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

CONSOLIDATED AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

WIRE-Net
Where Manufacturing Matters

Consolidated Audited Financial Statements

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

DECEMBER 31, 2012 AND 2011

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Westside Industrial Retention and Expansion Network (a nonprofit organization) and subsidiary (collectively "WIRE-Net"), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of WIRE-Net as of December 31, 2012 and 2011, 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 17, 2013 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, Inc.

Cleveland, Ohio
June 17, 2013

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	$ 462,940	$ 374,331
Grants receivable	89,148	153,371
Accounts receivable	78,181	85,746
Prepaid expenses	2,423	3,180
Total Current Assets	632,692	616,628
Property and Equipment		
Office furniture and equipment	73,037	58,817
Less: accumulated depreciation	(55,461)	(53,427)
	17,576	5,390
Other Assets		
Deposits	6,809	6,809
TOTAL ASSETS	$ 657,077	$ 628,827
LIABILITIES AND NET ASSETS		
Current Liabilities		
Line of credit	$ 4,000	$ -
Accounts payable	66,783	97,768
Accrued expenses	46,276	49,373
Total Current Liabilities	117,059	147,141
Net Assets		
Unrestricted:		
Undesignated	147,053	123,523
Board designated	148,000	158,000
	295,053	281,523
Temporarily restricted	244,965	200,163
Total Net Assets	540,018	481,686
TOTAL LIABILITIES AND NET ASSETS	$ 657,077	$ 628,827

See notes to consolidated financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Grants	$ 1,031,917	$ 676,113	$ 1,708,030
Consulting fees	150,480		150,480
Membership dues and contributions	307,168		307,168
Interest income	264		264
Program events and workshops	262,770		262,770
Net assets released from donor restrictions	631,311	(631,311)	-
TOTAL REVENUE AND OTHER SUPPORT	2,383,910	44,802	2,428,712
EXPENSES			
Program services	1,945,153		1,945,153
Supporting services:			
Management and general expenses	370,518		370,518
Fundraising expenses	54,709		54,709
	2,370,380		2,370,380
CHANGE IN NET ASSETS	13,530	44,802	58,332
NET ASSETS AT BEGINNING OF YEAR	281,523	200,163	481,686
NET ASSETS AT END OF YEAR	$ 295,053	$ 244,965	$ 540,018

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 FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012

	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	$ 262,393	$ 499,405	$ 77,068	$ 175,280	$ 96,910	$ 44,246	$ 47,490	$ 1,202,792	$ 212,120	$ 37,729	$ 1,452,641
Payroll taxes and benefits	44,432	78,791	24,175	34,609	17,243	13,785	4,867	217,902	39,993	7,409	265,304
	306,825	578,196	101,243	209,889	114,153	58,031	52,357	1,420,694	252,113	45,138	1,717,945
Contractual services	48,686	76,226	616	37	36,579		420	162,564	28,943	8,044	199,551
Job training/management education				44,318				44,318			44,318
Occupancy	3,895	3,137	1,257	4,616	1,469	998		15,372	32,806	930	49,108
Travel	3,692	64,661	1,154	1,579	2,250	765	193	74,294	3,130		77,424
Office supplies and equipment	3,484	4,974	267	2,983	2,439		876	15,023	23,286		38,309
Communication	7,887	3,847		110	4,000			15,844	830		16,674
Other events and workshops	2,516	89,861	31		36,819		763	129,990	2,077		132,067
Uncollectible accounts					16,745			16,745			16,745
Telephone	884	5,291	281	2,772	334	215	2,179	11,956	7,279	194	19,429
Split dues					(5,930)			(5,930)			(5,930)
Meetings	1,281	4,515	121	1,021	14,073	264		21,275	518	88	21,881
Dues and subscriptions	2,195	3,876			142	5,090		11,303	2,864	53	14,220
Staff and board development	1,917				8,850			10,767	3,612		14,379
Postage and shipping				450				450	2,939	262	3,651
Depreciation								-	2,034		2,034
Bank charges and fees								-	4,595		4,595
Insurance								-	3,293		3,293
Miscellaneous		232			6		250	488	199		687
	$ 383,262	$ 834,816	$ 104,970	$ 267,775	$ 231,929	$ 65,363	$ 57,038	$ 1,945,153	$ 370,518	$ 54,709	$ 2,370,380

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 STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 58,332	$ (39,957)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,034	1,796
Changes in assets and liabilities:		
Grants and accounts receivables	71,788	76,932
Prepaid expenses	757	(729)
Accounts payable and accrued expenses	(34,082)	(71,925)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	98,829	(33,883)
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection of note receivable	-	158,000
Purchases of property and equipment	(14,220)	-
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(14,220)	158,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on line of credit	135,000	175,000
Payments on the line of credit	(131,000)	(175,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,000	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	88,609	124,117
CASH AND CASH EQUIVALENTS, beginning of year	374,331	250,214
CASH AND CASH EQUIVALENTS, end of year	$ 462,940	$ 374,331

See notes to consolidated financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

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, stimulate business and neighborhood investment, and foster job creation. CIRI assists manufacturing businesses by providing services that help businesses remain and grow within the City of Cleveland and provide employment opportunities for Cleveland's residents. CIRI helps the City identify and develop strategies to address opportunities and challenges, both actual and perceived, that neighborhood businesses face.

- ***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. Making It Here is a fast and cost effective way for manufacturing companies to localize their supply chain using WIRE-Net's supplier matching database.

- ***Adult Workforce Development Program*** – provides targeted employee recruitment, screening, assessment, placement and retention services for manufacturing companies throughout Northeast Ohio. The program is engaged with partners including Towards Employment on Year 2 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 WIRE-Net's HR Roundtable to assist company leaders in developing and implementing effective HR management programs.

- ***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 S. 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 and construction, transportation, and information technology. During the summer months, WIRE-Net offers incoming 9^{th} 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 and community events; participate in school based professional development activities; recruit students and staff to the school; and teach soft skills to students during and after school.

- ***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 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*** – 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, 2012 and 2011.

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, 2012 and 2011 consist of four 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.

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, 2012 and 2011.

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 2012 and 2011 totaled $2,034 and $1,796, 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.

Fair value of financial instruments: The Organization's financial instruments are cash and cash equivalents, grants and accounts receivable, accounts payable, and line of credit. 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 line of credit approximates fair value, as the interest rate approximates market rates.

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. 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 the Organization. Management has concluded that as of December 31, 2012, there were no uncertain tax positions taken or expected to be taken by the Organization. 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 2009.

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, 2012 and 2011, the amounts accrued for compensated absences totaled $44,683 and $48,928, 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.

Reclassification: Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. The reclassification had no effect on previously reported results of revenue and expenses or net assets.

Subsequent events: In preparing these consolidated financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 17, 2013, the date the consolidated financial statements were available to be issued.

NOTE 3 – GOVERNMENTAL AND FOUNDATION FUNDING

In 2012 and 2011, the Organization received approximately 36% and 43%, respectively, 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 $80,501 and $135,121 at December 31, 2012 and 2011, respectively.

Also, during 2012 and 2011, the Organization received $461,212 and $453,850, respectively, of additional grant funding for three programs from one foundation. Grants receivable from this foundation totaled $8,616 and $10,000 at December 31, 2012 and 2011, respectively.

NOTE 4 – RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2012 and 2011 are restricted for and relate to the following programs:

	2012	2011
GLWN™	$ 180,207	$ 88,898
Redevelopment	-	359
Youth Workforce Development	64,758	50,643
Manufacturing Assistance	-	60,263
	$ 244,965	$ 200,163

Board designated net assets as of December 31, 2012 and 2011 consist of $148,000 and $158,000, respectively, 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 5 – RENTAL COMMITMENTS

WIRE-Net leases its office facility and certain office equipment under operating leases expiring on various dates from June 2014 through March 2017.

Rent expense for all operating leases in 2012 and 2011 totaled $46,681 and $48,768, respectively.

At December 31, 2012, future minimum rental payments required under the leases total:

Year ending December 31,	Amount
2013	$ 45,696
2014	24,630
2015	3,564
2016	3,423
2017	750
	$ 78,063

NOTE 6 – 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, 2012) plus 0.75%. The line is secured by the assets of the Organization and expires on April 21, 2014. As of December 31, 2012, there was an outstanding balance of $4,000 on the line of credit. As of December 31, 2011 there was no outstanding balance on the line. In June 2013, the available amount of the line of credit was increased to $150,000 and expiration date was extended to June 6, 2014.

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. Matching contributions for 2012 and 2011 totaled $29,862 and $27,347, respectively. In addition, the Organization may make discretionary contributions to the Plan. WIRE-Net did not make any discretionary contributions for 2012 and 2011.

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

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) and subsidiary (collectively "WIRE-Net"), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated 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 17, 2013.

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, Inc.

Cleveland, Ohio
June 17, 2013

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK AND SUBSIDIARY

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2012

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	None reported

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.