

**WESTSIDE INDUSTRIAL RETENTION
AND EXPANSION NETWORK
(WIRE-Net)**

AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015



Audited Financial Statements

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

DECEMBER 31, 2016 AND 2015

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To the Board of Directors
Westside Industrial Retention and Expansion Network

Report of Independent Auditors

Report on the Financial Statements

We have audited the accompanying financial statements of Westside Industrial Retention and Expansion Network (a nonprofit organization) (“WIRE-Net”), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WIRE-Net as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2017 on our consideration of WIRE-Net'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 WIRE-Net's internal control over financial reporting and compliance.

Pease & Associates, LLC

Cleveland, Ohio
June 21, 2017

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 491,341	\$ 503,421
Grants receivable	377,160	298,471
Accounts receivable, net	77,784	54,840
Prepaid expenses	4,476	3,786
	950,761	860,518
Property and Equipment		
Office furniture and equipment	73,037	73,037
Less: accumulated depreciation	(70,430)	(67,586)
	2,607	5,451
Other Assets		
Deposits	6,809	6,809
	6,809	6,809
TOTAL ASSETS	\$ 960,177	\$ 872,778
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 69,199	\$ 54,943
Accrued expenses	49,148	43,208
	118,347	98,151
Net Assets		
Unrestricted:		
Undesignated	104,122	234,632
Board designated - operating reserve	157,000	150,000
	261,122	384,632
Temporarily restricted	580,708	389,995
	841,830	774,627
TOTAL LIABILITIES AND NET ASSETS	\$ 960,177	\$ 872,778

See notes to financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Grants	\$ 737,623	\$ 920,530	\$ 1,658,153
Consulting fees	242,656	-	242,656
Membership dues and contributions	309,565	-	309,565
Interest income	106	-	106
Program events and workshops	228,455	-	228,455
Net assets released from donor restrictions	729,817	(729,817)	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE AND OTHER SUPPORT	2,248,222	190,713	2,438,935
EXPENSES			
Program services	1,934,693	-	1,934,693
Supporting services:			
Management and general expenses	390,666	-	390,666
Fundraising expenses	46,373	-	46,373
	<hr/>	<hr/>	<hr/>
	2,371,732	-	2,371,732
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	(123,510)	190,713	67,203
NET ASSETS AT BEGINNING OF YEAR	384,632	389,995	774,627
	<hr/>	<hr/>	<hr/>
NET ASSETS AT END OF YEAR	\$ 261,122	\$ 580,708	\$ 841,830
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Grants	\$ 698,889	\$ 617,994	\$ 1,316,883
Consulting fees	258,783	-	258,783
Membership dues and contributions	319,500	-	319,500
Interest income	108	-	108
Program events and workshops	221,439	-	221,439
Net assets released from donor restrictions	<u>706,449</u>	<u>(706,449)</u>	<u>-</u>
TOTAL REVENUE AND OTHER SUPPORT	2,205,168	(88,455)	2,116,713
EXPENSES			
Program services	1,758,079	-	1,758,079
Supporting services:			
Management and general expenses	340,571	-	340,571
Fundraising expenses	<u>42,802</u>	<u>-</u>	<u>42,802</u>
	<u>2,141,452</u>	<u>-</u>	<u>2,141,452</u>
CHANGE IN NET ASSETS	63,716	(88,455)	(24,739)
NET ASSETS AT BEGINNING OF YEAR	<u>320,916</u>	<u>478,450</u>	<u>799,366</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 384,632</u></u>	<u><u>\$ 389,995</u></u>	<u><u>\$ 774,627</u></u>

See notes to financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Program Services							Supporting Services			
	Accelerate Cleveland Manufacturing	Manufacturing Assistance	Global Wind Network (GLWN™)	Adult Workforce Development	Youth Workforce Development	Membership	Redevelopment	Total Program Services	Management and General	Fundraising	Total
Payroll	\$ 99,660	\$ 192,797	\$ 195,242	\$ 145,071	\$ 201,040	\$ 211,775	\$ 12,945	\$ 1,058,530	\$ 173,461	\$ 39,425	\$ 1,271,416
Payroll taxes and benefits	15,691	39,830	47,595	49,494	41,388	40,173	3,995	238,166	57,070	6,099	301,335
	<u>115,351</u>	<u>232,627</u>	<u>242,837</u>	<u>194,565</u>	<u>242,428</u>	<u>251,948</u>	<u>16,940</u>	<u>1,296,696</u>	<u>230,531</u>	<u>45,524</u>	<u>1,572,751</u>
Contractual services	16,168	46,911	263,257	24,498	13,971	27,864	-	392,669	88,793	-	481,462
Job training/management education	722	3,791	200	1,300	5,571	1,804	-	13,388	2,313	-	15,701
Occupancy	799	3,994	1,866	1,881	4,703	2,763	417	16,423	33,047	593	50,063
Travel	498	3,281	40,394	1,364	2,383	2,338	-	50,258	762	6	51,026
Office supplies and equipment	55	279	4,933	1,986	116	6,652	-	14,021	13,933	-	27,954
Communication	650	1,601	-	-	-	2,260	-	4,511	-	-	4,511
Other events and workshops	-	-	420	300	3,345	79,897	-	83,962	30	-	83,992
Telephone	236	1,180	2,368	582	2,373	817	97	7,653	8,975	175	16,803
Meetings	109	73	541	250	110	19,457	-	20,540	598	-	21,138
Dues and subscriptions	-	2,479	500	-	125	395	4,024	7,523	2,435	-	9,958
Postage and shipping	34	-	28	-	-	1,046	-	1,108	972	47	2,127
Depreciation	-	-	-	-	-	-	-	-	2,844	-	2,844
Staff recruitment	-	-	-	-	56	-	-	56	-	-	56
Bank charges and fees	-	9	-	-	-	7,518	-	7,527	690	28	8,245
Insurance	-	-	-	-	-	-	-	-	4,699	-	4,699
Bad debt expense	-	-	-	17,903	-	455	-	18,358	-	-	18,358
Miscellaneous	-	-	-	-	-	-	-	-	44	-	44
	<u>\$ 134,622</u>	<u>\$ 296,225</u>	<u>\$ 557,344</u>	<u>\$ 244,629</u>	<u>\$ 275,181</u>	<u>\$ 405,214</u>	<u>\$ 21,478</u>	<u>\$ 1,934,693</u>	<u>\$ 390,666</u>	<u>\$ 46,373</u>	<u>\$ 2,371,732</u>

See notes to financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Program Services							Supporting Services			
	Accelerate Cleveland Manufacturing	Manufacturing Assistance	Global Wind Network (GLWN™)	Adult Workforce Development	Youth Workforce Development	Membership	Redevelopment	Total Program Services	Management and General	Fundraising	Total
Payroll	\$ 128,591	\$ 192,437	\$ 185,941	\$ 119,953	\$ 204,879	\$ 183,221	\$ 27,805	\$ 1,042,827	\$ 174,848	\$ 35,719	\$ 1,253,394
Payroll taxes and benefits	18,101	56,555	38,718	38,603	45,289	33,169	8,579	239,014	58,065	6,384	303,463
	146,692	248,992	224,659	158,556	250,168	216,390	36,384	1,281,841	232,913	42,103	1,556,857
Contractual services	1,673	36,634	124,520	21,809	26,076	20,980	-	231,692	24,103	-	255,795
Job training/management education	-	1,295	-	-	27,670	384	-	29,349	182	-	29,531
Occupancy	724	3,617	1,690	1,542	3,856	2,502	539	14,470	31,568	537	46,575
Travel	455	2,522	20,975	1,028	3,341	3,891	24	32,236	753	8	32,997
Office supplies and equipment	2,980	3,892	1,178	1,325	2,581	1,581	-	13,537	26,591	-	40,128
Communication	687	2,950	5,681	-	12,283	5,644	-	27,245	-	-	27,245
Other events and workshops	-	50	2,441	150	5,300	72,916	170	81,027	-	-	81,027
Telephone	207	1,034	3,142	440	2,133	715	423	8,094	9,437	154	17,685
Meetings	17	22	-	207	555	17,099	98	17,998	974	-	18,972
Dues and subscriptions	-	2,295	5,500	-	1,100	-	5,808	14,703	1,830	-	16,533
Postage and shipping	-	-	11	-	-	-	-	11	2,000	-	2,011
Depreciation	-	-	-	-	-	-	-	-	2,844	-	2,844
Staff recruitment	-	-	-	-	371	-	-	371	-	-	371
Bank charges and fees	-	-	-	-	-	4,771	-	4,771	1,027	-	5,798
Interest expense	-	-	-	-	-	-	-	-	130	-	130
Insurance	-	-	-	-	-	-	-	-	4,048	-	4,048
Miscellaneous	-	534	-	-	200	-	-	734	2,171	-	2,905
	<u>\$ 153,435</u>	<u>\$ 303,837</u>	<u>\$ 389,797</u>	<u>\$ 185,057</u>	<u>\$ 335,634</u>	<u>\$ 346,873</u>	<u>\$ 43,446</u>	<u>\$ 1,758,079</u>	<u>\$ 340,571</u>	<u>\$ 42,802</u>	<u>\$ 2,141,452</u>

See notes to financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 67,203	\$ (24,739)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,844	2,844
Changes in assets and liabilities:		
Grants and accounts receivables	(101,633)	126,727
Prepaid expenses	(690)	(495)
Accounts payable and accrued expenses	<u>20,196</u>	<u>(31,239)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(12,080)</u>	<u>73,098</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(12,080)	73,098
CASH AND CASH EQUIVALENTS, beginning of year	<u>503,421</u>	<u>430,323</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 491,341</u></u>	<u><u>\$ 503,421</u></u>

See notes to financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 1 – ORGANIZATION AND OPERATIONS

The mission of the Westside Industrial Retention and Expansion Network (incorporated in 1988) (“WIRE-Net” or the “Organization”) is to strengthen manufacturing to create healthy communities and fuel economic growth. The Organization provides expertise that is responsive to manufacturing-related businesses and their employees. WIRE-Net connects leaders to each other and engages them in their communities. WIRE-Net is based in Cleveland, Ohio and has a primary emphasis on serving manufacturers in the City of Cleveland and greater Cleveland. However, WIRE-Net also serves manufacturers nationally and throughout Ohio.

WIRE-Net’s website is www.wire-net.org.

WIRE-Net currently operates the following programs:

- ***Accelerate Cleveland Manufacturing*** – works with targeted firms in Cleveland and northeast Ohio and develops strategies to remove a manufacturer’s roadblocks to growth. This initiative’s work in Cleveland is a partnership with MAGNET (Manufacturing Advocacy & Growth Network), supported by The Cleveland Foundation. A related regional partnership with MAGNET, the Medina-Summit Workforce Investment Board, Team NEO and area colleges, is supported in part by the U.S. Economic Development Administration.
- ***Manufacturing Assistance Program*** – works directly with manufacturing businesses to help them reduce costs, innovate, increase their effectiveness and grow their businesses. Competitiveness is improved through training and consulting services for companies in Lean, ISO, and through growth coaching. WIRE-Net manages the **Cleveland Industrial Retention Initiative (CIRI)** in coordination with the City of Cleveland’s Department of Economic Development. CIRI, a program of the City of Cleveland, provides outreach to raise industry awareness of available resources, stimulate business and neighborhood investment, and to foster job creation. CIRI provides services that help manufacturers remain and grow within the City of Cleveland and provide employment opportunities for Cleveland’s residents.
- ***Global Wind Network (GLWN™) Program*** – assists in business development and job creation by working with the wind, fuel cell and clean energy supply chain as well as opinion leaders and policy makers to increase U.S. domestic content in the industry. GLWN™ provides linkages between wind turbine, fuel cell and clean energy companies seeking to grow in America and manufacturers, suppliers, and sub-contractors looking to gain new business. GLWN provides technical assistance to regional, state and national clean energy partners to strengthen the U.S. clean energy industry.

- **Adult Workforce Development Program – WorkSource** provides targeted employee recruitment, screening, placement, and retention services for manufacturing companies throughout Northeast Ohio. WIRE-Net also engages its members in peer-to-peer learning, such as WIRE-Net’s HR Roundtable and supervisory training, to assist company leaders in developing and implementing effective HR management programs. The **Apprenticeship Consortium** supports Consortium members in developing 21st century apprenticeship programs within their companies, using competency-based models and targeting CNC machining and industrial maintenance mechanic occupations.
- **Youth Workforce Development Program** – provides services to youth in junior high through high school. The Program is based at Cleveland’s Max S. Hayes Vocational High School, a part of the Cleveland Metropolitan School District, and works with the school’s staff to provide students employability, life skills and work-based learning which lead to careers in manufacturing, building and construction, transportation, and information technology. WIRE-Net is also developing high school pre-apprenticeship programs at Max Hayes and with other career-tech high schools that can serve as a feeder into adult apprenticeship opportunities.

As part of the Encore Cleveland initiative, a signature program of the Cleveland Foundation, the Technical Corps Program (TCP) identifies experienced industry technicians to share their skills and knowledge with Max Hayes Career & Technical Education teachers as adjunct faculty, teacher assistants, and manufacturing career champions. With the support of the Technical Corps Program, students are better prepared for skills certifications, college, and careers. The collaboration between WIRE-Net’s TCP and Max Hayes is designed to develop and secure a continuous group of qualified technicians in a variety of skills including Computer Aided Drafting and Design (CADD), Computer Numerical Controlled (CNC) Machining, Precision Machining Technology, and Welding and Cutting.

WIRE-Net’s Youth Programs also develop partnerships between community and business leaders and Cleveland Metropolitan School District administrators and teachers. These partnerships create out-of-school learning environments which mirror industry standards and expectations. WIRE-Net organizes businesses into Technical Advisory Committees; conducts career exploration presentations at elementary schools and community events; supports work-based professional development (externships) for faculty; and recruits students and staff to the school.

- **Membership Program** – WIRE-Net is a membership organization devoted to the advancement of manufacturing. WIRE-Net provides its more than 380 members with networking, business education, professional development, cost reduction services, sourcing assistance, and opportunities to volunteer with and support the community. For over 25 years WIRE-Net has been a collective voice for the manufacturing community in the areas of policy, research and education. WIRE-Net programs encourage investment and job creation in greater Cleveland.
- **Redevelopment Program** – provides extensive industrial site search assistance to companies and provides infrastructure planning and advocacy in key industrial districts.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting: The financial statements have been prepared on the accrual basis of accounting.

Basis of presentation: As required by accounting principles generally accepted in the United States of America, the Organization reports information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. WIRE-Net has no permanently restricted net assets at December 31, 2016 and 2015.

Cash and cash equivalents: WIRE-Net considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. When applicable, cash and cash equivalents designated for long-term purposes or received with donor imposed restrictions limiting their use to long-term purposes are classified as non-current assets.

Cash and cash equivalents consist of two checking accounts and two money market accounts with two financial institutions. Cash in these accounts may, at times, exceed the federally-insured limit. The Organization has not experienced any losses in such accounts and management does not believe the Organization is exposed to any substantial credit risk.

Revenue recognition: Contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met and the promises become unconditional. In the case of cost reimbursement based grants, revenue is recognized in the period in which the related expenditures are incurred. Contributions and grants that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions or grants are recognized. All other donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Earned revenues from consulting, program events and workshops are recognized when the services are performed.

Membership dues are recognized as revenue in the period to which the dues relate, limited to the value of the actual benefits received. Membership dues paid in excess of the actual benefits received are considered a contribution and are recorded as unrestricted revenue in the accompanying statements of activities as the dues become payable. Membership dues are payable at the beginning of the July through June annual membership period. Unearned dues at year end are not material.

Grants and accounts receivable: Grants receivable consist of government and foundation grants. Accounts receivable consist of earned revenues from consulting, program events and workshops, as well as contributions from corporations and individuals. All grants and accounts receivable are expected to be collected within one year.

Grants and accounts receivable are recorded at net realizable value. The Organization uses the allowance method to provide for uncollectible grants and accounts receivable. Estimates of uncollectible amounts are based on prior years' experience and management's analysis of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts receivable totals \$17,903 at December 31, 2016. There was no allowance deemed necessary for grants and accounts receivable at December 31, 2015.

Property and equipment: Property and equipment are recorded at cost at the date of acquisition. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are 5-7 years for office furniture and equipment. Depreciation expense totaled \$2,844 in both 2016 and 2015.

Contributed services: Donated services are recognized as contributions if, the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by entities or persons possessing those skills, and would otherwise be purchased if not donated.

A number of volunteers have donated significant amounts of their time assisting WIRE-Net with specific programs, management and internal functions, campaign solicitations and various committee assignments. These donated services have not been recognized in the accompanying financial statements because the criteria for recognition of such volunteer efforts have not been satisfied.

Allocation of expenses by function: Amounts in the accompanying statements of functional expenses are allocated between program expenses, management and general expenses, and fundraising expenses based on estimated percentages deemed appropriate by the Organization's management.

Fair value of financial instruments: The Organization's financial instruments are cash and cash equivalents, grants and accounts receivable, and accounts payable. The recorded values of cash and cash equivalents, grants and accounts receivable, and accounts payable approximate their fair values based on their short-term nature.

Income taxes: Westside Industrial Retention and Expansion Network is a non-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization other than a private foundation under Section 509(a) of the Internal Revenue Code.

Compensated absences: Employees of WIRE-Net are entitled to paid vacation depending on job classification, length of service, and other factors. As of December 31, 2016 and 2015, the amounts accrued for compensated absences totaled \$49,148 and \$43,250, respectively, and are included in accrued expenses in the accompanying statements of financial position.

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 certain amounts reported in the financial statements and notes. These estimates may be adjusted as more current information becomes available, and any adjustments could be material.

Recently issued accounting pronouncements: In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves current net asset classification requirements, as well as the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, nature of expenses, and cash flows. ASU 2016-14 will take effect for the Organization's 2018 financial statements. Early application is permitted and retrospective application for all periods presented is required, with certain limited exceptions to periods presented before the period of adoption. The Organization is currently evaluating the impact that ASU 2016-14 will have on its financial statements and will adopt the provisions upon the effective date.

Subsequent events: In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 21, 2017, the date the financial statements were available to be issued.

NOTE 3 – GOVERNMENTAL AND FOUNDATION FUNDING

In 2016 and 2015, the Organization received approximately 34% and 39%, respectively, of its total revenue and support through direct and indirect federal, state, county, and city grants and purchases of service agreements. A significant reduction in the level of this governmental support, if this were to occur, may have a significant effect on the Organization’s activities. Grants receivable from government funding sources totaled \$37,569 and \$125,363 at December 31, 2016 and 2015, respectively.

Also, during 2016 and 2015, the Organization received \$721,976 and \$455,716, respectively, of additional grant funding for four programs from one foundation. Grants receivable from this foundation totaled \$281,238 and \$153,108 at December 31, 2016 and 2015, respectively.

NOTE 4 – RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015 are restricted for and relate to the following programs:

	2016	2015
Youth Workforce Development	\$ 172,182	\$ 177,061
Accelerate Cleveland Manufacturing	201,195	172,719
Adult Workforce Development	207,331	40,215
	\$ 580,708	\$ 389,995

Board designated net assets as of December 31, 2016 and 2015 consist of \$157,000 and \$150,000, respectively, of cash held by the Organization and designated by the Board of Directors to serve as an operating reserve to support the current and future operations of the Organization. Because the amount results from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

NOTE 5 – RENTAL COMMITMENTS

WIRE-Net leases its office facility under an operating lease which expires in June 2017. In May 2017, the office facility lease was renewed through June 2020 with the option to extend the lease through June 2022.

WIRE-Net also leases certain office equipment under operating leases which expire in June 2021.

Rent expense for all operating leases in 2016 and 2015 totaled \$45,615 and \$42,606, respectively.

At December 31, 2016, future minimum rental payments required under the leases total:

<u>Year ending December 31,</u>	<u>Amount</u>
2017	\$ 24,216
2018	2,931
2019	2,931
2020	2,931
2021	1,466
	<u>\$ 34,475</u>

The Organization also pays for certain operating expenses related to the office facility.

NOTE 6 – LINE OF CREDIT

WIRE-Net has available a \$150,000 bank demand line of credit. Each borrowing on the line of credit bears interest at the bank's prime rate (3.75% at December 31, 2016 and 3.50% at December 31, 2015) plus .35%. The line is secured by the assets of the Organization and expires on June 6, 2018. There were no outstanding borrowings on the line of credit at December 31, 2016 and 2015.

NOTE 7 – RETIREMENT PLAN

The Organization has a defined contribution retirement plan (the "Plan") under Section 403(b) of the Internal Revenue Code. Under the Plan, employees may elect to defer a portion of their salary, subject to Plan provisions and Internal Revenue Code limits. It is the policy of WIRE-Net to match a portion of eligible employee salary deferral contributions based on the discretion of its Board of Directors. Matching contributions for 2016 and 2015 totaled \$28,704 and \$30,293, respectively. In addition, the Organization may make discretionary nonelective contributions to the Plan. WIRE-Net did not make any discretionary nonelective contributions for 2016 and 2015. Effective May 1, 2017, the Organization established a retirement savings plan under Section 401(k) of the Internal Revenue Code. Accordingly, the current 403(b) plan will be terminated in June 2017.



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To the Board of Directors
Westside Industrial Retention and Expansion Network

Report of Independent Auditors 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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Westside Industrial Retention and Expansion Network (a nonprofit organization) (“WIRE-Net”), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered WIRE-Net’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 WIRE-Net’s internal control. Accordingly, we do not express an opinion on the effectiveness of WIRE-Net’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WIRE-Net'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.

Pease & Associates, LLC

Cleveland, Ohio
June 21, 2017

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2016

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 that are not considered to be material weakness(es)?	_____ Yes	_____ X	None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X	No

Federal Awards

WIRE-Net did not expend more than \$750,000 in federal awards during the year ended December 31, 2016, and therefore, is exempt from the audit requirements under the Single Audit Act and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Section II – Financial Statement Findings

No significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5 of *Government Auditing Standards* were identified.

Section III – Federal Award Findings and Questioned Costs

Not applicable