

**PROJECT RETURN, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2016 AND 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Project Return, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Project Return, Inc. (the "Agency"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, (collectively, 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.

### Auditors' 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 of 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 auditors' 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 Agency'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 Agency'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 Project Return, 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.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### 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 and state awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 September 6, 2016 on our consideration of the Agency'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 the Agency's internal control over financial reporting and compliance.

*Blankenship CPA Group, PLLC*  
September 6, 2016

**PROJECT RETURN, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

**ASSETS**

	2016	2015
<b>CURRENT ASSETS</b>		
Cash	\$ 151,371	\$ 223,540
Federal and state government receivables		
Financial assistance awards	140,467	63,173
Contractual agreements	36,845	52,478
Other receivables	-	4,352
Prepaid expenses	25,570	11,847
Inventory	9,194	8,232
<b>TOTAL CURRENT ASSETS</b>	<u>363,447</u>	<u>363,622</u>
 <b>PROPERTY AND EQUIPMENT, NET</b>	 <u>65,370</u>	 <u>78,740</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 428,817</u></u>	 <u><u>\$ 442,362</u></u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 23,687	\$ 42,481
Accrued expenses	25,300	26,288
Other liabilities	7,472	-
<b>TOTAL LIABILITIES</b>	<u>56,459</u>	<u>68,769</u>
 <b>NET ASSETS</b>		
Unrestricted	285,292	373,593
Temporarily restricted	87,066	-
<b>TOTAL NET ASSETS</b>	<u>372,358</u>	<u>373,593</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 428,817</u></u>	 <u><u>\$ 442,362</u></u>

The accompanying notes are an integral part of these financial statements.

**PROJECT RETURN, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>Changes in Unrestricted Net Assets</b>		
Unrestricted Support and Revenues		
Public support		
Corporate and foundation grants	\$ 247,665	\$ 255,133
Contributions	44,478	14,363
Donated goods	13,571	11,500
Federal and state government		
Financial assistance awards	725,857	745,108
Contractual agreements	147,810	156,032
State of Tennessee appropriation	182,000	182,000
Net assets released from restrictions	-	1,846
Total public support	1,361,381	1,365,982
Operating revenues		
Contract services	279,775	362,563
Total unrestricted support	1,641,156	1,728,545
Other revenues		
Miscellaneous	1,860	5,270
Interest income	396	468
Total other revenues	2,256	5,738
Total Unrestricted Support and Revenues	1,643,412	1,734,283
Unrestricted Functional Expenses		
Program services	1,539,743	1,500,404
Supporting services		
Management and general	87,966	73,672
Fundraising	104,004	67,044
Total Unrestricted Functional Expenses	1,731,713	1,641,120
(Decrease) increase in unrestricted net assets	(88,301)	93,163
<b>Changes in Temporarily Restricted Net Assets</b>		
Corporate and foundation grants	80,100	-
Project restriction	6,966	-
Net assets released from restrictions	-	(1,846)
Increase (decrease) in temporarily restricted net assets	87,066	(1,846)
(DECREASE) INCREASE IN NET ASSETS	(1,235)	91,317
NET ASSETS - BEGINNING OF YEAR	373,593	282,276
NET ASSETS - END OF YEAR	\$ 372,358	\$ 373,593

The accompanying notes are an integral part of these financial statements.

**PROJECT RETURN, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2016**

	<u>Supporting Services</u>			
	<b>Program Services</b>	<b>Management and General</b>	<b>Fund- raising</b>	<b>Total</b>
Compensation and related costs				
Salaries and contract labor	\$ 851,578	\$ 42,235	\$ 56,244	\$ 950,057
Employee benefits	139,938	6,940	9,241	156,119
Payroll taxes	75,442	3,742	4,983	84,167
	<u>1,066,958</u>	<u>52,917</u>	<u>70,468</u>	<u>1,190,343</u>
Aid to clients	170,189	14	-	170,203
Insurance	11,073	3,938	415	15,426
Dues and memberships	262	2,226	199	2,687
Equipment rental and maintenance	11,432	1,631	434	13,497
Meetings	1,749	805	476	3,030
Miscellaneous	302	1,820	-	2,122
Office supplies	20,619	5,219	1,038	26,876
Postage	2,318	134	509	2,961
Printing	7,875	2,596	5,413	15,884
Professional fees	117,721	4,768	7,149	129,638
Program supplies	4,452	-	-	4,452
Rent	57,797	7,739	4,056	69,592
Staff development	475	250	1,020	1,745
Telecommunications	6,236	510	312	7,058
Travel	39,844	1,602	378	41,824
Fundraising	-	-	10,741	10,741
Utilities	8,556	1,117	592	10,265
	<u>1,527,858</u>	<u>87,286</u>	<u>103,200</u>	<u>1,718,344</u>
Depreciation	<u>11,885</u>	<u>680</u>	<u>804</u>	<u>13,369</u>
Total functional expenses	<u>\$ 1,539,743</u>	<u>\$ 87,966</u>	<u>\$ 104,004</u>	<u>\$ 1,731,713</u>

The accompanying notes are an integral part of these financial statements.

**PROJECT RETURN, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2015**

	<u>Supporting Services</u>			
	<b>Program Services</b>	<b>Management and General</b>	<b>Fund- raising</b>	<b>Total</b>
Compensation and related costs				
Salaries and contract labor	\$ 826,305	\$ 32,569	\$ 39,809	\$ 898,683
Employee benefits	98,600	2,758	3,980	105,338
Payroll taxes	112,970	2,249	4,599	119,818
	<u>1,037,875</u>	<u>37,576</u>	<u>48,388</u>	<u>1,123,839</u>
Advertising	187	9	8	204
Aid to clients	191,908	39	30	191,977
Dues and memberships	802	2,551	1,261	4,614
Equipment rental and maintenance	12,428	3,780	381	16,589
Insurance	12,255	3,212	527	15,994
Meetings	755	676	669	2,100
Office supplies	27,317	11,842	1,160	40,319
Postage	2,284	224	102	2,610
Printing	3,036	758	1,908	5,702
Professional fees	109,139	2,600	7,127	118,866
Program supplies	8,513	-	-	8,513
Rent	42,474	6,274	3,222	51,970
Staff development	470	-	496	966
Telecommunications	5,499	260	375	6,134
Travel	25,165	1,123	69	26,357
Utilities	7,652	1,260	577	9,489
	<u>1,487,759</u>	<u>72,184</u>	<u>66,300</u>	<u>1,626,243</u>
Depreciation	<u>12,645</u>	<u>1,488</u>	<u>744</u>	<u>14,877</u>
Total functional expenses	<u>\$ 1,500,404</u>	<u>\$ 73,672</u>	<u>\$ 67,044</u>	<u>\$ 1,641,120</u>

The accompanying notes are an integral part of these financial statements.



**PROJECT RETURN, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Decrease) increase in net assets	\$ (1,235)	\$ 91,317
Adjustments to reconcile (decrease) increase in net assets to net cash (used) provided by operating activities		
Depreciation	13,369	14,877
(Increase) Decrease in:		
Financial assistance awards receivable	(77,294)	11,182
Contractual agreements receivable	15,633	(3,238)
Other receivables	4,352	6,838
Prepaid expenses	(13,723)	(571)
Inventory	(962)	5,977
Increase (Decrease) in:		
Accounts payable	(18,793)	24,076
Accrued expenses	(988)	10,140
Other liabilities	7,472	-
	<u>(72,169)</u>	<u>160,598</u>
Net Cash (Used) Provided By Operating Activities		
	<u>(72,169)</u>	<u>160,598</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property and equipment	<u>-</u>	<u>(13,272)</u>
Net Cash Used By Investing Activities	<u>-</u>	<u>(13,272)</u>
Net (Decrease) Increase in Cash	(72,169)	147,326
CASH - BEGINNING OF YEAR	<u>223,540</u>	<u>76,214</u>
CASH - END OF YEAR	<u>\$ 151,371</u>	<u>\$ 223,540</u>

The accompanying notes are an integral part of these financial statements.

**PROJECT RETURN, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 1 - AGENCY AND NATURE OF ACTIVITIES**

Project Return, Inc. (the "Agency") is a Tennessee not-for-profit corporation which provides counseling and the teaching of job skills to prisoners in conjunction with their release from institutional custody and return to society. The Agency is supported primarily through federal and state government financial assistance awards and contractual agreements, an appropriation from the State of Tennessee, corporate and foundation grants, and private contributions.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

Cash

Cash includes checking and money market deposits held by financial institutions.

Property and Equipment and Depreciation

It is the Agency's policy to capitalize all property and equipment over \$1,000. Furniture and equipment acquisitions are recorded at cost. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities and changes in net assets and the statements of functional expenses for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful lives of the assets ranging from five to ten years and computed on the straight-line method.

**PROJECT RETURN, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions and Support and Receivables

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Financial assistance awards revenues are recognized in the period that a liability is incurred for eligible expenditures under the terms of the grant agreements. Financial assistance awards received prior to expenditure are recorded initially as grantor advances.

Contractual agreement revenues are recognized in the period the services are performed.

The Agency uses the allowance method to determine uncollectible receivables related to contributions and support receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance was deemed necessary as of June 30, 2016 and 2015. All receivables are classified as current as they are expected to be collected within one year.

Donated Goods and Services

Donated goods are recorded at fair value in the period the gift is received. Donated services are recognized if they create or enhance non-financial assets or the donated service requires specialized skills, was performed by the donor who possesses such skills, and would have been purchased by the Agency if not provided by the donor. Such services are recognized at fair value as support and expense in the period the services are performed.

**PROJECT RETURN, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Taxes

The Agency is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c)(3) and the tax laws of the state of Tennessee.

Accounting principles generally accepted in the United States of America require the Agency to evaluate tax positions taken by the Agency and recognize a tax liability (or asset) if the Agency has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The management has analyzed the tax positions taken by the Agency and has concluded that as of June 30, 2016 no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Agency is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Agency is no longer subject to U.S. federal income tax examinations by tax authorities for years ended prior to June 30, 2013.

Functional Allocation of Expenses

The following program and supporting services classifications are included in the accompanying financial statements.

Program services consist of an adult program, which provides direct referrals to employment services, educates the public regarding criminal justice issues, and supports successful transitions back into the community through life skills training.

Management and general includes the functions necessary to ensure an adequate working environment. These costs are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the Agency. Specific activities include oversight, business management, budgeting, recordkeeping, financing, and other administrative activities.

Fundraising includes costs of activities directed toward appeals for financial support including special events. Other activities include the cost of solicitation and creation and distribution of fundraising materials.

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or subjective methods determined by management.

**PROJECT RETURN, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2016	2015
Furniture and equipment	\$ 49,427	\$ 49,427
Vehicles	<u>81,225</u>	<u>81,225</u>
	130,652	130,652
Less accumulated depreciation	<u>(65,282)</u>	<u>(51,912)</u>
	<u>\$ 65,370</u>	<u>\$ 78,740</u>

Depreciation expense was \$13,369 and \$14,877 for 2016 and 2015 respectively

**NOTE 4 - RESTRICTED NET ASSETS**

As of June 30, 2015 the Agency has no temporary restrictions on net assets.

The temporary restrictions on net assets at June 30, 2016 from corporate and foundation grants are attributable to various grants from various donors for specific program services or event sponsorships totaling \$80,100. Temporary restrictions from project restrictions are the result of the Agency holding and disbursing funds on behalf of another charitable organization totaling \$6,966.

There were no permanently restricted net assets as of June 30, 2016 and 2015.

**NOTE 5 - DONATED GOODS AND SERVICES**

In-kind contributions of food and supplies totaling \$13,571 and \$11,500 have been included in unrestricted support and revenues and unrestricted functional expenses in the financial statements for the years ended June 30, 2016 and 2015 respectively.

**NOTE 6 - CONCENTRATIONS AND CREDIT RISK**

Financial assistance awards, contractual agreements and appropriations comprised 81% and 63% of the Agency's total support and revenues for the years ended June 30, 2016 and 2015 respectively. Contract services accounted for 18% and 21% of total revenue for the years ended June 30, 2016 and 2015 respectively.

**PROJECT RETURN, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 6 - CONCENTRATIONS AND CREDIT RISK (CONTINUED)**

Financial instruments that potentially subject the Agency to concentrations of credit risk include receivables from financial assistance awards and contractual agreements and support received from these agencies, corporate and foundation grants and contributions. Substantially all receivables for the years ended June 30, 2016 and 2015 were from these sources.

**NOTE 7 - LEASING ARRANGEMENTS**

The Agency has operating leases for the office building and certain office equipment. A schedule of future minimum lease payments under these operating leases are as follows for the years ending June 30:

2017	\$ 76,862
2018	72,944
2019	54,441
2020	20,572
	<u>\$ 224,819</u>

Rental expense for office equipment and office space was \$75,330 and \$58,159 for the years ended June 30, 2016 and 2015 respectively.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

The Agency has received various government grants for specific purposes that are subject to review and audit by grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to grantors.

**NOTE 9 - EVALUATION OF SUBSEQUENT EVENTS**

The Agency has evaluated subsequent events through September 6, 2016 which is the date the financial statements were available to be issued.

**PROJECT RETURN, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED JUNE 30, 2016**

<u>Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity</u>	<u>Contract Number</u>	<u>Expenditures</u>
<b><u>FEDERAL AWARDS</u></b>				
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>				
<u>Direct Programs:</u>				
Second Chance Act Prisoner Reentry Initiative				
Family Ties Mentoring Program	16.812		2013-CY-BX-0004	\$ 149,050
<u>Pass through Programs:</u>				
Edward Byrne Memorial Justice Assistance Grant Program:				
Transitional Employment Program	16.738	Tennessee Dept of Finance & Administration	82901	-
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>				<b><u>149,050</u></b>
<b><u>U.S. DEPARTMENT OF LABOR</u></b>				
<u>Direct Programs:</u>				
Reintegration of Ex-offenders				
Strategies Targeting Characteristics Common to Female Ex-Offenders	17.270*		PE-24419-13-60-A-47	<u>507,026</u>
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>				<b><u>507,026</u></b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<u>Pass through Programs:</u>				
Block Grants for Prevention and Treatment of Substance Abuse:				
Addictions Recovery Program	93.959	Tennessee Dept of Mental Health and Substance Abuse Services	30803	<u>23,975</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				<b><u>23,975</u></b>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>				
<u>Pass through Programs:</u>				
Jobs Access and Reverse Commute	20.516	Nashville Metropolitan Transit Authority	2015589-C	23,260
Jobs Access and Reverse Commute	20.516	Regional Transportation Authority of Middle Tennessee	N/A	<u>46,521</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>				<b><u>69,781</u></b>
<b><u>TOTAL FEDERAL AWARDS</u></b>				<b><u>\$ 749,832</u></b>
<b><u>STATE AWARDS</u></b>				
TENNESSEE DEPARTMENT OF CORRECTIONS	N/A		32901-31208	\$ 123,835
<b><u>TOTAL STATE AWARDS</u></b>				<b><u>\$ 123,835</u></b>
<b><u>TOTAL FEDERAL AND STATE AWARDS</u></b>				<b><u>\$ 873,667</u></b>

**Basis of presentation**

This schedule of expenditures of federal awards includes the federal grant activity of Project Return, Inc. and is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

\* -Tested as a major program



**INDEPENDENT AUDITORS' 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  
Project Return, Inc.

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 the Agency (a non-for-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, 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 September 6, 2016.

**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 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.



**INDEPENDENT AUDITORS' 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 (CONTINUED)**

**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.

*Blumending CPA Group, PLLC*  
September 6, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

To the Board of Directors  
Project Return, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited the Agency's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2016. The Agency's major federal programs are identified in the summary of Auditors' 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, the Agency 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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133 (CONTINUED)**

**Report on Internal Control Over Compliance**

Management of the Agency 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 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 OMB Circular A-133, 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Blankenship CPA Group, PLLC*  
September 8, 2016

**PROJECT RETURN, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

**Section I- Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:

Unqualified

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 auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

\_\_\_\_\_ yes      X   no

Identification of major programs:

CFDA Number(s) / Name of Federal Program or Cluster

17.270 U.S / Department of Labor - Reintegration of Ex-Offenders

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes      X   no

**PROJECT RETURN, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2016**

**Section II- Financial Statement Findings**

Prior Year - None reported.

Current Year - None reported.