

**WESTSIDE INDUSTRIAL RETENTION
AND EXPANSION NETWORK
AND SUBSIDIARY**

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009



Consolidated Audited Financial Statements
WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK
AND SUBSIDIARY

DECEMBER 31, 2010 AND 2009

TABLE OF CONTENTS

Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position.....	2
Consolidated Statements of Activities	3-4
Consolidated Statements of Functional Expenses.....	5-6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements.....	8-13
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14-15
Schedule of Findings and Responses	16



PEASE & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS

Audit, Tax and Business Consulting Services

1422 Euclid Avenue/Suite 801

Cleveland, Ohio 44115

Telephone: 216.348.9600

Fax: 216.348.9610

www.peasecpa.com

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, 2010 and 2009, 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 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 financial statements referred to above present fairly, in all material respects, the financial position of WIRE-Net as of December 31, 2010 and 2009, 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 8, 2011, 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.

Pease & Associates, Inc.

Cleveland, Ohio
June 8, 2011



Proud Member of **CPA AMERICA**
INTERNATIONAL

**WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 250,214	\$ 133,173
Grants receivable	242,914	440,497
Accounts receivable	73,135	38,208
Note receivable	158,000	-
Prepaid expenses	2,451	18,147
	<u>726,714</u>	<u>630,025</u>
Total Current Assets	726,714	630,025
Property and Equipment		
Office furniture and equipment	194,295	185,312
Less: accumulated depreciation	<u>(187,109)</u>	<u>(185,312)</u>
	7,186	-
Other Assets		
Note receivable	-	158,000
Deposits	<u>6,809</u>	<u>6,809</u>
	<u>6,809</u>	<u>164,809</u>
	<u>740,709</u>	<u>794,834</u>
TOTAL ASSETS	<u>\$ 740,709</u>	<u>\$ 794,834</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 128,832	\$ 103,707
Accrued expenses	<u>90,234</u>	<u>40,624</u>
Total Current Liabilities	219,066	144,331
Net Assets		
Unrestricted	268,143	266,668
Temporarily restricted	<u>253,500</u>	<u>383,835</u>
Total Net Assets	<u>521,643</u>	<u>650,503</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 740,709</u>	<u>\$ 794,834</u>

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	Amount
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 ACTIVITIES

YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Amount
REVENUE AND OTHER SUPPORT			
Grants	\$ 1,305,226	\$ 396,500	\$ 1,701,726
Consulting fees	187,783		187,783
Membership dues and contributions	152,045		152,045
Interest income	6,456		6,456
Program events and workshops	192,864		192,864
Net assets released from donor restrictions	666,843	(666,843)	
TOTAL REVENUE AND OTHER SUPPORT	2,511,217	(270,343)	2,240,874
EXPENSES			
Program services	2,307,646		2,307,646
Supporting services:			
Management and general expenses	230,706		230,706
Fundraising expenses	91,315		91,315
	2,629,667		2,629,667
CHANGE IN NET ASSETS	(118,450)	(270,343)	(388,793)
NET ASSETS AT BEGINNING OF YEAR	385,118	654,178	1,039,296
NET ASSETS AT END OF YEAR	\$ 266,668	\$ 383,835	\$ 650,503

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
	<u>394,777</u>	<u>575,588</u>	<u>181,087</u>	<u>77,006</u>	<u>70,337</u>	<u>51,861</u>	<u>1,350,656</u>	<u>169,293</u>	<u>40,623</u>	<u>1,560,572</u>
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
	<u>\$ 594,029</u>	<u>\$ 911,963</u>	<u>\$ 482,685</u>	<u>\$ 118,488</u>	<u>\$ 78,280</u>	<u>\$ 55,755</u>	<u>\$ 2,241,200</u>	<u>\$ 248,842</u>	<u>\$ 51,697</u>	<u>\$ 2,541,739</u>

See notes to consolidated financial statements.

**WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2009

	Program Services							Supporting Services			
	Manufacturing Assistance	GLWN™	Youth Workforce Development	Adult Workforce Development	Membership	Redevelopment	SAFE-16	Total Program Services	Management and General	Fundraising	Total
Payroll	\$ 319,689	\$ 354,048	\$ 139,637	\$ 54,817	\$ 47,598	\$ 56,131	\$ 45,651	\$ 1,017,571	\$ 139,040	\$ 71,593	\$ 1,228,204
Payroll taxes and benefits	60,293	54,690	30,488	12,408	10,246	16,698	6,698	191,521	29,378	15,196	236,095
	<u>379,982</u>	<u>408,738</u>	<u>170,125</u>	<u>67,225</u>	<u>57,844</u>	<u>72,829</u>	<u>52,349</u>	<u>1,209,092</u>	<u>168,418</u>	<u>86,789</u>	<u>1,464,299</u>
Contractual services	117,464	435,967	8,722	32,227	26,651		1,840	622,871	13,606		636,477
Job training/management education			93,665					93,665			93,665
Occupancy	21,547	10,730	14,118	7,666	893	3,771		58,725		3,520	62,245
Travel	6,131	48,455	8,886	833	689	610	483	66,087	3,052	54	69,193
Office supplies and equipment	2,315	3,378	3,828	178			1,237	10,936	26,370	32	37,338
Communication	25,141	10,362	709	295	1,255			37,762	873		38,635
Other events and workshops	9,544	98,710			1,188			109,442			109,442
Uncollectible accounts	6,300	15,642		1,470	22,037			45,449			45,449
Telephone	2,115	3,832	6,467	1,355	391	663	2,423	17,246		619	17,865
Split dues					11,971			11,971			11,971
Meetings	196	1,328	247	10	6,052	33		7,866	609		8,475
Dues and subscriptions	956	3,401				4,712		9,069	1,504	60	10,633
Staff and board development	1,273	75	4,429	305	85	75		6,242	5,195		11,437
Postage and shipping	224	231	39	50				544	3,701	241	4,486
Depreciation								-	489		489
Staff recruitment		23						23	9		32
Bank charges and fees						21		21	3,791		3,812
Insurance								-	2,864		2,864
Miscellaneous		635						635	225		860
	<u>\$ 573,188</u>	<u>\$ 1,041,507</u>	<u>\$ 311,235</u>	<u>\$ 111,614</u>	<u>\$ 129,056</u>	<u>\$ 82,714</u>	<u>\$ 58,332</u>	<u>\$ 2,307,646</u>	<u>\$ 230,706</u>	<u>\$ 91,315</u>	<u>\$ 2,629,667</u>

See notes to consolidated financial statements.

**WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (128,860)	\$ (388,793)
Adjustments to reconcile decrease in net assets to net cash provided by (used for) operating activities:		
Depreciation	1,797	489
Changes in assets and liabilities:		
Grants and accounts receivables	162,656	208,591
Prepaid expenses	15,696	(16,069)
Accounts payable and accrued expenses	<u>74,735</u>	<u>(18,413)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	126,024	(214,195)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans made	-	(158,000)
Purchases of property and equipment	<u>(8,983)</u>	<u>-</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(8,983)</u>	<u>(158,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	117,041	(372,195)
CASH AND CASH EQUIVALENTS, beginning of year	<u>133,173</u>	<u>505,368</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 250,214</u></u>	<u><u>\$ 133,173</u></u>

See notes to consolidated financial statements.

**WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

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 also connects leaders to each other and engages them in their communities.

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 business. 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.

WIRE-Net’s New Markets Initiative is designed to improve top line sales results through market diversification and supply chain entry services and training. Matching potential customer needs to qualified suppliers is the goal that is facilitated using a supplier matching database.

- ***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.

- **Youth Workforce Development Program** – provides a continuum of services to youth in junior high through post-secondary education. The School-to-Career Program is based at Cleveland’s Max Hayes High School and provides students with employability and life skills training and manufacturing career awareness activities. WIRE-Net’s Accelerated Introduction to Manufacturing Camp (AIM) is a summer program designed to interest 8th grade students in pursuing careers in advanced manufacturing. In 2010, WIRE-Net completed a collaborative project with the Cleveland Metropolitan School District and over 100 business and community stakeholders to redesign the educational program for the New Max Hayes High School, which will open in 2014. WIRE-Net and its partners are now implementing those educational recommendations.
- **Adult Workforce Development Program** – through 2009 and again in 2011, provides targeted employee recruitment, screening, assessment, placement and retention services for manufacturing companies throughout Northeast Ohio. 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 assists its membership by engaging manufacturing company leaders in networking activities, connecting companies to resources and 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: Financial statement presentation follows the requirements of the FASB ASC 958, “*Not-for-Profit Entities*”. Under FASB ASC 958, 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, 2010 and 2009.

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 revenue 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, 2010 consist of six checking accounts with two financial institutions. Cash and cash equivalents at December 31, 2009 consist of four 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. Receivables pertaining to earned revenues from consulting, program events and workshops are included in accounts receivable. 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, 2010 and 2009.

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 5-10 years for office furniture and equipment. Depreciation expense for 2010 and 2009 totaled \$1,797 and \$489, respectively.

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.

Financial instruments: The Organization's financial instruments are cash and cash equivalents, grants and accounts receivable, note 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. The recorded value of the note receivable approximates fair value as its interest rate approximates market rates.

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.

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, 2010 and 2009, the amounts accrued for compensated absences totaled \$40,082 and \$35,958, 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.

Subsequent events: In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 8, 2011, the date the financial statements were available to be issued.

NOTE 3 – GOVERNMENTAL AND FOUNDATION FUNDING

The Organization received approximately 46% and 58% of its funding for 2010 and 2009, respectively, 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 \$169,991 and \$237,677 at December 31, 2010 and 2009, respectively.

Also, during 2010 and 2009, the Organization received \$355,000 and \$235,000, respectively, of additional grant funding for three programs from one foundation. Grants receivable from this foundation totaled \$115,000 at December 31, 2009.

NOTE 4 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2010 and 2009 are restricted for and relate to the following programs:

	<u>2010</u>	<u>2009</u>
GLWN™	\$ 138,335	\$ 39,180
Redevelopment	8,723	7,325
Youth Workforce Development	37,940	269,158
Manufacturing Assistance	<u>68,502</u>	<u>68,172</u>
	<u>\$ 253,500</u>	<u>\$ 383,835</u>

NOTE 5 – NOTE RECEIVABLE

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

NOTE 6 – RENTAL COMMITMENTS

WIRE-Net leases its office facility and certain office equipment under various operating leases. The office equipment leases expire at various times through September 2012. In May 2010, WIRE-Net extended its office facility lease for a two-year term beginning July 2010.

Rent expense for all operating leases for 2010 and 2009 totaled \$48,723 and \$58,819, respectively.

At December 31, 2010, future minimum rental payments required under the leases are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2011	\$ 48,352
2012	<u>25,205</u>
	<u>\$ 73,557</u>

In 2009, WIRE-Net also paid rent on a month-to-month basis totaling \$10,440 to house program employees for the City of Cleveland's Industrial Retention Initiative program at off-site locations.

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, 2010) plus 0.75%. The line is secured by the assets of the Organization. As of December 31, 2010 and 2009 there were no 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 2010 and 2009 totaled \$7,479 and \$7,852, respectively. In addition, the Organization may make discretionary contributions to the Plan. WIRE-Net did not make any discretionary contributions in 2010 and 2009.



PEASE & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS

Audit, Tax and Business Consulting Services

1422 Euclid Avenue/Suite 801

Cleveland, Ohio 44115

Telephone: 216.348.9600

Fax: 216.348.9610

www.peasecpa.com

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, 2010, and have issued our report thereon dated June 8, 2011. 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

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 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 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.



Proud Member of CPA AMERICA[®]
INTERNATIONAL

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WIRE-Net's 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 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, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Pease & Associates, Inc.

Cleveland, Ohio
June 8, 2011

**WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK
AND SUBSIDIARY**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2010

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 <u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes <u> X </u> None reported
Noncompliance material to financial statements noted?	_____ Yes <u> X </u> No

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 5.10 through 5.20 of *Government Auditing Standards* were identified.