

**WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE -
KING COUNTY**

**FINANCIAL STATEMENTS AND
SINGLE AUDIT COMPLIANCE REPORTS**

YEAR ENDED JUNE 30, 2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Workforce Development Council of Seattle - King County
Everett, Washington

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Workforce Development Council of Seattle - King County (Workforce Development Council of Seattle - King County), which comprises the statement of financial position as of June 30, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Workforce Development Council of Seattle - King County as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 7 to the financial statements, adjustments were made to 2021 balances of grants receivable, deferred revenue, grants and contributions revenue, and net assets to correct accounting errors. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Workforce Development Council of Seattle - King County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Workforce Development Council of Seattle - King County'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.

Report on Summarized Comparative Information

We have previously audited Workforce Development Council of Seattle - King County's 2021 financial statements, and our report dated March 16, 2022 expressed an unmodified opinion on those statements. In our opinion, except for effects of the prior period adjustments noted in note 7, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on the Supplementary Information

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, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2023 on our consideration of Workforce Development Council of Seattle - King County'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 Workforce Development Council of Seattle - King County'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 Workforce Development Council of Seattle - King County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Bellevue, Washington
April 3, 2023

**WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY -
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)**

	2022	(As Restated) 2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,293,903	\$ 2,286,649
Accounts Receivable	2,000	3,344
Grants Receivable	2,475,651	1,802,512
Custodial Account	3,020	7,632
Prepaid Expense	86,870	49,914
Total Current Assets	3,861,444	4,150,051
PROPERTY AND EQUIPMENT		
Furniture and Equipment	172,360	172,360
Less: Accumulated Depreciation	(172,360)	(172,360)
Total Property and Equipment	-	-
 Total Assets	 \$ 3,861,444	 \$ 4,150,051
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,845,647	\$ 1,549,829
Accrued Payroll and Related Liabilities	92,457	102,253
Accrued Vacation and Sick Leave	200,578	198,193
FSA Liability	5,193	7,910
Refundable Advances	808,737	2,282,791
Deferred Rent	49,839	59,359
Total Current Liabilities	3,002,451	4,200,335
NET ASSETS (DEFICIT)		
Net Assets (Deficit) Without Donor Restrictions	(113,344)	(508,937)
Net Assets With Donor Restrictions	972,337	458,653
Total Net Assets	858,993	(50,284)
 Total Liabilities and Net Assets	 \$ 3,861,444	 \$ 4,150,051

See accompanying Notes to Financial Statements.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	2022			(As Restated)
	Without Donor Restrictions	With Donor Restrictions	Total	2021 Total
PUBLIC SUPPORT AND REVENUES				
Grants and Contributions	\$ 14,911,638	\$ 1,220,500	\$ 16,132,138	\$ 13,188,650
Miscellaneous Income	-	-	-	1,806
Net Assets Released from Restriction	706,816	(706,816)	-	-
Total Public Support and Revenues	15,618,454	513,684	16,132,138	13,190,456
EXPENSES				
Program Services	14,846,924	-	14,846,924	12,556,547
Management and General	375,937	-	375,937	1,031,932
Total Expenses	15,222,861	-	15,222,861	13,588,479
CHANGE IN NET ASSETS	395,593	513,684	909,277	(398,023)
Net Assets - Beginning of Year - As Previously Reported	1,072,273	433,303	1,505,576	947,739
Prior Period Adjustment	(1,581,210)	25,350	(1,555,860)	(600,000)
Net Assets (Deficit) - Beginning of Year - As Restated	(508,937)	458,653	(50,284)	347,739
NET ASSETS - END OF YEAR	<u>\$ (113,344)</u>	<u>\$ 972,337</u>	<u>\$ 858,993</u>	<u>\$ (50,284)</u>

See accompanying Notes to Financial Statements.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	2022			2021
	Program Services	Management and General	Total	Total
Salaries and Wages	\$ 1,901,267	\$ 159,436	\$ 2,060,703	\$ 1,885,046
Payroll Taxes	151,142	14,700	165,842	147,691
Employee Benefits	349,896	34,055	383,951	367,167
Total	<u>2,402,305</u>	<u>208,191</u>	<u>2,610,496</u>	<u>2,399,904</u>
Subcontractor	11,820,868	5,649	11,826,517	10,081,561
Occupancy	198,982	31,583	230,565	286,376
Professional Services	221,269	72,146	293,415	585,134
Supplies, Furniture, and Fixtures	270	17	287	2,020
Noncapital Equipment	28,554	1,979	30,533	47,877
Telephone	38,705	3,872	42,577	29,410
Equipment Rental	19,851	3,811	23,662	29,425
Travel	14,702	2,581	17,283	913
Postage & Delivery Services	524	67	591	-
Printing and Publication	39,391	-	39,391	17,068
Insurance	-	36,543	36,543	29,769
Dues and Memberships	21,806	4,938	26,744	22,809
Advertising	4,788	-	4,788	3,380
Staff Training and Council Meetings	34,909	4,560	39,469	46,443
Miscellaneous	-	-	-	3,252
Total	<u>12,444,619</u>	<u>167,746</u>	<u>12,612,365</u>	<u>11,185,437</u>
Total Expenditures Before Depreciation	14,846,924	375,937	15,222,861	13,585,341
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,138</u>
Total	<u>\$ 14,846,924</u>	<u>\$ 375,937</u>	<u>\$ 15,222,861</u>	<u>\$ 13,588,479</u>
2021 Totals	<u>\$ 12,556,547</u>	<u>\$ 1,031,932</u>	<u>\$ 13,588,479</u>	

See accompanying Notes to Financial Statements.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	2022	(As Restated) 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 909,277	\$ (398,023)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities:		
Depreciation	-	3,138
(Increase) Decrease in Operating Assets:		
Accounts Receivable	1,344	249,798
Grants Receivable	(673,139)	(121,530)
Prepaid Expense	(36,956)	5,413
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	295,818	7,600
Accrued Payroll and Related Liabilities	(9,796)	9,228
Accrued Vacation and Sick Leave	2,385	22,447
Custodial account	(2,717)	4,060
Refundable Advances	(1,474,054)	914,729
Deferred Rent	(9,520)	59,359
Net Cash (Used) Provided by Operating Activities	(997,358)	756,219
NET CHANGE IN CASH	(997,358)	756,219
Cash and Cash Equivalents - Beginning of Year	2,294,281	1,538,062
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,296,923	\$ 2,294,281
CASH AND CASH EQUIVALENTS SUMMARY:		
Cash	\$ 1,293,903	\$ 2,286,649
Custodial Account	3,020	7,632
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statement of Cash Flows	\$ 1,296,923	\$ 2,294,281

See accompanying Notes to Financial Statements.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

NOTE 1 NATURE AND PURPOSE 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.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

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 the 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, 2022 and 2021 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.

Prior-Year Summarized Comparative Information

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. Accordingly, such information should be read in conjunction with the Council’s financial statements for the year ended June 30, 2021, from which the summarized comparative information was derived.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Council maintains these funds in accounts that, at times, may exceed federally insured limits.

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 1. Funds were contributed to and disbursed from check account held at Harborstone Credit Union. This account is now included in statements of financial position as a Custodial Account asset and liability.

Grants Receivable

Grants receivable represents revenue from grants and contracts for the current period that have been recorded, but not received. The Council uses the allowance method to account for uncollectible receivables. No allowance for uncollectible accounts is reported at June 30, 2022 and 2021, since management considers the balance in grants and accounts receivable to be fully collectible.

Accrued Vacation and Sick Leave

The 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% 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% of its accrued value, not to exceed the employee's existing salary for one month. As of June 30, 2022 and 2021, accrued vacation and sick leave totaled:

	2022	2021
Accrued Vacation Payable	\$ 137,297	\$ 144,479
Accrued Sick Leave Payable	63,281	53,714
Total	\$ 200,578	\$ 198,193

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Grants and Contracts (Restated)

A substantial portion of the Council's revenue is derived from cost reimbursable federal, state, and county grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Council has incurred expenditures in compliance with specific contract or grant provisions. 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. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. Refundable advances totaling \$204,897 and \$661,360 has been received in advance and recorded as deferred revenue on the statements of financial position for the years ended June 30, 2022 and 2021, respectively.

Contributions (Restated)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value when originally pledged or donated.

Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured at the present value of future cash flows. If material, long-term contributions and pledges receivable are discounted in the accompanying statements of financial position at an appropriate rate commensurate with the risks involved. Amortization of discounts, if any, is recorded as additional contribution revenue in accordance with donor- imposed restrictions, if any, on the contributions.

The Council receives revenue from non-governmental grants which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received prior to incurring qualifying expenditures or meeting other conditions within the non-governmental grants are reported as refundable advances in the statements of financial position. Amounts received are recognized as revenue when the Council has met the conditions in the specific contract or grant provisions. Refundable advances received from non-governmental grants totaling \$603,840 and \$1,621,431 has been received in advance and recorded as deferred revenue on the statements of financial position for the years ended June 30, 2022 and 2021, respectively.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conditional Promises and Intentions to Give

From time to time, Workforce Development Council of Seattle - King County may receive a conditional promise or intention to give, the receipt of which is contingent upon external factors over which the Organization has no control. Under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) industry topic for nonprofit entities, conditional promises and intentions are not recognized in the financial statements until they become unconditional; that is, when the conditions on which they depend are substantially met. Conditional contributions to give totaled approximately \$15.6 million at June 30, 2022.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements 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 the 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, the Council's cash and short-term investment balances may exceed the amount of Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) federally insured limits.

The Council's programs are funded primarily by the United States Department of Labor and other governmental sources. Support and revenue from government sources represented 94% and 95% of revenues for the years ended June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, 98% of total receivables were from government sources.

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.

Subsequent Events

Subsequent events have been evaluated through April 3, 2023, which is the date the financial statements were available to be issued.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

NOTE 3 INFORMATION REGARDING LIQUIDITY AND AVAILABILITY (RESTATED)

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. The following table reflects the Council's financial assets as of June 30, 2022 and 2021, 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.

	2022	(As Restated) 2021
Cash and Cash Equivalents	\$ 1,293,903	\$ 2,286,649
Accounts Receivable	2,000	3,344
Grants Receivable, Net	<u>2,475,651</u>	<u>1,802,512</u>
Financial Assets at the End of Year	3,771,554	4,092,505
Less: Net Assets With Donor Restrictions	<u>(972,337)</u>	<u>(458,653)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,799,217</u>	<u>\$ 3,633,852</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 passthrough 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. During the years ended June 30, 2022 and 2021, the Council received funding from King County to administer workforce programs totaling \$971,596 and \$890,395. Grants receivable includes \$436,425 and \$73,992 from King County as of June 30, 2022 and 2021, respectively. The Council did not enter into any significant transactions with the city of Seattle.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

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 87 months commencing on November 1, 2017, and expiring on January 31, 2025. The monthly base rent was \$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 January 2024.

<u>For the Year Ending June 30,</u>	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
2023	\$ 225,551	\$ 21,480	\$ 247,031
2024	230,899	3,830	234,729
2025	137,068	-	137,068
Total Future Minimum Payments	<u>\$ 593,518</u>	<u>\$ 25,310</u>	<u>\$ 618,828</u>

Rent expense related to the office lease agreement was \$220,074 and \$281,292 for the years ended June 30, 2022 and 2021, respectively. Equipment rent expense related to the equipment lease agreements was \$21,480 and for the years ended June 30, 2022 and 2021.

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% of the deferrals of all active participants up to 8% of their compensation with more than six years of employment. The Council also matches contributions up to 6% for employees with less than six years employment. The Council's contribution for the years ended June 30, 2022 and 2021 was \$97,478 and \$105,116, respectively.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

NOTE 7 PRIOR PERIOD ADJUSTMENTS

In 2022, management determined that there were several errors related to revenue recognition. The 2021 balances have been corrected as follows:

	<u>As Originally Stated</u>	<u>Correction</u>	<u>As Restated</u>
Grants Receivable	\$ 1,894,373	\$ (91,861)	\$ 1,802,512
Refundable Advances	\$ 818,792	\$ 1,463,999	\$ 2,282,791
Grants and Contributions	\$ 14,144,510	\$ (955,860)	\$ 13,188,650
Net Assets - June 30, 2020	\$ 947,739	\$ (600,000)	\$ 347,739
Net Assets Without Donor Restrictions - June 30, 2021	\$ 1,072,273	\$ (1,581,210)	\$ (508,937)
Net Assets With Donor Restrictions - June 30, 2021	\$ 433,303	\$ 25,350	\$ 458,653



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

Board of Directors
Workforce Development Council of Seattle - King County
Everett, 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 Workforce Development Council of Seattle - King County, which comprise the statement of financial position as of June 30, 2022, 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, and have issued our report thereon dated April 3, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Workforce Development Council of Seattle - King County's internal control over financial reporting (internal control) to determine the 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 Workforce Development Council of Seattle - King County's internal control. Accordingly, we do not express an opinion on the effectiveness of Workforce Development Council of Seattle - King County's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-01 that we consider to be a material weakness.

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

Report on Compliance and Other Matters


As part of obtaining reasonable assurance about whether Workforce Development Council of Seattle - King County'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 determination of financial statement amounts. 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*.

Workforce Development Council of Seattle - King County's Response to Findings

Workforce Development Council of Seattle - King County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Workforce Development Council of Seattle - King County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



CliftonLarsonAllen LLP

Bellevue, Washington
April 3, 2023



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

Board of Directors
Workforce Development Council of Seattle - King County
Everett, Washington

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Workforce Development Council of Seattle - King County's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Workforce Development Council of Seattle - King County's major federal programs for the year ended June 30, 2022. Workforce Development Council of Seattle - King County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Workforce Development Council of Seattle - King County 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 years ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Workforce Development Council of Seattle - King County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Workforce Development Council of Seattle - King County'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 Workforce Development Council of Seattle - King County'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 Workforce Development Council of Seattle - King County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Workforce Development Council of Seattle - King County's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Workforce Development Council of Seattle - King County'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 Workforce Development Council of Seattle - King County'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 Workforce Development Council of Seattle - King County'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 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. 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.



CliftonLarsonAllen LLP

Bellevue, Washington
April 3, 2023

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

Federal Grantor / Program Title	Cares Act Funding	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Fiscal Year Expenditures
U.S. Department of Labor:					
<i>Pass-Through Programs from:</i>					
<i>Washington State Employment Security Department:</i>					
Workforce Investment Opportunity Act (WIOA) Cluster:					
WIOA Adult Program	No	17.258 **	6105-7100	\$ 1,050,853	\$ 1,125,054
WIOA Adult Program	No	17.258 **	6105-7101	1,027,491	1,597,333
Total WIOA Adult Program				2,078,344	2,722,387
WIOA Youth Activities	No	17.259 **	6105-7000	870,505	975,812
WIOA Youth Activities	No	17.259 **	6105-7001	790,183	1,171,049
Total WIOA Youth Activities				1,660,688	2,146,861
WIOA Dislocated Workers Formula Grants	No	17.278**	6105-7200	1,503,692	1,683,128
WIOA Dislocated Workers Formula Grants	No	17.278**	6105-7201	983,833	1,500,690
Total WIOA Dislocated Worker Formula Grants				2,487,525	3,183,818
WIOA Rapid Response	No	17.278**	6105-7509-10	52,427	63,077
WIOA Rapid Response	No	17.278**	6105-7509-16	43,628	54,498
Total WIOA Rapid Response Initiative				96,055	117,575
WIOA Cluster Administration	No	17.258/17.259/17.278 **	6105-7300	-	219,124
WIOA Cluster Administration	No	17.258/17.259/17.278 **	6105-7301	1,897	776,589
Total WIOA Cluster Administration				1,897	995,713
Economic Security for All	No	17.258/17.259/17.278 **	6105-7620-07/6105-7621-07	60,339	134,029
Total Economic Security for All				60,339	134,029
Total WIOA Cluster				6,384,848	9,300,383

See accompanying Notes to Schedule of Expenditures of Federal Awards

**WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
JUNE 30, 2022**

Federal Grantor / Program Title	Cares Act Funding	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Fiscal Year Expenditures
U.S. Department of Labor:					
<i>Pass-Through Programs from:</i>					
<i>Washington State Employment Security Department:</i>					
Jobs for the Future Apprenticeships		17.268-H-1B	19-G6001-JFF	467	993
National Dislocated Worker Program					
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	No	17.277	6105-7580-64	1,759,539	1,882,972
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	No	17.277	6105-7590-64	1,103,645	1,157,905
Total National Dislocated Worker Program				<u>2,863,184</u>	<u>3,040,877</u>
Total Washington State Employment Security Department				9,248,499	12,342,253
Total U.S. Department of Labor				9,248,499	12,342,253
U.S. Department of Health & Human Services:					
Direct Program:					
Affordable Care Act (ACA) Health Professional Opportunity Grants	No	93.093	90FX0037-02-05	691,998	761,516
Total U.S. Department of Health & Human Services				<u>691,998</u>	<u>761,516</u>
U.S. Social Security Administration					
<i>Pass-Through Program From:</i>					
<i>Washington State Employment Security Department:</i>					
Social Security - Work Incentives Planning and Assistance Program	No	96.008	MOU	89,155	108,787
Total U.S. Social Security Administration				<u>89,155</u>	<u>108,787</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

**WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
JUNE 30, 2022**

Federal Grantor / Program Title	Cares Act Funding	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Fiscal Year Expenditures
U.S. Department of Housing and Urban Development:					
<i>Pass-Through Programs from:</i>					
<i>Washington State Department of Commerce</i>					
COVID 19 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Yes	14.228	20-6221C-136	262,853	271,950
Total U.S. Department of Housing and Urban Development				<u>262,853</u>	<u>271,950</u>
U.S. Department of Agriculture:					
Direct Program:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	No	10.561	3070XS-12	-	57,486
Total U.S. Department of Agriculture				<u>-</u>	<u>57,486</u>
U.S. Treasury:					
<i>Pass-Through Programs from:</i>					
<i>King County:</i>					
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	Yes	21.027	6301295	-	6,107
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	Yes	21.027	6276795	57,117	63,956
Total U.S. Treasury				<u>57,117</u>	<u>70,063</u>
Total Expenditures of Federal Awards				<u>\$ 10,349,622</u>	<u>\$ 13,612,055</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the organization under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

** Funds for WIOA 10% Governor's Discretionary and WIO 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 for all WIOA programs.

NOTE 3 INDIRECT COSTS

The Council did not use the 10% de-minimus indirect cost rate. The accompanying schedule of expenditures of federal awards includes indirect costs, calculated at 64.36% of salary and fringe expenditures for all grants except those under the WIOA cluster.

**WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors' Results

Financial Statements

Type of Auditors' Report Issued:

Unmodified

Internal Control over Financial Reporting:

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

Federal Awards

Internal Control over Major Programs:

- Material Weakness(es) Identified Yes X No
- Significant Deficiency(ies) Identified Yes X None reported

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

Unmodified

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

 Yes X No

Identification of Major Programs

Name of Federal Program or Cluster

Federal Assistance Listing Number

U.S. Department of Labor
WIOA Cluster

17.258/17.259/17.278**

U.S. Department of Labor
National Dislocated Worker Program

17.277

Dollar Threshold Used to Distinguish
Between Type A and Type B Programs:

\$750,000/\$187,500

Auditee Qualified as Low-Risk Auditee?

 Yes X No

**WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2022-001

Type of Finding: Material Weakness in Internal Control over Financial Reporting - Revenue Recognition

Condition: The Organization did not follow accounting principles generally accepted in the United States of America (U.S. GAAP) during the year-end June 30, 2022 and prior periods. The Organization's methodology for recording indirect costs on its cost-reimbursable grants resulted an overstatement of grant revenue and related grant receivables and an understatement of refundable advances. This condition existed during the years ended June 30, 2020, 2021 and 2022.

In addition, the Organization did not follow U.S. GAAP in its method of recognizing revenue for nongovernmental grant revenue, which resulted in a material audit adjustment to grant revenue and refundable advances.

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

The identified adjustments were due to gaps in the Organization's internal controls, which allowed indirect costs to be billed in the incorrect period. In addition, gaps in internal control resulted in the improper recognition of conditional and unconditional grants.

Effect: The lack of proper cutoff of revenue, not billing indirect costs in accordance with the terms of each grant, and lack of proper evaluation of grants for conditional/unconditional factors increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

Cause: The finance department experienced significant turnover during the year ended June 30, 2021 and into the following year. After the 2021 audit was issued the new finance team evaluated the billings of indirect costs for certain federal grants along with the cognizant agency. In that evaluation, they determined that the prior audit adjustment was not correct and that the Organization had also over-billed several grants. The finance department also did not have an accurate understanding of the U.S. GAAP as it pertains to conditional and unconditional grants.

Recommendation: The Organization should ensure that indirect cost reimbursements are recorded in the correct period and billed in accordance with terms of each grant. The Organization should also ensure that grants are recorded in accordance with U.S. GAAP.

Views of responsible officials and planned corrective actions: Management agrees with the finding and worked diligently to re-examine indirect costs and the proper recording of nongovernmental grants in accordance with GAAP. See attached corrective action plan from management.

**WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section III – Major Federal Awards Findings

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2022**

Cognizant Agency: US Department of Labor

Workforce Development Council of Seattle - King County respectfully submits the following corrective action plan for the year ended June 30, 2022.

Audit period: Year ended June 30, 2022

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistent with the numbers assigned in the schedule.

Type of Finding: Material Weakness in Internal Control over Financial Reporting - Revenue Recognition

Condition: The Organization did not follow accounting principles generally accepted in the United States of America (U.S. GAAP) during the year-end June 30, 2022, and prior periods. The Organization's methodology for recording indirect costs on its cost-reimbursable grants resulted an overstatement of grant revenue and related grant receivables and an understatement of refundable advances. This condition existed during the years ended June 30, 2020, 2021, and 2022.

In addition, the Organization did not follow U.S. GAAP in its method of recognizing revenue for nongovernmental grant revenue, which resulted in a material audit adjustment to grant revenue and refundable advances.

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

The identified adjustments were due to gaps in the Organization's internal controls, which allowed indirect costs to be billed in the incorrect period. In addition, gaps in internal control resulted in the improper recognition of conditional and unconditional grants.

Effect: The lack of proper cutoff of revenue, not billing indirect costs in accordance with the terms of each grant, and lack of proper evaluation of grants for conditional/unconditional factors increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

**WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2022**

Cause: The finance department experienced significant turnover during the year ended June 30, 2021, and into the following year. After the 2021 audit was issued the new finance team evaluated the billings of indirect costs for certain federal grants along with the cognizant agency. In that evaluation, they determined that the prior audit adjustment was not correct and that the Organization had also over-billed several grants. The finance department also did not have an accurate understanding of the U.S. GAAP as it pertains to conditional and unconditional grants.

Recommendation: The Organization should ensure that indirect cost reimbursements are recorded in the correct period and billed in accordance with terms of each grant. The Organization should also ensure that grants are recorded in accordance with U.S. GAAP.

Corrective Action:

Workforce Development Council of Seattle - King County will ensure proper treatment of indirect costs which are now allocated out to grants twice per month and each grant is tracked for variance between the federally approved indirect cost rate and actual indirect expenses charged to grants. This ensures that indirect is billed and recorded in the proper period. The Workforce Development Council of Seattle - King County will ensure that grants are recorded in accordance with U.S. GAAP. Each private contract received will be analyzed to determine if the grant is conditional or not and accurately reflect as conditions are met. In our accounting system conditional grants are identified with a C as part of the revenue code.

Anticipated Completion Date:

Corrective actions are currently being implemented. The indirect issue was implemented during the year end 6/30/22.

**WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

U.S. Department of Labor

Workforce Development Council of Seattle - King County respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2022.

Audit period: June 30, 2021

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2021-001 Material Weakness in Internal Control over Financial Reporting

Condition: The Organization did not follow generally accepted accounting standards of the United States of America (U.S. GAAP) in its method of recording revenue on indirect costs in the same period the costs were incurred for certain grants, which resulted in a material audit adjustment.

Status: This is a recurring issue for 2022. The finance department worked diligently to re-examine indirect costs and the method of billing them. Indirect costs are now allocated out to grants twice per month and each grant is tracked for variance between the federally approved indirect cost rate and actual indirect expenses charged to grants.

2021-002 Material Weakness in Internal Control over Financial Reporting

Condition: The Organization excluded a significant amount of indirect costs for several federal awards from the original Schedule of Expenditures of Federal Awards (SEFA). The Organization has since made revisions and the indirect costs are properly presented in the SEFA.

Status: Corrected. The finance department has worked diligently to verify that all federal expenditures are included in the SEFA.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

There were no federal award program audit findings in the prior year.

If the U.S Department of Labor has questions regarding this schedule, please call Jeff Sikora at 206-859-0300.

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