

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

**FINANCIAL STATEMENTS AND
SINGLE AUDIT COMPLIANCE REPORTS**

YEAR ENDED JUNE 30, 2023

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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 (the WDC), which comprises the statement of financial position as of June 30, 2023, 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 the WDC as of June 30, 2023, 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 (U.S. GAAP).

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 the WDC 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.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2023, the WDC adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP; 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.

Responsibilities of Management for the Financial Statements (Continued)

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 the WDC'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 the WDC'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 the WDC'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 the WDC’s 2022 financial statements, and our report dated April 3, 2023 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 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 REPORT DATE on our consideration of the WDC’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the WDC’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 WDC’s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Bellevue, Washington
REPORT DATE

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

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ -	\$ 1,293,903
Accounts Receivable	6,235	2,000
Grants Receivable	4,192,896	2,475,651
Custodial Account	1,930	3,020
Prepaid Expense	70,956	86,870
Total Current Assets	4,272,017	3,861,444
PROPERTY AND EQUIPMENT		
Furniture and Equipment	172,360	172,360
Less: Accumulated Depreciation	(172,360)	(172,360)
Total Property and Equipment	-	-
RIGHT-OF-USE ASSETS		
Operating ROU Asset	325,617	-
Finance ROU Asset	66,483	-
Total Right-of-Use Assets	392,100	-
Total Assets	\$ 4,664,117	\$ 3,861,444
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Checks in excess of deposits	\$ 459,193	\$ -
Accounts Payable	2,457,056	1,845,647
Accrued Payroll and Related Liabilities	159,167	92,457
Accrued Vacation and Sick Leave	163,065	200,578
FSA Liability	4,030	5,193
Current Lease Liability - Operating	224,435	-
Current Lease Liability - Finance	16,976	-
Refundable Advances	523,082	808,737
Deferred Rent	-	49,839
Total Current Liabilities	4,007,004	3,002,451
Long-Term Lease Liability - Operating (Less Current Liability)	135,927	-
Long-Term Lease Liability - Finance (Less Current Liability)	50,465	-
	186,392	-
Total Liabilities	4,193,396	3,002,451
NET ASSETS (DEFICIT)		
Net Assets (Deficit) Without Donor Restrictions	(152,145)	(113,344)
Net Assets With Donor Restrictions	622,866	972,337
Total Net Assets	470,721	858,993
Total Liabilities and Net Assets	\$ 4,664,117	\$ 3,861,444

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, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
PUBLIC SUPPORT AND REVENUES				
Grants and Contributions	\$ 17,921,480	\$ 598,000	\$ 18,519,480	\$ 16,132,138
Net Assets Released from Restriction	947,471	(947,471)	-	-
Total Public Support and Revenues	18,868,951	(349,471)	18,519,480	16,132,138
EXPENSES				
Program Services	17,726,078	-	17,726,078	14,846,924
Management and General	1,181,674	-	1,181,674	375,937
Total Expenses	18,907,752	-	18,907,752	15,222,861
CHANGE IN NET ASSETS	(38,801)	(349,471)	(388,272)	909,277
Net Assets - Beginning of Year	(113,344)	972,337	858,993	(50,284)
NET ASSETS - END OF YEAR	<u>\$ (152,145)</u>	<u>\$ 622,866</u>	<u>\$ 470,721</u>	<u>\$ 858,993</u>

See accompanying Notes to Financial Statements.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023			2022
	Program Services	Management and General	Total	Total
Salaries and Wages	\$ 1,720,980	\$ 638,123	\$ 2,359,103	\$ 2,060,703
Payroll Taxes	140,943	52,871	193,814	165,842
Employee Benefits	297,102	90,929	388,031	383,951
Total	<u>2,159,025</u>	<u>781,923</u>	<u>2,940,948</u>	<u>2,610,496</u>
Subcontractor	15,151,364	6,450	15,157,814	11,826,517
Occupancy	17,053	13,057	30,110	230,565
ROU Amortization-Operating Leases	117,380	81,147	198,527	-
ROU Amortization-Financing Leases	10,223	7,292	17,515	-
Professional Services	74,322	158,072	232,394	293,415
Supplies, Furniture, and Fixtures	8,408	1,167	9,575	287
Noncapital Equipment	18,441	7,022	25,463	30,533
Telephone	22,418	10,508	32,926	42,577
Equipment Rental	1,527	1,124	2,651	23,662
Travel	62,958	6,796	69,754	17,283
Postage & Delivery Services	85	160	245	591
Printing and Publication	38,560	16,816	55,376	39,391
Insurance	-	43,504	43,504	36,543
Dues and Memberships	4,097	26,314	30,411	26,744
Advertising	-	668	668	4,788
Staff Training and Council Meetings	39,090	18,870	57,960	39,469
Interest Expense	1,127	784	1,911	-
Total	<u>15,567,053</u>	<u>399,751</u>	<u>15,966,804</u>	<u>12,612,365</u>
Total	<u>\$ 17,726,078</u>	<u>\$ 1,181,674</u>	<u>\$ 18,907,752</u>	<u>\$ 15,222,861</u>
2022 Totals	<u>\$ 14,846,924</u>	<u>\$ 375,937</u>	<u>\$ 15,222,861</u>	

See accompanying Notes to Financial Statements.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (388,272)	\$ 909,277
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(4,235)	1,344
Grants Receivable	(1,717,245)	(673,139)
Prepaid Expense	15,914	(36,956)
Operating Right of Use Assets	(325,617)	-
Financing ROU Amortization	17,515	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	611,409	295,818
Accrued Payroll and Related Liabilities	66,710	(9,796)
Accrued Vacation and Sick Leave	(37,513)	2,385
FSA Liability	(1,163)	(2,717)
Operating Lease Liabilities	360,362	
Refundable Advances	(285,655)	(1,474,054)
Deferred Rent	(49,839)	(9,520)
Net Cash Used by Operating Activities	(1,737,629)	(997,358)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Checks in excess of deposits	459,193	-
Payments for Finance Leases	(16,557)	-
	442,636	-
 NET CHANGE IN CASH	(1,294,993)	(997,358)
Cash and Cash Equivalents - Beginning of Year	1,296,923	2,294,281
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,930	\$ 1,296,923
 CASH AND CASH EQUIVALENTS SUMMARY:		
Cash	\$ -	\$ 1,293,903
Custodial Account	1,930	3,020
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statement of Cash Flows	\$ 1,930	\$ 1,296,923
 SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Right-of-Use Assets Acquired in Exchange for Finance Lease Liabilities	\$ 86,717	\$ -

See accompanying Notes to Financial Statements.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 1 NATURE AND PURPOSE OF THE WDC

The WDC, 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 WDC 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 WDC is dedicated to producing a competitive workforce and a competitive local economy. The WDC serves as a research and development center for workforce issues, sharing its expertise with the community. The WDC invests and participates in strategic initiatives to strengthen the economy and ensure that all King County residents have the opportunity to achieve success.

The WDC 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; the WDC is that board.

The WDC'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 the WDC is comprised of representatives of the local business community. Along with the County Executive and the City of Seattle Mayor, the WDC Board sets policy for the portion of the statewide workforce investment system within King County.

The WDC 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.

The WDC 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. The WDC sets standards for these portals and selects the agencies.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

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 WDC and changes therein are classified and reported as follows:

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

With Donor Restriction – Net assets are restricted by the donor to be used for certain purposes by the WDC. 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, 2023 and 2022 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the WDC's financial statements for the year ended June 30, 2022, from which the summarized comparative information was derived.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Tax

The Internal Revenue Service has determined the WDC 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.

Cash and Cash Equivalents

The WDC considers all highly liquid investments with an original maturity of less than three months to be cash equivalents. The WDC maintains these funds in accounts that, at times, may exceed federally insured limits.

Cash Held in Trust and Refundable Advances

On March 11, 2022, the WDC hired Navia 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. Navia processes FSA claims and reimburses participants accordingly. Funds were contributed to and disbursed from a checking account held at Bank of America. This account is now included in statements of financial position as a Custodial Account asset and FSA liability. Prior to March 11, 2022, the FSA was administered by Sound Benefits Administration (SBA).

Grants Receivable

Grants receivable represents revenue from grants and contracts for the current period that have been recorded, but not received. The WDC uses the allowance method to account for uncollectible receivables. No allowance for uncollectible accounts is reported at June 30, 2023 and 2022, since management considers the balance in grants and accounts receivable to be fully collectible.

Accrued Vacation and Sick Leave

The WDC'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 vacation can be accrued up to 240 hours and is payable to terminating employees at 100% of the amount accrued. As of June 30, 2023 and 2022, accrued vacation and sick leave totaled:

	2023	2022
Accrued Vacation Payable	\$ 163,065	\$ 137,297
Accrued Sick Leave Payable	-	63,281
Total	<u>\$ 163,065</u>	<u>\$ 200,578</u>

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Grants and Contracts

A substantial portion of the WDC'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 WDC has incurred expenditures in compliance with specific contract or grant provisions. The WDC 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 \$23,082 and \$204,897 were received in advance and recorded as deferred revenue on the statements of financial position for the years ended June 30, 2023 and 2022, respectively.

Contributions

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 WDC 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 WDC has met the conditions in the specific contract or grant provisions. Refundable advances received from non-governmental grants totaling \$500,000 and \$603,840 has been received in advance and recorded as deferred revenue on the statements of financial position for the years ended June 30, 2023 and 2022, respectively.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conditional Promises and Intentions to Give

From time to time, the WDC may receive a conditional promise or intention to give, the receipt of which is contingent upon external factors over which the WDC 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 \$17.6 million at June 30, 2023.

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 WDC.

Concentrations of Risk

Financial instruments which potentially subject the WDC to concentrations of credit risk consist of short-term investments and cash. From time to time throughout the year, the WDC'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 WDC's programs are funded primarily by the United States Department of Labor and other governmental sources. Support and revenue from government sources represented 96% and 91% of revenues for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, 99.9% and 98% of total receivables were from government sources, respectively.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases*, Accounting Standards Codification (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating or finance leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The WDC adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption through a cumulative effect adjustment, with certain practical expedients available (see Note 7). Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB ASC 840 (see Note 6).

The WDC has elected to adopt the package of practical expedients available in the year of adoption. The WDC has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the WDC's ROU assets. The WDC has not elected to separate non-lease components from lease components.

The WDC elected the available practical expedients to account for existing capital and operating leases as finance and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the WDC recognized on July 1, 2022, a lease liability of \$573,984 and \$86,717, which represents the present value of the remaining operating and finance lease payments, discounted using the applicable risk-free discount rate, and ROU asset of \$524,145 and \$86,717 for operating and finance leases, respectively.

The standard had material impact on the statement of financial position at adoption but did not have a material impact on the statement of activities, nor statement of cash flows for the year ended June 30, 2023. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases and finance leases.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The WDC leases office space and equipment. The WDC determines if an arrangement is a lease at inception. Operating leases are included in the operating ROU assets and operating lease liabilities. Financing leases are included in the financing ROU asset and financing lease liabilities on the statement of financial position as of June 30, 2023.

ROU assets represent the WDC's right to use an underlying asset for the lease term and lease liabilities represent the WDC's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the WDC uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the WDC will exercise that option. Lease expense for the lease payments is recognized on a straight-line basis over the lease term.

The WDC has elected not to separate non-lease components from lease components and instead accounts for these as a single lease component.

The WDC's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the WDC considers factors such as if the WDC has obtained substantially all of the rights to the underlying asset through exclusivity, if the WDC can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgement.

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

Subsequent Events

Subsequent events have been evaluated through REPORT DATE, 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, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 3 INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The WDC operates primarily on a cost reimbursement basis from grants. The WDC'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 WDC strives to continuously increase cash without donor restrictions. The following table reflects the WDC's financial assets as of June 30, 2023 and 2022, 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.

	2023	2022
Cash and Cash Equivalents	\$ -	\$ 1,293,903
Accounts Receivable	6,235	2,000
Grants Receivable, Net	4,192,896	2,475,651
Financial Assets at the End of Year	4,199,131	3,771,554
Less: Net Assets With Donor Restrictions	(622,866)	(972,337)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 3,576,265	\$ 2,799,217

NOTE 4 RELATED PARTY TRANSACTIONS

The WDC 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 WDC'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 WDC 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 WDC contracts with King County to provide service programs related to WIOA. During the years ended June 30, 2023 and 2022, the WDC received funding from King County (directly and passed through from federal agencies) to administer workforce programs totaling \$3,707,271 and \$971,596, respectively. Grants receivable includes \$987,733 and \$436,425 from King County as of June 30, 2023 and 2022, respectively. The WDC did not enter into any significant transactions with the City of Seattle.

NOTE 5 PENSION PLAN

Employees are eligible to participate in the WDC'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. As of June 30, 2023 and 2022 the Plan allows employees to contribute up to \$22,500 and \$20,500 of their gross pay, respectively. The WDC 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 WDC also matches contributions up to 6% for employees with less than six years employment. The WDC's contribution for the years ended June 30, 2023 and 2022 was \$108,782 and \$97,478, respectively.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 6 OPERATING LEASES – ASC 840

The WDC has a lease agreement with Western Avenue, LLC, for its 5,349 square foot administrative office space. On November 1, 2017, the WDC 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 WDC 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	18,768	249,667
2025	137,068	18,468	155,536
2026	-	18,468	18,468
2027	-	15,390	15,390
Total Future Minimum Payments	<u>\$ 593,518</u>	<u>\$ 92,574</u>	<u>\$ 686,092</u>

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

Rent expense related to the postage machine lease agreement which did not meet the requirements for ASC 842 was \$300 for the year ended June 30, 2023.

NOTE 7 LEASES – ASC 842

The WDC leases office space and equipment for various terms under various terms under long-term, non-cancelable lease agreements. The office lease and copier lease expire in 2025 and 2027, respectively. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. The monthly base rent for the office was \$16,716 effective November 1, 2017, with an additional increase of \$446 per month starting on November 1, 2018, and annually thereafter until the end of the lease term.

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 7 LEASES – ASC 842 (CONTINUED)

The following table provides quantitative information concerning the WDC's leases at June 30, 2023:

Lease Cost:

Finance Lease Cost	
Amortization of ROU Assets	\$ 17,515
Interest on Lease Liabilities	1,911
Operating Lease Cost	210,456
Total Lease Cost	<u>\$ 229,882</u>

Other Information:

Operating Cash Flows from Finance Leases	\$ 1,911
Operating Cash Flows from Operating Leases	\$ 225,550
Financing Cash Flows from Finance Leases	\$ 16,557
ROU Asset Obtained in Exchange for Finance Lease Liabilities	\$ 86,717
ROU Asset Obtained in Exchange for Operating Lease Liabilities (at Adoption)	\$ 524,145
Weighted-Average Remaining Lease Term - Finance Leases	3.8 Years
Weighted-Average Remaining Lease Term - Operating Leases	1.6 Years
Weighted-Average Discount Rate - Finance Leases	2.50%
Weighted-Average Discount Rate - Operating Leases	2.50%

The WDC classifies the total discounted lease payments that are due in the next 12 months as current. A maturity analysis of annual discounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Years Ending June 30,</u>	<u>Operating</u>	<u>Finance</u>
2024	\$ 230,899	\$ 18,468
2025	137,068	18,468
2026	-	18,468
2027	-	15,390
2028	-	-
Thereafter	-	-
Undiscounted Cash Flows	<u>367,967</u>	<u>70,794</u>
Less: Imputed Interest	(7,605)	(3,353)
Total Present Value	<u>\$ 360,362</u>	<u>\$ 67,441</u>
Short-Term Lease Liabilities	\$ 224,435	\$ 16,976
Long-Term Lease Liabilities	135,927	50,465
Total Lease Liabilities	<u>\$ 360,362</u>	<u>\$ 67,441</u>

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 (the WDC), which comprise the statement of financial position as of June 30, 2023, 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 REPORT DATE.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the WDC'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 the WDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the WDC's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the WDC’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*.

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
REPORT DATE

**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 (the WDC) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the WDC's major federal programs for the year ended June 30, 2023. The WDC'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, the WDC 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, 2023.

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 the WDC 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 the WDC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the WDC's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the WDC'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 the WDC'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 the WDC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the WDC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the WDC'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
REPORT DATE

WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

Federal Grantor / Program Title	COVID-19 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 **	6105-7101	\$ 1,608,775	\$ 1,834,845
WIOA Adult Program	No	17.258 **	6105-7102	852,216	1,167,459
Total WIOA Adult Program				2,460,991	3,002,304
WIOA Youth Activities	No	17.259 **	6105-7001	2,202,715	2,439,466
WIOA Youth Activities	No	17.259 **	6105-7002	560,245	710,329
Total WIOA Youth Activities				2,762,960	3,149,795
WIOA Dislocated Workers Formula Grants	No	17.278**	6105-7200		
WIOA Dislocated Workers Formula Grants	No	17.278**	6105-7201	2,049,642	2,363,342
WIOA Dislocated Workers Formula Grants	No	17.278**	6105-7202	537,583	861,023
Total WIOA Dislocated Worker Formula Grants				2,587,225	3,224,365
WIOA Cluster Administration	No	17.258/17.259/17.278 **	6105-7301	-	434,744
WIOA Cluster Administration	No	17.258/17.259/17.278 **	6105-7302	-	348,350
Total WIOA Cluster Administration				-	783,094
Economic Security for All	No	17.258/17.259/17.278 **	6105-7620-07/6105-7621-07	224,188	372,148
Economic Security for All	No	17.258/17.259/17.278 **	6105-7622-07	17,706	80,365
Total Economic Security for All				241,894	452,513
Total WIOA Cluster				8,053,070	10,612,071

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, 2023**

U.S. Department of Labor:

Pass-Through Programs from:

Washington State Employment Security Department:

QUEST Disaster Relief(DR) National Dislocated Worker Grant (NDWG)	No	17.277**	6105-7572-03	<u>63,681</u>	<u>208,885</u>
Total Quest DR National Dislocated Worker Grant				<u>63,681</u>	<u>208,885</u>
Total Washington State Employment Security Department				<u>8,116,751</u>	<u>10,820,956</u>
Total U.S. Department of Labor				8,116,751	10,820,956

U.S. Social Security Administration

Pass-Through Program From:

Washington State Employment Security Department:

Social Security - Work Incentives Planning and Assistance Program	No	96.008	MOU	<u>72,484</u>	<u>72,573</u>
Total U.S. Social Security Administration				<u>72,484</u>	<u>72,573</u>

U.S. Department of Housing and Urban Development:

Pass-Through Programs from:

Washington State Department of Commerce

COVID 19 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Yes	14.228	20-6221C-136	<u>972,793</u>	<u>1,037,429</u>
Total U.S. Department of Housing and Urban Development				<u>972,793</u>	<u>1,037,429</u>

U.S. Department of Agriculture:

Pass-Through Programs from:

Washington State Department of Social and Health Services

Nutrition Assistance Program	No	10.561	2112-31113	-	14,035
Nutrition Assistance Program	No	10.561	2112-44823	-	5,972
Total U.S. Department of Agriculture				<u>-</u>	<u>20,007</u>

U.S. Treasury:

Pass-Through Programs from:

King County:

COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	Yes	21.027	6301295	1,016,276	1,119,956
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	Yes	21.027	6276795	<u>466,366</u>	<u>485,941</u>
Total U.S. Treasury				<u>1,482,642</u>	<u>1,605,897</u>
Total Expenditures of Federal Awards				<u>\$ 10,644,670</u>	<u>\$ 13,556,862</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, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the WDC under programs of the federal government for the year ended June 30, 2023. 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 WDC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the WDC.

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 WDC did not use the 10% de-minimus indirect cost rate. The accompanying schedule of expenditures of federal awards includes indirect costs, calculated at 64.60% 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, 2023**

Section I – Summary of Auditors' Results

Financial Statements

Type of Auditors' Report Issued:

Unmodified

Internal Control over Financial Reporting:

- Material Weakness(es) Identified
- Significant Deficiency(ies) Identified that is not Considered to be a Material Weakness
- Noncompliance Material to Financial Statements Noted

	Yes	<u> X </u>	No
	<u> </u>	<u> X </u>	None reported
	<u> </u>	<u> X </u>	No

Federal Awards

Internal Control over Major Programs:

- Material Weakness(es) Identified
- Significant Deficiency(ies) Identified

	Yes	<u> X </u>	No
	<u> </u>	<u> X </u>	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	<u> X </u>	No
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Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Assistance Listing Number</u>
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U.S. Department of Labor WIOA Cluster	17.258/17.259/17.278**
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U.S. Department of Treasury Coronavirus State and Local Fiscal Recovery Funds	21.027
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U.S. Department of Housing and Urban Development CDBG-CV COVID Hunger Relief Staffing and Services	14.228
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Dollar Threshold Used to Distinguish Between Type A and Type B Programs:

\$750,000/\$187,500

Auditee Qualified as Low-Risk Auditee?

	Yes	<u> X </u>	No
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**WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE - KING COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

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

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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

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, 2023.

Audit period: June 30, 2022

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

2022-001 Material Weakness in Internal Control over Financial Reporting – Revenue Recognition

Condition: The WDC 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 WDC'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 WDC 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.

Status: This finding was corrected.

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 425-233-9996.