



To the Board of Directors
Northwest Michigan Works! Inc.
Traverse City, Michigan

We have audited the financial statements of Northwest Michigan Works! Inc. (the Agency) for the year ended September 30, 2017, and have issued our report thereon dated March 28, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Audit Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 31, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Northwest Michigan Works! Inc. are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's allocation of functional expenses between program and supporting services for the current period is based on actual expenses as well as time studies. We evaluated the key factors and assumptions used to develop the allocation of expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

The Agency's investments are carried at their estimated fair value at year-end. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date (year-end). We evaluated the key factors and assumptions used to develop the fair values of the investments and determined that the fair values were reasonable in relation to the types of investments held at year-end and to the financial statements taken as a whole.

Management's allocation of indirect costs between programs is based on actual hours worked by staff on a particular program. We evaluated the key factors and assumptions used to develop the allocation of indirect costs in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the valuation of the related-party accounts receivable from Networks Northwest, an entity related by common control, is based on historical collection data. We evaluated the key factors and assumptions in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 28, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the management and members of the Board of Directors of Northwest Michigan Works! Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC, & TUCKER P.C.
Certified Public Accountants

March 28, 2018

Northwest Michigan Works! Inc.

FINANCIAL STATEMENTS

September 30, 2017

Northwest Michigan Works! Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northwest Michigan Works! Inc.
Traverse City, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Michigan Works! Inc. (a nonprofit organization) which comprise the statement of financial position as of September 30, 2017, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Northwest Michigan Works! Inc. as of September 30, 2017, 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 Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Combining Statement of Financial Position and the Combining Statement of Activities is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis, 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 is also 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 March 28, 2018, on our consideration of Northwest Michigan Works! Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Northwest Michigan Works! Inc.'s internal control over financial reporting and compliance.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC, & TUCKER P.C.
Certified Public Accountants

March 28, 2018

Northwest Michigan Works! Inc.
STATEMENT OF FINANCIAL POSITION
September 30, 2017

ASSETS	
Current assets	
Cash	\$ 292,868
Investments	468,084
Accounts receivable	
Networks Northwest	737,084
Other	123,529
Prepays	<u>59,935</u>
Total current assets	1,681,500
Noncurrent assets	
Investments	<u>26,492</u>
TOTAL ASSETS	<u><u>\$ 1,707,992</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 56,734
Accrued liabilities	194,014
Deferred revenue	<u>41,790</u>
TOTAL LIABILITIES	292,538
NET ASSETS	
Unrestricted	<u>1,415,454</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,707,992</u></u>

See accompanying notes to financial statements.

Northwest Michigan Works! Inc.

STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

	<u>Unrestricted</u>
SUPPORT AND REVENUE	
Grant revenue	
Federal	\$ 3,135,137
State/Local	1,096,073
Interest earned	15,165
(Loss) on investments	<u>(4,961)</u>
TOTAL SUPPORT AND REVENUE	4,241,414
EXPENSES	
Program services	
Training	839,102
Services	2,308,927
Intensive	149,691
Core services	789,055
Management and general	<u>3,344</u>
TOTAL EXPENSES	<u>4,090,119</u>
CHANGE IN NET ASSETS	151,295
Net assets, beginning of year	<u>1,264,159</u>
Net assets, end of year	<u><u>\$ 1,415,454</u></u>

See accompanying notes to financial statements.

Northwest Michigan Works! Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2017

EXPENSES	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 1,616,987	\$ -	\$ 1,616,987
Employee benefits and payroll taxes	696,051	-	696,051
 Total personnel costs	 2,313,038	 -0-	 2,313,038
Education supplies	133,852	-	133,852
OJT fees to employers	172,967	-	172,967
Job training	392,433	-	392,433
Transportation	195,721	-	195,721
Support services	25,226	-	25,226
Advertising and promotion	27,228	-	27,228
Office expenses	57,134	-	57,134
Occupancy	652,243	-	652,243
Travel	108,632	-	108,632
Conferences, conventions, and meetings	8,301	-	8,301
Other	-	3,344	3,344
 TOTAL EXPENSES	 <u>\$ 4,086,775</u>	 <u>\$ 3,344</u>	 <u>\$ 4,090,119</u>

See accompanying notes to financial statements.

Northwest Michigan Works! Inc.

STATEMENT OF CASH FLOWS

Year Ended September 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 151,295
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Decrease in receivables	9,357
(Increase) in prepaids	(52,347)
(Decrease) in accounts payable	(30,203)
(Decrease) in accrued liabilities	(39,709)
Increase in deferred revenue	3,339
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	41,732
CASH FLOWS FROM INVESTING ACTIVITIES	
(Purchases) of investments	<hr/> (32,128)
NET INCREASE IN CASH	9,604
Cash, beginning of year	<hr/> 283,264
Cash, end of year	<hr/> <hr/> \$ 292,868

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A: DESCRIPTION OF ORGANIZATION

The Northwest Michigan Private Industry Council, Inc. (NWMPIC) was organized in 1982 as a private, nonprofit corporation to administer Federal and State employment and training funds for the North West Michigan region counties. In June 2012, the Council was reorganized as the Northwest Michigan Works!, Inc. (NWM, the Agency) to provide subcontracted program services to the Networks Northwest related to employment, education, and training services.

The NWM operates under a volunteer Board of Directors comprised of private and public sector representatives, which also serves as the Workforce Development Board which provides oversight and works in partnership with the Networks Northwest Board of Directors in relation to the operation of the employment and training programs.

The accounting policies of NWM conform to U.S. generally accepted accounting principles (GAAP) as applicable to nonprofit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing nonprofit accounting and financial reporting principles.

NOTE B: BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Agency's financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board (FASB) has issued the FASB *Accounting Standards Codification* which details the standards to be followed.

Under the FASB Codification, the Agency is required to report information regarding its financial position and activities according to three (3) classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. Currently, Northwest Michigan Works! Inc. has no assets classified as permanently or temporarily restricted.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Agency:

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash - Cash consists of checking accounts and petty cash.

Investments - Investments consist of various mutual funds and fixed income securities, and are recorded at fair value.

Accounts Receivable - Accounts receivable consist of amounts due from Networks Northwest and their significant subcontractor for reimbursement of staffing and payroll related expenses. The accounts receivable and revenue is recognized at the time eligible expenses are incurred.

Income Taxes - Northwest Michigan Works! Inc. is a nonprofit organization and has been granted exemption from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Northwest Michigan Works! Inc. is not classified as a private foundation.

Northwest Michigan Works! Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B: BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Comparative Data - Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

Subsequent Events - Subsequent events were evaluated for the Agency through March 28, 2018, which was the date the financial statements were available to be issued.

NOTE C: FAIR VALUE MEASUREMENT

GAAP have established a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable. The three levels of the hierarchy under GAAP are described below.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the Agency's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

The following is a market value summary by the level of inputs used, as of September 30, 2017, in evaluating the Agency's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Valued on a recurring basis:				
Mutual funds	\$ 274,402	\$ -	\$ -	\$ 274,402
Exchange traded funds	125,872	-	-	125,872
Corporate bonds	77,301	-	-	77,301
Uncategorized pooled investments	17,001	-	-	17,001
Total marketable securities	<u>\$ 494,576</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 494,576</u>

Northwest Michigan Works! Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE D: INVESTMENTS

The following table summarizes the cost basis and fair value (carrying value) of investments as of September 30, 2017.

	<u>Cost</u>	<u>Fair Value</u>
Uncategorized pooled investments	\$ 17,001	\$ 17,001
Mutual funds	265,038	274,402
Exchange traded funds	124,243	125,872
Corporate bonds	85,395	77,301
	<u>\$ 491,677</u>	<u>\$ 494,576</u>

At September 30, 2017, NWM held the following investments:

	<u>Fair Value</u>	<u>% of portfolio</u>
Federated Prime Cash Obligations Fund #851 - Income	\$ 17,001	3.44%
Dodge & Cox Income	14,427	2.92%
Doubleline Total Return Bond	9,650	1.95%
Dupont EI Nemour Corporate Bonds	26,492	5.36%
General Electric Co Corporate Bonds	25,175	5.09%
JP Morgan Core Bond Fund	9,836	1.99%
Philip Morris Corporate Bonds	25,635	5.18%
Ishares Barclays Tips Bond Fund	28,963	5.86%
Hotchkis & Wiley High Yield	19,241	3.89%
Blackrock Strategic Income Opportunities Fund	9,858	1.99%
TCW Emerging Markets Income fund	24,637	4.98%
Harbor Capital Appreciation Fund	24,699	4.99%
Ishares Core S&P 500 ETF	40,216	8.13%
Ishares Core S&P Mid-Cap ETF	4,830	0.98%
Ishares Core S&P Small-Cap ETF	5,047	1.02%
MFS Value Fund	22,377	4.52%
Principal Midcap Blend Fund	2,634	0.53%
Victory Sycamore Established Value Fund	2,580	0.52%
Harding Loevner International Equity Fund	13,537	2.74%
Ishares MSCI EAFE Index ETF	18,627	3.77%
Seafarer Overseas GR and Income Fund	5,034	1.02%
Ishares MSCI Emerging Markets ETF	5,377	1.09%
Oppenheimer Developing Markets Fund	5,584	1.13%
Litman Gregory Masters Alternative Strategies Fund	110,309	22.30%
Vanguard Real Estate ETF	14,540	2.94%
USB E-Tracs Alerian MLP Infrastructure ETF	8,270	1.67%
	<u>\$ 494,576</u>	<u>100.00%</u>

NOTE E: CONCENTRATION OF CREDIT RISK

Northwest Michigan Works! Inc. had cash at financial institutions that exceeded federal depository insurance coverage by \$47,496 as of September 30, 2017.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE F: RELATED PARTY TRANSACTIONS

Networks Northwest, an entity related through common control, pays for staffing and payroll related services on a reimbursement basis to the NWM. The following details the related party transactions that were conducted with this related organization during the year ended September 30, 2017:

During the year ended September 30, 2017, NWM received \$3,720,422 from Networks Northwest for reimbursement of program services, staffing, and payroll related costs. The Statement of Financial Position includes \$645,696 of accounts receivable from Networks Northwest.

NOTE G: EMPLOYEE RETIREMENT PLAN

NWM has a retirement plan administered by Nationwide Insurance Company. It is a defined contribution retirement plan which provides benefits for all employees with immediate and complete vesting. NWM contributes an amount equal to 8%, 10%, and 12% of gross wages, which fulfills NWM's obligation under the plan. Therefore, there are no unfunded liabilities related to the plan. Employer and employee contributions to the plan for the year ended September 30, 2017, amounted to \$134,334 and \$71,795, respectively.

SUPPLEMENTARY INFORMATION

Northwest Michigan Works! Inc.

COMBINING STATEMENT OF FINANCIAL POSITION

September 30, 2017

	General	Charlevoix Revenue	Wex/Miss Shared Position	GT Literacy Council
ASSETS				
Current assets				
Cash	\$ 210,600	\$ -	\$ 55,082	\$ 34,680
Investments	468,084	-	-	-
Accounts receivable				
Networks Northwest	81,491	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Prepays	55,784	-	-	-
	<u>815,959</u>	<u>-0-</u>	<u>55,082</u>	<u>34,680</u>
Total current assets				
Noncurrent assets				
Investments	26,492	-	-	-
	<u>26,492</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 842,451</u>	<u>\$ -0-</u>	<u>\$ 55,082</u>	<u>\$ 34,680</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current liabilities				
Accounts payable	\$ 32,778	\$ -	\$ 903	\$ -
Accrued liabilities	194,014	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
	<u>226,792</u>	<u>-0-</u>	<u>903</u>	<u>-0-</u>
TOTAL LIABILITIES				
NET ASSETS				
Unrestricted	615,659	-	54,179	34,680
	<u>615,659</u>	<u>-</u>	<u>54,179</u>	<u>34,680</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 842,451</u>	<u>\$ -0-</u>	<u>\$ 55,082</u>	<u>\$ 34,680</u>

Special Use	Newton's Road	3D Newton's Road	Accelerator Apprenticeship Success	WIOA SWA Apprenticeship	Charlevoix
\$ 172,425	\$ 137,260	\$ (2,499)	\$ (870)	\$ (2,692)	\$ 6,233
-	-	-	-	-	-
399,625	-	-	-	-	-
-	-	2,499	870	2,692	-
-	-	-	-	-	-
-	-	-	-	-	-
572,050	137,260	-0-	-0-	-0-	6,233
-	-	-	-	-	-
<u>\$ 572,050</u>	<u>\$ 137,260</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 6,233</u>
\$ -	\$ 3,942	\$ -	\$ -	\$ -	\$ 665
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	3,942	-0-	-0-	-0-	665
572,050	133,318	-	-	-	5,568
<u>\$ 572,050</u>	<u>\$ 137,260</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 6,233</u>

Northwest Michigan Works! Inc.

COMBINING STATEMENT OF FINANCIAL POSITION - CONTINUED

September 30, 2017

	PATH	DHHS Trans	GFGP	DHHS Getting to the Heart
ASSETS				
Current assets				
Cash	\$ 42,865	\$ (8)	\$ (121,976)	\$ (2,254)
Investments	-	-	-	-
Accounts receivable				
Networks Northwest	-	-	79,111	2,254
Other	-	8	-	-
Due from other funds	-	-	42,865	-
Prepays	-	-	-	-
	<u>42,865</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total current assets				
Noncurrent assets				
Investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 42,865</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	42,865	-	-	-
	<u>42,865</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES				
NET ASSETS				
Unrestricted	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 42,865</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

<u>Offender Success</u>	<u>WIOA Adult</u>	<u>WIOA Dislocated Worker</u>	<u>CDC TEC Scholarships</u>	<u>JMG</u>	<u>WIOA Youth</u>
\$ 13,768	\$ -	\$ 11,423	\$ 2	\$ (17,452)	\$ (1,174)
-	-	-	-	-	-
18,276	-	-	-	15,634	1,174
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	4,151	-
32,044	-0-	11,423	2	2,333	-0-
-	-	-	-	-	-
<u>\$ 32,044</u>	<u>\$ -0-</u>	<u>\$ 11,423</u>	<u>\$ 2</u>	<u>\$ 2,333</u>	<u>\$ -0-</u>

\$ 1,872	\$ -	\$ -	\$ -	2,140	\$ -
-	-	-	-	-	-
30,172	-	11,423	2	193	-
-	-	-	-	-	-
32,044	-0-	11,423	2	2,333	-0-
-	-	-	-	-	-
<u>\$ 32,044</u>	<u>\$ -0-</u>	<u>\$ 11,423</u>	<u>\$ 2</u>	<u>\$ 2,333</u>	<u>\$ -0-</u>

Northwest Michigan Works! Inc.

COMBINING STATEMENT OF FINANCIAL POSITION - CONTINUED

September 30, 2017

	SP NEG	TBA Revenue	Adult & Family Lit	WIOA Adult
ASSETS				
Current assets				
Cash	\$ -	\$ (83,745)	\$ -	\$ (35,631)
Investments	-	-	-	-
Accounts receivable				
Networks Northwest	-	-	-	38,741
Other	-	83,745	-	-
Due from other funds	-	-	-	-
Prepays	-	-	-	-
	-0-	-0-	-0-	3,110
Noncurrent assets				
Investments	-	-	-	-
TOTAL ASSETS	\$ -0-	\$ -0-	\$ -0-	\$ 3,110
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 3,110
Accrued liabilities	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
	-0-	-0-	-0-	3,110
TOTAL LIABILITIES	-0-	-0-	-0-	3,110
NET ASSETS				
Unrestricted	-	-	-	-
TOTAL LIABILITIES AND NET ASSETS	\$ -0-	\$ -0-	\$ -0-	\$ 3,110

WIOA Dislocated Worker	JMG	WIOA Youth	Adult Ed	AFL	AEG	Total
\$ (20,217)	\$ -	\$ (34,601)	\$ (32,639)	\$ (33,904)	\$ (1,808)	\$ 292,868
-	-	-	-	-	-	468,084
29,777	-	34,614	-	34,537	1,850	737,084
-	-	-	33,715	-	-	123,529
-	-	-	-	-	-	42,865
-	-	-	-	-	-	59,935
9,560	-0-	13	1,076	633	42	1,724,365
-	-	-	-	-	-	26,492
<u>\$ 9,560</u>	<u>\$ -0-</u>	<u>\$ 13</u>	<u>\$ 1,076</u>	<u>\$ 633</u>	<u>\$ 42</u>	<u>1,750,857</u>
\$ 9,560	\$ -	\$ 13	\$ 1,076	\$ 633	\$ 42	\$ 56,734
-	-	-	-	-	-	194,014
-	-	-	-	-	-	41,790
-	-	-	-	-	-	42,865
9,560	-0-	13	1,076	633	42	335,403
-	-	-	-	-	-	1,415,454
<u>\$ 9,560</u>	<u>\$ -0-</u>	<u>\$ 13</u>	<u>\$ 1,076</u>	<u>\$ 633</u>	<u>\$ 42</u>	<u>\$ 1,750,857</u>

Northwest Michigan Works! Inc.

COMBINING STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

	General	Charlevoix Revenue	Wex/Miss Shared Position	GT Literacy Council
SUPPORT AND REVENUE				
Grant revenue				
Federal	\$ -	\$ -	\$ -	\$ -
State/Local	72,853	-	95,596	1,294
Interest earned	15,165	-	-	-
(Loss) on investments	(4,961)	-	-	-
TOTAL SUPPORT AND REVENUE	83,057	-0-	95,596	1,294
EXPENSES				
Program services				
Training	-	-	-	-
Services	92,299	-	50,850	7,177
Intensive	-	-	-	-
Core services	-	-	-	-
Management and general	3,344	-	-	-
TOTAL EXPENSES	95,643	-0-	50,850	7,177
TRANSFERS				
Transfer in	-	64	-	-
Transfer out	-	-	-	-
TOTAL TRANSFERS	-0-	64	-0-	-0-
CHANGE IN NET ASSETS	(12,586)	64	44,746	(5,883)
Net assets, beginning of year	628,245	(64)	9,433	40,563
Net assets, end of year	<u>\$ 615,659</u>	<u>\$ -0-</u>	<u>\$ 54,179</u>	<u>\$ 34,680</u>

<u>Special Use</u>	<u>Newton's Road</u>	<u>3D Newton's Road</u>	<u>Accelerator Apprenticeship Success</u>	<u>WIOA SWA Apprenticeship</u>	<u>Charlevoix</u>
\$ -	\$ -	\$ -	\$ 3,870	\$ 10,692	\$ -
20,120	259,829	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20,120	259,829	-0-	3,870	10,692	-0-
-	-	-	-	-	-
10,361	126,511	-	3,870	10,692	18,059
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,361	126,511	-0-	3,870	10,692	18,059
-	-	-	-	-	-
-	-	-	-	-	(64)
-0-	-0-	-0-	-0-	-0-	(64)
9,759	133,318	-0-	-0-	-0-	(18,123)
562,291	-	-	-	-	23,691
<u>\$ 572,050</u>	<u>\$ 133,318</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,568</u>

Northwest Michigan Works! Inc.

COMBINING STATEMENT OF ACTIVITIES - CONTINUED

Year Ended September 30, 2017

	PATH	DHHS Trans	GFGP	DHHS Getting to the Heart
SUPPORT AND REVENUE				
Grant revenue				
Federal	\$ 517,135	\$ -	\$ -	\$ -
State/Local	-	13,300	204,977	34,254
Interest earned	-	-	-	-
(Loss) on investments	-	-	-	-
TOTAL SUPPORT AND REVENUE	517,135	13,300	204,977	34,254
EXPENSES				
Program services				
Training	-	-	-	-
Services	517,135	13,300	204,977	34,254
Intensive	-	-	-	-
Core services	-	-	-	-
Management and general	-	-	-	-
TOTAL EXPENSES	517,135	13,300	204,977	34,254
TRANSFERS				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
TOTAL TRANSFERS	-0-	-0-	-0-	-0-
CHANGE IN NET ASSETS	-0-	-0-	-0-	-0-
Net assets, beginning of year	-	-	-	-
Net assets, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

<u>Offender Success</u>	<u>WIOA Adult</u>	<u>WIA Dislocated Worker</u>	<u>CDC TEC Scholarships</u>	<u>JMG</u>	<u>WIOA Youth</u>
\$ - 45,171 - -	\$ 740,030 - - -	\$ 730,819 - - -	\$ - 13,427 - -	\$ - 140,441 - -	\$ 391,647 - - -
45,171	740,030	730,819	13,427	140,441	391,647
- 45,171 - - -	458,208 - - 281,822 -	238,800 - 149,691 342,328 -	- 13,427 - - -	- 140,441 - - -	- 391,647 - - -
45,171	740,030	730,819	13,427	140,441	391,647
- -	- -	- -	- -	- -	- -
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Northwest Michigan Works! Inc.

COMBINING STATEMENT OF ACTIVITIES - CONTINUED

Year Ended September 30, 2017

	SP NEG	TBA Revenue	Adult & Family Lit	WIOA Adult
SUPPORT AND REVENUE				
Grant revenue				
Federal	\$ 157,942	\$ -	\$ 102,483	\$ 148,741
State/Local	-	159,014	-	-
Interest earned	-	-	-	-
(Loss) on investments	-	-	-	-
TOTAL SUPPORT AND REVENUE	157,942	159,014	102,483	148,741
EXPENSES				
Program services				
Training	-	-	-	65,645
Services	157,942	159,014	102,483	-
Intensive	-	-	-	-
Core services	-	-	-	83,096
Management and general	-	-	-	-
TOTAL EXPENSES	157,942	159,014	102,483	148,741
TRANSFERS				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
TOTAL TRANSFERS	-0-	-0-	-0-	-0-
CHANGE IN NET ASSETS	-0-	-0-	-0-	-0-
Net assets, beginning of year	-	-	-	-
Net assets, end of year	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

WIOA Dislocated Worker	JMG	WIOA Youth	Adult Ed	AFL	AEG	Total
\$ 164,777	\$ -	\$ 109,614	\$ -	\$ 34,537	\$ 22,850	\$ 3,135,137
-	2,082	-	33,715	-	-	1,096,073
-	-	-	-	-	-	15,165
-	-	-	-	-	-	(4,961)
164,777	2,082	109,614	33,715	34,537	22,850	4,241,414
76,449	-	-	-	-	-	839,102
6,519	2,082	109,614	33,715	34,537	22,850	2,308,927
-	-	-	-	-	-	149,691
81,809	-	-	-	-	-	789,055
-	-	-	-	-	-	3,344
164,777	2,082	109,614	33,715	34,537	22,850	4,090,119
-	-	-	-	-	-	64
-	-	-	-	-	-	(64)
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	151,295
-	-	-	-	-	-	1,264,159
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,415,454

Northwest Michigan Works! Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2017

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
U.S. DEPARTMENT OF LABOR		
Passed through the Networks Northwest		
Registered Apprenticeship	17.201	
USA State Expansion Grant		\$ 22,850
Workforce Investment Act/Workforce Innovation ^{(1) (2)}	17.258	
and Opportunity Act		
Adult PY15		80,103
Adult PY16		760,614
Statewide - Apprenticeship Success Coordinators PY16		3,101
Adult PY17		<u>48,054</u>
		891,872
Workforce Investment Act/Workforce Innovation ^{(1) (2)}	17.259	
and Opportunity Act		
Youth PY16		477,735
Statewide - Apprenticeship Success Coordinators PY16		3,421
Youth PY17		<u>23,526</u>
		504,682
Workforce Investment Act/Workforce Innovation ^{(1) (2)}	17.278	
and Opportunity Act		
Dislocated Worker PY15		345,316
Dislocated Worker PY16		471,887
Statewide - Apprenticeship Success Coordinators PY16		4,170
Dislocated Worker PY17		<u>78,393</u>
		<u>899,766</u>
Total WIA/WIOA Cluster		2,296,320
Workforce Investment Act/Workforce Innovation	17.277	
and Opportunity Act - National Emergency Grant		
Sector Partnership FY15		157,942
State Expansion Grant	17.285	
WIOA Statewide Activities		
Apprenticeship Success Coordinators		<u>3,870</u>
Total WIA/WIOA - National Emergency Grant		<u>161,812</u>
TOTAL U.S. DEPARTMENT OF LABOR		2,458,132

Northwest Michigan Works! Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2017

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
U.S. DEPARTMENT OF EDUCATION		
Passed through the Networks Northwest		
Adult Education - Basic Grants to States	84.002	
Adult Education FY16		\$ 102,483
Adult Education FY17		<u>34,537</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		137,020
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through the Networks Northwest		
Temporary Assistance for Needy Families	93.558	
TANF PATH FY17		<u>517,135</u>
TOTAL FEDERAL AWARDS		<u>\$ 3,135,137</u> (3)

- (1) Program is considered a "major" program.
- (2) Denoted programs required to be clustered by the United States Department of Labor.
- (3) Matches federal grant revenue per the financial statements.

Northwest Michigan Works! Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2017

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Northwest Michigan Works! Inc., and 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 this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Northwest Michigan Works! Inc. has elected not to use the 10 percent *de minimis* indirect rate allowed under the Uniform Guidance.

NOTE B: SUBRECIPIENTS

Northwest Michigan Works! Inc. did not provide federal funds to subrecipients for any programs listed in the schedule.



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
Northwest Michigan Works! Inc.
Traverse City, Michigan

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 Northwest Michigan Works! Inc. (the Agency), which comprise the statement of financial position as of September 30, 2017, 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 March 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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 the Agency's financial statements are free from material misstatements, 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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC, & TUCKER P.C.
Certified Public Accountants

March 28, 2018



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

To the Board of Directors
Northwest Michigan Works! Inc.
Traverse City, Michigan

Report on Compliance for Each Major Federal Program

We have audited Northwest Michigan Works! Inc.'s (the Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency's major federal programs for the year ended September 30, 2017. The Agency'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, resolutions, 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 the Agency'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 programs occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Northwest Michigan 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 September 30, 2017.

Report on Internal Control Over Compliance

Management of Northwest Michigan 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 the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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 the Agency's internal control over compliance.

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

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC, & TUCKER P.C.
Certified Public Accountants

March 28, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
17.258, 17.259, 17.278	Workforce Investment Act/Workforce Innovation and Opportunity Act (WIAWIOA) Cluster

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

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

Northwest Michigan Works! Inc.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2017

FINDINGS/NONCOMPLIANCE

Material Weaknesses Related to Internal Controls over the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control over Compliance in Accordance with the Uniform Guidance.

No prior audit findings.