



**Northwest Arkansas
Economic Development District, Inc.**
Financial Statements
and
Supplementary Information
December 31, 2022

(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 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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our 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.

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 18 – 23, 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 18 – 23 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The supplementary information listed on page 24 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 25, 2023, 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 25, 2023

Financial Statements

Northwest Arkansas Economic Development District, Inc.

Statement of Financial Position December 31, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,599,604
Receivables	797,472
Prepaid expenses	<u>88,420</u>

Total Current Assets \$ 3,485,496

PROPERTY AND EQUIPMENT, NET 1,568,924

TOTAL ASSETS \$ 5,054,420

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 180,747
Accrued expenses	167,784
Due to other agencies	503,806
Current portion of finance lease obligations	<u>5,799</u>

Total Current Liabilities \$ 858,136

LONG-TERM LIABILITY

Finance lease obligations, net of current portion 22,123

NET ASSETS

Without donor restrictions 4,174,161

Total Net Assets 4,174,161

TOTAL LIABILITIES AND NET ASSETS \$ 5,054,420

See accompanying notes to financial statements.

Northwest Arkansas Economic Development District, Inc.

Statement of Activities Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Federal funds	\$ 1,924,772	\$ 2,123,351	\$ 4,048,123
Federal funds - contributed nonfinancial assets	362,516	-	362,516
State funds	180,780	-	180,780
Program income	537,778	-	537,778
Local funds	470,836	-	470,836
Other revenues	272,058	-	272,058
Interest income	5,699	-	5,699
Contributed nonfinancial assets	45,157	-	45,157
Gain on sale of property and equipment	13,283	-	13,283
Net assets released from restrictions:			
Purpose restrictions met	2,123,351	(2,123,351)	-
Total Revenue and Support	5,936,230	-	5,936,230
EXPENSES			
Program services	4,910,618	-	4,910,618
Management and general	131,850	-	131,850
Total Expenses	5,042,468	-	5,042,468
CHANGE IN NET ASSETS	893,762	-	893,762
NET ASSETS, BEGINNING OF YEAR	3,280,399	-	3,280,399
NET ASSETS, END OF YEAR	\$ 4,174,161	\$ -	\$ 4,174,161

See accompanying notes to financial statements.

Northwest Arkansas Economic Development District, Inc.

Statement of Functional Expenses Year ended December 31, 2022

	Program Services			Total Programs	Management and General	Total
	NATS	WIOA	Other		Total	Total
Advertising	\$ 16,325	\$ 2,990	\$ 155	\$ 19,470	\$ 802	\$ 20,272
Building rent	6,343	42,447	2,530	51,320	-	51,320
Communications	23,695	23,146	9,311	56,152	1,606	57,758
Contracted services	21,244	-	-	21,244	-	21,244
Depreciation	218,057	11,696	28,826	258,579	1,120	259,699
In-kind expenses	45,157	-	-	45,157	-	45,157
Insurance and bonding	140,778	-	25,453	166,231	-	166,231
Interest	-	1,478	359	1,837	-	1,837
Maintenance and repairs	2,670	553	40,436	43,659	585	44,244
Materials and supplies	75,579	9,172	68,485	153,236	907	154,143
Meetings and conferences	-	1,519	4,613	6,132	-	6,132
Memberships / subscriptions / professional activity	26,573	3,483	14,897	44,953	-	44,953
Miscellaneous and administrative expenses	204,514	48,151	14,154	266,819	-	266,819
Participant expenses	-	141,816	-	141,816	-	141,816
Personnel costs / fringe benefits	949,743	1,021,982	643,808	2,615,533	125,168	2,740,701
Printing and reproduction	-	2,944	1,872	4,816	-	4,816
Professional fees	-	12,147	79,011	91,158	-	91,158
Program supplies	42,739	-	-	42,739	-	42,739
Property taxes	-	-	4,349	4,349	-	4,349
Support services	-	387,172	-	387,172	-	387,172
Training	6,549	215,544	28,484	250,577	462	251,039
Transportation	178,303	2,736	8,932	189,971	405	190,376
Travel	-	10,317	89	10,406	795	11,201
Utilities	14,470	-	22,822	37,292	-	37,292
	\$ 1,972,739	\$ 1,939,293	\$ 998,586	\$ 4,910,618	\$ 131,850	\$ 5,042,468

See accompanying notes to financial statements.

Northwest Arkansas Economic Development District, Inc.

Statement of Cash Flows Year ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets		\$ 893,762
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	\$ 259,699	
Noncash contribution of vehicles	(362,516)	
(Gain) on sale of property and equipment	(13,283)	
Change in:		
Receivables	(278,222)	
Prepaid expenses	(4,651)	
Accounts payable	44,561	
Accrued expenses	2,326	
		<u>(352,086)</u>
Total adjustments		<u>(352,086)</u>
Net Cash From Operating Activities		<u>541,676</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of property and equipment	13,808	
Purchase of property and equipment	<u>(120,134)</u>	
Net Cash (Used For) Investing Activities		<u>(106,326)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on finance lease obligations	<u>(7,509)</u>	
Net Cash (Used For) Financing Activities		<u>(7,509)</u>

NET CHANGE IN CASH

427,841

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

2,171,763

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 2,599,604

See accompanying notes to financial statements.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements

December 31, 2022

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, 2022

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less to be cash equivalents. At December 31, 2022, cash equivalents totaled \$386,946.

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, 2022.

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, 2022, the net book value of grant-funded property and equipment is approximately \$830,301. 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*.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements

December 31, 2022

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.

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.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements

December 31, 2022

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.

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 \$55,908 for the year ended December 31, 2022, 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, 2022.

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2022

Adoption of Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), which supersedes Topic 840, *Leases*. This ASU requires lessees to record a right-of-use asset and corresponding liability equal to the present value of future rental payments on the District's Statement of Financial Position for all leases with a term greater than one year. The leases will be classified as either finance or operating leases. This distinction will be relevant for the pattern of expense recognition in the Statement of Activities. Effective January 1, 2022, the District adopted ASU No. 2016-02 for the year ended December 31, 2022, using the optional new transition alternative method without restating prior periods. The District also elected the relief package of practical expedients of which there is no requirement to reassess existence of leases, their classification, and initial direct costs as well as an exemption for short term leases with a term of less than one year. The adoption of this ASU did not have a significant impact on the District's financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, (Topic 958). The ASU requires contributed nonfinancial assets to be presented as a separate line item in the Statement of Activities apart from contribution of cash and other financial assets. The ASU also requires a disaggregation of the amount of contributed nonfinancial assets recognized within the Statement of Activities by category that depicts the type of contributed nonfinancial assets, whether the contributed nonfinancial assets were monetized or utilized and additional disclosure requirements. Donor-imposed restrictions associated with the contributed nonfinancial assets is also required to be disclosed. The District adopted the ASU effective January 1, 2022, the first day of the District's fiscal year, using the retrospective approach. The ASU did not have a material impact on the District's financial statements.

NOTE 3: FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS

The District maintains cash balances with financial institutions in which in 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, 2022, the District did not have any uninsured/uncollateralized cash balances.

NOTE 4: RECEIVABLES

Receivables consist of the following:

	December 31, 2022	January 1, 2022
Federal and state receivables	\$ 674,280	\$ 473,399
Program receivables	123,192	45,851
	<u>\$ 797,472</u>	<u>\$ 519,250</u>

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2022

NOTE 5: PROPERTY AND EQUIPMENT

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

Land	\$	71,837
Buildings		887,753
Vehicles		2,789,698
Equipment		<u>971,902</u>
		4,721,190
Less accumulated depreciation		<u>3,152,266</u>
		<u><u>\$ 1,568,924</u></u>

NOTE 6: CONTRIBUTED NONFINANCIAL ASSETS

During the year ended December 31, 2022, contributed nonfinancial assets recognized within the Statement of Activities included the following:

	<u>Revenue Recognized</u>	<u>Utilization in Programs/ Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Supplies	\$ 45,157	NATS	No associated donor restrictions	The District estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States
Vehicles	\$ 362,516	NATS	No associated donor restrictions	The District estimated the fair value on the basis of the value provided by the grantor

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><u>\$ 2,123,351</u></u>

Northwest Arkansas Economic Development District, Inc.

Notes to Financial Statements December 31, 2022

NOTE 8: NONCASH INVESTING AND FINANCING ACTIVITIES

The District had capital expenditures for equipment during the year ended December 31, 2022 as follows:

Purchase price	\$ 500,280
Noncash donations received for vehicles	(362,516)
Equipment acquired by financing lease	<u>(17,630)</u>
Cash paid	<u>\$ 120,134</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, 2022, this support represented approximately 77% 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 \$92,969 to the Plan during the year ended December 31, 2022, which is included in Personnel costs / fringe benefits on the Statement of Functional Expenses.

NOTE 11: 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, 2022

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, 2022, 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 2023. The balance due to other agencies as of December 31, 2022 was \$503,806.

As of December 31, 2022, Arkansas Division of Workforce Services (ADWS) monitoring for the 2018, 2021, and 2022 program years have resulted in questioned costs totaling \$71,363 which the District has formally appealed or disputed and has not included as a liability.

NOTE 12: 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 and cash equivalents	\$ 2,599,604
Receivables	<u>797,472</u>
Total financial assets available within one year	3,397,076
Due to other agencies	<u>(503,806)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,893,270</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 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 25, 2023, 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, 2022

	NATS	WIOA	EDA Grant	State ACT Funds	Indirect	Grant Administration	Other Grants	Elimination of Allocated Administrative Costs	Total
REVENUE AND SUPPORT									
Federal funds	\$ 2,021,343	\$ 2,123,351	\$ 70,000	\$ -	\$ -	\$ -	\$ 195,945	\$ -	\$ 4,410,639
State funds	135,780	-	-	45,000	-	-	-	-	180,780
Program income	530,177	-	-	-	7,601	-	-	-	537,778
Local funds	45,295	-	-	-	52,230	373,311	-	-	470,836
Other revenues	3,000	-	-	-	503,970	7,086	-	(241,998)	272,058
Gain on sale of property and equipment	12,315	968	-	-	-	-	-	-	13,283
Interest income	4,442	32	-	-	1,153	72	-	-	5,699
Contributed nonfinancial assets	45,157	-	-	-	-	-	-	-	45,157
Total Revenue and Support	<u>2,797,509</u>	<u>2,124,351</u>	<u>70,000</u>	<u>45,000</u>	<u>564,954</u>	<u>380,469</u>	<u>195,945</u>	<u>(241,998)</u>	<u>5,936,230</u>
EXPENSES									
Advertising	16,325	2,990	-	53	102	802	-	-	20,272
Building rent	6,343	42,447	-	-	2,530	-	-	-	51,320
Communications	23,695	23,146	-	58	6,166	1,606	3,087	-	57,758
Contracted services	21,244	-	-	-	-	-	-	-	21,244
Depreciation	218,057	11,696	-	-	28,826	1,120	-	-	259,699
In-kind expenses	45,158	-	-	-	-	-	-	-	45,158
Insurance and bonding	140,778	-	-	-	25,453	-	-	-	166,231
Interest	-	1,478	-	-	359	-	-	-	1,837
Maintenance and repairs	2,670	553	747	450	39,239	585	-	-	44,244
Materials and supplies	75,579	9,172	65	2,196	8,514	907	57,710	-	154,143
Meetings and conferences	-	1,519	-	4,613	-	-	-	-	6,132
Memberships / subscriptions / professional activity	26,573	3,483	4,084	-	10,813	-	-	-	44,953
Miscellaneous and administrative expenses	204,513	235,433	-	1,342	12,812	54,716	-	(241,998)	266,818
Participant expenses	-	141,816	-	-	-	-	-	-	141,816
Personnel costs / fringe benefits	949,743	1,021,982	65,060	19	467,474	125,168	111,255	-	2,740,701
Printing and reproduction	-	2,944	-	-	677	-	1,195	-	4,816
Professional fees	-	12,147	-	27,602	51,409	-	-	-	91,158
Program supplies	42,739	-	-	-	-	-	-	-	42,739
Property taxes	-	-	-	-	4,349	-	-	-	4,349
Support services	-	387,172	-	-	-	-	-	-	387,172
Training	6,549	215,544	43	8,411	9,795	462	10,235	-	251,039
Transportation	178,303	2,736	-	162	4,311	405	4,459	-	190,376
Travel	-	10,317	-	89	-	795	-	-	11,201
Utilities	14,470	-	-	-	22,822	-	-	-	37,292
Total Expenses	<u>1,972,739</u>	<u>2,126,575</u>	<u>69,999</u>	<u>44,995</u>	<u>695,651</u>	<u>186,566</u>	<u>187,941</u>	<u>(241,998)</u>	<u>5,042,468</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER (UNDER) EXPENSES	<u>\$ 824,770</u>	<u>\$ (2,224)</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ (130,697)</u>	<u>\$ 193,903</u>	<u>\$ 8,004</u>	<u>\$ -</u>	<u>\$ 893,762</u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Schedule of Revenue, Support and Expenses – WIOA Year ended December 31, 2022

	NEG AR - 31	Youth	Adult	Dislocated Worker	WIOA Other	Special Projects	Total
REVENUE AND SUPPORT							
Federal funds	\$ 4,704	\$ 705,273	\$ 852,249	\$ 414,259	\$ 146,866	\$ -	\$ 2,123,351
Gain on sale of property and equipment	-	309	243	337	79	-	968
Interest income	-	-	-	-	-	32	32
Total Revenue and Support	<u>4,704</u>	<u>705,582</u>	<u>852,492</u>	<u>414,596</u>	<u>146,945</u>	<u>32</u>	<u>2,124,351</u>
EXPENSES							
Advertising	3	618	562	508	544	755	2,990
Building rent	-	15,945	13,219	9,531	3,752	-	42,447
Communications	-	8,066	6,556	5,843	2,681	-	23,146
Depreciation	-	4,294	3,563	2,904	935	-	11,696
Interest	-	538	446	357	137	-	1,478
Maintenance and repairs	-	208	170	118	57	-	553
Materials and supplies	-	2,963	2,424	2,198	959	628	9,172
Meetings and conferences	-	419	329	378	104	289	1,519
Memberships / subscriptions / professional activity	-	1,251	1,049	922	261	-	3,483
Miscellaneous and administrative expenses	456	88,555	73,143	48,829	24,450	-	235,433
Participant expenses	-	97,472	18,514	1,124	24,706	-	141,816
Personnel costs / fringe benefits	4,245	357,406	305,559	271,345	83,427	-	1,021,982
Printing and reproduction	-	979	813	758	394	-	2,944
Professional fees	-	4,319	4,696	1,714	1,418	-	12,147
Support services	-	67,873	283,558	34,969	(5)	777	387,172
Training	-	48,826	133,994	29,837	2,112	775	215,544
Transportation	-	994	790	671	281	-	2,736
Travel	-	4,547	2,864	2,253	653	-	10,317
Total Expenses	<u>4,704</u>	<u>705,273</u>	<u>852,249</u>	<u>414,259</u>	<u>146,866</u>	<u>3,224</u>	<u>2,126,575</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER (UNDER) EXPENSES							
	<u>\$ -</u>	<u>\$ 309</u>	<u>\$ 243</u>	<u>\$ 337</u>	<u>\$ 79</u>	<u>\$ (3,192)</u>	<u>\$ (2,224)</u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Schedule of Expenditures of Federal Awards Year ended December 31, 2022

<u>Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Revenue</u>	<u>Expenditures</u>
Major Programs			
U. S. Department of Labor			
Passed through Arkansas Department of Workforce			
WIOA Cluster			
Youth	17.259	\$ 705,273	\$ 705,273
Adult	17.258	852,249	852,249
Dislocated Worker	17.278	414,259	414,259
High-Concentration Youth	17.259	20,043	20,043
Regional Planning	17.258	17,103	17,103
Sector Partnership	17.259	10,655	10,655
		<u>2,019,582</u>	<u>2,019,582</u>
U. S. Department of Transportation			
Passed through Arkansas State			
Highway Department			
Formula Grants for Rural Areas			
Capital	20.509	11,395	11,395
Capital	20.509	362,516	362,516
Administration	20.509	457,429	457,429
Operating	20.509	1,190,003	1,190,003
		<u>2,021,343</u>	<u>2,021,343</u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Schedule of Expenditures of Federal Awards Year ended December 31, 2022

<u>Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Revenue</u>	<u>Expenditures</u>
<u>Nonmajor Programs</u>			
U. S. Department of Labor			
Passed through Arkansas Department of Workforce			
National Emergency Grant	17.277	\$ 4,704	\$ 4,704
		<u>4,704</u>	<u>4,704</u>
U. S. Department of Commerce			
Direct Programs			
Title II, Section 203, Planning Assistance Economic Development Cluster	11.302	70,000	70,000
COVID-Economic Adjustment Assistance	11.307	124,696	124,696
		<u>194,696</u>	<u>194,696</u>
U. S. Department of Justice			
Direct Program			
Treatment Court Discretionary Grant Program	16.585	71,249	71,249
U. S. Department of Health and Human Services			
Direct Program			
Temporary Assistance for Needy Families	93.558	99,065	99,065
Total Nonmajor Programs		<u>369,714</u>	<u>369,714</u>
Total Federal Awards		<u>\$ 4,410,639</u>	<u>\$ 4,410,639</u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Notes to Schedule of Expenditures of Federal Awards Year ended December 31, 2022

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.

NOTE C: WIOA GRANTS

The District has included all workforce related grants, which includes the WIOA cluster, National Emergency Grant, and Temporary Assistance for Needy Families Grant, in the WIOA category of the Schedules of Revenue, Support, and Expenses.

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Schedule of Expenditures of State Awards Year ended December 31, 2022

<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	14,000	14,000
Arkansas Department of Transportation	Act 714	<u>121,780</u>	<u>121,780</u>
Total State Awards		<u>\$ 180,780</u>	<u>\$ 180,780</u>

See Independent Auditor's Report.

Northwest Arkansas Economic Development District, Inc.

Schedule of Units of Service (Unaudited) Year ended December 31, 2022

	<u>Participants Served</u>
Workforce Innovation and Opportunity Act	
Youth	108
Adult	137
Dislocated Worker	<u>36</u>
	<u>281</u>

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2023.

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.

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 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 result 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.

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

Rogers, Arkansas
July 25, 2023



**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.
Harrison, Arkansas

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

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, 2022. 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 and Unmodified Opinions 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, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the District 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 other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2022.

Basis for Qualified and Unmodified Opinions

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.

Matter 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 2022-001 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.

Other Matters

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 written in a cursive, slightly slanted style.

Rogers, Arkansas
July 25, 2023

Northwest Arkansas Economic Development District, Inc.

Schedule of Findings and Questioned Costs Year ended December 31, 2022

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 considered material to the financial statements for the year ended December, 31, 2022.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2022-001: WIOA Cluster – Federal Assistance Listing Number 17.258, 17.259, and 17.278

Material Instances of Non-compliance:

Condition: The District has multiple findings that remain unresolved from Program Year (PY) 18 and PY21 monitoring by ADWS. These findings have identified questioned costs totaling \$71,363 that may be required to be repaid to ADWS. Failure to successfully appeal these findings with ADWS will result in a material amount of disallowed costs to be repaid to ADWS.

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

Cause and Context:

ADWS conducted monitoring of the District on April 22-26, 2019 for the 2018 program year. Based on the information gathered during the review ADWS identified various questioned costs. The majority of these findings have been successfully appealed in favor of NWAEDD. However, one finding remains that has not yet been resolved. Financial Finding #7 PY 2018 has resulted in questioned costs in the amount of \$38,739. The District has appealed this finding and is awaiting response from a June 7, 2023 hearing with the Appeal Tribunal.

ADWS conducted monitoring of the District on April 25-May 25, 2022 for the 2021 program year. Based on the information gathered during the review, ADWS is questioning costs totaling \$32,624. NWAEDD provided a response disputing these findings on February 8, 2023 but has not yet received a formal response from ADWS.

The auditor is unable to determine whether ADWS will ultimately disallow these questioned costs. ADWS has appeal and adjudication procedures for questioned costs. Accordingly, all questioned costs are subject to uncertainty regarding their resolution.

Effect: Failure to successfully 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 ADWS to ensure resolution of findings.

Views of Responsible Officials and Planned Corrective Actions: See Management Corrective Action Plan.

Northwest Arkansas Economic Development District, Inc.

Summary Schedule of Prior Year Audit Findings Year ended December 31, 2022

Prior Year Finding No. 2021-001: WIOA Cluster – Federal Assistance Listing Number 17.258, 17.259, and 17.278.

Material Instances of Non-compliance:

Condition: As of December 31, 2021 the District had multiple financial findings that remained unresolved from PY18 that resulted in identified disallowed costs that may be required to be repaid to ADWS. Failure to successfully appeal these findings with ADWS will result in a material amount of disallowed costs to be repaid to ADWS.

Recommendation: The auditor recommended that management and the governing body continue to work with ADWS to ensure resolution of financial findings.

Current Status: ADWS conducted monitoring of the District on April 22-26, 2019 for the 2018 program year. ADWS's final determination of these findings was on July 6, 2021. Based on the information gathered during the review ADWS identified the following findings.

- 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. The District has appealed this finding and is awaiting response from a June 7, 2023 hearing with the Appeal Tribunal.
- 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 acknowledged that the lease payments were unintentional violations of 2 CFR 200.465 and stopped the practice when identified by ADWS. This finding was formally appealed on November 29, 2021 and on March 2, 2023 ADWS and the District settled the finding for \$6,222. The District will pay ADWS after conclusion of other findings pending response from the Appeal Tribunal.



July 25, 2023

Mr. John Evans, CPA
Landmark PLC, Certified Public Accountants
2003 South Horsebarn Road, Suite 4
Rogers, AR 72758

Dear Mr. Evans,

This letter is intended to serve as the management response to the Landmark PLC 2022 Independent Auditor's Report ("the report") of the Northwest Arkansas Economic Development District, Inc. ("NWAEDD"). As noted in the report, Landmark PLC was tasked with conducting a review of the NWAEDD financial statements for compliance with GAAP as well as the overall adequacy of and adherence to internal controls and policies, along with compliance with Federal program rules. Landmark staff members conducted themselves with professionalism and courtesy during the audit and were extremely helpful in every respect. NWAEDD management and its executive and audit committees have reviewed the report and concur substantially with all relevant matters contained therein.

While no significant deficiencies or material weaknesses were reported, we do acknowledge the ongoing matter of WIOA questioned costs from PY 18 and PY 21. As we communicated to the audit team and as confirmed by documentation provided, we are in varying levels of discussions for resolution with ADWS on these issues, ranging from an initial response for one program year to awaiting an answer from the Arkansas Appeal Tribunal on the other. We have been fully transparent with our leadership and are well prepared to address these matters as needed with no disruption or material effect on our operations. We commit to apprising Landmark PLC of any developments on this front should any occur prior to the publication of the completed audit.

Thank you again for your firm's assistance and the way your team conducted itself.

Respectfully,

A handwritten signature in black ink that reads "Joe Willis".

Joe Willis
Executive Director