

**WORKFORCE SNOHOMISH**  
**FINANCIAL STATEMENTS AND**  
**SINGLE AUDIT COMPLIANCE REPORTS**  
**YEAR ENDED JUNE 30, 2021**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Workforce Snohomish  
Everett, Washington

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Workforce Snohomish (Workforce Snohomish), which comprises the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Workforce Snohomish as of June 30, 2021, 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.

**Report on Summarized Comparative Information**

We have previously audited Workforce Snohomish’s 2020 financial statements, and our report dated March 18, 2021 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, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 19 to 20 and 22 is presented for purposes of additional analysis and are not a required part of the financial statements. The 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*, and the supplemental schedule of Computation of Cost Allocation Rates 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 December 8, 2021 on our consideration of Workforce Snohomish’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 Snohomish’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 Snohomish’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Bellevue, Washington  
December 8, 2021

**WORKFORCE SNOHOMISH**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2021**  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,902,122	\$ 297,199
Accounts Receivable, Net	2,953,308	811,591
Prepaid Expenses and Other Assets	15,347	14,393
Total Current Assets	4,870,777	1,123,183
<b>NONCURRENT ASSETS</b>		
Security Deposits	8,202	8,202
Total Noncurrent Assets	8,202	8,202
Total Assets	\$ 4,878,979	\$ 1,131,385
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 2,106,478	\$ 644,820
Accrued Liabilities	247,371	185,151
Taxes Payable	26,659	26,972
Refundable Advances	306,155	6,008
Total Current Liabilities	2,686,663	862,951
<b>NET ASSETS</b>		
Without Donor Restrictions	2,182,948	257,095
With Donor Restrictions	9,368	11,339
Total Net Assets	2,192,316	268,434
Total Liabilities and Net Assets	\$ 4,878,979	\$ 1,131,385

See accompanying Notes to Financial Statements.

**WORKFORCE SNOHOMISH  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)**

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE AND RECLASSIFICATIONS</b>				
Grants and Contracts	\$ 47,901,009	\$ -	\$ 47,901,009	\$ 6,036,535
Public Support/Contributions	24,313	-	24,313	17,135
In-Kind Contributions	16,110	-	16,110	16,110
Program Income	8,490	-	8,490	-
Other Revenue	-	-	-	6,878
Interest Income	276	-	276	1,097
Net Assets Released from Restrictions	1,971	(1,971)	-	-
Total Revenue and Reclassifications	<u>47,952,169</u>	<u>(1,971)</u>	<u>47,950,198</u>	<u>6,077,755</u>
<b>EXPENSES</b>				
Program Services	45,348,431	-	45,348,431	5,587,469
Management and General	677,885	-	677,885	576,673
Total Expenses	<u>46,026,316</u>	<u>-</u>	<u>46,026,316</u>	<u>6,164,142</u>
<b>CHANGE IN NET ASSETS</b>	1,925,853	(1,971)	1,923,882	(86,387)
Net Assets - Beginning of Year	<u>257,095</u>	<u>11,339</u>	<u>268,434</u>	<u>354,821</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 2,182,948</u></u>	<u><u>\$ 9,368</u></u>	<u><u>\$ 2,192,316</u></u>	<u><u>\$ 268,434</u></u>

See accompanying Notes to Financial Statements.

**WORKFORCE SNOHOMISH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	2021					2020 Total
	Program Services			Management and General	Total	
	CARES Program	Other Program	Total			
<b>PAYROLL AND RELATED EXPENSES</b>						
Salaries and Wages	\$ 145,967	\$ 1,226,304	\$ 1,372,271	\$ 361,830	\$ 1,734,101	\$ 1,849,027
Payroll Taxes	14,178	120,724	134,902	35,554	170,456	185,635
Employee Benefits	34,319	259,233	293,552	69,650	363,202	322,274
Total Payroll and Related Expenses	<u>194,464</u>	<u>1,606,261</u>	<u>1,800,725</u>	<u>467,034</u>	<u>2,267,759</u>	<u>2,356,936</u>
<b>OTHER EXPENSES</b>						
Subcontractor and Grant Recipients	35,099,536	3,234,812	38,334,348	-	38,334,348	3,236,336
Professional Services	4,508,748	387,322	4,896,070	147,146	5,043,216	189,011
Rent and Utilities	18,935	93,448	112,383	19,856	132,239	114,513
Communication and Outreach	1,967	14,019	15,986	4,041	20,027	8,915
Travel, Training, and Meetings	30	7,815	7,845	507	8,352	37,084
Small Equipment and Software	5,749	26,472	32,221	16,792	49,013	36,752
Supplies	2,114	17,161	19,275	1,135	20,410	13,485
Rental and Maintenance of Equipment	1,210	6,675	7,885	1,451	9,336	9,654
Telephone	3,864	26,005	29,869	5,227	35,096	32,897
Maintenance and Janitorial	8,068	39,607	47,675	8,420	56,095	59,238
Dues and Subscriptions	4,848	21,664	26,512	1,755	28,267	44,415
Insurance	2,910	14,401	17,311	2,832	20,143	21,188
Interest Expense	-	-	-	368	368	1,197
Other	40	286	326	1,321	1,647	2,521
Total Other Expenses	<u>39,658,019</u>	<u>3,889,687</u>	<u>43,547,706</u>	<u>210,851</u>	<u>43,758,557</u>	<u>3,807,206</u>
Total Expenses	<u>\$ 39,852,483</u>	<u>\$ 5,495,948</u>	<u>\$ 45,348,431</u>	<u>\$ 677,885</u>	<u>\$ 46,026,316</u>	<u>\$ 6,164,142</u>
Total Expenses, 2020	<u>\$ -</u>	<u>\$ 5,587,469</u>	<u>\$ 5,587,469</u>	<u>\$ 576,673</u>	<u>\$ 6,164,142</u>	

See accompanying Notes to Financial Statements.

**WORKFORCE SNOHOMISH  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2021  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,923,882	\$ (86,387)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in Assets:		
Accounts Receivable	(2,141,717)	(43,699)
Prepays	(954)	8,251
Security Deposits	-	4,700
Increase (Decrease) in Liabilities:		
Accounts Payable	1,461,658	32,759
Accrued Liabilities	62,220	2,931
Taxes Payable	(313)	(2,286)
Refundable Advances	300,147	-
Deferred Rent Payable	-	6,008
Net Cash Provided (Used) by Operating Activities	1,604,923	(77,723)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Line of Credit Activity	-	(40,115)
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,604,923	(117,838)
Cash and Cash Equivalents - Beginning of Year	297,199	415,037
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,902,122	\$ 297,199
 <b>SUPPLEMENTAL DISCLOSURE</b>		
Cash Paid for Interest	\$ 368	\$ 1,197

See accompanying Notes to Financial Statements.



**WORKFORCE SNOHOMISH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)**

**NOTE 1 NATURE OF THE ORGANIZATION**

Established in 2000 as a 501(c)(3) nonprofit organization, Snohomish County Workforce Development Council amended its articles of incorporation to change the name of the corporation to Workforce Development Council Snohomish County (the Council) on March 17, 2007. On October 1, 2013, the Council started doing business as Workforce Snohomish. Since its founding in 2000, Workforce Snohomish served as the Local Workforce Development Council and Fiscal Agent of the public workforce investment dollars (Workforce Investment Act/Workforce Innovation and Opportunity Act).

On February 1, 2020, Snohomish County Executive Dave Somers modified Workforce Snohomish's designation to serve as the fiscal agent and local grant subrecipient of the Workforce Innovation and Opportunity Act and migrated the local workforce development board to Snohomish County. This change in designation impacted Workforce Snohomish's governance structure, as well as narrowed the scope of the organization role under the Federal Workforce Innovation and Opportunity Act (WIOA). As such, Workforce Snohomish's Board of Directors adopted new bylaws and members of the Board are no longer appointed by the County Executive.

The public workforce development system is designed and overseen by a local business-led Workforce Development Board; which is housed with Snohomish County (local government) effective February 1, 2020. The Chair of Workforce Snohomish's Board of Directors serves on the Local Workforce Development Board, representing Workforce Snohomish and providing a critical point of coordination between the Board that sets policy for the portion of the statewide workforce investment system within Snohomish County and Workforce Snohomish that as the designated fiscal agent and local grant subrecipient, serves to implement that policy.

In this designated role, Workforce Snohomish continues to oversee the implementation of WIOA programs as the administrative entity over the WorkSource Snohomish 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 adult employment and training, and dislocated worker services. In addition, Workforce Snohomish seeks to build re-training and re-employment capacity and address unmet workforce and employer needs through an array of funding sources, which are currently concentrated in state and federal grants.

**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.

**WORKFORCE SNOHOMISH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Summarized Information for 2020**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with Workforce Snohomish's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

**Use of Estimates**

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

**Financial Statement Presentation**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Workforce Snohomish and changes therein are classified and reported as follows:

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

*With Donor Restriction* – Net assets are restricted by the donor to be used for certain purposes by Workforce Snohomish. 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, 2021 and 2020 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.

**Cash and Cash Equivalents**

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

**WORKFORCE SNOHOMISH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable represents revenue from grants and contracts for the current period that have been recorded, but not received. Workforce Snohomish uses the allowance method to account for uncollectible receivables. No allowance for uncollectible accounts is reported at June 30, 2021 or 2020 since management considers the balance in grants and accounts receivable to be fully collectible.

**Government Grants and Contracts**

A substantial portion of Workforce Snohomish'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 Workforce Snohomish has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Refundable advances totaled \$306,155 and \$6,008 at June 30, 2021 and 2020, 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.

**Conditional Promises and Intentions to Give**

From time to time, Workforce Snohomish 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 FASB 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 \$19.8 million at June 30, 2021. See Note 8 for additional disclosure of the CARES Act conditional grant received.

**Accrued Vacation**

Workforce Snohomish's employees earn 15 to 29 days of vacation per year based on their length of service. 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, 2021 and 2020, accrued vacation of \$172,552 and \$127,973, respectively, was reported in accrued liabilities on the statement of financial position.

**WORKFORCE SNOHOMISH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**In-Kind Contributions**

In-kind contributions are recorded at amounts which would otherwise have been paid for comparable goods and services. In-kind contributions for Workforce Snohomish consist of fair value of donated rent for office space in Everett, Washington. The value of in-kind contributions included in the financial statements is \$16,110 for the years ended June 30, 2021 and 2020.

**Federal Income Tax**

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

**Functional Allocation of Expenses**

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

**Concentrations of Risk**

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

Workforce Snohomish's programs are funded primarily by the United States Department of Labor and other governmental sources. Workforce Snohomish's total revenue and receivables are 99% from government grants.

**Subsequent Events**

Subsequent events have been evaluated through December 8, 2021, which is the date the financial statements were available to be issued.

**WORKFORCE SNOHOMISH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

**NOTE 3 INFORMATION REGARDING LIQUIDITY AND AVAILABILITY**

Workforce Snohomish operates primarily on a cost reimbursement basis from grants. Workforce Snohomish's goal is to have sufficient unrestricted cash to cover those funders that can take up to 60 days to reimburse general expenditures. Workforce Snohomish also has a committed revolving line of credit of \$150,000 to meet cash needs, if necessary. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments. Workforce Snohomish strives to continuously increase unrestricted cash.

The following table reflects Workforce Snohomish's financial assets as of June 30, 2021 and 2020, 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.

	2021	2020
Cash and Cash Equivalents	\$ 1,902,122	\$ 297,199
Accounts Receivable, Net	<u>2,953,308</u>	<u>811,591</u>
Financial Assets at Year-End	4,855,430	1,108,790
Less: Purpose Restricted Net Assets	<u>(9,368)</u>	<u>(11,339)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 4,846,062</u></u>	<u><u>\$ 1,097,451</u></u>

**NOTE 4 LINE OF CREDIT**

During the years ended June 30, 2021 and 2020, Workforce Snohomish had a secured line of credit from a bank with a limit amount of \$150,000. The initial variable interest rate on this Agreement will be 5% per annum. This interest rate may change on July 1, 2021, and on the same day of each quarter thereafter. Each date on which the interest rate may change is called the "Change Date." Prior to each Change Date, Lender will calculate the new interest rate based on the *Wall Street Journal* prime in effect on the Change Date (the Index) plus 1.500 percentage points (the Margin). The interest rate will never be greater than 18% or less than 5%. Interest is payable monthly with principal due in full on April 10, 2022. There was no outstanding balance as of June 30, 2021 and 2020.

**NOTE 5 PENSION PLAN**

Workforce Snohomish sponsors a defined contribution pension plan (the Plan) covering all employees over the age of 21 beginning on the first day of employment. Under the provisions of the Plan, employees can elect to have a portion of their salaries withheld and contributed to the Plan. Workforce Snohomish makes a base contribution amounting to 5% of each employee's base compensation to the Plan. In addition, the Plan allows Workforce Snohomish to make discretionary contributions. No discretionary contributions were made for the years ended June 30, 2021 and 2020. Plan contributions and costs expensed by Workforce Snohomish totaled \$86,697 and \$92,220 for the years ended June 30, 2021 and 2020, respectively.

**WORKFORCE SNOHOMISH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)**

**NOTE 6 RELATED PARTY TRANSACTIONS**

Workforce Snohomish enters into various transactions with organizations where board members are either employed or are on the other organizations board of directors.

Related party transactions during the year ended June 30, 2021 are summarized below:

Workforce Snohomish recognized grant and contract revenue totaling \$41,910,773 from Snohomish County. Amounts due from Snohomish County were \$1,524,454. Amounts due to Snohomish County \$190,905.

Related party transactions during the year ended June 30, 2020 are summarized below:

Workforce Snohomish recognized grant and contract revenue totaling \$4,847,374 and \$4,847,374, from Washington State Employment Security Department (ESD). ESD was also a subrecipient of which \$1,100,209 in federal funds passed through from Workforce Snohomish. Amounts due from ESD were \$463,448. Amounts due to ESD \$223,423.

Workforce Snohomish incurred rent expenses totaling \$525,714 and recognized grant and contract revenue totaling \$22,130 from the city of Everett. Amounts payable to city of Everett were \$42,467.

Workforce Snohomish recognized grant and contract revenue totaling \$369,655 from Edmonds Community College (EDCC). EDCC was also a subrecipient of which \$23,705 in federal funds passed through from Workforce Snohomish. Amounts due from EDCC were \$63,065. Amounts due to EDCC were \$3,247.

Workforce Snohomish passed federal funds through to Economic Alliance Snohomish County in the amount of \$9,451. Amounts due to Economic Alliance Snohomish County were \$3,076.

Workforce Snohomish has amounts due to Snohomish County totaling \$107,370.

Workforce Snohomish passed federal funds through to Refugee and Immigrant Services NW as a sub recipient of \$388,434. Amounts due to Refugee and Immigrant Services NW as of were \$56,810. Amounts due from Refugee and Immigrant Services NW were \$2,477.

Workforce Snohomish entered into transactions with the employers of several of its board members in the normal course of performing its functions. The payments to such related parties included payments to vendors of \$318,332 and \$360,911 during the years ended June 30, 2021 and 2020, respectively, and payments to subrecipients of \$1,521,797 during the year ended June 30, 2020.

**WORKFORCE SNOHOMISH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

**NOTE 7 OPERATING LEASES**

Workforce Snohomish leases facilities under various operating lease agreements expiring June 30, 2021 through September 2030.

On September 16, 2019, Workforce Snohomish entered into a new lease agreement for administrative offices to extend the existing lease for an additional 10 years. The new lease amount is \$10,923 per month starting in May 2020, through September 30, 2030.

Workforce Snohomish also became the primary leaseholder for the space at the Everett Transit Station that houses WorkSource Everett, WorkSource Youth Center, and the Veterans Serve Center. The leases for the WorkSource Youth Center and the Veterans Serve Center are with the city of Everett and are on a month-to-month term which can be terminated upon 30 days' notice. The Serve Center Lease was terminated with the requisite 30 day notice on December 31 2020.

On May 1, 2020, Workforce Snohomish renegotiated the terms and conditions of two leases for three floors at Everett Station that houses operations of WorkSource Everett. The total new lease payments are \$41,405 per month starting in May 1, 2020, through June 30, 2021.

Rent expense for Workforce Snohomish long-term facility and equipment operating leases was \$784,659 and \$649,635 for the years ended June 30, 2021 and 2020, respectively. Rent expense is included as Rent and Utilities and Subcontractor expenses on the statement of functional expenses. Sublease income totaling \$569,158 and \$402,109 is reported against subcontractor expense for the years ended June 30, 2021 and 2020, respectively.

The future minimum rental payments under these operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 131,080
2023	131,080
2024	131,080
2025	131,080
2026	131,080
Thereafter	688,171
Total	<u>\$ 1,343,571</u>

Other nonoperating WorkSource space leases include two month-to-month leases which can be cancelled with a 30-day notice and a one-year lease for Workforce Snohomish rooms.

Workforce Snohomish subleased 274 square feet of the WorkSource space at Everett Station to the Washington State Department of Social and Health Services. Effective May 1, 2016, a sublease agreement was entered into and ends on April 30, 2021. The total amount of rent to received was \$8,353.

**WORKFORCE SNOHOMISH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)**

**NOTE 8 CARES ACT GRANT**

Workforce Snohomish received three grants funded by the CARES Act from Snohomish County (Human Services Department). The first grant is designed to administer business grant programs (Snohomish County Small Business Relief, Recovery, and Resiliency (R3) and Snohomish Count First in Flight (F3) Grant), was signed on June 27, 2020, and was completed in September 2021. The program provides funds to support direct grants to businesses (between \$5,000 and \$1,000,000) and funds to support Workforce Snohomish in design and establishment of the program, processing of grant applications, and management of grants throughout the lifecycle of the awards. The total of funds awarded under this program are \$35.2 million. An additional grant for \$2.5 million was awarded to provide funds to support direct grants to Aerospace businesses within the county and funds to support Workforce Snohomish in design and establishment of this program, processing of grant applications and management of grants throughout the lifecycle of the awards. Finally, a third grant in the amount of \$4,536,000 was awarded to provide funds to support subsidized employment and other workforce development opportunities for Snohomish County residents that have lost employment and/or household income as a result of the COVID-19 pandemic and funds to support Workforce Snohomish in design and establishment of this program. Both the aerospace and subsidized jobs grants concluded in December of 2020.





**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 Snohomish  
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 Snohomish, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, 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 December 8, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Workforce Snohomish'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 Snohomish's internal control. Accordingly, we do not express an opinion on the effectiveness of Workforce Snohomish'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 may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Workforce Snohomish'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  
December 8, 2021



**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 Snohomish  
Everett, Washington

**Report on Compliance for Each Major Federal Program**

We have audited Workforce Snohomish'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 Snohomish's major federal programs for the year ended June 30, 2021. Workforce Snohomish's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

**Opinion on Each Major Federal Program**

In our opinion, Workforce Snohomish 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, 2021.

**Report on Internal Control Over Compliance**

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

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

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

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



**CliftonLarsonAllen LLP**

Bellevue, Washington  
December 8, 2021

**WORKFORCE SNOHOMISH AND SUBSIDIARY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

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:					
Pass-Through Programs from:					
Washington State Employment Security Department:					
Workforce Investment Opportunity Act (WIOA) Cluster:					
WIOA Adult Program	No	17.258 **	6104-7109	\$ 211,468	\$ 324,352
WIOA Adult Program	No	17.258 **	6104-7100	226,749	503,154
Total WIOA Adult Program				438,217	827,506
WIOA Youth Activities	No	17.259 **	6104-7009	138,960	234,790
WIOA Youth Activities	No	17.259 **	6104-7000	362,063	658,751
Total WIOA Youth Activities				501,023	893,541
WIOA Dislocated Workers Formula Grants	No	17.278**	6104-7209	130,471	251,135
WIOA Dislocated Workers Formula Grants	No	17.278**	6104-7200	201,352	464,275
Total WIOA Dislocated Worker Formula Grants				331,823	715,410
WIOA Rapid Response Initiative 3	No	17.278**	6104-7508-10	-	19,034
WIOA Rapid Response Initiative 4	No	17.278**	6104-7509-10	196,055	305,644
Total WIOA Rapid Response Initiative				196,055	324,678
WIOA Cluster Administration	No	17.258/17.259/17.278 **	6104-7309	-	79,233
WIOA Cluster Administration	No	17.258/17.259/17.278 **	6104-7300	-	205,794
Total WIOA Cluster Administration				-	285,027
Economic Security for All	No	17.258/17.259/17.278 **	6104-7518-02	-	841
Total Workforce Innovation and Opportunity Act (WIOA) Cluster				1,467,118	3,047,003
WIOA Dislocated Worker National Reserve Demonstration Grants	No	17.280	6104-7518-02	746,243	909,783
National Dislocated Worker Grant - Employment Recovery	No	17.277	6104-7590-64	220,578	348,127
National Dislocated Worker Grant - Disaster	No	17.277	6104-7580-64	249,399	367,145
Total National Dislocated Worker Grant				469,977	715,272
Reentry Employment Opportunities	No	17.720	K6152	-	158,587
Total Washington State Employment Security Department				2,683,338	4,830,645
South Seattle College:					
Trade Adjustment Assistance Community College and Career Training (TAACCT) Grants	No	17.268	C7000015	-	7,548
Everett Community College:					
H-1B Job Training Grants	No	17.268	16170234SA	-	51,724
Total U.S. Department of Labor				2,683,338	4,889,917

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**WORKFORCE SNOHOMISH AND SUBSIDIARY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2021**

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 Transportation:					
Passed-Through from:					
Washington Department of Transportation	No	20.513	PTD0060	\$ -	\$ 106,801
U.S. Department of Health & Human Services:					
Direct Program:					
Refugee Professional Careers Initiative	No	93.576	90ZM004-02-00	15,892	57,340
Refugee Professional Careers Initiative	No	93.576	90ZM004-03-00	50,615	181,663
				<u>66,507</u>	<u>239,003</u>
Passed-Through from:					
Edmonds Community College:					
Affordable Care Act (ACA) Health Professional Opportunity Grants	No	93.093	90FX0032-05-00	-	86,736
Affordable Care Act (ACA) Health Professional Opportunity Grants	No	93.093	90FX0032-05-01	-	317,271
				<u>-</u>	<u>404,007</u>
Total U.S. Department of Health & Human Services				<u>66,507</u>	<u>643,010</u>
U.S. Department of Treasury:					
Pass-Through Program From:					
Snohomish County:					
Coronavirus Relief Fund:					
Business Services Grant Management	Yes	21.019	HS-20-19-01-256	-	34,787,092
Coronavirus Relief Employment Program	Yes	21.019	EL-20-19-30-256	-	4,531,831
Business Services Incumbant Worker Training Grants Management	Yes	21.019	HS-20-19-02-256	-	2,500,000
				<u>-</u>	<u>41,818,923</u>
Commerce Treasury Rental Assistance Program - Utility Assistance	Yes	21.023	HCS-21-17-2103-256	-	28,872
Treasury Emergency Rental Assistance 1 - Utility Assistance	Yes	21.023	HCS-21-37-2102-256	-	4,013
				<u>-</u>	<u>32,885</u>
Total U.S. Department of Health & Human Services				<u>-</u>	<u>41,851,808</u>
U.S. Department of Housing and Urban Development:					
Pass-Through Program From:					
Washington Department of Commerce					
CDBG-CV COVID Hunger Relief Staffing and Services	Yes	14.228	20-6221C-141	-	616
Total U.S. Department of Housing and Urban Development				<u>-</u>	<u>616</u>
Total Expenditures of Federal Awards				<u>\$ 2,749,845</u>	<u>\$ 47,492,152</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**WORKFORCE SNOHOMISH AND SUBSIDIARY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2021**

**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, 2021. 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 in accordance with auditing standards generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Assistance Listing 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 INDIRECT COSTS**

The accompanying schedule of expenditures of federal awards includes indirect costs, calculated at 12.18% of salary and fringe expenditures.

**WORKFORCE SNOHOMISH AND SUBSIDIARY  
SCHEDULE OF COMPUTATION OF COST ALLOCATION RATES  
JUNE 30, 2021**

	Total Costs (A) = (B) + (C) + (D)	Less Indirect (F&A) Unallowable Costs (B)	Indirect (Facilities) Costs	Indirect (Admin) Costs	Total Indirect (F&A) Costs (C)	Total Direct Costs (D)
<b>PAYROLL AND RELATED EXPENSES</b>						
Salaries and Wages	\$ 1,734,101	\$ -	\$ -	\$ 166,090	\$ 166,090	\$ 1,568,011
Payroll Taxes	533,658	-	-	49,247	49,247	484,411
Total Payroll and Related Expenses	<u>2,267,759</u>	-	-	215,337	215,337	2,052,422
<b>OTHER EXPENSES</b>						
Subcontractor and Grant Recipients	38,334,348	-	-	-	-	38,334,348
Professional Services	5,043,216	-	-	9,323	9,323	5,033,893
Rent and Utilities	132,239	-	11,265	-	11,265	120,974
Communication and Outreach	20,027	-	-	368	368	19,659
Travel, Training, and Meetings	8,352	-	-	69	69	8,283
Small Equipment and Software	49,013	-	-	3,078	3,078	45,935
Supplies	20,410	-	-	239	239	20,171
Rental and Maintenance of Equipment	9,336	-	489	347	836	8,500
Telephone	35,096	-	-	2,279	2,279	32,817
Maintenance and Janitorial	56,095	-	4,780	-	4,780	51,315
Dues and Subscriptions	28,267	-	-	863	863	27,404
Insurance	20,143	-	175	1,360	1,535	18,608
Interest Expense	368	-	-	-	-	368
Other	1,647	-	-	12	12	1,635
Total Other Expenses	<u>43,758,557</u>	-	16,709	17,938	34,647	43,723,910
<b>Total Expenses</b>	<u>\$ 46,026,316</u>	<u>\$ -</u>	<u>\$ 16,709</u>	<u>\$ 233,275</u>	<u>\$ 249,984</u>	<u>\$ 45,776,332</u>

(x) (y) (x) + (y) = (z)

Computation of Cost Allocation Rates

	Facilities Costs (x)	Administration Costs (y)	Total Indirect (F&A) Costs (x) + (y) = (z)
Indirect Costs	\$ 16,709	\$ 233,275	\$ 249,984
Allocation Base - Salaries & Benefits	<u>\$ 2,052,422</u>	<u>\$ 2,052,422</u>	<u>\$ 2,052,422</u>
Indirect Rate	<b>0.81%</b>	<b>11.37%</b>	<b>12.18%</b>



**WORKFORCE SNOHOMISH AND SUBSIDIARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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***Section I - Summary of Auditors' Results***

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***Financial Statements***

Type of Auditors' Report Issued: Unmodified

Internal Control over Financial Reporting:

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

***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 Treasury  
  Coronavirus Relief Fund 21.019

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$1,424,765/\$356,191

Auditee Qualified as Low-Risk Auditee?       X       Yes                      No

**WORKFORCE SNOHOMISH AND SUBSIDIARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2021**

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***Section II - Financial Statement Findings***

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

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***Section III - Major Federal Awards Findings***

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

**WORKFORCE SNOHOMISH AND SUBSIDIARY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2021**

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***Section II – Financial Statement Findings***

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No matters were reported.

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***Section III – Major Federal Award Findings***

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No matters were reported.



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