



**Northwest Arkansas
Economic Development District, Inc.**
Financial Statements
and
Supplementary Information
December 31, 2020

(With Independent Auditor's Report Thereon)

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Arkansas Economic Development District, Inc. (a not-for-profit corporation) (the District), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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. The District is 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. The supplementary information listed on pages 19 – 21 and page 25 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The supplementary information listed on pages 26 and 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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.

Board of Directors
Northwest Arkansas Economic Development District, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2021, 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 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 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.

The logo for Landmark PLC Certified Public Accountants. It features the name "Landmark PLC" in a large, elegant, cursive script. Below this, the words "Certified Public Accountants" are written in a smaller, clean, sans-serif font. A small vertical line is positioned between the words "Certified" and "Public Accountants".

July 23, 2021
Rogers, Arkansas

Financial Statements

Northwest Arkansas Economic Development District, Inc.

Statement of Financial Position December 31, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 1,342,289
Receivables	510,017
Prepaid expenses	<u>73,895</u>

Total Current Assets \$ 1,926,201

PROPERTY AND EQUIPMENT, NET 1,359,608

TOTAL ASSETS \$ 3,285,809

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 124,264
Accrued expenses	151,837
Due to other agencies	503,806
Current portion of capital lease obligation	<u>4,205</u>

Total Current Liabilities \$ 784,112

LONG-TERM LIABILITY

Capital lease obligation, net of current portion 18,651

NET ASSETS

Without donor restrictions 2,483,046

Total Net Assets 2,483,046

TOTAL LIABILITIES AND NET ASSETS \$ 3,285,809

See accompanying notes to financial statements.

Northwest Arkansas Economic Development District, Inc.

Statement of Activities Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Federal funds	\$ 1,742,379	\$ 2,305,114	\$ 4,047,493
State funds	353,325	-	353,325
Program income	408,758	-	408,758
Local funds	294,228	-	294,228
Other revenues	284,633	477	285,110
Interest income	1,582	48	1,630
In-kind contributions	33,421	-	33,421
Net assets released from restrictions:			
Purpose restrictions met	2,307,406	(2,307,406)	-
Total Revenue and Support	5,425,732	(1,767)	5,423,965
EXPENSES			
Program services	4,099,715	-	4,099,715
Management and general	674,446	-	674,446
Total Expenses	4,774,161	-	4,774,161
CHANGE IN NET ASSETS	651,571	(1,767)	649,804
NET ASSETS, BEGINNING OF YEAR	1,831,475	1,767	1,833,242
NET ASSETS, END OF YEAR	\$ 2,483,046	\$ -	\$ 2,483,046

See accompanying notes to financial statements.

Northwest Arkansas Economic Development District, Inc.

Statement of Functional Expenses Year ended December 31, 2020

	Program Services			Total Programs	Management and General	Total
	NATS	WIOA	Other			
Advertising	\$ 15,035	\$ 890	\$ -	\$ 15,925	\$ 282	\$ 16,207
Building rent	5,280	42,529	-	47,809	3,175	50,984
Communications	18,391	13,993	1,560	33,944	20,376	54,320
Contracted services	8,598	-	-	8,598	1,282	9,880
Depreciation and amortization	172,165	5,365	451	177,981	25,556	203,537
In-kind expenses	33,421	-	-	33,421	-	33,421
Insurance and bonding	137,045	-	-	137,045	31,446	168,491
Interest	-	500	-	500	117	617
Maintenance and repairs	1,633	412	-	2,045	31,614	33,659
Materials and supplies	71,465	11,527	419	83,411	10,105	93,516
Meetings and conferences	-	407	-	407	-	407
Memberships / subscriptions / professional activity	22,898	4,569	340	27,807	21,611	49,418
Miscellaneous and administrative expenses	175,183	23,019	(885)	197,317	9,950	207,267
Participant expenses	-	286,837	-	286,837	-	286,837
Personnel costs / fringe benefits	863,259	847,759	213,628	1,924,646	447,182	2,371,828
Printing and reproduction	93	2,941	-	3,034	5,390	8,424
Professional fees	-	4,985	50,000	54,985	39,774	94,759
Program supplies	33,921	-	-	33,921	-	33,921
Property taxes	-	-	-	-	3,451	3,451
Support services	-	391,734	-	391,734	-	391,734
Training	590	492,355	3,712	496,657	3,823	500,480
Transportation	119,442	2,264	4,908	126,614	1,517	128,131
Travel	-	5,650	-	5,650	120	5,770
Utilities	9,427	-	-	9,427	17,675	27,102
	<u>\$ 1,687,846</u>	<u>\$ 2,137,736</u>	<u>\$ 274,133</u>	<u>\$ 4,099,715</u>	<u>\$ 674,446</u>	<u>\$ 4,774,161</u>

See accompanying notes to financial statements.

Northwest Arkansas Economic Development District, Inc.

Statement of Cash Flows Year ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets		\$ 649,804
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	\$ 203,537	
Noncash donations received for vehicles	(180,827)	
Change in:		
Receivables	29,830	
Prepaid expenses	(49,739)	
Accounts payable	57,497	
Accrued expenses	23,169	
	<hr/>	
Total adjustments		<u>83,467</u>
Net Cash From Operating Activities		<u>733,271</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(82,906)</u>	
Net Cash (Used For) Investing Activities		<u>(82,906)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on capital lease obligation	<u>(2,852)</u>	
Net Cash (Used For) Financing Activities		<u>(2,852)</u>

NET CHANGE IN CASH		647,513
CASH, BEGINNING OF YEAR		<u>694,776</u>
CASH, END OF YEAR		<u><u>\$ 1,342,289</u></u>

See accompanying notes to financial statements.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements

December 31, 2020

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, 2020

Accounts Receivable

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, 2020.

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 federal or state restricted funds are expensed as required by one of the District's oversight agencies since these items are considered property of the program and not the District. 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.

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.

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.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements

December 31, 2020

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.

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.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2020

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.

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.

Advertising

The District follows the policy of charging the costs of advertising to expense as incurred. Total advertising expense was \$16,207 for the year ended December 31, 2020, 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, 2020.

Recent 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, 2020

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, 2020, the District did not have any uninsured/uncollateralized cash balances.

NOTE 4: RECEIVABLES

Receivables consist of the following at December 31, 2020:

Federal and state receivables	\$ 438,465
Program receivables	<u>71,552</u>
	<u>\$ 510,017</u>

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2020:

Land	\$ 71,837
Buildings	887,753
Vehicles	2,713,284
Equipment	<u>862,792</u>
	4,535,666
Less accumulated depreciation and amortization	<u>3,176,058</u>
	<u>\$ 1,359,608</u>

Depreciation and amortization expense for the year ended December 31, 2020 was \$202,398 and \$1,139, respectively.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2020

NOTE 6: CAPITAL LEASE OBLIGATIONS

During the year ended December 31, 2020, the District entered into three new capital lease obligations for certain office equipment that will expire in 2025. As of December 31, 2019, the District maintained one capital lease that is set to expire in July 2022. The assets 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, respectively. 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>7,297</u>
Net assets under capital lease obligations	\$	<u><u>23,701</u></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:

	<u>Present Value</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,205	\$ 1,487	\$ 5,692
2022	5,111	1,119	6,230
2023	2,965	851	3,816
2024	3,195	621	3,816
2025	<u>7,380</u>	<u>321</u>	<u>7,701</u>
	<u>\$ 22,856</u>	<u>\$ 4,399</u>	<u>\$ 27,255</u>

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2020

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>\$ 2,307,406</u>
Net assets released from donor restrictions	<u><u>\$ 2,307,406</u></u>

NOTE 8: NONCASH INVESTING AND FINANCING ACTIVITIES

The District had capital expenditures for equipment during the year ended December 31, 2020 as follows:

Purchase price	\$ 282,204
Equipment acquired with capital leases	(18,471)
Noncash donations received for vehicles	<u>(180,827)</u>
Cash paid	<u><u>\$ 82,906</u></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, 2020, this support represented approximately 81% 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. As of December 31, 2020, federal and state receivables from these contracts amounted to \$438,465.

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

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2020

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 \$87,475 to the Plan during the year ended December 31, 2020, which is included in Personnel costs / fringe benefits on the Statement of Activities.

NOTE 11: LEASES

The District leases office space to an unrelated party under an operating lease that expires on July 31, 2021. Total rental income from this operating lease was \$23,668 for the year ended December 31, 2020.

Future minimum rental payments to be received are as follows:

2021	\$	<u>4,952</u>
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The District rents office space from an unrelated party under annual operating leases that expire from December 2020 through June 2022. Rent expense was \$33,788 for the year ended December 31, 2020.

At December 31, 2020, future minimum lease payments is as follows:

2021	\$	17,477
2022		<u>6,076</u>
	\$	<u>23,553</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.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2020

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, which was presented as revenue on the Statement of Activities.

During the year ended December 31, 2020, 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 2021. The balance due to other agencies as of December 31, 2020 was \$503,806.

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	\$ 1,342,290
Receivables	<u>510,017</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,852,307</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. However, it is presumed that the District's operations may be impacted.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2020

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 23, 2021, 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, 2020

	NATS	WIOA	EDA	GA	Elimination of Allocated Administrative Costs	Total
REVENUE AND SUPPORT						
Federal funds	\$ 1,474,265	\$ 2,305,114	\$ 70,000	\$ 198,114	\$ -	\$ 4,047,493
State funds	310,213	-	43,112	-	-	353,325
Program income	401,622	-	7,136	-	-	408,758
Local funds	10,152	-	70,530	213,546	-	294,228
Other revenues	9,688	477	508,129	281	(233,465)	285,110
Interest income	369	48	1,205	8	-	1,630
In-kind contributions	33,421	-	-	-	-	33,421
Total Revenue and Support	<u>2,239,730</u>	<u>2,305,639</u>	<u>700,112</u>	<u>411,949</u>	<u>(233,465)</u>	<u>5,423,965</u>
EXPENSES						
Advertising	15,035	890	282	-	-	16,207
Building rent	5,280	42,529	3,175	-	-	50,984
Communications	18,391	13,993	20,376	1,560	-	54,320
Contracted services	8,598	-	1,282	-	-	9,880
Depreciation	172,165	5,365	25,556	451	-	203,537
In-kind expenses	33,421	-	-	-	-	33,421
Insurance and bonding	137,045	-	31,446	-	-	168,491
Interest	-	500	117	-	-	617
Maintenance and repairs	1,633	412	31,614	-	-	33,659
Materials and supplies	71,465	11,527	10,105	419	-	93,516
Meetings and conferences	-	407	-	-	-	407
Memberships /subscriptions / professional activity	22,898	4,569	21,611	340	-	49,418
Miscellaneous and administrative expenses	175,338	190,922	9,950	64,522	(233,465)	207,267
Participant expenses	-	286,837	-	-	-	286,837
Personnel costs / fringe benefits	863,259	847,759	447,182	213,628	-	2,371,828
Printing and reproduction	93	2,941	5,390	-	-	8,424
Professional fees	-	4,985	39,774	50,000	-	94,759
Program supplies	33,921	-	-	-	-	33,921
Property taxes	-	-	3,451	-	-	3,451
Support services	-	391,734	-	-	-	391,734
Training	590	492,355	3,823	3,712	-	500,480
Transportation	119,442	2,264	1,517	4,908	-	128,131
Travel	-	5,650	120	-	-	5,770
Utilities	9,427	-	17,675	-	-	27,102
Total Expenses	<u>1,688,001</u>	<u>2,305,639</u>	<u>674,446</u>	<u>339,540</u>	<u>(233,465)</u>	<u>4,774,161</u>
TRANSFERS BETWEEN FUNDS	<u>-</u>	<u>-</u>	<u>(13,654)</u>	<u>13,654</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE AND SUPPORT OVER EXPENSES	<u>\$ 551,729</u>	<u>\$ -</u>	<u>\$ 12,012</u>	<u>\$ 86,063</u>	<u>\$ -</u>	<u>\$ 649,804</u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Schedule of Revenue, Support and Expenses – WIOA Year ended December 31, 2020

	NEG		High		Dislocated	Special
	AR - 31	Youth	Concentration Youth	Adult	Worker	Projects
REVENUE AND SUPPORT						
Federal funds	\$ 185,973	\$ 425,800	\$ 18,474	\$ 548,343	\$ 423,285	\$ -
Other	-	-	-	-	-	525
Total Revenue and Support	<u>185,973</u>	<u>425,800</u>	<u>18,474</u>	<u>548,343</u>	<u>423,285</u>	<u>525</u>
EXPENSES						
Advertising	-	1	-	2	859	-
Building rent	1,262	9,272	-	11,907	11,801	-
Communications	533	3,366	-	3,529	3,032	23
Depreciation	151	1,108	-	1,093	1,218	-
Interest	12	104	-	110	103	-
Maintenance and repairs	12	99	-	161	84	-
Materials and supplies	525	2,634	-	2,583	2,872	-
Meetings and conferences	-	-	-	-	-	-
Memberships / subscriptions / professional activity	107	980	-	745	751	-
Miscellaneous and administrative expenses	7,888	61,707	-	20,791	40,713	-
Salaries	20,717	155,290	2,056	157,383	156,785	-
Payroll taxes	1,458	10,972	147	10,939	10,878	-
Participant wages	134,140	99,113	6,306	6,555	17,985	-
Participant payroll taxes / fees	10,757	8,108	511	832	1,552	-
Participant fringe benefits	-	710	188	-	14	-
Personnel costs / fringe benefits	5,461	28,674	(38)	33,474	25,885	-
Printing and reproduction	44	252	-	230	286	-
Professional fees	140	634	-	869	855	-
Support services	2,475	17,853	500	131,973	34,832	502
Training	7	22,143	8,804	163,015	111,552	-
Transportation	50	570	-	782	460	-
Travel	234	2,210	-	1,370	768	-
Total Expenses	<u>185,973</u>	<u>425,800</u>	<u>18,474</u>	<u>548,343</u>	<u>423,285</u>	<u>525</u>
TRANSFERS BETWEEN FUNDS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER (UNDER) EXPENSES						
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Schedule of Revenue, Support and Expenses – WIOA Year ended December 31, 2020

Regional Planning	Sector Partnership	Temporary Assistance for Needy Families	AR Expands Apprentice I	AR Expands Apprentice II	AR Apprentice Initiative	Total
\$ 4,393	\$ 4,881	\$ 416,161	\$ 16,195	\$ 216,560	\$ 45,049	\$ 2,305,114
-	-	-	-	-	-	525
<u>4,393</u>	<u>4,881</u>	<u>416,161</u>	<u>16,195</u>	<u>216,560</u>	<u>45,049</u>	<u>2,305,639</u>
-	-	26	-	1	1	890
74	135	4,394	370	1,787	1,527	42,529
8	64	2,173	77	568	620	13,993
5	16	1,366	32	183	193	5,365
1	1	134	3	17	15	500
5	2	-	8	32	9	412
209	265	1,377	87	460	515	11,527
-	407	-	-	-	-	407
4	5	1,676	23	123	155	4,569
82	198	45,499	(727)	11,909	2,862	190,922
2,753	2,311	130,429	4,606	27,162	21,091	680,583
136	216	9,638	323	1,915	1,494	48,116
-	-	-	-	-	-	264,099
7	2	-	12	42	3	21,826
-	-	-	-	-	-	912
223	305	16,344	964	4,265	3,503	119,060
869	875	298	7	39	41	2,941
-	-	2,020	9	160	298	4,985
-	-	200,100	3,499	-	-	391,734
1	1	-	6,831	167,480	12,521	492,355
7	8	195	22	107	63	2,264
9	70	492	49	310	138	5,650
<u>4,393</u>	<u>4,881</u>	<u>416,161</u>	<u>16,195</u>	<u>216,560</u>	<u>45,049</u>	<u>2,305,639</u>
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Schedule of Expenditures of Federal Awards Year ended December 31, 2020

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Revenue	Expenditures
Major Programs			
U. S. Department of Labor			
Passed through Arkansas Department of			
Workforce			
WIOA Cluster			
Youth	17.259	\$ 425,800	\$ 425,800
Adult	17.258	548,343	548,343
Dislocated Worker	17.278	423,285	423,285
Statewide Activities	17.259	6,158	6,158
Statewide Activities	17.258	6,158	6,158
Statewide Activities	17.278	6,158	6,158
Regional Planning	17.258	4,393	4,393
Sector Partnership	17.258	4,881	4,881
		<u>1,425,176</u>	<u>1,425,176</u>
U. S. Department of Health and Human Services			
Passed through Arkansas Department of			
Workforce			
Covid-19 Temporary Assistance			
for Needy Families	93.558	416,161	416,161
		<u>416,161</u>	<u>416,161</u>
Total Major Programs		<u>1,841,337</u>	<u>1,841,337</u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Schedule of Expenditures of Federal Awards Year ended December 31, 2020

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Revenue	Expenditures
<u>Nonmajor Programs</u>			
U. S. Department of Labor			
Passed through Arkansas Department of Workforce			
National Emergency Grant	17.277	185,973	185,973
AR Expands Apprenticeship	17.285	16,195	16,195
AR Expands Apprenticeship II	17.285	216,560	216,560
AR Apprenticeship Initiative	17.268	45,049	45,049
		<u>463,777</u>	<u>463,777</u>
U. S. Department of Commerce			
Title II, Section 203, Planning Assistance			
	11.302	70,000	70,000
Title II, Section 203, Planning Assistance			
	11.303	192,114	192,114
		<u>262,114</u>	<u>262,114</u>
U. S. Department of Transportation			
Passed through Arkansas State Highway Department			
Federal Transit Formula Grants			
Operating	20.507	1,097,006	1,097,006
Administration	20.507	365,868	365,868
Formula Grants for Rural Areas			
Capital	20.509	11,391	11,391
		<u>1,474,265</u>	<u>1,474,265</u>
Delta Regional Authority			
Delta Local Development District Assistance			
	90.202	6,000	6,000
Total Nonmajor Programs		<u>2,206,156</u>	<u>2,206,156</u>
Total Federal Awards		<u>\$ 4,047,493</u>	<u>\$ 4,047,493</u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Notes to Schedule of Expenditures of Federal Awards Year ended December 31, 2020

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, 2020

<u>Program Title</u>	<u>Description</u>	<u>Revenue</u>	<u>Expenditures</u>
Arkansas Department of Finance and Administration	Act 118	\$ 43,112	\$ 43,112
Arkansas Department of Transportation	Act 595	188,433	188,433
Arkansas Department of Transportation	Act 714	<u>121,780</u>	<u>121,780</u>
Total State Awards		<u>\$ 353,325</u>	<u>\$ 353,325</u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Schedule of Units of Service (Unaudited) Year ended December 31, 2020

	Participants Served in 2020
Workforce Innovation and Opportunity Act	
Youth	103
Adult	129
Dislocated Worker	75
NEG - severe storms and flooding (AR-31)	<u>15</u>
	<u><u>322</u></u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

State Required Supplemental Data Sheet Year ended December 31, 2020

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

See Independent Auditor's Report.



**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, 2020, 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 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwest Arkansas Economic Development District, Inc.’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 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 District’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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Arkansas Economic Development District, Inc.'s financial statements are free of 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*.

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



Landmark PLC
Certified Public Accountants

July 23, 2021
Rogers, Arkansas



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Northwest Arkansas Economic Development District, Inc.'s (the "District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2020. The District's major federal programs are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Northwest Arkansas Economic Development District, Inc. 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, 2020.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Landmark PLC
Certified Public Accountants

July 23, 2021
Rogers, Arkansas

Northwest Arkansas Economic Development District, Inc.

Schedule of Findings and Questioned Costs Year ended December 31, 2020

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)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Material weakness(es)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Material weakness(es)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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 Districts's major programs were:

Cluster/Program	CFDA Number
WIOA Cluster - Youth	17.259
WIOA Cluster - Adult	17.258
WIOA Cluster - Dislocated Worker	17.278
Covid-19 Temporary Assistance for Needy Families	93.558

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, 2020

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

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

Northwest Arkansas Economic Development District, Inc.

Summary Schedule of Prior Year Audit Findings Year ended December 31, 2020

There were no prior year audit findings for the year ended December 31, 2019.