

Northeast Indiana Works, Inc.

Fort Wayne, Indiana

Audited Financial Statements and Additional Information

June 30, 2016 and 2015



Northeast Indiana Works, Inc.
Audited Financial Statements and Additional Information
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Table of Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Other Information	
Schedule A-1: Expenditures of Federal Awards and Other Financial Assistance	
For the year ended June 30, 2016	10
Notes to Schedule of Federal Expenditures and Other Assistance	12
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	13
Independent Auditor's Report on Compliance for Each Major Program and Internal Control Over Compliance required by Uniform Guidance	15
Schedule of Findings and Questioned Costs	17



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Northeast Indiana Works, Inc.
Fort Wayne, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Northeast Indiana Works, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and net assets, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 entity'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 Northeast Indiana Works, Inc. as of June 30, 2016 and 2015, 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.

Other Matters

Other Information

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 and other assistance, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2017 on our consideration of Northeast Indiana Works, Inc.'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 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 Northeast Indiana Works, Inc.'s internal control over financial reporting and compliance.

Danton & Co., P.C.

February 16, 2017

Northeast Indiana Works, Inc.

Statements of Financial Position June 30, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 533,576	\$ 383,591
Grants and contracts receivable	983,879	1,006,381
Other receivables	853	840
Prepaid expenses	<u>99,691</u>	<u>110,663</u>
Total current assets	<u>1,617,999</u>	<u>1,501,475</u>
Total assets	<u><u>\$ 1,617,999</u></u>	<u><u>\$ 1,501,475</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 743,893	\$ 1,289,821
Accrued payroll and related expenses	101,021	198,204
Deferred revenue	<u>758,710</u>	<u>-</u>
Total current liabilities	<u>1,603,624</u>	<u>1,488,025</u>

NET ASSETS

Unrestricted	7,817	9,216
Temporarily restricted	<u>6,558</u>	<u>4,234</u>
Total net assets	<u>14,375</u>	<u>13,450</u>
Total liabilities and net assets	<u><u>\$ 1,617,999</u></u>	<u><u>\$ 1,501,475</u></u>

Northeast Indiana Works, Inc.

Statements of Activities and Net Assets
For the years ended June 30, 2016 and 2015

	2016	2015
Unrestricted Net Assets		
REVENUE		
Federal and state grants	\$ 8,871,714	\$ 10,040,657
Contributions	-	10,000
Other Income	140,418	57,803
	9,012,132	10,108,460
Assets released from restrictions	444	32,616
Total revenue	9,012,576	10,141,076
EXPENSES		
Program Activities - Customer Related Expenses		
Classroom Training	776,922	1,259,160
On-The-Job Training	199,302	269,894
Supportive Services	27,349	49,652
Service Provider Expenses	4,206,706	4,012,670
WorkOne Operations	3,265,462	3,975,219
Total Program Activities	8,475,741	9,566,595
Administration	538,234	566,492
Total expenses	9,013,975	10,133,087
Increase (decrease) in unrestricted net assets	(1,399)	7,989
Temporarily restricted		
Contributions	2,768	15,986
Assets released from restrictions	(444)	(32,616)
Increase (decrease) in temporarily restricted net assets	2,324	(16,630)
Increase (decrease) in net assets	925	(8,641)
Net assets beginning of the year	13,450	22,091
Net assets at the end of the year	\$ 14,375	\$ 13,450

Northeast Indiana Works, Inc.
 Statements of Cash Flows
 For the years ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 925	\$ (8,641)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities: (Increase) decrease in cash from changes in:		
Grants receivable	22,502	(101,457)
Other receivables	(13)	1,190
Prepaid expenses	10,972	16,664
Increase (decrease) in cash from changes in:		
Accounts payable	(545,928)	422,234
Accrued payroll and related expenses	(97,183)	7,882
Deferred revenue	758,710	(111,102)
Net cash provided by operating activities	149,985	226,770
Cash and cash equivalents, beginning of year	383,591	156,821
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 533,576	\$ 383,591

See Independent Auditor's Report.

See accompanying notes to financial statements.

Northeast Indiana Works, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

Note 1 Summary of Significant Accounting Policies

Nature of Operations

Northeast Indiana Regional Workforce Investment Board, Inc. was organized as a not-for-profit corporation in 2011. On April 29, 2014, the organization received approval to change the organization's name to Northeast Indiana Works, Inc. (NEINW). The corporation was formed to receive and administer funds for educational, charitable, job training and workforce development purposes. Currently the corporation oversees Workforce Development Services provided in eleven (11) counties in Northeast Indiana. For the fiscal years ending June 30, 2016 and 2015, over 94% and 99% of the total revenue is federal pass-through funding or state funding received on behalf of the Region 3 Workforce Board from the State of Indiana, Department of Workforce Development. NEINW began providing financial services for Alliance for Strategic Growth. This contract is for services in East Central Indiana, Region 6 and was effective as of December 31, 2015.

Basis of Accounting

The financial statements of NEINW have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Financial Statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-210-45, *Financial Statements of Not-for-Profit Organizations*. Under ASC, not-for-profit organizations are required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2016 and 2015, NEINW only had unrestricted net assets and temporarily restricted net assets. At June 30, 2016, the temporarily restricted net assets of \$6,558 were restricted for website design (\$1,321), veteran's event (\$899), and medical loss (\$4,338). At June 30, 2015, NEINW temporarily restricted net assets of \$4,234 were restricted for veteran's event (\$664) and medical loss (\$3,570).

Grants and Accounts Receivable

Grants and accounts receivable are evaluated as to their collectability annually, if not more frequently, and any anticipated uncollectible accounts are written off when deemed uncollectible. All accounts were deemed collectible as of June 30, 2016 and 2015.

Property and Equipment

Property and equipment purchased with grant funds is overseen by the State of Indiana while used in the programs overseen by NEINW. The value of this property is not presented in NEINW's financial statements since this property is owned by the State of Indiana or the Federal government.

Use of Estimates

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

Northeast Indiana Works, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

Revenue Recognition

Contributions are recognized when the donor makes a promise to give a donation to NEINW that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are either recorded as grant revenue or exchange transactions based on criteria contained in the grant award. NEINW only recorded grants as grant revenue for the years ending June 30, 2016 and 2015.

Grant Awards that are reflected as Grant Revenue

Grant awards that are reimbursement arrangements are recorded as revenue based on revenues earned. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance and are recorded as deferred revenue.

Income Taxes

NEINW is a not-for-profit organization under Section 501 (c) (3) of the Internal Revenue Code and is exempt from federal and Indiana income taxes. NEINW believes that it has appropriate support for any tax provisions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NEINW's exempt organization income tax returns (Form 990), for the years ended June 30, 2015, 2014 and 2013 are subject to examination by the IRS, generally for three years after the returns have been filed.

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefits of the organization's purposes and programs, which cannot be readily identified with the final cost objective.

Cash Equivalents

The NEINW considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

NEINW maintains cash balances at one commercial bank. The bank where the organization's accounts are maintained participates in the Transaction Account Guarantee (TAG) program. All balances over \$250,000 were insured by this program as of June 30, 2016 and 2015. NEINW has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Northeast Indiana Works, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

Concentration of Credit Risk (Continued)

Grants receivable and contracts receivable, as discussed in Note 2, are primarily receivable from Indiana Department of Workforce Development. These receivables are related to Federal grants from or through the U.S. Department of labor, grants from the state of Indiana, and two other local agencies. NEINW considers these receivables fully collectible and has not experienced any previous losses.

Note 2 Grant and Contracts Receivable

Grants and contracts receivable consists of the following for June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Indiana Department of Workforce Development	\$935,892	\$ 961,494
Northeast Indiana Regional Partnership	34,322	24,887
Alliance for Strategic Growth	13,665	-
Region 3 Works Council-CTE Awareness	-	20,000
	<u>\$983,879</u>	<u>\$1,006,381</u>

Note 3 Employee Retirement Plan

NEINW has a 401k plan open to all regular, full-time employees. NEINW contributes 3% of the employee's base salary; if the employee contributes 3%, then NEINW will match that 3% contribution. NEINW contributions for the years ended June 30, 2016 and 2015 were \$114,099 and \$92,735, respectively.

Note 4 Operating Leases

NEINW leases space for the operation of its programs under twelve operating leases. The current leases have varying expiration dates through February 2018. All leases contain a funding out clause. Lease expense for the years ended June 30, 2016 and 2015 was \$645,458 and \$616,096, respectively. Future minimum lease payments under the operating leases beyond June 30, 2016 are as follows:

June 30, 2017	\$365,583
June 30, 2018	\$159,700

Northeast Indiana Works, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

Note 5 Related Party Transactions

Members of NEINW Board of Directors are defined by United States Department of Labor statutes and implementing regulations for the Workforce Innovation and Opportunity Act. The state of Indiana also has defined the membership requirements by state statute and policies. One member of the Board of Directors is employed by Indiana Department of Workforce Development, the Indiana administering agency, which provided over 94% and 99% of NEINW's funding for the years ended June 30, 2016 and 2015. Two other Members of the Board of Directors are employed by governmental educational institutions that provide training services to participants for programs NEINW is administering. NEINW also subleases its office space from a company that an employee is also a member of the Board of Directors and also had a professional services contract and participant training contract with this same company. The lease agreement was procured prior to the individual becoming a member of the Board of Directors. Program expenses included in the statements of activities in connection with the above described relationships are as follows for 2016 and 2015:

	<u>2016</u>		<u>2015</u>	
	<u>Accounts Payable</u>	<u>Expenditures</u>	<u>Accounts Payable</u>	<u>Expenditures</u>
Fort Wayne Community Schools	\$ 174,069	\$ 1,148,087	\$ 330,659	\$ 903,014
Ivy Tech Community College	<u>45,462</u>	<u>181,912</u>	<u>83,921</u>	<u>325,551</u>
	<u>\$ 219,531</u>	<u>\$ 1,329,999</u>	<u>\$ 414,580</u>	<u>\$ 1,228,565</u>

Note 6 Evaluation of Subsequent Events

NEINW has evaluated subsequent events through February 16, 2017, the date, which the financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in these financial statements.

Northeast Indiana Works, Inc.
Schedule of Expenditures of Federal Awards and Other Financial Assistance
For the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA #	Pass-Through Entity Grant #	Passed Through to Subrecipients	Expenditures
Department of Labor Pass-Through the Indiana Department of Workforce Development for WIA/WIOA Cluster				
WIA/WIOA Adult Program	17.258	WIB403/WIB503	\$ -	\$ 1,388,316
			-	-
		Subtotal 17.258	-	1,388,316
WIA/WIOA Youth	17.259	WIB403/WIB503	1,469,895	2,008,868
WIA/WIOA Dislocated Worker	17.278	WIB403/WIB503	-	1,551,775
WIA/WIOA Dislocated Worker	17.278	RR403	-	38,143
WIA/WIOA Dislocated Worker	17.278	BC503	-	84,000
WIA/WIOA Dislocated Worker	17.278	IS403	-	1,384
		Subtotal 17.278	-	1,675,302
Total WIA/WIOA Cluster			1,469,895	5,072,486
Department of Labor Pass-Through the Indiana Department of Workforce Development for Employment Service Cluster				
Employment Service/Wagner Peyser Funded Activities	17.207	IS403	-	159,829
Employment Service/Wagner Peyser Funded Activities	17.207	BC503	-	36,000
		Subtotal 17.207	-	195,829
Disabled Veteran's Outreach Program (DVOP)	17.801	IS403	-	19,954
Local Veteran's Employment Representative Program	17.804	IS403	-	17,209
Total Employment Service Cluster			-	232,992
Department of Labor Pass-Through the Indiana Department of Workforce Development				
Unemployment Insurance	17.225	IS403	-	148,925
Unemployment Insurance	17.225	RESEA503	-	84
		Subtotal 17.225	-	149,009
Trade Adjustment Assistance	17.245	IS403	-	2,692
Trade Adjustment Assistance	17.245	TAACM503	-	6,300
		Subtotal 17.245	-	8,992
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	NEGDWT303	-	124,063
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	SPDWG503	-	2,164
		Subtotal 17.277	-	126,226
Incentive Grants-WIA Section 503	17.267	WIAIN403	-	125,881
Total Department of Labor			1,469,895	5,715,586

Northeast Indiana Works, Inc.
Schedule of Expenditures of Federal Awards and Other Financial Assistance
For the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA #	Pass-Through Entity Grant #	Passed Through to Subrecipients	Expenditures
Department of Education Pass-Through the Indiana Department of Workforce Development				
Adult Education - Basic Grants to States	84.002A	AE503	609,681	653,219
Total Department of Education			609,681	653,219
Department of Health and Human Services Pass-Through the Indiana Department of Workforce Development				
Temporary Assistance for Needy Families	93.558	JAGT503	-	285
Total Department of Health and Human Services			-	285
Total Expenditures of Federal Awards			2,079,576	6,369,090
Indiana Funds from Indiana Department of Workforce Development				
Adult Education - State	None	AE503	1,435,745	1,555,655
CTE Case Management	None	CTE503	-	5,616
JAG Expansion	None	JAG403/JAG503	691,385	735,787
WorkINDiana	None	WIN403/WIN503	-	202,759
Total Indiana Expenditures			2,127,130	2,499,817
Other Activity				
Professional Services Agreement - Regional Partnership	N/A	N/A	-	15,000
Professional Services Agreement - Alliance for Strategic Growth	N/A	N/A	-	57,122
Skill UP - Regional Partnership	N/A	N/A	-	29,807
Connect to Careers	N/A	N/A	-	41,297
Unrestricted net assets expenditures	NA	NA	-	1,842
Total Other Activity			-	145,069
Total Expenditures			\$ 4,206,706	\$ 9,013,975

Northeast Indiana Works, Inc.

Notes to the Schedule of Expenditures of Federal Awards and Other Financial Assistance
For the Year Ended June 30, 2016

Note 1. Basis of Presentation

This schedule includes the federal grant activity of Northeast Indiana Works, Inc. and is presented on the accrual basis of accounting, which is described in Note 1 to the Northeast Indiana Works, Inc.'s financial statements. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance section 200.510(b). The schedule presents only a selected portion of information included on the statement of activities; it is not intended to and does not present the financial position, changes in net assets, or cash flows of Northeast Indiana Works, Inc.

Note 2. Summary of Significant Accounting Policies.

The schedule has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), and accordingly includes accrued expenses for each program.

Note 3. De Minimis Indirect Cost Rate

Northeast Indiana Works, Inc. has not elected to use the 10-percent *de minimis* cost rate allowed under the Uniform Guidance.



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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*

To the Board of Directors of
Northeast Indiana Works, Inc.
Fort Wayne, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northeast Indiana Works, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Indiana Works, Inc.'s internal control over financial reporting (internal control) to determine the 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 Northeast Indiana Works, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Northeast Indiana Works, Inc.'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Indiana Works, Inc.'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 determination of financial statement amounts. 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dunton & Co., P.C.

February 16, 2017



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

To the Board of Directors of
Northeast Indiana Works, Inc.
Fort Wayne, Indiana

Report on Compliance for Each Major Federal Program

We have audited Northeast Indiana Works, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northeast Indiana Works, Inc.'s major federal programs for the year ended June 30, 2016. Northeast Indiana Works, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northeast Indiana Works, 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 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 Northeast Indiana Works, Inc.'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 Northeast Indiana Works, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Northeast Indiana Works, 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 June 30, 2016.

Report on Internal Control Over Compliance

Management of Northeast Indiana Works, 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 Northeast Indiana Works, Inc.'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 the 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 Northeast Indiana Works, Inc.'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.

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.

Dunton & Co., P.C.

February 16, 2017

Northeast Indiana Works, Inc.

Schedule of Findings and Questioned Costs

Annual Audit June 30, 2016

Section I: Summary of Auditor's Results

Financial Statements

What were the results of the auditor's determination whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Is a "going concern" emphasis-of-matter paragraph
Included in the auditor's report? No

Internal Control over financial reporting:

- Significant Deficiency Disclosed? No
- Material Weakness Disclosed? No

Noncompliance material to
Financial statements disclosed? No

Federal Awards

Internal Control over Major Federal Programs:

- Significant Deficiency Disclosed? No
- Material Weakness Disclosed? No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required
To be reported in accordance with 2 CFR 200.516(a)? No

Identification of Major Federal Programs:

17.258, 17.259 and 17.278 WIA/WIOA Cluster

Northeast Indiana Works, Inc.

Schedule of Findings and Questioned Costs

Annual Audit June 30, 2016

Dollar threshold used to distinguish between
Type A and Type B programs:
\$750,000

Auditee qualified as a low-risk auditee? Yes

Were Prior Audit Findings related to direct funding
Shown in the Summary Schedule of Prior Audit Findings? None

Indicate which Federal agency(ies) have current year audit
Findings related to direct funding or prior audit findings
Shown in the Summary Schedule of Prior Audit Findings
related to direct funding. None

Section II: Financial Statement Findings

None

Section III: Federal Award Findings and Questioned Costs

Findings: None

Questioned Costs: None