



Northwest Arkansas Economic Development District

**Northwest Arkansas
Economic Development District, Inc.**
Financial Statements
and
Supplementary Information
December 31, 2021

(With Independent Auditor's Report Thereon)

**Northwest Arkansas
Economic Development District, Inc.**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
SUPPLEMENTARY INFORMATION	
Schedule of Revenue, Support and Expenses – All Funds	19
Schedule of Revenue, Support and Expenses – WIOA	20
Schedule of Expenditures of Federal Awards	21
Notes to Schedule of Expenditures of Federal Awards	23
Schedule of Expenditures of State Awards	24
Schedule of Units of Service (Unaudited)	25
State Required Supplementary Data Sheet	26
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	27
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	29
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	32
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	34

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwest Arkansas Economic Development District, Inc.
Harrison, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northwest Arkansas Economic Development District, Inc. (the District) (a not-for-profit), which comprise the statement of financial position as of December 31, 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of the District as of December 31, 2021, 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 12 to the financial statements, based upon an examination by the Arkansas Division of Legislative Audit, the District recognized certain estimated liabilities to various state and local agencies during 2014. As of the issuance of this report, the District is currently uncertain as to when it will be required to fund these liabilities or if it will ultimately settle these liabilities with the corresponding agencies for an amount that may be different than the amount recognized. Our opinion is not modified with respect to this matter.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

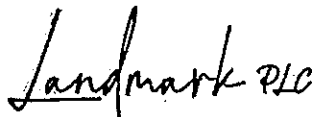
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information listed on pages 19 – 24, including 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 (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information listed on pages 19 – 24 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The supplementary information listed on page 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on it or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Rogers, Arkansas
July 26, 2022

Financial Statements

Northwest Arkansas Economic Development District, Inc.

Statement of Financial Position December 31, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 2,171,763
Receivables	519,250
Prepaid expenses	<u>83,769</u>

Total Current Assets \$ 2,774,782

PROPERTY AND EQUIPMENT, NET 1,328,868

TOTAL ASSETS \$ 4,103,650

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 136,186
Accrued expenses	165,458
Due to other agencies	503,806
Current portion of capital lease obligations	<u>5,112</u>

Total Current Liabilities \$ 810,562

LONG-TERM LIABILITY

Capital lease obligations, net of current portion 12,689

NET ASSETS

Without donor restrictions 3,280,399

Total Net Assets 3,280,399

TOTAL LIABILITIES AND NET ASSETS \$ 4,103,650

See accompanying notes to financial statements.

Northwest Arkansas Economic Development District, Inc.

Statement of Activities Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Federal funds	\$ 2,079,137	\$ 2,427,120	\$ 4,506,257
State funds	194,080	-	194,080
Program income	581,409	-	581,409
Local funds	272,655	-	272,655
Other revenues	459,476	-	459,476
Interest income	911	-	911
In-kind contributions	39,356	-	39,356
Net assets released from restrictions:			
Purpose restrictions met	<u>2,427,120</u>	<u>(2,427,120)</u>	<u>-</u>
Total Revenue and Support	<u>6,054,144</u>	<u>-</u>	<u>6,054,144</u>
EXPENSES			
Program services	4,970,063	-	4,970,063
Management and general	<u>286,728</u>	<u>-</u>	<u>286,728</u>
Total Expenses	<u>5,256,791</u>	<u>-</u>	<u>5,256,791</u>
CHANGE IN NET ASSETS	797,353	-	797,353
NET ASSETS, BEGINNING OF YEAR	<u>2,483,046</u>	<u>-</u>	<u>2,483,046</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,280,399</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,280,399</u></u>

See accompanying notes to financial statements.

Northwest Arkansas Economic Development District, Inc.

Statement of Functional Expenses Year ended December 31, 2021

	Program Services			Management and General	Total
	NATS	WIOA	Other		
Advertising	\$ 15,211	\$ 979	\$ -	\$ 749	\$ 16,939
Building rent	5,676	41,418	2,880	-	49,974
Communications	20,766	17,511	19,571	3,345	61,193
Contracted services	9,201	-	540	-	9,741
Depreciation and amortization	211,300	9,633	27,960	990	249,883
Gain (loss) on sale of property	19,992	-	(2,757)	-	17,235
In-kind expenses	39,356	-	-	-	39,356
Insurance and bonding	121,732	-	32,845	-	154,577
Interest	-	1,061	427	-	1,488
Maintenance and repairs	8,671	592	31,804	2,376	43,443
Materials and supplies	78,724	8,932	7,873	1,444	96,973
Meetings and conferences	-	559	4,218	102	4,879
Memberships / subscriptions / professional activity	26,302	3,435	20,934	-	50,671
Miscellaneous and administrative expenses	195,074	37,378	195,115	87	427,654
Participant expenses	-	508,178	-	-	508,178
Personnel costs / fringe benefits	914,656	937,146	445,802	255,285	2,552,889
Printing and reproduction	-	3,002	2,271	1,994	7,267
Professional fees	-	-	53,995	10,000	63,995
Program supplies	37,495	-	-	-	37,495
Property taxes	-	-	3,450	-	3,450
Support services	-	230,311	-	-	230,311
Training	1,024	424,922	10,132	4,813	440,891
Transportation	139,250	2,606	2,262	4,607	148,725
Travel	-	8,243	151	936	9,330
Utilities	11,320	-	18,934	-	30,254
	<u>\$ 1,855,750</u>	<u>\$ 2,235,906</u>	<u>\$ 878,407</u>	<u>\$ 286,728</u>	<u>\$ 5,256,791</u>

See accompanying notes to financial statements.

Northwest Arkansas Economic Development District, Inc.

Statement of Cash Flows Year ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets \$ 797,353

Adjustments to reconcile change in net assets
to net cash from operating activities:

Depreciation and amortization \$ 249,883

Noncash donations received for vehicles (165,333)

Loss on disposal of property and equipment 17,235

Change in:

Receivables (9,233)

Prepaid expenses (9,874)

Accounts payable (3,838)

Accrued expenses 13,621

Total adjustments 92,461

Net Cash From Operating Activities 889,814

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of property and equipment 51,407

Purchase of property and equipment (106,692)

Net Cash (Used For) Investing Activities (55,285)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on capital lease obligations (5,055)

Net Cash (Used For) Financing Activities (5,055)

NET CHANGE IN CASH 829,474

CASH, BEGINNING OF YEAR 1,342,289

CASH, END OF YEAR \$ 2,171,763

See accompanying notes to financial statements.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2021

NOTE 1: NATURE OF BUSINESS

Northwest Arkansas Economic Development District, Inc. (the District) is a not-for-profit organization incorporated under the laws of the State of Arkansas. The District's mission and principal activities are to operate development programs for low-income, elderly and other economically disadvantaged residents in Baxter, Benton, Boone, Carroll, Madison, Marion, Newton, Searcy and Washington Counties of Northwest Arkansas. The District accomplishes its goals through the following programs:

North Arkansas Transportation Service (NATS) – NATS is operated by the District. NATS is available to provide local transportation for persons needing wheel chair equipped vehicles, as well as transportation for the general public in Boone and Baxter counties and the surrounding areas.

Workforce Innovation and Opportunity Act (WIOA) – The District participates in the U.S. Department of Labor's Employment and Training Administration. The District directs adults, youth, dislocated workers and workforce professionals to training and employment services.

Economic Development Act (EDA) – The District established and maintains a comprehensive economic development strategy process, which includes an economic development plan and procedures for monitoring its implementation. The District coordinates economic development planning with other economic development entities such as chambers of commerce, business associations, local and state government economic development departments and EDA-funded entities. The District also provides staff support to develop and monitor projects that will increase economic opportunities within the District, as well as topics such as industrial parks, land use regulations, bond elections, district committees, economic development programs, business development and local governments.

Grant Administration (GA) – The District is contracted to administer various grant funds received by surrounding counties and cities from the Arkansas Economic Development Commission for improvements to infrastructure systems.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Codification Topic *Not-for-Profit Entities*. Under this Topic, the District is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements

December 31, 2021

Receivables

Receivables represent amounts due from the State of Arkansas, federal and state grants receivable, and fares for the transportation program. Determination of uncollectibility is made by management based on knowledge of individual accounts and consideration of such factors as current economic conditions. Credit extended is generally uncollateralized. Past-due status is based on contractual terms. Past-due accounts are not charged interest. Management has determined these receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at December 31, 2021.

Property and Equipment

Property and equipment purchased with nonfederal, state funds or contributions are recorded at cost and an asset will be considered a depreciable capital asset if its cost is more than \$5,000 and if it has a useful life of more than two years. Property and equipment purchased with grant funds is owned by the District while used in the programs for which they were purchased. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Their disposition, as well as ownership of any proceeds therefrom, is subject to funding source regulations. At December 31, 2021, the net book value of grant-funded property and equipment is approximately \$251,000. Depreciation of property and equipment is computed on the straight-line method over estimated useful lives of the respective assets, which range from three to forty years.

FASB Codification Topic *Property, Plant and Equipment*, Section *Subsequent Measurement* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The application of this Topic has not materially affected the District's financial position, changes in net assets, or cash flows.

Income Taxes and Uncertain Tax Positions

The District qualifies as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar state statute and is not subject to tax at the entity level for federal and state income tax purposes. The District accounts for uncertain tax positions in accordance with the provisions of FASB Codification Topic *Income Taxes*. FASB Codification Topic *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the District to recognize in their financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the District and determined that no positions exist that require adjustment or disclosure under the provisions of FASB Codification Topic *Income Taxes*.

The District files informational "Return of Organization Exempt from Income Tax" (Form 990) in the U.S. federal jurisdiction.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2021

Revenue Recognition

The majority of the District's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the District has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

The District's transportation program has program service fee revenue such as transportation fares. Performance obligations are satisfied at a point in time, and revenue is recognized when the services are provided to customers and additional services are no longer required. The District determines the transaction price based on standard charges for the services provided. These program service fee revenues are included in "Program income" on the Statement of Activities.

Net Assets and Contribution Revenue

Net assets without donor restrictions are available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets with donor restrictions represent net assets resulting from contributions where use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the District.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Gains and losses on the disposition of assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or laws. Expenses are generally reported as decreases in net assets without donor restrictions. Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as net assets with donor restrictions. When donor-imposed time conditions expire, or a donor-imposed purpose restriction is fulfilled, the net assets with donor restrictions are reclassified to net assets without donor restrictions. This reclassification is reported as net assets released from donor restrictions.

Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due and, therefore, are reported as net assets with donor restrictions until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year or is received without donor restrictions. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and/or nature of the donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and included in the Statement of Activities as net assets released from restrictions. Donated noncash contributions are recorded at fair market value at the date of donation.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements

December 31, 2021

Gifts of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the District reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services, which increase nonfinancial assets such as property or inventory, as well as services contributed by individuals with specialized skills which would have otherwise been purchased, are reported as unrestricted support. Other contributed services that enhance the District's programs, but are not so essential that they would otherwise be purchased, are not recorded as support.

Functional Allocation of Expenses

The District allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Any expenditure not directly chargeable is allocated to programs based on ratios as determined by management.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

The District follows the policy of charging the costs of advertising to expense as incurred. Total advertising expense was \$55,962 for the year ended December 31, 2021, which is included in advertising and in-kind expenses on the accompanying Statement of Functional Expenses.

Indirect Cost Allocation

The District allocated indirect costs based on allocation methods submitted in its approved budget to its oversight agencies for the year ended December 31, 2021.

Upcoming Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. The ASU requires all leases with lease terms more than 12 months to be capitalized as a right-of-use asset and lease liability on the Statement of Financial Position at the date of lease commencement. Lease will be classified as either finance leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the Statement of Activities. This ASU is effective for years beginning after December 15, 2021. The District is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2021

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU will increase transparency of contributed nonfinancial assets as well as the amount of those contributions used in a not-for-profit's programs and other activities. This ASU will be effective for the District for the year ended December 31, 2022. The District does not expect this ASU to have a material impact on its financial statements.

NOTE 3: FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS

The District maintains cash balances with financial institutions in which it maintains cash balances, which at times may exceed federally insured limits or are uncollateralized. The District has not experienced any losses in such accounts, and management believes it is not exposed to significant credit risk related to cash. At December 31, 2021, the District did not have any uninsured/uncollateralized cash balances.

NOTE 4: RECEIVABLES

Receivables consist of the following at December 31, 2021:

Federal and state receivables	\$ 473,399
Program receivables	<u>45,851</u>
	<u>\$ 519,250</u>

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2021:

Land	\$ 71,837
Buildings	887,753
Vehicles	2,365,525
Equipment	<u>938,622</u>
	4,263,737
Less accumulated depreciation and amortization	<u>2,934,869</u>
	<u>\$ 1,328,868</u>

Depreciation and amortization expense for the year ended December 31, 2021 was \$241,596 and \$8,287, respectively.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2021

NOTE 6: CAPITAL LEASE OBLIGATIONS

Assets acquired under capital lease obligations are being amortized over the shorter of the useful life of the asset or the lease term, which is five years for each asset. The amortization related to the capital lease obligation is included in property and equipment, net, in the accompanying Statement of Financial Position and depreciation and amortization in the accompanying Statements of Functional Expenses and Cash Flows.

The assets under the capital lease obligations are as follows:

Equipment	\$	30,998
Accumulated amortization		<u>15,584</u>
Net assets under capital lease obligations	\$	<u>15,414</u>

Capital lease obligations set to expire in 2025 and 2022 have interest imputed of 7.5% and 6%, respectively.

Future minimum lease payments under the capital lease obligations are as follows:

	Present Value	Interest	Total
2022	\$ 5,112	\$ 1,119	\$ 6,231
2023	2,965	851	3,816
2024	3,195	621	3,816
2025	<u>6,529</u>	<u>321</u>	<u>6,850</u>
	<u>\$ 17,801</u>	<u>\$ 2,912</u>	<u>\$ 20,713</u>

NOTE 7: NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. Net assets released from donor restrictions are as follows:

Purpose restrictions met:	
Workforce Innovation and Opportunity Act	<u>\$ 2,427,120</u>

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2021

NOTE 8: NONCASH INVESTING AND FINANCING ACTIVITIES

The District had capital expenditures for equipment during the year ended December 31, 2021 as follows:

Purchase price	\$ 272,025
Noncash donations received for vehicles	<u>(165,333)</u>
Cash paid	<u>\$ 106,692</u>

The District sold property and equipment during the year ended December 31, 2021, with a portion of the proceeds payable to the Arkansas Department of Transportation for the remaining federal interest as follows:

Net book value of property and equipment disposed	\$ 52,882
Proceeds from sale	(51,407)
Accounts payable	<u>15,760</u>
Loss on disposal	<u>\$ 17,235</u>

NOTE 9: CONCENTRATION OF CREDIT RISK AND FUNDING ARRANGEMENT

The majority of the District's support is derived from federal and state awards administered through contracts with the State of Arkansas or through an intermediary agency. For the year ended December 31, 2021, this support represented approximately 78% of the District's total revenue and support. The federal and state contracts are subject to change at any time without prior notice given to the contract providers. The loss of these contracts would have an adverse effect on the District's ability to continue in existence.

Other receivables are due primarily from program services and other funding sources. The District is confident that all other receivables will be collected.

NOTE 10: EMPLOYEE BENEFIT PLAN

The District has adopted a 401(k) pension plan (the "Plan"). All full-time employees of the District are eligible for participation in the Plan on the first day of the month following 90 days of service. Each employee may contribute up to the maximum allowed by the Internal Revenue Service. All contributions made by a participant of the Plan are 100% vested at all times. The District matches the employee contribution percentage up to an amount equal to 7% of the employee's base monthly salary. Vesting, as it applies to the District's contribution for each employee, is 25% for each year of service. The District contributed \$91,874 to the Plan during the year ended December 31, 2021, which is included in Personnel costs / fringe benefits on the Statement of Functional Expenses.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2021

NOTE 11: LEASES

The District leases office space to an unrelated party under an operating lease that expires on July 31, 2023. Total rental income from this operating lease was \$43,969 for the year ended December 31, 2021.

Future minimum rental payments to be received are as follows:

2022	\$ 45,327
2023	<u>26,441</u>
	<u>\$ 71,768</u>

The District rents office space from an unrelated party under annual operating leases that expire from February 2022 through December 2022. Rent expense was \$39,778 for the year ended December 31, 2021.

Future minimum lease payments are as follows:

2022	<u>\$ 20,920</u>
------	------------------

NOTE 12: COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the District receives grant funds from various federal and state agencies. The grant programs are subject to audit by the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The District believes any liability for reimbursement, which may arise as a result of audits of grant funds, would not be material.

Based upon an examination by the Arkansas Division of Legislative Audit for the period January 1, 2005 through December 31, 2014, the District did not expend certain restricted funds for their restrictive purposes; therefore, during 2014, the District recognized certain estimated liabilities of approximately \$1 million due to various state and local agencies. During the year ended December 31, 2019, the District was released from \$533,401 of the amount due to other agencies. During the year ended December 31, 2021, the District's management evaluated and concluded the remaining balance should continue to be presented as a liability on the Statement of Financial Position. Management will reassess the liability in 2022. The balance due to other agencies as of December 31, 2021 was \$503,806.

During the year ended December 31, 2021, a final determination was made on an Arkansas Division of Workforce Services (ADWS) monitoring for the 2018 program year. This resulted in questioned costs totaling \$79,818 which the District has formally appealed and has not included as a liability.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2021

NOTE 13: LIQUIDITY AND AVAILABILITY OF RESOURCES

The District's financial assets available within one year of the Statement of Financial Position date for general expenditure are as follows:

Financial assets at year end:	
Cash	\$ 2,171,763
Receivables	<u>519,250</u>
Total financial assets available within one year	2,691,013
Due to other agencies	<u>(503,806)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,187,207</u>

As part of the District's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The District manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 14: RISKS AND UNCERTAINTIES

As of the date of the Independent Auditor's Report, the COVID-19 pandemic has had an adverse impact on both domestic and global financial markets and operations. Management is unable to accurately predict how the COVID-19 pandemic will affect the results of the District's operations due to uncertainties surrounding the severity of the disease and the duration of the outbreak.

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 26, 2022, the date that the financial statements were available to be issued.

Supplementary Information

Northwest Arkansas Economic Development District, Inc.

Schedule of Revenue, Support and Expenses – All Funds Year ended December 31, 2021

	NATS	WIOA	EDA	GA	Elimination of Allocated Administrative Costs	Total
REVENUE AND SUPPORT						
Federal funds	\$ 1,774,869	\$ 2,427,120	\$ 70,000	\$ 234,268	\$ -	\$ 4,506,257
State funds	149,080	-	45,000	-	-	194,080
Program income	574,196	-	7,213	-	-	581,409
Local funds	14,703	-	64,530	193,422	-	272,655
Other revenues	6,602	15,384	689,631	906	(253,047)	459,476
Interest income	610	7	288	6	-	911
In-kind contributions	39,356	-	-	-	-	39,356
Total Revenue and Support	<u>2,559,416</u>	<u>2,442,511</u>	<u>876,662</u>	<u>428,602</u>	<u>(253,047)</u>	<u>6,054,144</u>
EXPENSES						
Advertising	15,211	979	-	749	-	16,939
Building rent	5,676	41,418	2,880	-	-	49,974
Communications	20,766	17,511	19,571	3,345	-	61,193
Contracted services	9,201	-	540	-	-	9,741
Depreciation and amortization	211,300	9,633	27,960	990	-	249,883
Gain (loss) on sale of property	19,992	-	(2,757)	-	-	17,235
In-kind expenses	39,356	-	-	-	-	39,356
Insurance and bonding	121,732	-	32,845	-	-	154,577
Interest	-	1,061	427	-	-	1,488
Maintenance and repairs	8,671	592	31,804	2,376	-	43,443
Materials and supplies	78,724	8,932	7,873	1,444	-	96,973
Meetings and conferences	-	559	4,218	102	-	4,879
Memberships / subscriptions / professional activity	26,302	3,435	20,934	-	-	50,671
Miscellaneous and administrative expenses	195,074	231,457	195,298	58,872	(253,047)	427,654
Participant expenses	-	508,178	-	-	-	508,178
Personnel costs / fringe benefits	914,656	937,146	445,802	255,285	-	2,552,889
Printing and reproduction	-	3,002	2,271	1,994	-	7,267
Professional fees	-	-	53,995	10,000	-	63,995
Program supplies	37,495	-	-	-	-	37,495
Property taxes	-	-	3,450	-	-	3,450
Support services	-	230,311	-	-	-	230,311
Training	1,024	424,922	10,132	4,813	-	440,891
Transportation	139,250	2,606	2,262	4,607	-	148,725
Travel	-	8,243	151	936	-	9,330
Utilities	11,320	-	18,934	-	-	30,254
Total Expenses	<u>1,855,750</u>	<u>2,429,985</u>	<u>878,590</u>	<u>345,513</u>	<u>(253,047)</u>	<u>5,256,791</u>
TRANSFERS BETWEEN FUNDS	<u>(9,000)</u>	<u>-</u>	<u>20,932</u>	<u>(11,932)</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE AND SUPPORT OVER EXPENSES	<u>\$ 694,666</u>	<u>\$ 12,526</u>	<u>\$ 19,004</u>	<u>\$ 71,157</u>	<u>\$ -</u>	<u>\$ 797,353</u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Schedule of Revenue, Support and Expenses – WIOA Year ended December 31, 2021

	NEG AR - 31	Youth	Adult	Dislocated Worker	WIOA Other	Special Projects	AR Expands Apprentice I	AR Expands Apprentice II	AR Apprentice Initiative	Total
REVENUE AND SUPPORT										
Federal funds	\$ 253,955	\$ 842,553	\$ 540,174	\$ 450,940	\$ -	\$ -	\$ 72,593	\$ 229,432	\$ 37,473	\$ 2,427,120
Other	-	-	-	-	14,646	745	-	-	-	15,391
Total Revenue and Support	253,955	842,553	540,174	450,940	14,646	745	72,593	229,432	37,473	2,442,511
EXPENSES										
Advertising	3	423	269	284	-	-	-	-	-	979
Building rent	552	14,304	8,927	11,558	-	-	2,771	3,180	126	41,418
Communications	122	6,577	3,993	4,391	934	32	689	757	16	17,511
Depreciation and amortization	123	3,364	2,098	2,686	-	-	622	712	28	9,633
Interest	16	353	221	263	-	-	96	108	4	1,061
Maintenance and repairs	2	222	132	236	-	-	-	-	-	592
Materials and supplies	166	3,509	2,127	2,214	-	-	415	459	42	8,932
Meetings and conferences	-	271	163	125	-	-	-	-	-	559
Memberships / subscriptions / professional activity	43	1,231	738	971	-	-	206	237	9	3,435
Miscellaneous and administrative expenses	8,375	134,787	39,629	44,559	-	-	1,536	2,500	71	231,457
Salaries	19,459	253,151	165,940	210,495	-	-	53,349	50,947	1,622	754,963
Payroll taxes	1,380	18,107	11,650	14,692	-	-	3,789	3,505	125	53,248
Participant wages	200,673	260,820	2,093	7,494	-	-	-	-	-	471,080
Participant payroll taxes / fees	15,847	20,344	166	589	-	-	-	-	-	36,946
Participant fringe benefits	1	22	20	26	-	-	41	42	-	152
Personnel costs / fringe benefits	4,007	48,853	26,782	33,128	152	-	7,500	7,821	692	128,935
Printing and reproduction	21	688	425	514	1,034	-	152	163	5	3,002
Support services	2,986	18,559	160,382	48,384	-	-	-	-	-	230,311
Training	30	51,458	112,579	66,172	-	713	833	158,416	34,721	424,922
Transportation	22	799	437	762	-	-	286	296	4	2,606
Travel	127	4,711	1,403	1,397	-	-	308	289	8	8,243
Total Expenses	253,955	842,553	540,174	450,940	2,120	745	72,593	229,432	37,473	2,429,985
TRANSFERS BETWEEN FUNDS										
	-	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER (UNDER) EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ 12,526	\$ -	\$ -	\$ -	\$ -	\$ 12,526

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Schedule of Expenditures of Federal Awards Year ended December 31, 2021

<u>Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Revenue</u>	<u>Expenditures</u>
<u>Major Programs</u>			
U. S. Department of Labor			
Passed through Arkansas Department of Workforce			
WIOA Cluster			
Youth	17.259	\$ 842,553	\$ 842,553
Adult	17.258	540,174	540,174
Dislocated Worker	17.278	450,940	450,940
		<u>1,833,667</u>	<u>1,833,667</u>
Total Major Programs		<u>1,833,667</u>	<u>1,833,667</u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Schedule of Expenditures of Federal Awards Year ended December 31, 2021

Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Revenue	Expenditures
<u>Nonmajor Programs</u>			
U. S. Department of Labor			
Passed through Arkansas Department of Workforce			
National Emergency Grant	17.277	\$ 253,955	\$ 253,955
AR Expands Apprenticeship I	17.285	72,593	72,593
AR Expands Apprenticeship II	17.285	229,432	229,432
AR Apprenticeship Initiative	17.268	37,473	37,473
		<u>593,453</u>	<u>593,453</u>
U. S. Department of Commerce			
Direct Programs			
Title II, Section 203, Planning Assistance	11.302	70,000	70,000
Economic Development Cluster			
COVID-Economic Adjustment Assistance	11.307	218,999	218,999
		<u>288,999</u>	<u>288,999</u>
U. S. Department of Agriculture			
Direct Program			
Rural Business Development Grants (RBDG)	11.351	15,269	15,269
U. S. Department of Transportation			
Passed through Arkansas State			
Highway Department			
Federal Transit Cluster			
Federal Transit Formula Grants			
Operating	20.507	1,124,834	1,124,834
Administration	20.507	453,143	453,143
Formula Grants for Rural Areas			
Capital	20.509	165,333	165,333
Capital	20.509	31,559	31,559
		<u>1,774,869</u>	<u>1,774,869</u>
Total Nonmajor Programs		<u>2,672,590</u>	<u>2,672,590</u>
Total Federal Awards		<u>\$ 4,506,257</u>	<u>\$ 4,506,257</u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Notes to Schedule of Expenditures of Federal Awards Year ended December 31, 2021

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Northwest Arkansas Economic Development District, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. See Note 2 of the financial statements.

NOTE B: INDIRECT COST RATE

The District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, section 200.414.

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Schedule of Expenditures of State Awards Year ended December 31, 2021

<u>Program Title</u>	<u>Description</u>	<u>Revenue</u>	<u>Expenditures</u>
Arkansas Department of Finance and Administration	Act 118	\$ 45,000	\$ 45,000
Arkansas Department of Transportation	Act 595	27,300	27,300
Arkansas Department of Transportation	Act 714	<u>121,780</u>	<u>121,780</u>
Total State Awards		<u><u>\$ 194,080</u></u>	<u><u>\$ 194,080</u></u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Schedule of Units of Service (Unaudited)

Year ended December 31, 2021

	Participants Served
Workforce Innovation and Opportunity Act	
Youth	124
Adult	122
Dislocated Worker	69
NEG - severe storms and flooding (AR-31)	19
	<hr/>
	334
	<hr/>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

State Required Supplemental Data Sheet
Year ended December 31, 2021

Auditee: Northwest Arkansas Economic Development District, Inc.

Address: 818 Highway 62-65-412 North
Post Office Box 190
Harrison, AR 72602-0190

Employer Identification Number: 71-0399224

Telephone Number: (870) 741-5404

Executive Director: Joe Willis

Contact: Joe Willis, Executive Director

Audit fee: Available on request



**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
Northwest Arkansas Economic Development District, Inc.
Harrison, Arkansas

We have audited 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, the financial statements of Northwest Arkansas Economic Development District, Inc. (the District), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 26, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Board of Directors
Northwest Arkansas Economic Development District, Inc.

Report on Compliance and Other Matters

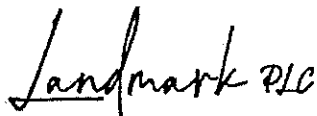
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001.

Northwest Arkansas Economic Development District, Inc.'s Response to Findings

The District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Rogers, Arkansas
July 26, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Directors
Northwest Arkansas Economic Development District, Inc.

Report on Compliance for Each Major Federal Program

Qualified Opinion

We have audited Northwest Arkansas Economic Development District, Inc.'s (the District) 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 the District's major federal programs for the year ended December 31, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on WIOA Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the WIOA Cluster for the year ended December 31, 2021.

Basis for Qualified Opinion

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 (*Government Auditing Standards*); 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 the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on WIOA Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding the WIOA Cluster – Federal Assistance Listing No. 17.258, 17.259, and 17.278 as described in finding 2021-001 for Activities Allowed and Allowable.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

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

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

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

Board of Directors
Northwest Arkansas Economic Development District, Inc.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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.

A handwritten signature in black ink that reads "Landmark PLC". The signature is stylized with a large, looped 'L' and a cursive 'P'.

Rogers, Arkansas
July 26, 2022

Northwest Arkansas Economic Development District, Inc.

Schedule of Findings and Questioned Costs Year ended December 31, 2021

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

1. The opinion expressed in the independent auditor's report was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? ☐ Yes ☒ None reported
Material weakness(es)? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☒ Yes ☐ No

4. The independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on each major federal awards program disclosed:

Significant deficiency(ies)? ☐ Yes ☒ None reported
Material weakness(es)? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on each major federal awards program were:

☐ Unmodified ☒ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by the Uniform Guidance?

☒ Yes ☐ No

7. The District's major programs were:

Cluster/Program	Federal Assistance Listing Number
WIOA Cluster - Youth	17.259
WIOA Cluster - Adult	17.258
WIOA Cluster - Dislocated Worker	17.278

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

9. The District qualified as a low-risk auditee as that term is defined in the Uniform Guidance?

☒ Yes ☐ No

Northwest Arkansas Economic Development District, Inc.

Schedule of Findings and Questioned Costs Year ended December 31, 2021

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*

See finding 2021-001 in section III below.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2021-001: WIOA Cluster – Federal Assistance Listing Number 17.258, 17.259, and 17.278.

Material Instances of Non compliance:

Condition: The District has multiple financial findings that remain unresolved from PY18 that resulted in identified disallowed costs that must be repaid to ADWS.

Criteria: Management and the governing body should continue to work with ADWS to ensure resolution of financial findings.

Cause and Context: ADWS conducted monitoring of the District on April 22-26, 2019 for the 2018 program year. ADWS's final determination of this findings was on July 6, 2021. Based on the information gathered during the review ADWS identified the following findings that have not yet been resolved.

- Financial Finding #7 PY 2018 – A request for qualifications (RFQ) was issued for auditing services; however, the RFQ did not add price as a component. As such it appears the contract was not awarded to the lowest responsive bidder. This has resulted in questioned costs in the amount of \$38,739. The District has appealed this finding noting that price was considered during the selection of auditing services. Further, the RFQ was completed prior to the District assuming the role of WIOA Title 1 Provider. At the earliest opportunity and at the completion of the agreement with the former accountant a new procurement was executed utilizing the RFP process and in full compliance with 2 CFR 200.
- Supplemental Financial Finding #1 – The District charged lease payments to WIOA funds resulting in a less-than-arm's length transaction and questioned costs in the amount of \$41,079. The District acknowledges that the lease payments were unintentional violations of 2 CFR 200.465 and stopped the practice when identified by ADWS. The District is appealing the repayment.

Effect: Failure to appeal these findings with ADWS will result in a material amount of disallowed costs to be repaid to ADWS.

Recommendation: Management and the governing body should continue to work with the ADWS to ensure resolution of financial findings.

Views of Responsible Officials and Planned Corrective Actions: The District feels that it has made a good faith attempt to timely correct and respond to all findings noted by ADWS's monitoring reviews. The District has appealed these findings and is seeking additional clarification and technical assistance from ADWS to resolve these matters.

Northwest Arkansas Economic Development District, Inc.

Summary Schedule of Prior Year Audit Findings Year ended December 31, 2021

There were no prior year audit findings for the year ended December 31, 2020.