’s procurement policies be incorporated in the fiscal policies and procedures.

Development Database

We understand that the development department maintains a development database, which includes contributions received. To help ensure both the development database and accounting records are complete and accurate, a common and effective procedure is to reconcile contribution revenue per the development database and accounting records on a periodic basis. Currently, this procedure is not performed. As such, we recommend this procedure be implemented by management.