

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK (WIRE-Net)

**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**



Audited Financial Statements
WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK
DECEMBER 31, 2015 AND 2014
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To the Board of Directors
Westside Industrial Retention and Expansion Network

Report of Independent Auditors

Report on the Financial Statements

We have audited the accompanying financial statements of Westside Industrial Retention and Expansion Network (a nonprofit organization) ("WIRE-Net"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WIRE-Net as of December 31, 2015 and 2014, 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 9, 2016 on our consideration of WIRE-Net's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WIRE-Net's internal control over financial reporting and compliance.

Pease & Associates, LLC

Cleveland, Ohio
June 9, 2016

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 503,421	\$ 430,323
Grants receivable	298,471	404,030
Accounts receivable	54,840	76,008
Prepaid expenses	3,786	3,291
Total Current Assets	860,518	913,652
Property and Equipment		
Office furniture and equipment	73,037	73,037
Less: accumulated depreciation	(67,586)	(64,742)
	5,451	8,295
Other Assets		
Deposits	6,809	6,809
TOTAL ASSETS	<u>\$ 872,778</u>	<u>\$ 928,756</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 54,943	\$ 57,279
Accrued expenses	43,208	72,111
Total Current Liabilities	98,151	129,390
Net Assets		
Unrestricted:		
Undesignated	234,632	179,916
Board designated - operating reserve	150,000	141,000
	384,632	320,916
Temporarily restricted	389,995	478,450
Total Net Assets	774,627	799,366
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 872,778</u>	<u>\$ 928,756</u>

See notes to financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

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

See notes to financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK**STATEMENT OF ACTIVITIES****YEAR ENDED DECEMBER 31, 2014**

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Grants	\$ 693,237	\$ 626,131	\$ 1,319,368
Consulting fees	406,765	-	406,765
Membership dues and contributions	361,224	-	361,224
Interest income	25	-	25
Program events and workshops	231,400	-	231,400
Net assets released from donor restrictions	466,472	(466,472)	-
TOTAL REVENUE AND OTHER SUPPORT	2,159,123	159,659	2,318,782
EXPENSES			
Program services	1,774,639	-	1,774,639
Supporting services:			
Management and general expenses	279,545	-	279,545
Fundraising expenses	50,964	-	50,964
	2,105,148	-	2,105,148
CHANGE IN NET ASSETS	53,975	159,659	213,634
NET ASSETS AT BEGINNING OF YEAR	266,941	318,791	585,732
NET ASSETS AT END OF YEAR	\$ 320,916	\$ 478,450	\$ 799,366

See notes to financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

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

See notes to financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	Program Services								Supporting Services			
	Growth Initiative	Manufacturing Assistance	GLWN™	Adult Workforce Development	Youth Workforce Development	Membership	Redevelopment	SAFE-16	Total Program Services	Management and General	Fundraising	Total
Payroll	\$ 153,880	\$ 245,872	\$ 263,186	\$ 105,303	\$ 200,932	\$ 148,365	\$ 38,232	\$ 50,324	\$ 1,206,094	\$ 138,255	\$ 35,949	\$ 1,380,298
Payroll taxes and benefits	31,315	58,095	46,476	30,644	39,952	20,757	10,434	1,484	239,157	38,208	6,849	284,214
	185,195	303,967	309,662	135,947	240,884	169,122	48,666	51,808	1,445,251	176,463	42,798	1,664,512
Contractual services	8,196	40,658	28,519	452	5,971	8,160	-	-	91,956	11,421	8,027	111,404
Job training/management education	639	4,542	-	-	26,313	7	-	-	31,501	-	-	31,501
Occupancy	686	3,638	1,741	1,551	4,283	2,516	542	-	14,957	31,082	540	46,579
Travel	1,445	3,640	26,355	2,067	3,316	1,872	93	435	39,223	820	50	40,093
Office supplies and equipment	10,595	2,631	2,567	-	2,870	2,751	1,444	268	23,126	29,582	-	52,708
Communication	6,898	8,875	-	-	2,105	1,226	-	35	19,139	-	-	19,139
Other events and workshops	1,850	-	4,749	-	6,759	55,387	101	4,292	73,138	480	(706)	72,912
Telephone	418	863	3,160	368	2,066	597	1,992	823	10,287	7,692	128	18,107
Meetings	2,389	59	13	188	630	13,044	54	-	16,377	(1)	-	16,376
Dues and subscriptions	-	2,195	-	-	1,100	-	5,558	78	8,931	2,049	-	10,980
Postage and shipping	370	-	26	-	-	-	-	-	396	2,630	127	3,153
Depreciation	-	-	-	-	-	-	-	-	-	4,641	-	4,641
Staff recruitment	-	-	-	35	97	-	-	-	132	-	-	132
Bank charges and fees	-	-	-	-	110	215	-	-	325	7,337	-	7,662
Interest expense	-	-	-	-	-	-	-	-	-	767	-	767
Insurance	-	-	-	-	-	-	-	-	-	3,778	-	3,778
Miscellaneous	-	-	-	-	(100)	-	-	-	(100)	804	-	704
	<u>\$ 218,681</u>	<u>\$ 371,068</u>	<u>\$ 376,792</u>	<u>\$ 140,608</u>	<u>\$ 296,404</u>	<u>\$ 254,897</u>	<u>\$ 58,450</u>	<u>\$ 57,739</u>	<u>\$ 1,774,639</u>	<u>\$ 279,545</u>	<u>\$ 50,964</u>	<u>\$ 2,105,148</u>

See notes to financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (24,739)	\$ 213,634
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,844	4,641
Changes in assets and liabilities:		
Grants and accounts receivables	126,727	30,284
Prepaid expenses	(495)	(381)
Accounts payable and accrued expenses	<u>(31,239)</u>	<u>2,206</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	73,098	250,384
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on the line of credit	<u>-</u>	<u>(97,538)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>-</u>	<u>(97,538)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	73,098	152,846
CASH AND CASH EQUIVALENTS, beginning of year	<u>430,323</u>	<u>277,477</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 503,421</u></u>	<u><u>\$ 430,323</u></u>

See notes to financial statements.

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 1 – ORGANIZATION AND OPERATIONS

The mission of the Westside Industrial Retention and Expansion Network (formed in 1988) (“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 operates the following programs:

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

- **Adult Workforce Development Program – WorkSource** provides targeted employee recruitment, screening, placement, and retention services for manufacturing companies throughout Northeast Ohio. WIRE-Net is the manufacturing partner with Towards Employment in the **WorkAdvance Initiative**, which is designed to help unemployed and low-wage working adults become trained and employed in good quality jobs with career tracks in targeted manufacturing sectors. WIRE-Net also engages its members in peer-to-peer learning, such as WIRE-Net’s HR Roundtable and supervisory training, to assist company leaders in developing and implementing effective HR management programs. The **Apprenticeship Consortium** supports Consortium members in developing 21st century apprenticeship programs within their companies.
- **Youth Workforce Development Program** – provides services to youth in junior high through high school. The Program is based at Cleveland’s Max S. Hayes Vocational High School, a part of the Cleveland Metropolitan School District, and works with the school’s staff to provide students employability, life skills and work-based learning which lead to careers in manufacturing, building and construction, transportation, and information technology. During the summer months, WIRE-Net offers incoming 9th graders an orientation camp which introduces incoming freshman to the unique career tech learning opportunities offered at Max Hayes.

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

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

- **Membership Program** – WIRE-Net is a membership organization devoted to the advancement of manufacturing. WIRE-Net provides its more than 380 members with networking, business education, professional development, cost reduction services, sourcing assistance, and opportunities to volunteer with and support the community. For over 25 years WIRE-Net has been a collective voice for the manufacturing community in the areas of policy, research and education.
- **Redevelopment Program** – provides extensive industrial site search assistance to companies and provides infrastructure planning and advocacy in key industrial districts.
- **SAFE-16 Program** – WIRE-Net was the fiscal sponsor for the SAFE-16 Program, which provided technical assistance to neighborhood businesses and their employees regarding safety issues through increased awareness, education and crime prevention strategies. This program was closed in December 2014.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation: As required by accounting principles generally accepted in the United States of America, the Organization reports information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. WIRE-Net has no permanently restricted net assets at December 31, 2015 and 2014.

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

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

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

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

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

Grants and accounts receivable: Grants receivable consist of government and foundation grants. Accounts receivable consist of earned revenues from consulting, program events and workshops, as well as contributions from corporations and individuals.

Grants and accounts receivable are recorded at net realizable value. The Organization uses the allowance method to provide for uncollectible grants and accounts receivable. Estimates of uncollectible amounts are based on prior years' experience and management's analysis of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance deemed necessary for grants and accounts receivable at December 31, 2015 and 2014.

Property and equipment: Property and equipment are recorded at cost at the date of acquisition. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are 5-7 years for office furniture and equipment. Depreciation expense totaled \$2,844 and \$4,641 in 2015 and 2014, respectively.

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

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

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

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

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

Compensated absences: Employees of WIRE-Net are entitled to paid vacation depending on job classification, length of service, and other factors. As of December 31, 2015 and 2014, the amounts accrued for compensated absences totaled \$43,250 and \$38,682, 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 9, 2016, the date the financial statements were available to be issued.

NOTE 3 – GOVERNMENTAL AND FOUNDATION FUNDING

In 2015 and 2014, the Organization received approximately 39% and 32%, respectively, of its total revenue and support through direct and indirect federal, state, county, and city grants and purchases of service agreements. A significant reduction in the level of this governmental support, if this were to occur, may have a significant effect on the Organization's activities. Grants receivable from government funding sources totaled \$125,363 and \$153,465 at December 31, 2015 and 2014, respectively.

Also, during 2015 and 2014, the Organization received \$455,716 and \$558,631, respectively, of additional grant funding for three programs from one foundation. Grants receivable from this foundation totaled \$153,108 and \$250,565 at December 31, 2015 and 2014, respectively.

NOTE 4 – GRANTS AND ACCOUNTS RECEIVABLE

All grants and accounts receivable are expected to be collected within one year.

In 2015, the Organization received a grant from a foundation in which receipt of \$84,500 of the grant funding is conditioned upon the Organization achieving substantial progress on the launch of an apprenticeship program. Since this portion of the grant represents a conditional promise to give, it is not recognized as support until the conditions are met. In 2016, the conditions were met, at which time this grant revenue was recognized and fully-collected.

NOTE 5 – RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014 are restricted for and relate to the following programs:

	2015	2014
Youth Workforce Development	\$ 177,061	\$ 212,330
Growth Initiative	172,719	141,629
Adult Workforce Development	40,215	124,491
	<u>\$ 389,995</u>	<u>\$ 478,450</u>

Board designated net assets as of December 31, 2015 and 2014 consist of \$150,000 and \$141,000, respectively, of cash held by the Organization and designated by the Board of Directors to serve as an operating reserve to support the current and future operations of the Organization. Because the amount results from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

NOTE 6 – RENTAL COMMITMENTS

WIRE-Net leases its office facility and certain office equipment under operating leases expiring on various dates from September 2016 through June 2017.

Rent expense for all operating leases in 2015 and 2014 totaled \$42,606 and \$43,222, respectively.

At December 31, 2015, future minimum rental payments required under the leases total:

<u>Year ending December 31,</u>	<u>Amount</u>
2016	\$ 45,555
2017	<u>21,816</u>
	<u>\$ 67,371</u>

NOTE 7 – LINE OF CREDIT

WIRE-Net has available a \$150,000 bank demand line of credit. Each borrowing on the line of credit bears interest at the bank's prime rate (3.50% at December 31, 2015 and 3.25% at December 31, 2014) plus .35%. The line is secured by the assets of the Organization and expires on June 6, 2017. There were no outstanding borrowings on the line of credit at December 31, 2015 and 2014.

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 based on the discretion of its Board of Directors. Matching contributions for 2015 and 2014 totaled \$30,293 and \$15,599, respectively. In addition, the Organization may make discretionary nonelective contributions to the Plan. WIRE-Net did not make any discretionary nonelective contributions for 2015 and 2014.



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To the Board of Directors
Westside Industrial Retention and Expansion Network

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Westside Industrial Retention and Expansion Network (a nonprofit organization) ("WIRE-Net"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered WIRE-Net's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WIRE-Net's internal control. Accordingly, we do not express an opinion on the effectiveness of WIRE-Net's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WIRE-Net's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pease & Associates, LLC

Cleveland, Ohio
June 9, 2016

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ <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

Federal Awards

WIRE-Net did not expend more than \$750,000 in federal awards during the year ended December 31, 2015, and therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

Not applicable