

**SEATTLE-KING COUNTY
WORKFORCE DEVELOPMENT COUNCIL**

Financial Statements and Single Audit Reports
For the Year Ended June 30, 2020

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Independent Auditor's Report

**To the Board of Directors
Seattle-King County Workforce Development Council
Seattle, Washington**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Seattle-King County Workforce Development Council (the Council), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seattle-King County Workforce Development Council as of June 30, 2020, and the changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2021, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

REPORT ON THE 2019 FINANCIAL STATEMENTS

The financial statements of the Council for the year ended June 30, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on January 23, 2020.

Clark Nuber P.S.

Certified Public Accountants
May 20, 2021

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

Statement of Financial Position
June 30, 2020

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,534,212	\$ 1,119,100
Custodial account	3,850	
Grants receivable	1,772,843	1,923,486
Prepaid expenses and other assets	55,327	42,343
Total Current Assets	3,366,232	3,084,929
Noncurrent Assets		
Software and equipment, net	3,138	7,102
Total noncurrent assets	3,138	7,102
Total Assets	\$ 3,369,370	\$ 3,092,031
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 1,542,229	\$ 1,724,380
Deferred grant revenue	606,781	
Custodial account	3,850	
Accrued payroll liabilities	93,025	97,649
Accrued vacation and sick leave	175,746	149,607
Total Current Liabilities	2,421,631	1,971,636
Net Assets:		
Without donor restrictions	39,204	56,283
With donor restrictions	908,535	1,064,112
Total Net Assets	947,739	1,120,395
Total Liabilities and Net Assets	\$ 3,369,370	\$ 3,092,031

See accompanying notes.

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenue and Reclassifications:				
Grants and contracts	\$ 11,095,046	\$ 301,000	\$ 11,396,046	\$ 12,569,388
Public support/contributions	2,827		2,827	1,318,347
Miscellaneous revenue	12		12	2,047
Net assets released from restrictions	456,577	(456,577)		
Total Revenue and Reclassifications	11,554,462	(155,577)	11,398,885	13,889,782
Expenses:				
Program services	10,322,850		10,322,850	11,884,138
Management and general	1,248,691		1,248,691	1,025,807
Total Expenses	11,571,541		11,571,541	12,909,945
Change in Net Assets	(17,079)	(155,577)	(172,656)	979,837
Net assets, beginning of year	56,283	1,064,112	1,120,395	140,558
Net Assets, End of Year	\$ 39,204	\$ 908,535	\$ 947,739	\$ 1,120,395

See accompanying notes.

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services	Management and General	2020 Total	2019 Total
Payroll and Related Expenses:				
Salaries and wages	\$ 1,219,072	\$ 678,127	\$ 1,897,199	\$ 1,942,087
Employee benefits and taxes	303,147	216,758	519,905	458,920
Total Payroll and Related Expenses	1,522,219	894,885	2,417,104	2,401,007
Other Expenses:				
Subcontractor	8,484,635		8,484,635	9,939,827
Occupancy	137,675	84,025	221,700	214,526
Professional services	85,323	119,603	204,926	100,491
Supplies, furniture and fixtures	3,303	6,127	9,430	8,655
Non-capital equipment	18,927	6,018	24,945	11,027
Telephone	20,008	13,223	33,231	26,126
Equipment rental	15,068	13,124	28,192	26,863
Postage	405	1,040	1,445	645
Travel	16,205	14,641	30,846	46,726
Printing and publication	7,835	10,731	18,566	21,789
Insurance		27,565	27,565	27,032
Dues and memberships	1,545	27,499	29,044	32,197
Staff training and council meetings	9,702	26,246	35,948	49,070
Total Other Expenses	8,800,631	349,842	9,150,473	10,504,974
Total Expenses Before Depreciation and Amortization	10,322,850	1,244,727	11,567,577	12,905,981
Depreciation and amortization		3,964	3,964	3,964
Total Expenses	\$ 10,322,850	\$ 1,248,691	\$ 11,571,541	\$ 12,909,945

See accompanying notes.

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

Statement of Cash Flows
For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (172,656)	\$ 979,837
Adjustments to reconcile change in net assets to net cash flows provided by operating activities-		
Depreciation and amortization	3,964	3,964
(Increase) Decrease in assets:		
Grants receivable	150,643	222,252
Prepays	(12,984)	7,452
Increase (Decrease) in liabilities:		
Accounts payable	(182,151)	(57,214)
Custodial account	3,850	
Deferred revenue	606,781	
Accrued payroll liabilities	(4,624)	(19,535)
Accrued vacation and sick leave	26,139	(39,902)
Net Cash Provided by Operating Activities	<u>418,962</u>	<u>1,096,854</u>
Net Change in Cash and Cash Equivalents	418,962	1,096,854
Cash and cash equivalents, beginning of year	<u>1,119,100</u>	<u>22,246</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,538,062</u>	<u>\$ 1,119,100</u>
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown on the statement of cash flow:		
Cash and Cash Equivalents Summary:		
Cash	\$ 1,534,212	\$ 1,119,100
Custodial account	<u>3,850</u>	
Total Cash, Cash Equivalents and Restricted Cash Shown in the Statements of Cash Flows	<u>\$ 1,538,062</u>	<u>\$ 1,119,100</u>

See accompanying notes.

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements For the Year Ended June 30, 2020

Note 1 - Nature of the Organization

The Seattle-King County Workforce Development Council (the Council), organized in March 2000, began operating on July 1, 2000 as a nonprofit corporation under the provision of RCW 24.03 of the state of Washington. The Council replaced the Seattle-King County Private Industry Council, under the Workforce Investment Act of 1998, as the Department of Labor pass-through agency to receive employment and training funds for the Seattle-King County area. The Council is dedicated to producing a competitive workforce and a competitive local economy. The Council serves as a research and development center for workforce issues, sharing its expertise with the community. The Council invests and participates in strategic initiatives to strengthen the economy and ensure that all King County residents have the opportunity to achieve success.

Seattle-King County Workforce Development Council oversees the implementation of Federal Workforce Innovation and Opportunity Act (WIOA) programs as the administrative entity over the WorkSource King County System. The Workforce Innovation and Opportunity Act is a federal law that consolidates federal employment and training programs into a single, universal Workforce Investment System. This includes programs administered by the Washington State Employment Security Department (ESD) for youth employment and training, adult employment and training, and dislocated worker services. This workforce development system is designed and overseen by a local business-led Workforce Investment Board; Seattle-King County Workforce Development Council is that board.

Seattle-King County Workforce Development Council's board of directors is appointed and certified by the Governor every four years as part of the WIOA local area plan. A majority of the Board of Seattle-King County Workforce Development Council is comprised of representatives of the local business community. Along with the County Executive and City of Seattle Mayor, the Seattle-King County Workforce Development Council Board sets policy for the portion of the statewide workforce investment system within King County.

Seattle-King County Workforce Development Council is charged with:

- Designing a comprehensive delivery structure of employment and training services into a single integrated system to meet the needs of businesses and job seekers.
- Certifying and setting standards for workforce training providers.
- Overseeing the operation of the "one-stop" centers, affiliates, and self-service sites.
- Building strategic partnerships which facilitate coordinated resource sharing to address economic development, human capital development, and community competitiveness issues.

Seattle-King County Workforce Development Council is responsible for building a comprehensive regional network of service portals for the mandated programs identified in WIOA and encouraging the voluntary participation of other nonmandated but logical partners to provide a customer focused employment and training assistance system. Seattle-King County Workforce Development Council sets standards for these portals and selects the agencies.

Note 2 - Summary of Significant Accounting Policies

Adoption of New Accounting Standard - During the year ended June 30, 2020, the Council adopted the Financial Accounting Standards Board's Accounting Standard Standards Update (ASU) No. 2018-08 - *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This update was issued to clarify and improve the scope and accounting guidance for contributions received and contributions made. The update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) transactions or as exchange (reciprocal) transactions, and (2) determining whether a contribution is conditional.

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements For the Year Ended June 30, 2020

Note 2 - Continued

The primary effect of adoption of this ASU for the Council is that certain grants received that were previously treated as unconditional are now treated as conditional. As a result, revenue for these grants is recognized when conditions of the grant are met, whereas previously revenue had been recognized when the grants were awarded and cash was received. The effect of this change was a decrease of \$606,781 to donor-restricted grant revenue and change in net assets for the year ended June 30, 2020.

The Council has elected to adopt the changes from this ASU prospectively starting in the year ended June 30, 2020, and accordingly, no changes have been made to balances reported in the year ended June 30, 2019 financial statements.

Summarized Information for 2019 - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation - Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Seattle-King County Workforce Development Council and changes therein are classified and reported as follows:

Without Donor Restriction - Net assets are available without restriction for the support of the Council's operations.

With Donor Restriction - Net assets are restricted by the donor to be used for certain purposes by the Council. Donor restricted net assets as of June 30 were restricted for both time and purpose.

Net assets released from restriction during the years ended June 30, were for the satisfaction of program restrictions.

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

Cash and Cash Equivalents - The Council considers all highly liquid investments with an original maturity of less than three months to be cash equivalents. The Seattle-King County Workforce Development Council maintains these funds in accounts that, at times, may exceed federally insured limits.

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

**Notes to Financial Statements
For the Year Ended June 30, 2020**

Note 2 - Continued

Cash Held in Trust and Refundable Advances - On January 1, 2020, the Council hired Sound Benefits Administration (SBA) to administer the Flexible Spending Account (FSA) plan while remaining as the fiscal agent. The FSA is an elective pre-tax employee benefit for the purpose of employees' out-of-pocket health care related expenses. Funds are withheld from employee payroll and disbursed for eligible expenses as reported by the employees within the plan year. SBA processes FSA claims and reimburses participants accordingly. The FSA plan year for this audit period changed from calendar year to April 1, 2020 to March 31, 2021 to align with the medical plan renewal period of April 1st. Funds were contributed to and disbursed from check account held at Harborstone Credit Union. Effective June 30, 2020, this account is now included in financial statements as a Custodial Account asset and liability. The balance as of June 30, 2020 was \$3,850.

Grants Receivable - Grants are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. The grants that are restricted by the donor are reported as increases in net assets without donor restriction if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are classified to net asset without donor restrictions. All grants receivable are all due in less than one year. Due to high collection rates on grants receivable, management has not elected to record an allowance for doubtful accounts as of June 30, 2020.

Software, Equipment and Depreciation - Software and equipment acquisitions in excess of \$5,000 are capitalized at cost. Purchased property and equipment is carried at cost. Donated property and equipment is recorded at market value when received. Depreciation is recorded using the straight-line method. The estimated useful lives of software and equipment are three to five years. A summary of property and equipment is as follows at June 30:

	<u>2020</u>	<u>2019</u>
Furniture	\$ 42,010	\$ 42,010
Computer software	<u>130,350</u>	<u>130,350</u>
Total property and equipment	172,360	172,360
less accumulated depreciation and amortization	<u>(169,222)</u>	<u>(165,258)</u>
Total Property and Equipment, Net	<u>\$ 3,138</u>	<u>\$ 7,102</u>

Accrued Vacation and Sick Leave - Seattle-King County Workforce Development Council's employees earn 15 to 20 days of vacation per year based on their length of service. Employees also earn 12 days of sick leave per year. Unused sick leave can be accrued without limitation. Unused vacation can be accrued up to 240 hours and is payable to terminating employees at 100% of the amount accrued. Sick leave is payable at 25 percent of the accrued balance if an employee, who has more than one year's service, is laid off. Upon retirement, sick leave is payable at 30 percent of its accrued value, not to exceed the employee's existing salary for one month. As of June 30, accrued vacation and sick leave totaled:

	<u>2020</u>	<u>2019</u>
Accrued vacation payable	\$ 122,166	\$ 94,937
Accrued sick leave payable	<u>53,580</u>	<u>54,670</u>
	<u>\$ 175,746</u>	<u>\$ 149,607</u>

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements For the Year Ended June 30, 2020

Note 2 - Continued

Revenue Recognition - The Council recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notice of a beneficial interest is received. Conditional promises to give are not recognized as revenue until the conditions on which they depend have been met. Government contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2020, conditional contributions approximating \$7,778,935, of which \$606,781 has been received in advance and recorded as deferred revenue on the statement of financial position, have not been recognized in the accompanying financial statements.

The Council receives reimbursement for indirect costs on certain grants based upon a provisional rate applied to direct payroll costs. Any adjustments that are necessary when final rates are determined are recorded in the period they become known. Direct and indirect costs reimbursed by United States government agencies are subject to review and audit by such agencies. Advances received but not yet earned under the various grants and contracts are reported as refundable advances.

Federal Income Tax - The Internal Revenue Service has determined the Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Directly identifiable expenses are charged to program and support services. Expenses related to more than one function are charged to programs and support services based on the activity in each respective function. Management and general expenses include those expenses which are not directly identifiable with any other specific function but provide for the overall support and direction of Seattle-King County Workforce Development Council.

Concentrations of Risk - Financial instruments which potentially subject the Council to concentrations of credit risk consist of short-term investments and cash. From time to time throughout the year, Seattle-King County Workforce Development Council cash and short-term investment balances may exceed the amount of FDIC and SIPC federally insured limits.

The Council's programs are funded primarily by the United States Department of Labor, other governmental sources, and private funders. Support and revenue from government sources represented 96% of revenues for the year ended June 30, 2020. At June 30, 2020, 78% of total receivables were from government sources.

Subsequent Events - Subsequent events have been evaluated through May 20, 2021, which is the date the financial statements were available to be issued.

Note 3 - Information Regarding Liquidity and Availability

The Council operates primarily on a cost reimbursement basis from grants. The Council's goal is to have sufficient cash without donor restrictions to cover those funders that can take up to 60 days to reimburse general expenditures. The Council strives to continuously increase cash without donor restrictions.

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements
For the Year Ended June 30, 2020

Note 3 - Continued

The following table reflects the Council's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,534,212	\$ 1,119,100
Grants receivable, net	<u>1,772,843</u>	<u>1,923,486</u>
Financial assets at the end of year	3,307,055	3,042,586
Less net assets with donor restrictions	<u>(908,535)</u>	<u>(1,064,112)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,398,520</u>	<u>\$ 1,978,474</u>

Note 4 - Related Party Transactions

The Council is a joint venture between King County and the City of Seattle. It functions as the Department of Labor pass-through agency to receive employment and training funds for the Seattle-King County area. The King County Executive and the Mayor of the City of Seattle, serving as the chief elected officials of the local area, have the joint power to appoint the members of the Council's board of directors and the joint responsibility for administrative oversight. An ongoing financial responsibility exists because the chief elected officials are potentially liable to the grantor for disallowed costs. If expenditure of funds is disallowed by the grantor agency, the Council can recover the funds in order from: 1) the agency creating the liability; 2) the insurance carrier; 3) future program years; and 4) as a final recourse, from King County and the City of Seattle who each will be responsible for one half of the disallowed amount.

The Council contracts with King County to provide service programs related to WIOA. The Council also pays the City of Seattle as a vendor. During the year ended June 30, 2020, the Council incurred expenses from King County and the City of Seattle of \$1,296,090 and \$56, respectively. The Council also receives funding from King County to administer workforce programs. During the year ended June 30, 2020, the Council received \$673,359 in workforce program funding.

Note 5 - Operating Leases

The Council has a lease agreement with Western Avenue, LLC for its 5,349 square foot administrative office space. On November 1, 2017, the Council amended the agreement to extend the term for an additional period of eighty-seven months commencing on November 1, 2017 and expiring on January 31, 2025. The monthly base rent is \$16,716, with an additional increase of \$446 per month starting on November 1, 2018 and annually thereafter until the end of the lease term.

The Council also leases postage and copier equipment under operating lease agreements expiring in 2023.

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements
For the Year Ended June 30, 2020

Note 5 - Continued

Future office lease payments are as follows:

For the Year Ending June 30,

2021	\$	214,852
2022		220,201
2023		225,550
2024		230,899
2025		<u>136,622</u>
Total Future Minimum Payments	\$	<u>1,028,124</u>

Rent expense related to these lease agreements was \$215,592 for the year ended June 30, 2020.

Note 6 - Pension Plan

Employees are eligible to participate in the Council's 401(k) tax deferred savings plan (the Plan) after they have reached age 18 and have completed a consecutive three-month period of service. The Plan allows employees to contribute up to \$19,000 of their gross pay. The Council makes a matching contribution equal to 100 percent of the deferrals of all active participants up to eight percent of their compensation with more than six years of employment. The Council also matches contributions up to six percent for employees with less than six years employment. The Council's contribution for the year ended June 30, 2020 was \$90,380.

SINGLE AUDIT REPORTS

**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***

Independent Auditor's Report

**To the Board of Directors
Seattle-King County Workforce Development Council
Seattle, Washington**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Seattle-King County Workforce Development Council (the Council) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated May 20, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

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



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COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark Nuber P.C.

Certified Public Accountants
May 20, 2021

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

**To the Board of Directors
Seattle-King County Workforce Development Council
Seattle, Washington**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Seattle-King County Workforce Development Council's (the Council) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Seattle-King County Workforce Development Council's major federal programs for the year ended June 30, 2020. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Council's compliance.



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Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

We have audited the financial statements of Seattle-King County Workforce Development Council as of and for the year ended June 30, 2020, and have issued our report thereon dated May 20, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
May 20, 2021

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Award/Pass-Through Number	Passed-Through to Subrecipients	Total Federal Expenditures
US Department of Labor:				
Pass-through from-				
Washington State Employment Security Department				
WIOA Adult Program	17.258	6105-7108/1109	\$ 379,266	\$ 379,266
WIOA Adult Program	17.258	6105-7109/1109	1,176,221	1,527,758
WIOA Youth Program	17.259	6105-7008	219,292	219,292
WIOA Youth Program	17.259	6105-7009	1,542,597	1,912,380
WIOA Dislocated Worker Formula Program	17.278	6105-7208/1209	236,880	236,880
WIOA Dislocated Worker Formula Program	17.278	6105-7209/1209	1,417,952	1,762,333
WIOA Dislocated Worker Formula Program*	17.278, 17.258, 17.259	6105-7308/1309	6,612	6,612
WIOA Dislocated Worker Formula Program*	17.278, 17.258, 17.259	6105-7309	1,429	805,210
COVID-19: WIOA Dislocated Worker Formula Program*	17.278, 17.258, 17.259	6105-7309		25,497
WIOA Rapid Response	17.278	6105-7508-10	491,602	643,858
WIOA Rapid Response	17.278	6105-7509-10	92,431	164,537
WIOA Rapid Response	17.278	6105-7509-16	1,336	10,820
Career Connect Washington*	17.278, 17.258, 17.259	6105-7627-04	441,365	504,454
Total WIOA Cluster			6,006,983	8,198,897
COVID-19 - National Dislocated Worker grant	17.277	17-WDCSK-X-333-BNDWG	5,000	5,000
Disability Employment Policy Development	17.720	K6147	165,931	274,913
Pass-through from-				
Jobs for the Future				
Apprenticeship USA grant	17.285	19-G600-JFF		5,144
Total US Department of Labor			6,177,914	8,483,954
US Department of Health and Human Services:				
Health Profession Opportunity Grant	93.093	90-FX0037-05-00	381,913	496,066
Health Profession Opportunity Grant	93.093	90-FX0037-04-00	926,917	1,166,645
Total Assistance Listing Number 93.093/ US Department of Health and Human Services			1,308,830	1,662,711
Social Security Administration:				
Pass-through from-				
Washington State Employment Security Department				
Social Security - Work Incentives Planning and Assistance Program	96.008	MOU	86,636	118,374
Total Assistance Listing Number 96.008/Social Security Administration			86,636	118,374
Total Expenditures of Federal Awards			\$ 7,573,380	\$ 10,265,039

See independent auditor's report and notes to schedule of expenditures of federal awards.

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Seattle-King County Workforce Development Council (the Council) under programs of the federal government for the year ended June 30, 2020. 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 Council, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Council.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Council has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance as the Council had a Federally negotiated indirect cost rate effective for the fiscal year.

*Funds for WIOA 10% Governor's Discretionary and WIOA Administrative Cost Pool grants are funded with a combination of WIOA Adult, WIOA Youth, and WIOA Dislocated Worker Funds (Assistance Listing Numbers 17.258, 17.259, and 17.278, respectively) but are available to all WIOA programs.

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified?

Yes

No

- Significant deficiencies identified?

Yes

None reported.

Noncompliance material to financial statements noted?

Yes

No

Federal Awards

Internal control over major programs:

- Material weaknesses identified?

Yes

No

- Significant deficiencies identified?

Yes

None reported.

Type of auditor's report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR 200.516(a)?

Yes

No

Identification of Major Programs

Federal Assistance Listing Numbers

17.258, 17.259, 17.278

Name of Federal Program or Cluster

Department of Labor - WIOA Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

Yes

No

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Section II - Financial Statement Findings

No matters were reported.

Section III - Findings and Questioned Costs for Federal Awards

No matters were reported.