WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

Consolidated Audited Financial Statements

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

DECEMBER 31, 2011 AND 2010

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To the Board of Directors
Westside Industrial Retention and Expansion Network and subsidiary

Report of Independent Auditors

We have audited the accompanying consolidated statements of financial position of Westside Industrial Retention and Expansion Network (a nonprofit organization) and subsidiary (collectively "WIRE-Net") as of December 31, 2011 and 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of WIRE-Net's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of WIRE-Net as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2012, 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* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Pease & Associates, Inc.

Cleveland, Ohio
June 15, 2012

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	$ 374,331	$ 250,214
Grants receivable	153,371	242,914
Accounts receivable	85,746	73,135
Note receivable	-	158,000
Prepaid expenses	3,180	2,451
Total Current Assets	616,628	726,714
Property and Equipment		
Office furniture and equipment	58,817	194,295
Less: accumulated depreciation	(53,427)	(187,109)
	5,390	7,186
Other Assets		
Deposits	6,809	6,809
TOTAL ASSETS	$ 628,827	$ 740,709
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 97,768	$ 128,832
Accrued expenses	49,373	90,234
Total Current Liabilities	147,141	219,066
Net Assets		
Unrestricted:		
Undesignated	123,523	268,143
Board designated	158,000	-
	281,523	268,143
Temporarily restricted	200,163	253,500
Total Net Assets	481,686	521,643
TOTAL LIABILITIES AND NET ASSETS	$ 628,827	$ 740,709

See notes to consolidated financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Grants	$ 1,070,568	$ 657,500	$ 1,728,068
Consulting fees	142,185		142,185
Membership dues and contributions	333,184		333,184
Interest income	2,605		2,605
Program events and workshops	312,758		312,758
Net assets released from donor restrictions	710,837	(710,837)	-
TOTAL REVENUE AND OTHER SUPPORT	2,572,137	(53,337)	2,518,800
EXPENSES			
Program services	2,176,635		2,176,635
Supporting services:			
Management and general expenses	332,239		332,239
Fundraising expenses	49,883		49,883
	2,558,757		2,558,757
CHANGE IN NET ASSETS	13,380	(53,337)	(39,957)
NET ASSETS AT BEGINNING OF YEAR	268,143	253,500	521,643
NET ASSETS AT END OF YEAR	$ 281,523	$ 200,163	$ 481,686

See notes to consolidated financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Grants	$ 1,194,706	$ 630,000	$ 1,824,706
Consulting fees	191,837		191,837
Membership dues and contributions	224,605		224,605
Interest income	5,691		5,691
Program events and workshops	166,040		166,040
Net assets released from donor restrictions	760,335	(760,335)	-
TOTAL REVENUE AND OTHER SUPPORT	2,543,214	(130,335)	2,412,879
EXPENSES			
Program services	2,241,200		2,241,200
Supporting services:			
Management and general expenses	248,842		248,842
Fundraising expenses	51,697	-	51,697
	2,541,739		2,541,739
CHANGE IN NET ASSETS	1,475	(130,335)	(128,860)
NET ASSETS AT BEGINNING OF YEAR	266,668	383,835	650,503
NET ASSETS AT END OF YEAR	$ 268,143	$ 253,500	$ 521,643

See notes to consolidated financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2011

	Program Services								Supporting Services		
	Manufacturing Assistance	GLWN™	Adult Workforce Development	Youth Workforce Development	Membership	Redevelopment	SAFE-16	Total Program Services	Management and General	Fundraising	Total
Payroll	$ 325,585	$ 495,854	$ 49,881	$ 161,929	$ 67,551	$ 52,751	$ 47,020	$ 1,200,571	$ 191,418	$ 33,012	$ 1,425,001
Payroll taxes and benefits	64,614	95,825	11,944	31,042	20,255	16,718	4,650	245,048	34,540	6,520	286,108
	390,199	591,679	61,825	192,971	87,806	69,469	51,670	1,445,619	225,958	39,532	1,711,109
Contractual services	137,155	147,966	7,829	3,963	159	264	315	297,651	12,068	7,575	317,294
Job training/management education				60,544				60,544			60,544
Occupancy	4,138	3,242	354	5,541		1,207		14,482	33,911	1,356	49,749
Travel	7,261	80,060	771	1,052	254	671		90,069	2,174	30	92,273
Office supplies and equipment	546	3,177	1,037	3,535	455		252	9,002	29,250	273	38,525
Communication	16,467	4,125		2,856	5,273			28,721	1,340		30,061
Other events and workshops	8,243	133,009			30,912			172,164			172,164
Uncollectible accounts					13,665			13,665			13,665
Telephone	887	5,621	51	2,294		167	2,615	11,635	4,745	188	16,568
Split dues					5,930			5,930			5,930
Meetings	645	3,116		1,756	6,935	179		12,631	1,158		13,789
Dues and subscriptions	1,822	5,227		39	1,156	4,871		13,115	2,464		15,579
Staff and board development				31	150			181	9,292		9,473
Postage and shipping		216		15	151			382	362	929	1,673
Depreciation								-	1,796		1,796
Staff recruitment				429				429	34		463
Bank charges and fees								-	3,980		3,980
Insurance								-	3,295		3,295
Miscellaneous		415						415	412		827
	$ 567,363	$ 977,853	$ 71,867	$ 275,026	$ 152,846	$ 76,828	$ 54,852	$ 2,176,635	$ 332,239	$ 49,883	$ 2,558,757

See notes to consolidated financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010

	Program Services							Supporting Services		
	Manufacturing Assistance	GLWN™	Youth Workforce Development	Membership	Redevelopment	SAFE-16	Total Program Services	Management and General	Fundraising	Total
Payroll	$ 339,278	$ 492,646	$ 156,678	$ 64,377	$ 55,922	$ 47,477	$ 1,156,378	$ 142,204	$ 39,311	$ 1,337,893
Payroll taxes and benefits	55,499	82,942	24,409	12,629	14,415	4,384	194,278	27,089	1,312	222,679
	394,777	575,588	181,087	77,006	70,337	51,861	1,350,656	169,293	40,623	1,560,572
Contractual services	156,698	119,430	208,612	4,457		507	489,704	12,918	6,545	509,167
Job training/management education			63,563				63,563			63,563
Occupancy	7,755	6,077	10,469	722	2,262		27,285	20,405	2,398	50,088
Travel	6,926	92,023	5,139	480	612	272	105,452	1,734	17	107,203
Office supplies and equipment	5,111	3,172	920	11		784	9,998	20,599		30,597
Communication	16,908	29,091		10,507			56,506	560		57,066
Other events and workshops	170	65,410		1,081			66,661		611	67,272
Uncollectible accounts				9,720			9,720			9,720
Telephone	1,210	7,286	3,787	346	314	2,331	15,274	2,850	327	18,451
Split dues				1,000			1,000			1,000
Meetings	510	7,277	6,616	13,158	43		27,604	560		28,164
Dues and subscriptions	1,080	5,280			4,712		11,072	2,682	305	14,059
Staff and board development	2,351	155	2,459				4,965	3,800	694	9,459
Postage and shipping	33	433	33				499	2,142	177	2,818
Depreciation							-	1,797		1,797
Staff recruitment							-	153		153
Bank charges and fees							-	5,987		5,987
Insurance							-	3,139		3,139
Miscellaneous	500	741					1,241	223		1,464
	$ 594,029	$ 911,963	$ 482,685	$ 118,488	$ 78,280	$ 55,755	$ 2,241,200	$ 248,842	$ 51,697	$ 2,541,739

See notes to consolidated financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (39,957)	$ (128,860)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,796	1,797
Changes in assets and liabilities:		
Grants and accounts receivables	76,932	162,656
Prepaid expenses	(729)	15,696
Accounts payable and accrued expenses	(71,925)	74,735
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(33,883)	126,024
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection of note receivable	158,000	-
Purchases of property and equipment	-	(8,983)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	158,000	(8,983)
NET INCREASE IN CASH AND CASH EQUIVALENTS	124,117	117,041
CASH AND CASH EQUIVALENTS, beginning of year	250,214	133,173
CASH AND CASH EQUIVALENTS, end of year	$ 374,331	$ 250,214

See notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND OPERATIONS

The mission of the Westside Industrial Retention and Expansion Network (formed in 1988) and subsidiary, WIRE-Net Development Company (formed in 1996), (collectively "WIRE-Net" or the "Organization") is to strengthen manufacturing in order 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 northeast Ohio. However, WIRE-Net also serves manufacturers nationally and throughout Ohio.

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

WIRE-Net currently engages in the following programs:

- ***Manufacturing Assistance Program*** – improves bottom line profits by working 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 innovation 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 to stimulate business and neighborhood investment, foster job creation, and make Cleveland more "user friendly" for manufacturers.

- ***GLWN™ Program*** – assists in business development and job creation by developing and implementing a comprehensive plan to identify, expand and promote the wind energy supply chain. The GLWN™ was launched by WIRE-Net in 2007 and has grown substantially and has become a force in the U.S. wind industry. GLWN™ provides linkages between wind turbine companies seeking to grow in America, manufacturers, suppliers, and sub-contractors looking to gain new business through participation in the supply chain, and economic development groups that are seeking ways to promote local investment and job growth.

  WIRE-Net's Supply Chain Initiative is designed to help regional manufacturers find pre-qualified, capable suppliers in Northeast Ohio. <u>Making It Here</u> is a fast and cost effective way for manufacturing companies to localize their supply chain using WIRE-Net's supplier matching database.

- ***Youth Workforce Development Program*** – provides a continuum of services to youth in junior high through high school. The School-to-Career Program is based at Cleveland's Max Hayes Vocational High School, a part of the Cleveland Metropolitan School District (CMSD), and works alongside the school's administration, teachers, and staff to design and provide students employability and life skills classes. During the school year, WIRE-Net Youth Programs encourage students to pursue life-long learning and earning opportunities which lead to careers related to manufacturing, building & construction, transportation, and information technology. During the summer months, WIRE-Net offers incoming 9th graders a 3-week day orientation camp which introduces incoming freshman to the unique career tech learning opportunities offered at Max Hayes.

  WIRE-Net's Youth Programs also work diligently to develop mutually beneficial partnerships between community and business leaders and CMSD administrators and teachers. These partnerships are fostered in order to create learning environments which mirror and respond to industry standards and expectations. In pursuing these goals, WIRE-Net staff: organize Technical Advisory Committees; conduct career exploration presentations at elementary schools; participate in school based professional development activities; recruit students and staff to the school; and teach soft skills to students during and after school.

- ***Adult Workforce Development Program*** – provides targeted employee recruitment, screening, assessment, placement and retention services for manufacturing companies throughout Northeast Ohio. Engaged with partners including Towards Employment on Year 1 launch of WorkAdvance Initiative designed to help unemployed and low-wage working adults become trained and employed in good quality jobs with career tracks within targeted industry sectors. WIRE-Net engages its members in peer-to-peer learning environments, such as our HR Roundtable to assist company leaders in developing and implementing effective HR management programs.

- ***Membership Program*** – WIRE-Net is a membership-based organization devoted to the advancement of manufacturing. WIRE-Net provides its membership networking, business education, professional development, sourcing assistance, and opportunities to volunteer and support the community. For almost 25 years WIRE-Net has been providing a collective voice for the manufacturing community in the areas of policy, research and education.

- ***Redevelopment Program*** – providing extensive industrial site search assistance to companies, increasing the availability of developable industrial land and providing infrastructure planning and advocacy.

- ***SAFE-16 Program*** – WIRE-Net is the fiscal agent for the SAFE-16 Program, which provides technical assistance to local neighborhood businesses and their employees regarding safety issues and resolving business district and neighborhood concerns about actual and potential criminal activity through increased awareness, education and crime prevention strategies.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation policy: The accompanying consolidated financial statements include the accounts of WIRE-Net and its wholly-owned subsidiary, WIRE-Net Development Company. WIRE-Net Development Company is a corporation formed to hold land purchased for economic redevelopment projects in Cleveland, Ohio. WIRE-Net Development Company's accounts and transactions are not material to the accompanying consolidated financial statements.

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

Basis of presentation: The financial statement presentation follows the requirements of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, "*Not-for-Profit Entities: Presentation of Financial Statements*". Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. WIRE-Net has no permanently restricted net assets at December 31, 2011 and 2010.

Revenue recognition: WIRE-Net follows FASB ASC 958-605, "*Not-for-Profit Entities: Revenue Recognition*". Accordingly, contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions 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.

Cash and cash equivalents: WIRE-Net considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents.

Cash and cash equivalents at December 31, 2011 and 2010 consist of six checking 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.

Grants and accounts receivable: Grants and accounts receivable are recognized as revenues or gains in the period in which an unconditional promise to give is received or, in the case of cost reimbursement based grants, in the period in which the related expenditures are incurred. Assets, reductions of liabilities, or expenses are recognized depending on the form of the benefits received. Grants receivable consist of government and foundation grants. Accounts receivable consist of earned revenues from consulting, program events and workshops, as well as membership dues and contributions. 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. There was no allowance deemed necessary for grants and accounts receivable at December 31, 2011 and 2010.

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 for 2011 and 2010 totaled $1,796 and $1,797, respectively.

During 2011 the Organization wrote-off fully depreciated property and equipment that was no longer in use.

Contributed services: FASB ASC 958-605 states that for donated services to be recognized in the financial statements, the services must either (a) create or enhance non-financial assets or (b) require specialized skills, provided by entities or persons possessing those skills that would have to 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 under FASB ASC 958-605 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: WIRE-Net is a non-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization other than a private foundation under Section 509(a) of the Internal Revenue Code. WIRE-Net Development Company is a taxable nonprofit corporation and is, therefore, responsible for income taxes on its taxable income, if any.

Accounting principles generally accepted in the United States of America require management to evaluate uncertain tax positions taken by Organization. Management has concluded that as of December 31, 2011, there were no uncertain tax positions taken or expected to be taken by the Organization. The Organization has not recognized any interest or penalties related to uncertain tax positions. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. With few exceptions, the Organization is no longer subject to income tax examinations for years prior to 2008.

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, 2011 and 2010, the amounts accrued for compensated absences totaled $48,928 and $40,082, respectively, and are included in accrued expenses in the accompanying consolidated 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 consolidated financial statements and notes. These estimates may be adjusted as more current information becomes available, and any adjustments could be material.

Subsequent events: In preparing these consolidated financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 15, 2012, the date the consolidated financial statements were available to be issued.

NOTE 3 – GOVERNMENTAL AND FOUNDATION FUNDING

In both 2011 and 2010 the Organization received approximately 46% of its funding through federal, state, county, and city grants and purchases of service agreements. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's activities. Grants receivable from government funding sources totaled $135,121 and $169,991 at December 31, 2011 and 2010, respectively.

Also, during 2011 and 2010, the Organization received $453,850 and $355,000, respectively, of additional grant funding for three programs from one foundation. Grants receivable from this foundation totaled $10,000 at December 31, 2011.

NOTE 4 – NOTE RECEIVABLE

In 2009, the Organization loaned $158,000 to a company for property redevelopment and job creation. The note required quarterly interest-only payments commencing on September 1, 2009 through May 31, 2011. The note was unsecured and earned interest at 3%. The total amount of the note was collected on June 2, 2011.

NOTE 5 – RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2011 and 2010 are restricted for and relate to the following programs:

	2011	2010
GLWN™	$ 88,898	$ 138,335
Redevelopment	359	8,723
Youth Workforce Development	50,643	37,940
Manufacturing Assistance	60,263	68,502
	$ 200,163	$ 253,500

Board designated net assets as of December 31, 2011 consist of $158,000 of cash held by the Organization and designated by the Board of Directors for a future project to be determined at the Board's discretion.

NOTE 6 – RENTAL COMMITMENTS

WIRE-Net leases its office facility and certain office equipment under operating leases expiring in June 2012 and September 2012, respectively.

Rent expense for all operating leases for 2011 and 2010 totaled $48,768 and $48,723, respectively.

At December 31, 2011, future minimum rental payments required under the leases total $25,205 for 2012.

NOTE 7 – LINE OF CREDIT

WIRE-Net has available a $100,000 bank demand line of credit. Each borrowing on the line of credit bears interest at the bank's prime rate (3.25% at December 31, 2011) plus 0.75%. The line is secured by the assets of the Organization. As of December 31, 2011 and 2010 there were no outstanding borrowings on the line.

NOTE 8 – 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. The Company suspended its matching contributions on April 1, 2009, but reinstated matching contributions on August 1, 2010. Matching contributions for 2011 and 2010 totaled $27,347 and $7,479, respectively. In addition, the Organization may make discretionary contributions to the Plan. WIRE-Net did not make any discretionary contributions in 2011 and 2010.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Commerce, National Institute of Standards and Technology:		
Manufacturing Extension Partnership Passed through the BlueGreen Alliance Foundation	11.611	$ 324,549
U.S. Department of Housing and Urban Development:		
Community Development Block Grants Passed through the City of Cleveland	14.218	148,374
U.S. Department of Energy:		
State Energy Program Passed through the Ohio Department of Development	81.041	162,245
Total expenditures of federal awards		$ 635,168

See report of independent auditors and accompanying notes to schedule of expenditures of federal awards.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Westside Industrial Retention and Expansion Network under programs of the federal government for the year ended December 31, 2011. 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*. Because the Schedule presents only a selected portion of the operations of Westside Industrial Retention and Expansion Network, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Westside Industrial Retention and Expansion Network.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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To the Board of Directors
Westside Industrial Retention and Expansion Network and subsidiary

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

We have audited the consolidated financial statements of Westside Industrial Retention and Expansion Network (a nonprofit organization) and subsidiary (collectively "WIRE-Net") as of and for the year ended December 31, 2011, and have issued our report thereon dated June 15, 2012. 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.

Internal Control over Financial Reporting

Management of WIRE-Net is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered WIRE-Net's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of WIRE-Net's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WIRE-Net's internal control over financial reporting.

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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WIRE-Net's consolidated financial statements are free of 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 consolidated 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.*

This report is intended solely for the information and use of management, the Finance Committee, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pease & Associates, Inc.

Cleveland, Ohio
June 15, 2012

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Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors
Westside Industrial Retention and Expansion Network and subsidiary

Compliance

We have audited Westside Industrial Retention and Expansion Network'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 Westside Industrial Retention and Expansion Network's major federal programs for the year ended December 31, 2011. Westside Industrial Retention and Expansion Network's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Westside Industrial Retention and Expansion Network's management. Our responsibility is to express an opinion on Westside Industrial Retention and Expansion Network's compliance based on our audit.

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 OBM 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 Westside Industrial Retention and Expansion Network'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. Our audit does not provide a legal determination of Westside Industrial Retention and Expansion Network's compliance with those requirements.

In our opinion, Westside Industrial Retention and Expansion Network complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of Westside Industrial Retention and Expansion Network is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Westside Industrial Retention and Expansion Network's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Westside Industrial Retention and Expansion Network'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Finance Committee, others within the entity, the Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pease & Associates, Inc.

Cleveland, Ohio
June 15, 2012

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
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

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______ Yes	X No
Type of auditor's 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 Circular A-133?	______ Yes	X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
11.611	Manufacturing Extension Partnership

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	______ Yes	X No

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2011

Section II – Financial Statement Findings

No significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards* were identified.

Section III – Federal Award Findings and Questioned Costs

No audit findings required to be reported by section 510(a) of Circular A-133 (for example, significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs) were identified.