

EMPLOYMENT AND TRAINING SERVICES, INC.

**Independent Auditor's Report
and Financial Statements**

June 30, 2020

EMPLOYMENT AND TRAINING SERVICES, INC.

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**INDEPENDENT
AUDITOR'S
REPORT**



Welch, Couch & Company, PA Certified Public Accountants

John Ed Welch, CPA | William T. Couch, Jr., CPA
Jeff D. Welch, CPA, JD | Rachel M. Pennywitt, CPA

Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Employment and Training Services, Inc.
Jonesboro, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of Employment and Training Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Employment and Training Services, Inc. as of June 30, 2020, 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.

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, 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* and remaining supplementary information as listed in the table of contents, 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 supplementary information and the schedule of expenditures of federal awards are 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 October 9, 2020, on our consideration of Employment and Training Services, 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 Employment and Training Services, Inc.'s internal control over financial reporting and compliance.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
October 9, 2020

**FINANCIAL
STATEMENTS**

EMPLOYMENT AND TRAINING SERVICES, INC.

Statement of Financial Position

June 30, 2020

Assets

Current assets

Cash and cash equivalents	\$ 13,808
Receivable from grantor	49,069
Total current assets	<u>62,877</u>

Total assets	<u>\$ 62,877</u>
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Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 62,877
Total current liabilities	<u>62,877</u>

Net Assets

Without donor restrictions	-
Total net assets	<u>-</u>

Total liabilities and net assets	<u>\$ 62,877</u>
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The notes to financial statements are an integral part of this statement.

EMPLOYMENT AND TRAINING SERVICES, INC.

Statement of Activities

For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>
Revenues, gains, and other support	
Grant proceeds	\$ 1,390,350
Total revenues, gains, and other support	<u>1,390,350</u>
Program expenditures	
Adult program	516,257
Dislocated workers	278,066
Youth activities	408,651
TEA/WIOA	64,810
Total program expenditures	<u>1,267,784</u>
General and administrative expenditures	<u>122,566</u>
Total expenditures	<u>1,390,350</u>
Change in net assets without donor restrictions	<u>2</u>
Net assets, beginning of year	<u>-</u>
Net assets, end of year	<u>\$ 2</u>

The notes to financial statements are an integral part of this statement.

EMPLOYMENT AND TRAINING SERVICES, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program Expenses					Total Program	General and Administrative	Total Expenses
	Adult	Dislocated Worker	Youth	One Stop	-			
Expenses								
Staff salaries	\$ 141,963	\$ 90,252	\$ 135,741	\$ 19,117	\$ 387,073	\$ 66,521	\$ 453,594	
Staff benefits	44,144	27,975	50,767	5,863	128,749	21,429	150,178	
Rent and utilities	17,914	11,230	16,956	2,373	48,473	8,503	56,976	
Communications	2,404	1,385	2,295	315	6,399	1,131	7,530	
Postage	218	123	111	15	467	96	563	
Supplies	1,545	1,018	1,846	213	4,622	1,159	5,781	
Computer upgrade	3,240	1,745	2,564	-	7,549	-	7,549	
Travel	6,233	3,943	5,865	862	16,903	3,272	20,175	
Printing	-	-	-	-	-	7	7	
Equipment lease	576	590	839	182	2,187	385	2,572	
Maintenance	2,041	1,039	2,016	208	5,304	1,561	6,865	
Payroll service	-	-	-	-	-	595	595	
Bond and insurance	-	-	-	-	-	10,057	10,057	
Legal and accounting	-	-	-	-	-	7,850	7,850	
Work experience	73,602	118,127	187,108	35,662	414,499	-	414,499	
WIOA training	222,377	20,639	2,543	-	245,559	-	245,559	
Total expenses	\$ 516,257	\$ 278,066	\$ 408,651	\$ 64,810	\$ 1,267,784	\$ 122,566	\$ 1,390,350	

The notes to financial statements are an integral part of this statement.

EMPLOYMENT AND TRAINING SERVICES, INC.

Statement of Cash Flows

For the Year Ended June 30, 2020

Cash flows from operating activities:	
Change in net assets without donor restrictions	\$ -
Changes in:	
Receivable from grantors	910,093
Prepaid expenses	449
Accounts payable and accrued expenses	4,881
Deferred revenue	<u>(915,916)</u>
Net cash (used in) operating activities	<u>(493)</u>
(Decrease) in cash and cash equivalents	(493)
Cash and cash equivalents, beginning of year	<u>14,301</u>
Cash and cash equivalents, end of year	<u><u>\$ 13,808</u></u>

The notes to financial statements are an integral part of this statement.

EMPLOYMENT AND TRAINING SERVICES, INC.

Notes to Financial Statements

June 30, 2020

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

Employment and Training Services, Inc. (the Organization) is a nonprofit corporation, organized under Arkansas law, which receives all funding from Department of Labor under the Workforce Innovation-Opportunity Act grants. The Organization operates these grants in seven counties in Northeast Arkansas as the administrative entity for the Northeast Arkansas Workforce Development Board/Northeast Arkansas Chief Elected Officials. The program is designed to help residents living in the seven counties access the tools they need to manage their careers through employment and training services.

Basis of Accounting

The financial statements of Employment and Training Services, Inc. have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the financial provisions of the WIA/WIOA regulations.

Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

With Donor Restrictions: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The donors of these assets permit the Organization to use all of the income earned on related investments for general or specific purposes.

Net assets with donor restrictions also include net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Without Donor Restrictions: Net assets not subject to donor-imposed stipulations.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires restricted net assets are reclassified to net assets without donor restrictions.

Property and Equipment

Assets remain the property of the Department of Labor (DOL). Property and equipment costs are charged to grant cost as incurred. These assets are properly controlled in a fixed asset account ledger. The carrying value, at cost, of equipment owned by the DOL was \$147,844 at June 30, 2020.

EMPLOYMENT AND TRAINING SERVICES, INC.

Notes to Financial Statements

June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Cont.)

Cash and Cash Equivalents

Cash and cash equivalents include all demand and savings accounts with original maturities of three months or less.

Receivable from Grantors

Receivable from grantors consist primarily of amounts due to Employment and Training Services, Inc. from the Department of Labor. No provision for doubtful accounts has been made since all amounts are considered fully collectible.

Expense Allocation

Indirect costs benefiting more than one grant are allocated to the various grant programs based on the relationship of direct labor hours charged to each grant program to the total direct hours charged to all grant programs.

Advertising Costs

Advertising costs are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Risk Management

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters, and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from property losses, professional and general liability.

EMPLOYMENT AND TRAINING SERVICES, INC.

Notes to Financial Statements

June 30, 2020

Note 2 – Receivable From Grantors

Receivable from grantor as of June 30, 2020, consisted of the following:

	<u>Amount</u>
Adult program	\$ 40,582
Youth activities	7,716
Dislocated workers	<u>771</u>
Total	<u>\$ 49,069</u>

Note 3 – Leases

Employment and Training Services, Inc. leases its facilities under annual renewable operating lease. Rental expense for the year ended June 30, 2020, under this lease was \$55,316.

Note 4 – Compensated Absences

Employment and Training Services, Inc.'s personnel policy allows employees to accumulate and carryforward sick leave to subsequent periods. However, sick leave is not payable upon separation from services. Annual leave is payable upon separation from services, unused annual leave may be carried over to the next program year. At June 30, 2020, the Organization had no accrued liability for unused sick leave and an accrual for unused annual leave of \$20,339. This amount is included in accrued expenses.

EMPLOYMENT AND TRAINING SERVICES, INC.

Notes to Financial Statements

June 30, 2020

Note 5 – Retirement Plan

Employment and Training Services, Inc. provides pension benefits for all of its full-time employees through a Simplified Employee Pension Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after completing six months of continuous employment. Employees can contribute a percentage of their salary and Employment and Training Services, Inc. will also contribute up to limits set by the Board. Employment and Training Services, Inc.'s contributions to the plan were approximately \$25,906 for the fiscal year ended June 30, 2020.

Note 6 – Liquidity and Availability of Financial Assets

The Organization's working capital and cash flows have variations during the year attributable to the cash receipts from Medicare, Medicaid and other payor sources. The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of restrictions or internal designations.

	<u>2020</u>
Cash and cash equivalents and restricted cash	\$ 13,808
Grants receivable	<u>49,069</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 62,877</u>

Note 7 – Credit Risk

Credit risk is the risk that the issuer or other counterparty will not fulfill its obligation. Financial instruments that potentially subject Employment and Training Services, Inc. to concentrations of credit risk consist principally of cash and cash equivalents. The bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 from each institution. At June 30, 2020, Employment and Training Services, Inc.'s carrying amount of deposits was \$13,808 and the bank balance was \$20,293. All of Employment and Training Services, Inc.'s cash balances were covered by FDIC insurance at year-end.

Due to higher cash flows at certain times during the year, the Organization's risk for uninsured and uncollateralized deposits and investments could be higher or lower than at year end.

EMPLOYMENT AND TRAINING SERVICES, INC.

Notes to Financial Statements

June 30, 2020

Note 8 – Concentrations

All of the Organization's revenues are primarily derived from grants under the Department of Labor. Accordingly, the Organization is economically dependent upon such grants. The Organization's activities are limited to a seven-county geographic area.

Note 9 – Contingencies

Employment and Training Services, Inc. is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to Employment and Training Services, Inc. in the current and prior years. These examinations may result in required refunds by the Organization to federal grantors and/or program beneficiaries. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

Note 10 – Accounting for Uncertainty in Income Tax

The Organization is exempt from federal and state income taxes as an organization described under Section 501(c)(3) of the Internal Revenue Code.

In June 2006, the Financial Accounting Standards Board issued ASC 740-10 (formerly known as FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes), which prescribed a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the financial statements as of June 30, 2020.

The Organization's federal return could be subject to examination by federal taxing authorities, generally for three years after filed.

Note 11 – Subsequent Events

Management has evaluated subsequent events through October 9, 2020, the date on which the financial statements were available to be issued. No events were noted which would require recognition or disclosure in the financial statements.

**SUPPLEMENTARY
INFORMATION**

EMPLOYMENT AND TRAINING SERVICES, INC.
Schedule of Revenues and Expenditures
Contract for # 05-F19-Adult-30
For the Twelve Months Ended June 30, 2020

	<u>Current Year</u>
Revenues, gains, and other support	
Program funds earned	\$ 358,149
Total revenues, gains and other support	<u><u>\$ 358,149</u></u>
Expenditures	
Administrative:	
One Stop Operator	\$ 691
Fiscal entity	10,343
Administrative entity	16,793
Career services	139,608
Training services - other	160,979
Training services - work experience	3,935
Supportive services	25,800
Total expenditures	<u><u>\$ 358,149</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

EMPLOYMENT AND TRAINING SERVICES, INC.
Schedule of Revenues and Expenditures
Contract # 05-P19-Adult-30
For the Twelve Months Ended June 30, 2020

	<u>Current Year</u>
Revenues, gains, and other support	
Program funds earned	\$ 67,155
Total revenues, gains and other support	<u>\$ 67,155</u>
Expenditures	
Administrative:	
One Stop Operator	\$ 246
Fiscal entity	2,816
Administrative entity	3,653
Career services	27,202
Training services - other	15,469
Training services - work experience	7,494
Supportive services	10,275
Total expenditures	<u>\$ 67,155</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

EMPLOYMENT AND TRAINING SERVICES, INC.
Schedule of Revenues and Expenditures
Contract for # 05-F20-Adult-30
For the Twelve Months Ended June 30, 2020

	<u>Current Year</u>
Revenues, gains, and other support	
Program funds earned	\$ 125,121
Total revenues, gains and other support	<u>\$ 125,121</u>
Expenditures	
Administrative:	
One Stop Operator	\$ 83
Fiscal entity	1,826
Administrative entity	957
Career services	50,229
Training services - other	4,813
Training services - work experience	62,171
Supportive services	5,042
Total expenditures	<u>\$ 125,121</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

EMPLOYMENT AND TRAINING SERVICES, INC.

Schedule of Revenues and Expenditures

Contract for # 05-P19-DLW-30

For the Twelve Months Ended June 30, 2020

	<u>Current Year</u>
Revenues, gains, and other support	
Program funds earned	\$ 66,861
Total revenues, gains and other support	<u>\$ 66,861</u>
Expenditures	
Administrative:	
One Stop Operator	\$ 93
Fiscal entity	2,439
Administrative entity	4,154
Career services	29,843
Training services - work experience	30,139
Supportive services	193
Total expenditures	<u>\$ 66,861</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

EMPLOYMENT AND TRAINING SERVICES, INC.
Schedule of Revenues and Expenditures
Contract # 05-F19-DLW-30
For the Twelve Months Ended June 30, 2020

	<u>Current Year</u>
Revenues, gains and other support	
Program funds earned	\$ 156,723
Total revenues, gains and other support	<u>\$ 156,723</u>
Expenditures	
Administrative:	
One Stop Operator	\$ 407
Fiscal entity	4,815
Administrative entity	8,164
Career services	65,814
Training services - other	15,183
Training services - work experience	59,217
Supportive services	3,123
Total expenditures	<u>\$ 156,723</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

EMPLOYMENT AND TRAINING SERVICES, INC.
Schedule of Revenues and Expenditures
Contract # 05-F20-DLW-30
For the Twelve Months Ended June 30, 2020

	<u>Current Year</u>
Revenues, gains and other support	
Program funds earned	\$ 80,785
Total revenues, gains and other support	<u>\$ 80,785</u>
Expenditures	
Administrative:	
One Stop Operator	\$ 279
Fiscal entity	4,038
Administrative entity	3,659
Career services	41,896
Training services - other	1,276
Training services - work experience	28,773
Supportive services	864
Total expenditures	<u>\$ 80,785</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

EMPLOYMENT AND TRAINING SERVICES, INC.
Schedule of Revenues and Expenditures
Contract # 05-P18-Youth-30
For the Twelve Months Ended June 30, 2020

	<u>Current Year</u>
Revenues, gains, and other support	
Program funds earned	\$ 291,901
Total revenues, gains and other support	<u>\$ 291,901</u>
Expenditures	
Administrative:	
One Stop Operator	\$ 877
Fiscal entity	13,324
Administrative entity	19,611
Other program activities - OSY	132,295
Other program activities - ISY	5,391
Work experience - OSY	117,755
Work experience - ISY	105
Training services - OSY	2,004
Supportive services - OSY	539
Total expenditures	<u>\$ 291,901</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

EMPLOYMENT AND TRAINING SERVICES, INC.
Schedule of Revenues and Expenditures
Contract # 05-P19-Youth-30
For the Twelve Months Ended June 30, 2020

	<u>Current Year</u>
Revenues, gains, and other support	
Program funds earned	\$ 152,849
Total revenues, gains and other support	<u>\$ 152,849</u>
Expenditures	
Administrative:	
One Stop Operator	\$ 532
Fiscal entity	8,414
Administrative entity	10,412
Career services - OSY	63,911
Career services - ISY	332
Work experience OSY	69,248
Total expenditures	<u>\$ 152,849</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

EMPLOYMENT AND TRAINING SERVICES, INC.
Schedule of Revenues and Expenditures
Contract # 05-Y19-HCY-30
For the Twelve Months Ended June 30, 2020

	<u>Current Year</u>
Revenues, gains, and other support	
Program funds earned	\$ 16,119
Total revenues, gains and other support	<u>\$ 16,119</u>
Expenditures	
Administrative:	
Administrative entity	\$ 1,612
Training services - work experience - OSY	8,479
Other program services - OSY	<u>6,028</u>
Total expenditures	<u>\$ 16,119</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

EMPLOYMENT AND TRAINING SERVICES, INC.
Schedule of Revenues and Expenditures
Contract # 05-P19-CUG-30
For the Twelve Months Ended June 30, 2020

	<u>Current Year</u>
Revenues, gains, and other support	
Program funds earned	\$ 7,549
Total revenues, gains and other support	<u>\$ 7,549</u>
Expenditures	
Computer upgrade	\$ 7,549
Total expenditures	<u>\$ 7,549</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

EMPLOYMENT AND TRAINING SERVICES, INC.
Schedule of Revenues and Expenditures
Contract # PY18 WIOA WBLP ETS-30
For the Twelve Months Ended June 30, 2020

Revenues, gains, and other support	
Program funds earned	\$ <u>67,138</u>
Total revenues, gains and other support	\$ <u>67,138</u>
Expenditures	
Administrative:	
Administrative entity	\$ 2,328
Training services - work experience	35,662
Other program services	<u>29,148</u>
Total expenditures	\$ <u>67,138</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

EMPLOYMENT AND TRAINING SERVICES, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Labor				
<i>Pass-through program from:</i>				
Arkansas Department of Workforce Services				
<u>WIOA Cluster</u>				
WIOA Adult Program	17.258	# 05-F19-Adult-30	\$ -	\$ 358,149
	17.258	# 05-P19-Adult-30	-	67,155
	17.258	# 05-F20-Adult-30	-	125,121
	17.258	# 05-P19-CUG-30		3,240
WIOA Youth Activities	17.259	# 05-P18-Youth-30	-	291,901
	17.259	# 05-P19-Youth-30	-	152,849
	17.259	# 05-Y19-HCY-30	-	16,119
	17.259	#05-P19-CUG-30	-	2,564
WIOA Dislocated Worker Formula grants	17.278	# 05-P19-DLW-30	-	66,861
	17.278	# 05-F19-DLW-30	-	156,723
	17.278	# 05-F20-DLW-30	-	80,785
	17.278	PY18 WIOA	-	67,138
	17.278	WBLP ETS-30	-	1,745
		# 05-P19-CUG-30	-	
Total WIOA Cluster			<u>\$ -</u>	<u>\$ 1,390,350</u>
Total expenditures of Federal Awards			<u><u>\$ -</u></u>	<u><u>\$ 1,390,350</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

EMPLOYMENT AND TRAINING SERVICES, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes federal grants activity of Employment and Training Services, Inc. and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the financial statement.

Note 2 – Summary of Significant Accounting Policies

- 1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are not limited as to reimbursement.
- 2) Pass-through identifying numbers are presented when available.
- 3) The Organization has elected not to use the 10% de minimis indirect costs rate as allowed under the Uniform Guidance.

Note 3 – Subrecipients

There were no Federal awards passed-through to subrecipients.

Note 4 – Contingencies

In connection with various federal grant programs, the Organization is obligated to administer related programs and spend the funds in accordance with regulatory restrictions, and is subject to audit by grantor agencies and other auditors. In cases of noncompliance, the agencies involved may require the Organization to refund program funds.

**OTHER
REQUIRED
REPORTS**



Welch, Couch & Company, PA
Certified Public Accountants

John Ed Welch, CPA | William T. Couch, Jr., CPA
Jeff D. Welch, CPA, JD | Rachel M. Pennywitt, CPA

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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
Employment and Training Services, Inc.
Jonesboro, Arkansas

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 Employment and Training Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 October 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Employment and Training Services, 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 Employment and Training Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Employment and Training Services, 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.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
October 9, 2020



Welch, Couch & Company, PA Certified Public Accountants

John Ed Welch, CPA | William T. Couch, Jr., CPA
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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
Employment and Training Services, Inc.
Jonesboro, Arkansas

Report on Compliance for Each Major Federal Program

We have audited Employment and Training Services, 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 Employment and Training Services, Inc.'s major federal programs for the year ended June 30, 2020. Employment and Training Services, 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Employment and Training Services, 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 Employment and Training Services, 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 Employment and Training Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Employment and Training Services, 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, 2020.

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Report on Internal Control Over Compliance

Management of Employment and Training Services, 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 Employment and Training Services, 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 Employment and Training Services, 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.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
October 9, 2020

EMPLOYMENT AND TRAINING SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I – Summary of Audit Results

Financial Statements

Type of Auditors' Report:	Unmodified
Internal Control Over Financial Reporting:	
Material Weakness Identified	None Reported
Significant Deficiencies Identified that are not considered to be Material Weaknesses	None Reported
Non-Compliance material to Financial Statements noted:	None Reported

Federal Awards

Internal Control over Major Programs:	
Material Weakness Identified	None Reported
Significant Deficiencies Identified that are not considered to be Material Weaknesses	None Reported
Type of Auditor's Report issued on Compliance for Major Programs:	Unmodified
Findings required to be reported in accordance with 2 CFR 200.516(a):	None Reported

Identification of Major Programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
17.258	WIOA Adult Program
17.259	WIOA Youth Activities
17.278	WIOA Dislocated Workers

Dollar Threshold Used to Distinguish between Type A and Type B Programs:	\$750,000
Auditee Qualified as Low Risk Auditee:	Yes

EMPLOYMENT AND TRAINING SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section II – Financial Statement Findings

Significant Deficiencies

No matters reportable.

Material Weaknesses

No matters reportable.

Section III – Federal Award Findings and Questioned Costs

Significant Deficiencies

No matters reportable.

Material Weaknesses

No matters reportable.

EMPLOYMENT AND TRAINING SERVICES, INC.
Prior Year Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of Auditors’ Report:	Unmodified
Internal Control Over Financial Reporting:	
Material Weakness Identified	None Reported
Significant Deficiencies Identified that are not considered to be Material Weaknesses	None Reported
Non-Compliance material to Financial Statements noted:	None Reported

Federal Awards

Internal Control over Major Programs:	
Material Weakness Identified	None Reported
Significant Deficiencies Identified that are not considered to be Material Weaknesses	None Reported
Type of Auditor’s Report issued on Compliance for Major Programs:	Unmodified
Findings required to be reported in accordance with 2 CFR 200.516(a)	None Reported

Identification of Major Programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
17.258	WIOA Adult Program
17.259	WIOA Youth Activities
17.278	WIOA Dislocated Workers

Dollar Threshold Used to Distinguish Between Type A and Type B Programs:	\$750,000
Auditee Qualified as Low Risk Auditee:	Yes

EMPLOYMENT AND TRAINING SERVICES, INC.
Prior Year Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section II – Financial Statement Findings

Significant Deficiencies

No matters reportable.

Material Weaknesses

No matters reportable.

Section III – Federal Award Findings and Questioned Costs

Significant Deficiencies

No matters reportable.

Material Weaknesses

No matters reportable.

EMPLOYMENT AND TRAINING SERVICES, INC.

Supplemental Data Sheet

Year Ended June 30, 2020

Entity's full name:	Employment and Training Services, Inc.
Entity's address:	2805 Forrest Home Road Jonesboro, Arkansas 72401
Entity's employer identification number:	71-0528248
Entity's phone number:	(870) 932-1564
Director:	James Morgan
Contact person:	John Ed Welch, CPA
Audit cost:	Available upon request