

WORKFORCE SNOHOMISH
FINANCIAL STATEMENTS AND
SINGLE AUDIT COMPLIANCE REPORTS
YEAR ENDED JUNE 30, 2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Workforce Snohomish
Everett, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Workforce Snohomish (the Organization), which comprise the statements of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Workforce Snohomish as of June 30, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Workforce Snohomish 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.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Workforce Snohomish's 2021 financial statements, and our report dated December 8, 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, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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*, is also presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards 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 GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

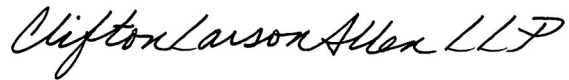
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 16 through 20 is presented for purposes of additional analysis and is not a required part of the consolidated 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*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Bellevue, Washington
December 16, 2022

WORKFORCE SNOHOMISH
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,503,977	\$ 1,902,122
Accounts Receivable, Net	1,741,470	2,953,308
Prepaid Expenses and Other Assets	53,868	15,347
Total Current Assets	3,299,315	4,870,777
NONCURRENT ASSETS		
Security Deposits	8,202	8,202
Total Noncurrent Assets	8,202	8,202
Total Assets	\$ 3,307,517	\$ 4,878,979
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 826,215	\$ 2,106,478
Accrued Liabilities	211,202	247,371
Taxes Payable	48,155	26,659
Refundable Advances	392,258	306,155
Total Current Liabilities	1,477,830	2,686,663
NET ASSETS		
Without Donor Restrictions	1,829,687	2,182,948
With Donor Restrictions	-	9,368
Total Net Assets	1,829,687	2,192,316
Total Liabilities and Net Assets	\$ 3,307,517	\$ 4,878,979

See accompanying Notes to Financial Statements.

**WORKFORCE SNOHOMISH
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)**

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND RECLASSIFICATIONS				
Grants and Contracts	\$ 9,126,917	\$ -	\$ 9,126,917	\$ 47,901,009
Public Support/Contributions	21,329	-	21,329	24,313
In-Kind Contributions	16,875	-	16,875	16,110
Fee for Service Income	12,296	-	12,296	8,490
Other Revenue	599	-	599	-
Interest Income	296	-	296	276
Net Assets Released from Restrictions	9,368	(9,368)	-	-
Total Revenue and Reclassifications	<u>9,187,680</u>	<u>(9,368)</u>	<u>9,178,312</u>	<u>47,950,198</u>
EXPENSES				
Program Services	8,390,839	-	8,390,839	45,348,431
Management and General	1,150,102	-	1,150,102	677,885
Total Expenses	<u>9,540,941</u>	<u>-</u>	<u>9,540,941</u>	<u>46,026,316</u>
CHANGE IN NET ASSETS	(353,261)	(9,368)	(362,629)	1,923,882
Net Assets - Beginning of Year	<u>2,182,948</u>	<u>9,368</u>	<u>2,192,316</u>	<u>268,434</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,829,687</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,829,687</u></u>	<u><u>\$ 2,192,316</u></u>

See accompanying Notes to Financial Statements.

**WORKFORCE SNOHOMISH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)**

	2022			2021 Total
	Program Services	Management and General	Total	
PAYROLL AND RELATED EXPENSES				
Salaries and Wages	\$ 1,477,100	\$ 661,527	\$ 2,138,627	\$ 1,734,101
Payroll Taxes	133,750	59,017	192,767	170,456
Employee Benefits	192,836	85,830	278,666	363,202
Total Payroll and Related Expenses	<u>1,803,686</u>	<u>806,374</u>	<u>2,610,060</u>	<u>2,267,759</u>
OTHER EXPENSES				
Subcontractor and Grant Recipients	4,452,844	1,455	4,454,299	38,334,348
Professional Services	1,772,517	218,809	1,991,326	5,043,216
Rent and Utilities	96,979	35,495	132,474	132,239
Communication and Outreach	29,348	6,076	35,424	20,027
Travel, Training, and Meetings	35,864	13,821	49,685	8,352
Small Equipment and Software	37,771	19,075	56,846	49,013
Supplies	19,429	1,222	20,651	20,410
Rental and Maintenance of Equipment	7,393	2,673	10,066	9,336
Telephone	27,050	10,679	37,729	35,096
Maintenance and Janitorial	41,869	15,355	57,224	56,095
Dues and Subscriptions	54,399	3,123	57,522	28,267
Insurance	10,037	10,256	20,293	20,143
Interest Expense	-	-	-	368
Other	1,653	5,689	7,342	1,647
Total Other Expenses	<u>6,587,153</u>	<u>343,728</u>	<u>6,930,881</u>	<u>43,758,557</u>
Total Expenses	<u>\$ 8,390,839</u>	<u>\$ 1,150,102</u>	<u>\$ 9,540,941</u>	<u>\$ 46,026,316</u>
Total Expenses, 2021	<u>\$ 45,348,431</u>	<u>\$ 677,885</u>	<u>\$ 46,026,316</u>	

See accompanying Notes to Financial Statements.

**WORKFORCE SNOHOMISH
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (362,629)	\$ 1,923,882
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in Assets:		
Accounts Receivable	1,211,838	(2,141,717)
Prepays	(38,521)	(954)
Increase (Decrease) in Liabilities:		
Accounts Payable	(1,280,263)	1,461,658
Accrued Liabilities	(36,169)	62,220
Taxes Payable	21,496	(313)
Refundable Advances	86,103	300,147
Net Cash Provided (Used) by Operating Activities	(398,145)	1,604,923
NET CHANGE IN CASH AND CASH EQUIVALENTS	(398,145)	1,604,923
Cash and Cash Equivalents - Beginning of Year	1,902,122	297,199
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,503,977	\$ 1,902,122
SUPPLEMENTAL DISCLOSURE		
Cash Paid for Interest	\$ -	\$ 368

See accompanying Notes to Financial Statements.

WORKFORCE SNOHOMISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

NOTE 1 NATURE OF THE ORGANIZATION

Established in 2000 as a 501c3 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, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summarized Information for 2021

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, 2021, 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, 2022 and 2021 were for the satisfaction of program restrictions.

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

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, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

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, 2022 or 2021 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 \$392,258 and \$306,155 at June 30, 2022 and 2021, 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 Financial Accounting Standards Board Accounting Standards Codification 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 \$9.1 million at June 30, 2022.

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, 2022 and 2021, accrued vacation of \$94,307 and \$172,552, respectively, was reported in accrued liabilities on the statement of financial position.

WORKFORCE SNOHOMISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

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 \$16,875 and \$16,110 for the years ended June 30, 2022 and 2021, respectively.

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 Federal Deposit Insurance Corporation and Securities Investor Protection Corporation 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 16, 2022, which is the date the financial statements were available to be issued.

WORKFORCE SNOHOMISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

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, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions.

	2022	2021
Cash and Cash Equivalents	\$ 1,503,977	\$ 1,902,122
Accounts Receivable, Net	1,741,470	2,953,308
Financial Assets at Year-End	3,245,447	4,855,430
Less: Purpose Restricted Net Assets	-	(9,368)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 3,245,447</u>	<u>\$ 4,846,062</u>

NOTE 4 LINE OF CREDIT

During the years ended June 30, 2022 and 2021, 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, 2022, 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 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, 2023. There was no outstanding balance as of June 30, 2022 and 2021.

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, 2022 and 2021. Plan contributions and costs expensed by Workforce Snohomish totaled \$106,550 and \$86,697 for the years ended June 30, 2022 and 2021, respectively.

WORKFORCE SNOHOMISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

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, 2022 are summarized below:

Workforce Snohomish recognized grant and contract revenue totaling \$3,249,320 from Snohomish County. Amounts due from Snohomish County were \$143,783. Amounts due to Snohomish County \$78,849.

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.

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 \$344,568 and \$318,332 during the years ended June 30, 2022 and 2021, respectively.

NOTE 7 CARES ACT GRANT

Workforce Snohomish received three grants funded by the CARES Act from Snohomish County (Human Services Department). Of the three grants only one remained open and active in FY22. This grant was designed to administer business grants under the Snohomish County Small Business Relief, Recovery, and Resiliency (R3) program. It was signed on June 27, 2020, and was completed in September 2021. The program provided funds to support direct grants to businesses 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 were \$35.2 million with the final \$305,000 being expended in during the year ended June 30, 2022.

NOTE 8 OPERATING LEASES

Workforce Snohomish leases facilities under various operating lease agreements expiring June 1, 2023 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

NOTE 8 OPERATING LEASES (CONTINUED)

Workforce Snohomish also became the primary leaseholder for the space at the Everett Transit Station that houses WorkSource Everett and the WorkSource Youth Center. In September 2021, Workforce Snohomish entered into two one-year leases (with terms from July 1, 2021 – June 30, 2022) for three floors at Everett Station that houses operations of WorkSource Everett. The total new lease payments are \$41,405 per month. These leases were renewed in May of 2022 for an additional one-year term expiring June 30, 2023; the monthly lease amount remained unchanged.

Rent expense for Workforce Snohomish long-term facility and equipment operating leases was \$788,312 and \$784,659 for the years ended June 30, 2022 and 2021, respectively. Rent expense is included as Rent and Utilities and Subcontractor expenses on the statement of functional expenses.

Workforce Snohomish subleased a portion of the WorkSource space at Everett Station to the Washington State Departments of Social and Health Services, Employment Security Division and Labor and Industries. While the last subleases expired on June 30, 2021, the state agencies have remained month-to-month tenants in the WorkSource space pending the renegotiation of new subleases. The sublease income from these and all WorkSource partners totaling \$611,711 and \$569,158 is reported against subcontractor expense for the years ended June 30, 2022 and 2021, respectively.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 627,946
2024	131,080
2025	131,080
2026	131,080
2027	131,080
Thereafter	568,014
Total	<u>\$ 1,720,280</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 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, 2022, 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 16, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Workforce Snohomish's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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.

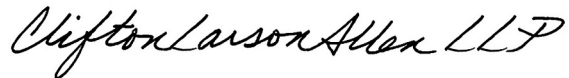
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 16, 2022



**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

Opinion on Each Major Federal Program

We have audited Workforce Snohomish's compliance with the types of compliance requirements identified as subject to audit 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, 2022. Workforce Snohomish's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Workforce Snohomish complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Workforce Snohomish and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Workforce Snohomish's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Workforce Snohomish's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Workforce Snohomish's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Workforce Snohomish's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Workforce Snohomish's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Workforce Snohomish'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

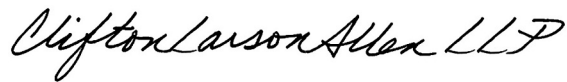
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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.

Board of Directors
Workforce Snohomish

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
December 16, 2022

**WORKFORCE SNOHOMISH AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor / Program Title	Cares Act Funding	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Fiscal Year Expenditures
U.S. Department of Labor:					
Direct Programs:					
Homeless Veterans Reintegration Program	No	17.805	HV-36589-21-60-5-53	\$ 56,090	\$ 289,968
Total Direct Programs				56,090	289,968
Pass-Through Programs from:					
Washington State Employment Security Department:					
Workforce Investment Opportunity Act (WIOA) Cluster:					
WIOA Adult Program	No	17.258 **	6104-7100	274,787	641,585
WIOA Adult Program	No	17.258 **	6104-7101	358,976	507,390
Total WIOA Adult Program				633,763	1,148,975
WIOA Youth Activities	No	17.259 **	6104-7000	377,504	620,097
WIOA Youth Activities	No	17.259 **	6104-7001	80,766	163,273
Total WIOA Youth Activities				458,270	783,370
WIOA Dislocated Workers Formula Grants	No	17.278**	6104-7200	263,259	842,509
WIOA Dislocated Workers Formula Grants	No	17.278**	6104-7201	174,208	361,523
Total WIOA Dislocated Worker Formula Grants				437,467	1,204,032
WIOA Rapid Response Initiative 4	No	17.278**	6104-7509-10	(24)	51,770
Total WIOA Rapid Response Initiative				(24)	51,770
WIOA Cluster Administration	No	17.258/17.259/17.278 **	6104-7300	-	196,129
WIOA Cluster Administration	No	17.258/17.259/17.278 **	6104-7301	-	308,349
Total WIOA Cluster Administration				-	504,478
Economic Security for All	No	17.258/17.259/17.278 **	6104-7620-07	-	69,071
Total Workforce Innovation and Opportunity Act (WIOA) Cluster				1,529,476	3,761,696
WIOA Dislocated Worker National Reserve Demonstration Grants	No	17.280	6104-7518-02	33,871	48,863
National Dislocated Worker Grant - Employment Recovery	No	17.277	6104-7590-64	433,358	742,280
National Dislocated Worker Grant - Disaster	No	17.277	6104-7580-64	346,420	415,218
Total National Dislocated Worker Grant				779,778	1,157,498
Total Washington State Employment Security Department				2,343,125	4,968,057
Everett Community College:					
H-1B Job Training Grants	No	17.268	16170234SA	-	35
Total U.S. Department of Labor				2,399,215	5,258,060

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, 2022**

Federal Grantor / Program Title	Cares Act Funding	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Fiscal Year Expenditures
U.S. Department of Transportation:					
Passed-Through from:					
Washington Department of Transportation	No	20.513	PTD0389	\$ 77,909	\$ 89,694
U.S. Department of Health & Human Services:					
Direct Program:					
Refugee Professional Careers Initiative	No	93.576	90ZM0004-01-00	-	142
	No	93.576	90ZM0004-02-00	-	833
	No	93.576	90ZM0004-03-00	16,412	63,216
Refugee Professional Careers Initiative	No	93.576	90ZM0032-01-00	-	105,991
				<u>16,412</u>	<u>170,182</u>
Passed-Through from:					
Edmonds Community College:					
Affordable Care Act (ACA) Health Professional Opportunity Grants	No	93.093	90FX0032-05-00	-	2,250
Affordable Care Act (ACA) Health Professional Opportunity Grants	No	93.093	90FX0032-05-01	-	72,683
Total Edmonds Community College				<u>-</u>	<u>74,933</u>
Total U.S. Department of Health & Human Services				<u>16,412</u>	<u>245,115</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	-	305,000
				<u>-</u>	<u>305,000</u>
Commerce Treasury Rental Assistance Program - Utility Assistance	Yes	21.023	HCS-21-17-2103-256	-	1,064,975
Commerce Treasury Rental Assistance Program 2 - Utility Assistance	Yes	21.023	HCS-22-7-2201-256	-	1,485,431
Treasury Emergency Rental Assistance 1 - Utility Assistance	Yes	21.023	HCS-21-37-2102-256	-	304,911
				<u>-</u>	<u>2,855,317</u>
Pathways to Public Sector Jobs Program	No	21.027	EL-22-AR-28-256	-	22,490
Total U.S. Department of Treasury:				<u>-</u>	<u>3,182,807</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	124,604	164,590
Snohomish County					
COVID-19 Recovery Employment Training	Yes	14.228	HCS-22-25-0001-256	-	58,082
Total U.S. Department of Housing and Urban Development				124,604	222,672
Total Expenditures of Federal Awards				<u>\$ 2,618,140</u>	<u>\$ 8,998,348</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, 2022

NOTE 1 BASIS OF PRESENTATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported 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, 21.023, and 21.027, 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 25.49% of salary and fringe expenditures.

**WORKFORCE SNOHOMISH AND SUBSIDIARY
SCHEDULE OF COMPUTATION OF COST ALLOCATION RATES
JUNE 30, 2022**

	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)
PAYROLL AND RELATED EXPENSES						
Salaries and Wages	\$ 2,138,627	\$ -	\$ -	\$ 382,286	\$ 382,286	\$ 1,756,341
Payroll Taxes	471,433	-	-	84,473	84,473	386,960
Total Payroll and Related Expenses	2,610,060	-	-	466,759	466,759	2,143,301
OTHER EXPENSES						
Subcontractor and Grant Recipients	4,454,299	-	-	-	-	4,454,299
Professional Services	1,991,326	-	-	21,645	21,645	1,969,681
Rent and Utilities	132,474	-	23,676	-	23,676	108,798
Communication and Outreach	35,424	-	-	1,412	1,412	34,012
Travel, Training, and Meetings	49,685	-	-	2,895	2,895	46,790
Small Equipment and Software	56,846	-	-	6,064	6,064	50,782
Supplies	20,651	-	-	615	615	20,036
Rental and Maintenance of Equipment	10,066	-	936	849	1,785	8,281
Telephone	37,729	-	-	5,895	5,895	31,834
Maintenance and Janitorial	57,224	-	10,225	-	10,225	46,999
Dues and Subscriptions	57,522	-	-	1,765	1,765	55,757
Insurance	20,293	-	404	3,114	3,518	16,775
Other	7,342	-	-	22	22	7,320
Total Other Expenses	6,930,881	-	35,241	44,276	79,517	6,851,364
Total Expenses	\$ 9,540,941	\$ -	\$ 35,241	\$ 511,035	\$ 546,276	\$ 8,994,665
			(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	\$ 35,241	\$ 511,035	\$ 546,276
Allocation Base - Salaries & Benefits	\$ 2,143,301	\$ 2,143,301	\$ 2,143,301
Indirect Rate	1.64%	23.84%	25.49%

**WORKFORCE SNOHOMISH AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I - Summary of Auditors' Results

Financial Statements

Type of Auditors' Report Issued: Unmodified

Internal Control over Financial Reporting:

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

Federal Awards

Internal Control over Major Programs:

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

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

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

	_____ Yes	_____ X	No
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Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Assistance Listing Number</u>
U.S. Department of Labor	
Emergency Rental Assistance Program	21.023
National Dislocated Worker Grant	17.277

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$750,000/\$187,500

Auditee Qualified as Low-Risk Auditee? X Yes No

**WORKFORCE SNOHOMISH AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

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 SNOHOMISH AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

No matters were reported.

Section III – Major Federal Award Findings

No matters were reported.



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