

CareerWise Colorado

Financial Statements and Single Audit Reports

**December 31, 2022
(With Comparative Totals for December 31, 2021)**

(With Independent Auditor's Report Thereon)

CareerWise Colorado
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Independent Auditor's Report

**Board of Directors
CareerWise Colorado**

Report on the Audits of the Financial Statements

Opinion

We have audited the accompanying financial statements of CareerWise Colorado which comprise the statement of financial position as of December 31, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of CareerWise Colorado as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of CareerWise Colorado and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 CareerWise Colorado's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors CareerWise Colorado

Auditor's Responsibilities for the Audits 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 CareerWise Colorado'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 CareerWise Colorado'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.

Emphasis of Matter

As discussed in note 1, CareerWise Colorado adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, as of and for the year ended December 31, 2022. The requirements of the ASU have been applied using the modified retrospective basis as of January 1, 2022. Our opinion is not modified with respect to this matter.

Supplementary Information

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

**Board of Directors
CareerWise Colorado**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2023 on our consideration of CareerWise Colorado'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 CareerWise Colorado'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 CareerWise Colorado's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited CareerWise Colorado's 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kundinger, Corder & Montoya, P.C.

May 18, 2023

CareerWise Colorado
Statement of Financial Position
December 31, 2022
(With Summarized Information for December 31, 2021)

| | 2022 | 2021 |
|---|--------------|-----------|
| Assets | | |
| Cash and cash equivalents | \$ 5,747,691 | 4,428,523 |
| Grants and contributions receivable (note 1(h)) | 568,512 | 198,488 |
| Accounts receivable, net (note 1(h)) | 113,488 | 122,294 |
| Prepaid expenses | 177,742 | 73,351 |
| Operating lease right of use asset (note 3) | 692,278 | – |
| Property and equipment, net (note 4) | 5,594 | 26,134 |
| Total assets | \$ 7,305,305 | 4,848,790 |
| Liabilities and Net Assets | | |
| Accounts payable | \$ 81,878 | 137,163 |
| Accrued liabilities | 326,997 | 285,467 |
| Deferred program revenue | 119,515 | 32,113 |
| Operating lease liability (note 3) | 698,051 | – |
| Refundable advance | – | 20,000 |
| Deferred rent | – | 102,518 |
| Total liabilities | 1,226,441 | 577,261 |
| Net assets | | |
| Net assets without donor restrictions | 2,920,717 | 1,581,160 |
| Net assets with donor restrictions (note 5) | 3,158,147 | 2,690,369 |
| Total net assets | 6,078,864 | 4,271,529 |
| Commitments (notes 3 and 6) | | |
| Total liabilities and net assets | \$ 7,305,305 | 4,848,790 |

See the accompanying notes to the financial statements.

CareerWise Colorado
Statement of Activities
Year Ended December 31, 2022
(With Summarized Information for 2021)

| | Without donor restrictions | With donor restrictions | Total 2022 | Total 2021 |
|---|-------------------------------|----------------------------|------------------|------------------|
| Revenue, Support, and Gains | | | | |
| Grants and contributions | \$ 1,351,726 | 4,376,873 | 5,728,599 | 3,027,691 |
| Federal government grants | 1,433,524 | – | 1,433,524 | 1,147,241 |
| National strategy engagement consulting | 838,303 | – | 838,303 | 864,562 |
| Business Partner fees | 190,915 | – | 190,915 | 157,960 |
| Event participation fees | 22,726 | – | 22,726 | – |
| Other income | 5,896 | – | 5,896 | 5,539 |
| Paycheck Protection Program loan forgiveness | – | – | – | 1,055,100 |
| Net assets released from restrictions (note 5) | 3,909,095 | (3,909,095) | – | – |
| Total revenue, support, and gains | <u>7,752,185</u> | <u>467,778</u> | <u>8,219,963</u> | <u>6,258,093</u> |
| Expenses | | | | |
| Program services | | | | |
| Youth apprenticeship program | <u>5,574,305</u> | <u>–</u> | <u>5,574,305</u> | <u>5,408,964</u> |
| Supporting services | | | | |
| Management and general | 623,547 | – | 623,547 | 558,369 |
| Fund raising | 214,776 | – | 214,776 | 224,879 |
| Total supporting services | <u>838,323</u> | <u>–</u> | <u>838,323</u> | <u>783,248</u> |
| Total expenses | <u>6,412,628</u> | <u>–</u> | <u>6,412,628</u> | <u>6,192,212</u> |
| Change in net assets | 1,339,557 | 467,778 | 1,807,335 | 65,881 |
| Net assets at beginning of year | <u>1,581,160</u> | <u>2,690,369</u> | <u>4,271,529</u> | <u>4,205,648</u> |
| Net assets at end of year | <u>\$ 2,920,717</u> | <u>3,158,147</u> | <u>6,078,864</u> | <u>4,271,529</u> |

See the accompanying notes to the financial statements.

CareerWise Colorado
Statement of Functional Expenses
Year Ended December 31, 2022
(With Summarized Information for 2021)

| | Youth Apprenticeship Program | Supporting services | | Total 2022 | Total 2021 |
|--------------------------------|------------------------------------|--------------------------------|-----------------|------------------|------------------|
| | | Manage- ment and general | Fund raising | | |
| Salaries and benefits | \$ 3,424,680 | 503,888 | 164,058 | 4,092,626 | 3,396,182 |
| Grants | 829,809 | — | — | 829,809 | 881,450 |
| Contractors and consultants | 437,210 | 35,365 | 40,086 | 512,661 | 1,005,020 |
| Curriculum development | 250,989 | — | — | 250,989 | 196,212 |
| Travel and meetings | 140,353 | 9,081 | 3,687 | 153,121 | 67,884 |
| Occupancy | 120,173 | 14,913 | 2,858 | 137,944 | 265,109 |
| Events | 137,135 | — | — | 137,135 | 81,082 |
| Equipment and technology | 88,037 | 10,925 | 2,094 | 101,056 | 74,799 |
| Marketing and printing | 62,115 | 4,032 | — | 66,147 | 48,578 |
| Professional fees | 10,909 | 36,297 | 260 | 47,466 | 37,865 |
| Staff training and development | 27,839 | 3,455 | 662 | 31,956 | 28,795 |
| Miscellaneous | 22,917 | 2,844 | 544 | 26,305 | 4,118 |
| Communication | 21,608 | 2,681 | 514 | 24,803 | 22,946 |
| Depreciation | 531 | 66 | 13 | 610 | 82,172 |
| Total expenses | <u>\$ 5,574,305</u> | <u>623,547</u> | <u>214,776</u> | <u>6,412,628</u> | <u>6,192,212</u> |

See the accompanying notes to the financial statements.

CareerWise Colorado
Statement of Cash Flows
Year Ended December 31, 2022
(With Summarized Information for 2021)

| | 2022 | 2021 |
|--|--------------|-------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 1,807,335 | 65,881 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 610 | 82,172 |
| Operating lease asset and liability noncash expense | 5,773 | – |
| Disposal of property and equipment | 26,134 | – |
| Deferred rent amortization | (102,518) | (61,853) |
| Paycheck Protection Program loan forgiveness | – | (1,055,100) |
| Change in operating assets and liabilities | | |
| Grants and contributions receivable | (370,024) | (79,838) |
| Accounts receivable | 8,806 | 37,397 |
| Prepaid expenses | (104,391) | 20,867 |
| Accounts payable | (55,285) | 95,231 |
| Accrued liabilities | 41,530 | 151,268 |
| Deferred program revenue | 87,402 | 30,125 |
| Refundable advance | (20,000) | 20,000 |
| Net cash provided by (used in) operating activities | 1,325,372 | (693,850) |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (6,204) | – |
| Net cash used in investing activities | (6,204) | – |
| Cash flows from financing activities | | |
| Paycheck Protection Program loan proceeds | – | 569,000 |
| Net cash provided by financing activities | – | 569,000 |
| Net increase (decrease) in cash and cash equivalents | 1,319,168 | (124,850) |
| Cash and cash equivalents at beginning of year | 4,428,523 | 4,553,373 |
| Cash and cash equivalents at end of year | \$ 5,747,691 | 4,428,523 |
| Significant Noncash Transactions | | |
| Tenant improvement allowance disposed for leasehold improvements | \$ (26,134) | – |
| Operating lease asset and liability noncash expense | \$ 5,773 | – |
| Operating lease right of use asset | \$ 692,278 | – |
| Operating lease liability | \$ 698,051 | – |

See the accompanying notes to the financial statements.

CareerWise Colorado
Notes to Financial Statements
December 31, 2022

(1) Summary of Significant Accounting Policies

(a) Organization

CareerWise Colorado (“CareerWise” or the "Organization"), a non-profit corporation, was incorporated in the State of Colorado on January 12, 2016, and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization began operations in 2016. The Organization's mission is to create opportunities for youth and businesses across Colorado and around the country by developing and supporting the implementation of an innovative, sustainable youth apprenticeship program model to drive systems change. Through this business-led, student-centered model, the Organization brings together public and private stakeholders to create new pathways to modern careers, including access to higher education. As an innovative intermediary, CareerWise aligns and supports partners to ensure that students can learn and practice the skills they need for financial and academic success, and that businesses have access to highly trained talent.

As of December 2022, CareerWise has facilitated the hiring of nearly 1,500 apprentices at more than 200 unique companies in six different communities around the country: the state of Colorado; Elkhart County, Indiana; New York City, New York; Washington, D.C.; Buffalo, New York; and Upper Peninsula, Michigan. CareerWise’s work in each of those communities has inspired a growing national movement. Today, the CareerWise USA team is engaging in conversations about the application of the CareerWise model with 16 additional potential partner organizations in 9 additional states beyond CareerWise’s current footprint.

In each location where CareerWise works, modern youth apprentices from local school districts are employed in one of approximately thirty distinct occupations in ten different industry or functional career “pathways” – advanced manufacturing, business operations, construction, financial services, education, healthcare, hospitality, information technology, maintenance technology, and real estate management. Apprentices are trained on a set of industry-defined “competencies” that align with continued classroom education. The first several cohorts of graduating apprentices achieved a variety of successes, including being employed full-time, pursuing further education and, in many cases, combining continued employment with continued higher education.

In 2022, CareerWise’s flagship New York program laid claim to the largest expansion of youth apprenticeship in our country to date, with the commitment by the New York City Jobs CEO Council to create and fill 3,000 new youth apprenticeships between 2023 and 2025. Additionally, the Project on Workforce at Harvard (a collaborative entity between the university’s graduate school of business, education, and policy) released a report on CareerWise’s impact in November of 2022, helping to propel the model into the national spotlight. Local and national policymakers continue to support CareerWise’s proposals for innovative policy solutions at both the state and federal level. As CareerWise enters 2023 and beyond, CareerWise is eager to further deepen partnerships with employers, local, state and federal governments, and the education system so that the model can be positioned as the basis of a new, pathways-based educational and training system for the post-COVID modern American economy.

(b) Basis of Accounting

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

CareerWise Colorado
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Financial Statement Presentation

CareerWise is required to present information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of CareerWise. These net assets may be used at the discretion of CareerWise's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CareerWise or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At December 31, 2022, there are no net assets with perpetual donor restrictions.

(d) Cash and Cash Equivalents

CareerWise considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

(e) Concentrations

Financial instruments that potentially subject CareerWise to concentrations of credit risk consist of cash and cash equivalents and receivables. CareerWise places its cash and cash equivalents with creditworthy, high quality, financial institutions. All cash balances are fully insured. Credit risk with respect to receivables is generally diversified due to the large number of entities and creditworthiness of the organizations that comprise CareerWise's customer base.

CareerWise receives cost reimbursement revenue from federal government grants. During 2022, revenue from these grants comprised 17% of CareerWise's total revenue. In addition, one non-federal grantor contributed 22% of CareerWise's total revenue in 2022. A decrease in the amount of support from these grants could have an adverse effect on CareerWise's operations.

(f) Leases

During 2022, CareerWise adopted the provisions of Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. In accordance with the standard, CareerWise has elected not to record on the statement of financial position a lease whose term is twelve months or less and does not include a purchase option that CareerWise is reasonably certain to exercise. CareerWise has elected to use the risk-free rate to determine the present value of the lease payments for purposes of calculating the right of use asset and lease liability. In addition, CareerWise has elected the practical expedient not to separate lease and non-lease components for the office lease. See note 1(p).

CareerWise Colorado
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Property and Equipment

Property and equipment is recorded at cost if purchased or, if donated, at the approximate fair value at the date of donation. CareerWise capitalizes all expenditures for property and equipment in excess of \$5,000 with a useful life of more than one year. Depreciation is computed using the straight-line method over estimated useful lives of the assets over three to five years. Leasehold improvements are amortized ratably over the lesser of the lease term or the estimated useful life. When assets are sold, retired, or otherwise disposed of, the applicable costs are removed from the accounts and any resulting gain or loss is recognized.

(h) Revenue Recognition

Grants and contributions and government grants

Grants and contributions are recognized when cash or unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. Should CareerWise substantially meet all the conditions in the same period that the contribution was recognized, and barring any further donor-imposed restrictions, CareerWise has elected to recognize the revenue in net assets without donor restrictions. Consequently, at December 31, 2022, conditional contributions totaling \$2,307,613 related to these grants and contributions have not been recognized in the accompanying financial statements. Revenue received in advance of conditions being met is recorded as a refundable advance.

Federal, state, and local government grants are treated as contributions that are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2022, conditional contributions totaling \$2,418,270 relating to government grants have not been recognized in the accompanying financial statements.

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purposes restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Grants and contributions receivable consist of federal cost-reimbursement grants and are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. CareerWise uses the allowance method to determine uncollectable amounts. In determining the collectability of receivables, management considers past collection experience and performs an analysis of subsequent collections. At December 31, 2022, there is no allowance for doubtful accounts related to these receivables. All grants and contributions receivable, including federal cost reimbursements of \$243,512 and a private foundation grant of \$325,000 at December 31, 2022, are expected to be collected within one year.

Contracts

National strategy engagement consulting represents consulting services provided by CareerWise to other entities. The performance obligation is to perform the consulting services as defined in the contract. These services are charged based on hourly fees, as set in the specific contracts. Hourly fee services are recognized at the point in time that the consulting service is provided. Consulting services are billed monthly and due within 30 days of the invoice date.

CareerWise Colorado
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Revenue Recognition, Continued

Contracts, Continued

Business Partner fees represent specified fees per apprentice hired out of the apprenticeship program that CareerWise provides to other organizations. The performance obligation is that the apprentice is retained by the employing organization. Services are charged based on amounts as set in the specific contract. Revenue is recognized ratably throughout the contract life, with any revenue received in advance of services provided recorded to deferred program revenue, which totaled \$119,515 at December 31, 2022.

Accounts receivable totaling \$117,838 at December 31, 2022, represent contract revenue due and fees earned for services provided. CareerWise uses the allowance method to determine uncollectable amounts. In determining the collectability of receivables, management considers contract terms, past collection experience, and performs an analysis of subsequent collections. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. At December 31, 2022, management has an allowance for doubtful accounts totaling \$4,350 related to these receivables. All accounts receivable are expected to be collected within one year.

(i) Donated Services

All contributed nonfinancial assets are utilized by CareerWise and CareerWise does not sell donated gifts-in-kind. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CareerWise. Many individuals volunteer their time and perform a variety of tasks that assist CareerWise in its programs and general operations. However, the value of this contributed time is not reflected in the accompanying financial statements as it does not meet the criteria of recognition under accounting principles.

(j) Functional Allocation of Expenses

The costs of providing various programs and other supporting activities have been summarized on a functional basis in the accompanying statement of functional expenses. CareerWise incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. CareerWise also conducts a number of activities that benefit both its program objective as well as supporting services (i.e., fund raising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as estimates of time and effort incurred by personnel.

(k) Estimates

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

CareerWise Colorado
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Advertising

CareerWise uses advertising to expand public awareness and to promote its apprenticeship program. Advertising costs are expensed as incurred. During the year ended December 31, 2022, CareerWise incurred advertising expense of \$23,216, included with marketing and printing in the statement of functional expenses.

(m) Income Taxes

CareerWise is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, CareerWise qualifies for the charitable contribution deduction. Income from activities not directly related to CareerWise's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income subject to tax in 2022.

Management is required to evaluate tax positions taken by CareerWise, and to recognize a tax liability if CareerWise has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. CareerWise believes that it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the financial statements. CareerWise is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The three previous tax years remain subject to examination by the IRS.

(n) Subsequent Events

CareerWise has evaluated subsequent events through May 18, 2023, which is the date the financial statements were available to be issued.

(o) Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CareerWise's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

(p) New Accounting Pronouncement

Effective January 1, 2022, CareerWise adopted ASU No. 2016-02, *Leases (Topic 842)*, and its related amendments. The standard requires lessees to recognize in the statement of financial position the assets and liabilities that arise from leases. Adoption of ASU 2016-02 resulted in the recognition of operating right of use assets totaling \$692,278 as well as an operating lease liability totaling \$698,051 for the year ended December 31, 2022. CareerWise elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022, without restating any prior year amounts or disclosures. The related policy elections made by CareerWise can be found in note 1(f) and the additional lease disclosures can be found in note 5. No cumulative effect adjustment to the beginning net assets was required in connection with the implementation of the standard.

CareerWise Colorado
Notes to Financial Statements, Continued

(2) Liquidity and Availability of Financial Assets

The following reflects CareerWise's financial assets that are available for general expenditure within one year as of December 31, 2022:

| | |
|--|---------------------|
| Financial assets at year-end | |
| Cash and cash equivalents | \$ 5,747,691 |
| Grants and contributions receivable | 568,512 |
| Accounts receivable, net | <u>113,488</u> |
| Financial assets available for general expenditures within one year | <u>\$ 6,429,691</u> |

As part of CareerWise's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. CareerWise is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, CareerWise must maintain sufficient resources to meet those responsibilities to its donors. The restricted nature of these contributions can create fluctuations in cash. Generally, these financial assets are available for general expenditure within one year.

(3) Operating Lease Right of Use Asset and Operating Lease Liability

CareerWise leases office space and facilities under a long-term non-cancelable operating lease through July 2027. CareerWise includes in the determination of the right of use asset and lease liability any renewal options when the options are reasonably certain to be exercised. The lease provides for one renewal option to extend the lease term for an additional three years. CareerWise had not opted to renew the lease as of the year ended December 31, 2022. CareerWise's operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreements requires CareerWise to pay for telephone utilities and for maintenance, repairs, or replacement of property outside of normal use and operations.

The weighted-average discount rate is based on the discount rate implicit in the lease. CareerWise has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. CareerWise has applied the risk-free rate option to the property and equipment class of assets.

CareerWise has elected the short-term lease exemption for all leases with a term of twelve months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on the straight-line basis.

CareerWise has elected the practical expedient to not separate lease and non-lease components for property and equipment leases.

The total operating lease cost for the year ended December 31, 2022 was \$200,808 and is included with occupancy in the statement of functional expenses.

The weighted-average term and discount rates for the operating lease outstanding as of December 31, 2022 are as follows:

| | |
|--------------------------------|------------|
| Weighted-average term (years) | 4.50 years |
| Weighted-average discount rate | 2.92% |

CareerWise Colorado
Notes to Financial Statements, Continued

(3) Operating Lease Right of Use Asset and Operating Lease Liability, Continued

Future payments due under the operating lease as of December 31, 2022 are as follows:

| | |
|----------------------------------|-------------------|
| Undiscounted cash flows due in: | |
| 2023 | \$ 162,906 |
| 2024 | 162,906 |
| 2025 | 162,906 |
| 2026 | 162,906 |
| 2027 | <u>95,027</u> |
| Total undiscounted cash flows | 746,651 |
| Impact of present value discount | <u>(48,600)</u> |
| Lease liability recognized | \$ <u>698,051</u> |

(4) Property and Equipment

Property and equipment consists of the following at December 31, 2022:

| | |
|------------------------------------|------------------|
| Software and website | \$ 297,739 |
| Leasehold improvements | 6,204 |
| Furniture, fixtures, and equipment | <u>9,019</u> |
| Total property and equipment | 312,962 |
| Less accumulated depreciation | <u>(307,368)</u> |
| Net property and equipment | \$ <u>5,594</u> |

(5) Net Assets with Donor Restrictions

Net assets subject to donor restrictions consist of \$3,158,147 in cash for the apprenticeship program at December 31, 2022. \$3,909,095 were released from donor restrictions during the year due to incurring expenditures under the program.

(6) Retirement Plan

CareerWise maintains a 401(k)-retirement plan (the Plan) which covers substantially all employees. Eligible employees may begin to participate in the Plan with elective deferral contributions on the first day of the calendar month coinciding with or next following the date of hire. Participants are eligible to contribute an amount not to exceed limits set by the Internal Revenue Service. Under the Plan, CareerWise may make a discretionary safe harbor contribution. During the year ended December 31, 2022, CareerWise made contributions to the plan totaling \$105,101, included with salaries and benefits in the statement of functional expenses.

CareerWise Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

| Federal grantor/pass-through grantor/program or cluster title | Identifying number | Assistance listing number | Federal expend- itures | Passed through to subrecipients |
|--|-----------------------|---------------------------------|------------------------------|---------------------------------------|
| U.S. Department of Labor | | | | |
| Direct Programs | | | | |
| Youth Apprenticeship Readiness Grant Program | FOA-ETA-20-06 | 17.285 | \$ 1,488,021 | 580,646 |
| Total Direct Programs | | | <u>1,488,021</u> | <u>580,646</u> |
| Total U.S. Department of Labor | | | <u>1,488,021</u> | <u>580,646</u> |
| U.S. Department of the Treasury | | | | |
| Pass-through Programs | | | | |
| Mesa County | | | | |
| COVID 19 - Workforce Center Innovation Grant | None | 21.027 | 68,603 | 62,367 |
| Total Pass-through Programs | | | <u>68,603</u> | <u>62,367</u> |
| Total U.S. Department of the Treasury | | | <u>68,603</u> | <u>62,367</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,556,624</u> | <u>643,013</u> |

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of CareerWise Colorado (CareerWise) under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CareerWise, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CareerWise.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

CareerWise has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Program Income

Program income reported under the addition method includes annual partner fees which are used for allowable grant activities that support the goals of the Youth Apprenticeship Readiness Grant (YARG). For the year ended December 31, 2022, \$123,100 in program income was received and subsequently used during the year.

| | |
|--|---------------------|
| Federal cost reimbursement expenses - YARG | \$ 1,364,921 |
| Non-federal expenses, addition method - YARG | <u>123,100</u> |
| Total expenses - YARG | <u>\$ 1,488,021</u> |



Independent Auditor's 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
CareerWise Colorado**

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 CareerWise Colorado, which comprise the statement of financial position as of December 31, 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 May 18, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CareerWise Colorado's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CareerWise Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of CareerWise Colorado'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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

**Board of Directors
CareerWise Colorado**

CareerWise Colorado's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on CareerWise Colorado's response to the findings identified in our audits and described in the accompanying schedule of findings and questioned costs. CareerWise Colorado's response was not subjected to the other auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on the response.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kundinger, Corder & Montoya, P.C.

May 18, 2023



**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control
over Compliance Required by the Uniform Guidance**

**Board of Directors
CareerWise Colorado**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited CareerWise Colorado'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 CareerWise Colorado's major federal programs for the year ended December 31, 2022. CareerWise Colorado's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, CareerWise Colorado complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 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; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CareerWise Colorado 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 CareerWise Colorado'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 CareerWise Colorado's federal programs.

Board of Directors CareerWise Colorado

Auditor's 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 CareerWise Colorado'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 generally accepted auditing standards, *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 CareerWise Colorado's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 CareerWise Colorado'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 CareerWise Colorado'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 CareerWise Colorado'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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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.

**Board of Directors
CareerWise Colorado**

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.

Kundinger, Corder & Montoya, P.C.

May 18, 2023

CareerWise Colorado
Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

A. Summary of Auditor’s Results

1. The auditor’s report expresses an unmodified opinion on whether the financial statements of CareerWise Colorado (CareerWise) were prepared in accordance with GAAP.
2. One material weakness relating to the audit of the financial statements is reported in the *Independent Auditor’s 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*.
3. No instances of noncompliance material to the financial statements of CareerWise, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit as reported in the *Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*.
5. The auditor’s report on compliance for the major federal award program expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no audit findings relating to major programs that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program was the U.S. Department of Labor Youth Apprenticeship Readiness Grant Program (Assistance Listing No. 17.285).
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. CareerWise was determined not to be a low-risk auditee.

B. Findings–Financial Statements Audit

2022-001 Audit Adjustment – Material Weakness

Criteria and Condition: As a result of the audit, an adjusting journal entry was made to record grant and contribution revenue in accordance with Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The adjustment resulted in an increase of \$325,000 to the change in net assets for the year ended December 31, 2022.

Cause: When applying revenue recognition accounting standards, CareerWise had incorrectly determined one grant to be conditional that should have been treated as unconditional and recorded as revenue for the year ended December 31, 2022.

Context and Effect: Misstatement of revenue at year-end could occur and not be prevented or detected and corrected in a timely manner, which could result in inaccurate financial reporting.

Recommendation: We recommend that CareerWise ensure that grants and contributions are properly identified, determined to be conditional or unconditional, and that the appropriate amounts of grant and contribution revenue are recorded.

Views of Responsible Officials and Planned Corrective Actions: CareerWise will ensure that Accounting and Development staff align to confirm that donor intent is documented accordingly within executed grant agreements such that revenue is properly recorded.

C. Findings and Questioned Costs–Major Federal Award Programs Audit

None.

CareerWise Colorado
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022

2021-001 Procurement and Suspension and Debarment – Significant Deficiency in Internal Control over Compliance

Criteria and Condition: CareerWise must document their procurement process in writing, comply with applicable state and local laws and regulations, and conform to applicable federal statutes and procurement requirements identified in 2 CFR part 200. In addition, CareerWise is prohibited from contracting with parties that are suspended or debarred. Under the guidelines, before contracting with a non-federal entity, the grantee must verify that the non-federal entity is not suspended, debarred, or otherwise excluded from participating in the transaction.

Recommendation: We recommended CareerWise enhance their written procurement policy to include all required elements by Uniform Guidance. Procedures should be included that outline processes and control activities specifically defining oversight of contractors' performance, which personnel are responsible for each step in the process and who is performing the review over the process, including conflicts of interest and who is responsible for ensuring vendors under covered transactions are not suspended, debarred, or otherwise disqualified.

Current Status: The recommendation was adopted and no similar findings were noted during the current year audit.

2021-002 Reporting – Significant Deficiency in Internal Control over Compliance

Criteria and Condition: Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (FFATA) that are codified in Title 2 U.S. Code of Federal Regulations, Part 170 - Reporting Subaward and Executive Compensation Information, prime grant recipients awarded a new Federal grant greater than or equal to \$25,000 are subject to FFATA subaward reporting requirements. The prime awardee is required to file a FFATA subaward report by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$25,000. The report must be filed in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Recommendation: We recommended CareerWise staff obtain training on the FFATA requirements and establish policies and procedures to ensure timely compliance with the reporting requirements.

Current Status: The recommendation was adopted and no similar findings were noted during the current year audit.

2021-003 Subrecipient Monitoring – Significant Deficiency in Internal Control over Compliance

Criteria and Condition: Established subrecipient monitoring policies were not followed with regard to documenting the annual review over subrecipient activities nor did the policies include requesting and reviewing the subrecipient's annual audit report and following-up when issues are identified.

Recommendation: We recommended management review Uniform Guidance Part 6 and update their subrecipient policies to ensure proper internal control procedures are in place for effective subrecipient monitoring and to document their annual review process.

Current Status: The recommendation was adopted and no similar findings were noted during the current year audit.