MANUFACTURING WORKS
(formerly Westside Industrial Retention and Expansion Network (WIRE-Net))

AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Audited Financial Statements

MANUFACTURING WORKS
(formerly Westside Industrial Retention and Expansion Network)

DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

PEASE & ASSOCIATES, CPAs

1422 Euclid Avenue, Suite 400
Cleveland, OH 44115
phone: 216.348.9600
fax: 216.348.9610
peasecpa.com

Board of Directors
Manufacturing Works
(formerly Westside Industrial Retention and Expansion Network)

Report of Independent Auditors

Report on the Financial Statements

We have audited the accompanying financial statements of Manufacturing Works (formerly Westside Industrial Retention and Expansion Network) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 Manufacturing Works as of December 31, 2018 and 2017, 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 19, 2019 on our consideration of Manufacturing Works' 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 Manufacturing Works' internal control over financial reporting and compliance.

Emphasis of a Matter

As discussed in Note 2, during the year ended December 31, 2018, the Company adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Pease & Associates, LLC

Cleveland, Ohio
June 19, 2019

MANUFACTURING WORKS
(formerly Westside Industrial Retention and Expansion Network)

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 530,882	$ 429,948
Grants receivable	423,468	273,526
Accounts receivable	38,555	62,948
Prepaid expenses	3,790	3,904
Total Current Assets	996,695	770,326
Other Assets		
Deposits	6,809	6,809
TOTAL ASSETS	$ 1,003,504	$ 777,135
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 36,579	$ 31,815
Accrued expenses	34,888	38,060
Agency funds payable	41,513	-
Total Current Liabilities	112,980	69,875
Net Assets		
Without donor restrictions:		
Undesignated	214,197	190,320
Board designated - operating reserve	167,000	182,000
	381,197	372,320
With donor restrictions	509,327	334,940
Total Net Assets	890,524	707,260
TOTAL LIABILITIES AND NET ASSETS	$ 1,003,504	$ 777,135

See notes to financial statements.

MANUFACTURING WORKS
(formerly Westside Industrial Retention and Expansion Network)

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Grants	$ 479,370	$ 778,878	$ 1,258,248
Consulting fees	190,257	-	190,257
Membership dues and contributions	260,369	-	260,369
Program events and workshops	225,380	-	225,380
Interest income	185	-	185
Net assets released from donor restrictions	604,491	(604,491)	-
TOTAL REVENUE AND OTHER SUPPORT	1,760,052	174,387	1,934,439
EXPENSES			
Program services	1,478,022	-	1,478,022
Supporting services:			
Management and general expenses	239,992	-	239,992
Fundraising expenses	33,161	-	33,161
	1,751,175	-	1,751,175
CHANGE IN NET ASSETS	8,877	174,387	183,264
NET ASSETS AT BEGINNING OF YEAR	372,320	334,940	707,260
NET ASSETS AT END OF YEAR	$ 381,197	$ 509,327	$ 890,524

See notes to financial statements.

MANUFACTURING WORKS
(formerly Westside Industrial Retention and Expansion Network)

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Grants	$ 532,868	$ 349,091	$ 881,959
Consulting fees	403,856	-	403,856
Membership dues and contributions	309,850	-	309,850
Program events and workshops	202,518	-	202,518
Interest income	103		103
Net assets released from donor restrictions	594,859	(594,859)	-
TOTAL REVENUE AND OTHER SUPPORT	2,044,054	(245,768)	1,798,286
EXPENSES			
Program services	1,598,201	-	1,598,201
Supporting services:			
Management and general expenses	296,519	-	296,519
Fundraising expenses	38,136	-	38,136
	1,932,856	-	1,932,856
CHANGE IN NET ASSETS	111,198	(245,768)	(134,570)
NET ASSETS AT BEGINNING OF YEAR	261,122	580,708	841,830
NET ASSETS AT END OF YEAR	$ 372,320	$ 334,940	$ 707,260

See notes to financial statements.

MANUFACTURING WORKS
(formerly Westside Industrial Retention and Expansion Network)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services					Supporting Services		
	Manufacturing Assistance	Global Wind Network (GLWN™)	Workforce Development	Membership	Total Program Services	Management and General	Fundraising	Total
Payroll	$ 304,218	$ -	$ 404,289	$ 173,889	$ 882,396	$ 69,855	$ 26,796	$ 979,047
Payroll taxes and benefits	48,748	664	108,913	41,276	199,601	36,822	5,675	242,098
	352,966	664	513,202	215,165	1,081,997	106,677	32,471	1,221,145
Contractual services	60,030	42,195	37,672	39,302	179,199	65,608	-	244,807
Job training/management education	1,503	-	694	287	2,484	-	-	2,484
Occupancy	4,957	-	8,591	2,756	16,304	33,640	592	50,536
Travel	4,369	-	6,334	2,421	13,124	465	-	13,589
Office supplies and equipment	5,127	288	3,375	6,368	15,158	18,981	-	34,139
Communication	8,273	-	464	6,234	14,971	-	-	14,971
Other events and workshops	-	-	6,785	106,967	113,752	109	-	113,861
Telephone	787	-	2,499	445	3,731	5,508	96	9,335
Meetings	168	-	171	21,337	21,676	75	-	21,751
Dues and subscriptions	2,295	-	2,533	915	5,743	2,894	-	8,637
Postage and shipping	-	18	-	580	598	-	-	598
Staff recruitment	42	-	-	367	409	246	-	655
Bank charges and fees	-	-	-	8,526	8,526	-	2	8,528
Insurance	-	-	-	-	-	5,040	-	5,040
Miscellaneous	350	-	-	-	350	749	-	1,099
	$ 440,867	$ 43,165	$ 582,320	$ 411,670	$ 1,478,022	$ 239,992	$ 33,161	$ 1,751,175

See notes to financial statements.

MANUFACTURING WORKS
(formerly Westside Industrial Retention and Expansion Network)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services							Supporting Services		
	Accelerate Cleveland Manufacturing	Manufacturing Assistance	Global Wind Network (GLWN™)	Adult Workforce Development	Youth Workforce Development	Membership	Total Program Services	Management and General	Fundraising	Total
Payroll	$ 65,799	$ 190,297	$ 117,346	$ 156,570	$ 212,227	$ 233,539	$ 975,778	$ 108,459	$ 27,432	$ 1,111,669
Payroll taxes and benefits	6,213	34,938	30,299	51,305	51,654	48,669	223,078	45,370	5,511	273,959
	72,012	225,235	147,645	207,875	263,881	282,208	1,198,856	153,829	32,943	1,385,628
Contractual services	5,000	57,347	99,388	8,755	26,952	22,547	219,989	67,198	-	287,187
Job training/management education	-	765	-	793	5,718	2,375	9,651	384	2,495	12,530
Occupancy	779	3,891	1,819	2,238	4,583	2,692	16,002	33,319	578	49,899
Travel	-	2,439	9,544	1,802	3,806	2,889	20,480	1,506	749	22,735
Office supplies and equipment	-	262	1,864	35	3,214	2,746	8,121	18,952	134	27,207
Communication	-	11,626	-	214	19	1,497	13,356	-	917	14,273
Other events and workshops	-	-	1,295	-	4,720	66,174	72,189	-	-	72,189
Telephone	218	1,090	814	627	2,323	754	5,826	7,780	162	13,768
Meetings	128	-	83	150	403	20,138	20,902	449	158	21,509
Dues and subscriptions	-	2,444	500	-	275	529	3,748	4,687	-	8,435
Postage and shipping	-	-	-	-	-	1,016	1,016	-	-	1,016
Depreciation	-	-	-	-	-	-	-	2,607	-	2,607
Bank charges and fees	-	5	-	-	41	7,232	7,278	237	-	7,515
Insurance	-	-	-	-	-	-	-	5,394	-	5,394
Miscellaneous	-	212	520	-	-	55	787	177	-	964
	$ 78,137	$ 305,316	$ 263,472	$ 222,489	$ 315,935	$ 412,852	$ 1,598,201	$ 296,519	$ 38,136	$ 1,932,856

See notes to financial statements.

MANUFACTURING WORKS
(formerly Westside Industrial Retention and Expansion Network)

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 183,264	$ (134,570)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	2,607
Changes in assets and liabilities:		
Grants and accounts receivable	(125,549)	118,470
Prepaid expenses	114	572
Accounts payable and accrued expenses	1,592	(48,472)
Increase in agency funds payable	41,513	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	100,934	(61,393)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	100,934	(61,393)
CASH AND CASH EQUIVALENTS, beginning of year	429,948	491,341
CASH AND CASH EQUIVALENTS, end of year	$ 530,882	$ 429,948

See notes to financial statements.

MANUFACTURING WORKS
(formerly Westside Industrial Retention and Expansion Network)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 1 – ORGANIZATION AND OPERATIONS

The mission of Manufacturing Works (formerly Westside Industrial Retention and Expansion Network) (incorporated in 1988) (the "Organization") is to strengthen manufacturing to create healthy communities and fuel economic growth. The Organization provides expertise that is responsive to manufacturing-related businesses and their employees. Manufacturing Works connects leaders to each other and engages them in their communities. Manufacturing Works is based in Cleveland, Ohio and has a primary emphasis on serving manufacturers in the City of Cleveland and greater Cleveland. However, Manufacturing Works also serves manufacturers nationally and throughout Ohio. The Organization officially changed its name on July 16, 2018.

Manufacturing Works' website is www.MfgWorksCLE.org.

Manufacturing Works currently operates the following programs:

- ***Accelerate Cleveland Manufacturing Program*** – works with targeted firms in Cleveland and northeast Ohio and develops strategies to remove a manufacturer's roadblocks to growth. This initiative's work in Cleveland is a partnership with MAGNET (Manufacturing Advocacy & Growth Network), supported by The Cleveland Foundation.

- ***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. Manufacturing Works 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.

  During 2018, the Accelerate Cleveland Manufacturing Program was merged into the Manufacturing Assistance Program.

- ***Global Wind Network (GLWN™) Program*** – assists in business development and job creation by working with the wind, fuel cell and clean energy supply chain as well as opinion leaders and policy makers to increase U.S. domestic content in the industry. GLWN™ provides linkages between wind turbine, fuel cell and clean energy companies seeking to grow in America and manufacturers, suppliers, and sub-contractors looking to gain new business. GLWN™ provides technical assistance to regional, state and national clean energy partners to strengthen the U.S. clean energy industry.

- ***Adult Workforce Development Program*** – **WorkSource** provides targeted employee recruitment, screening, placement, and retention services for manufacturing companies throughout Northeast Ohio. Manufacturing Works also engages its members in peer-to-peer learning, such as Manufacturing Works' HR Roundtable and supervisory training, to assist company leaders in developing and implementing effective HR management programs. The **Apprenticeship Consortium** supports Consortium members in developing 21st century apprenticeship programs within their companies, using competency-based models.

- ***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. Manufacturing Works also provides high school pre-apprenticeship programs at Max Hayes and with other career-tech high schools that can serve as a feeder into adult apprenticeship opportunities.

  As part of the Encore Cleveland initiative, a signature program of the Cleveland Foundation, the Technical Corps Program (TCP) identifies experienced industry technicians to share their skills and knowledge with Max Hayes Career & Technical Education teachers as adjunct faculty, teacher assistants, and manufacturing career champions. With the support of the Technical Corps Program, students are better prepared for skills certifications, college, and careers. The collaboration between Manufacturing Works' 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.

  Manufacturing Works' 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. Manufacturing Works organizes businesses into Technical Advisory Committees; conducts career exploration presentations at elementary schools and community events; supports work-based professional development (externships) for faculty; and recruits students and staff to the school.

  During 2018, the Adult and Youth Workforce Development Programs were combined into one Workforce Development Program.

- ***Membership Program*** **–** Manufacturing Works is a membership organization devoted to the advancement of manufacturing. Manufacturing Works provides its more than 330 members with networking, business education, professional development, cost reduction services, sourcing assistance, and opportunities to volunteer with and support the community. For 30 years Manufacturing Works has been a collective voice for the manufacturing community in the areas of policy, research and education. Manufacturing Works programs encourage investment and job creation in greater Cleveland.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in accounting principle: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14 "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*". The amendment changes the previous reporting model for nonprofit organizations and enhances the disclosure requirements. The major changes include: a) presentation of net assets in two categories – net assets without donor restrictions and net assets with donor restrictions, b) presentation of an analysis of expenses by both natural and functional classification and disclosure of a summary of the allocation methods used to allocate costs, c) disclosure of quantitative and qualitative information regarding liquidity and availability of resources, and d) modification of other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Organization adopted ASU 2016-14 for the year ended December 31, 2018. The amendments have been applied retrospectively to all periods presented.

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

Basis of presentation: The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with FASB Accounting Standards Codification (ASC) 958, and the provisions of the American Institute of Certified Public Accountants (AICPA) "*Audit and Accounting Guide for Not-for-Profit Organizations*" (the "Guide").

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

> ***Net assets without donor restrictions***: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.
>
> ***Net assets with donor restrictions***: Net assets subject to stipulations imposed by donors and grantors. Donor restrictions can be temporary in nature and those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions can be perpetual in nature, whereby the donor stipulates that the funds be maintained in perpetuity.

Cash and cash equivalents: Manufacturing Works 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 three 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. Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

In the case of cost reimbursement based grants, revenue is recognized in the period in which the related expenditures are incurred.

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 revenue without donor restrictions in the accompanying statements of activities as the dues become receivable. Membership dues are receivable at the beginning of the annual membership period. Unearned dues at year end are not material.

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

Grants and accounts receivable are recorded at net realizable value. The Organization uses the allowance method to provide for uncollectible grants and accounts receivable. Estimates of uncollectible amounts are based on prior years' experience and management's analysis of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance deemed necessary for grants and accounts receivable at December 31, 2018 and 2017.

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 support without donor restrictions 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. At December 31, 2018 and 2017, the assets owned by the Organization have been fully depreciated and are of nominal value and, accordingly, are not included in the accompanying statements of financial position.

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 Manufacturing Works 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: The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll, payroll taxes and benefits, office supplies and equipment, and telephone, which are allocated on the basis of estimates of time and effort, as well as occupancy expenses, which are allocated on a square-footage basis.

Income taxes: Manufacturing Works 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 Manufacturing Works are entitled to paid vacation depending on job classification, length of service, and other factors. As of December 31, 2018 and 2017, the amounts accrued for compensated absences totaled $33,653 and $38,060, respectively, and are included in accrued expenses in the accompanying statements of financial position.

Agency funds payable: Manufacturing Works is acting as a fiscal agent for an unrelated for profit corporation. The agency funds payable consists of cash held for this corporation in connection with a collaborative effort between Manufacturing Works and this corporation in producing a business training class during 2018 and 2019. The amount held by Manufacturing Works on behalf of this corporation is included in Manufacturing Works' cash and cash equivalents. When the funds are spent under the discretion and direction of this corporation, the payable is reduced. Manufacturing Works has earned a $10,000 fee for its supporting services, which is included in program events and workshops revenue in the accompanying 2018 statement of activities.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and notes. These estimates may be adjusted as more current information becomes available, and any adjustments could be material.

Recently issued accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *"Revenue from Contracts with Customers"*. ASU 2014-09 outlines a single comprehensive standard for revenue recognition across all industries and supersedes most existing revenue recognition guidance. In addition, ASU 2014-09 will require new and enhanced disclosures. ASU 2014-09 will become effective for the Organization beginning in 2019. The Organization will implement the standard on January 1, 2019. The Organization does not expect the effect of the standard to be significant to the financial statements.

In June 2018, the FASB issued ASU 2018-08, *"Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made"*. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions subject to the guidance issued under ASU 2014-09. The guidance outlines when a contribution is deemed to be conditional and the recognition of revenue should be delayed until conditions are substantially met. ASU 2018-08 will become effective for the Organization beginning in 2019. The Organization will implement the standard on January 1, 2019. The Organization does not expect the effect of the standard to be significant to the financial statements.

In February 2016, the FASB issued ASU 2016-02, *"Leases"*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. Under the guidance of ASU 2016-02, a lessee should recognize in the statement of financial position a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 is effective for the Organization's 2020 financial statements. The Organization is currently evaluating the impact that the standard will have on its financial statements and will implement the provisions upon the effective date.

Subsequent events: In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 19, 2019, the date the financial statements were available to be issued.

NOTE 3 – GOVERNMENTAL AND FOUNDATION FUNDING

In 2018 and 2017, the Organization received approximately 21% and 24%, respectively, of its total revenue and support through direct and indirect federal, state, county, and city grants and 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 $49,196 and $26,484 at December 31, 2018 and 2017, respectively.

Also, during 2018 and 2017, the Organization received $729,606 and $392,091, respectively, of additional grant funding from one foundation. Grants receivable from this foundation totaled $315,939 and $193,827 at December 31, 2018 and 2017, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

At December 31, 2018 and 2017, property and equipment is comprised of the following:

	2018	2017
Office furniture and equipment	$ 73,037	$ 73,037
Less – accumulated depreciation	(73,037)	(73,037)
	$ -	$ -

Depreciation expense totaled $2,607 in 2017. All assets held are now fully-depreciated.

NOTE 5 – RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Net assets with donor restrictions at December 31, 2018 and 2017 relate to time and purpose-based restrictions for the following programs:

	2018	2017
Workforce Development	$ 406,102	$ -
Youth Workforce Development	-	189,378
Adult Workforce Development	-	145,562
Manufacturing Assistance - technology and succession	103,225	-
	$ 509,327	$ 334,940

Board designated net assets as of December 31, 2018 and 2017 consist of $167,000 and $182,000, 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 net assets without donor restrictions.

NOTE 6 – RENTAL COMMITMENTS

Manufacturing Works leases its office facility under an operating lease which expires in June 2020 with the option to extend the lease through June 2022.

Manufacturing Works also leases certain office equipment under operating leases which expire in June 2021.

Rent expense for all operating leases in 2018 and 2017 totaled $47,771 and $47,355, respectively.

At December 31, 2018, future minimum rental payments required under the leases total:

Year ending December 31,	Amount
2019	$ 47,931
2020	25,431
2021	1,466
	$ 74,828

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

NOTE 7 – LINE OF CREDIT

Manufacturing Works 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 (5.5% at December 31, 2018 and 4.5% at December 31, 2017) plus .35%. The line is secured by the assets of the Organization and expires on July 4, 2020. There were no outstanding borrowings on the line of credit at December 31, 2018 and 2017.

NOTE 8 – RETIREMENT PLAN

Prior to June 2017, the Organization had a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. Effective May 1, 2017, the Organization established a retirement savings plan under Section 401(k) of the Internal Revenue Code (collectively, the "Plans") and the 403(b) plan was terminated in June 2017. 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 Manufacturing Works to match a portion of eligible employee salary deferral contributions based on the discretion of its Board of Directors. Matching contributions for 2018 and 2017 totaled $21,333 and $26,485, respectively. In addition, the Organization may make discretionary nonelective contributions to the Plans. Manufacturing Works did not make any discretionary nonelective contributions for 2018 and 2017.

NOTE 9 – LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general use because of donor-imposed or other restrictions within one year of the statements of financial position dates.

	2018	2017
Financial assets, at year-end	$ 992,905	$ 766,422
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions due to time or purpose restrictions	509,327	334,940
Board designation – operating reserve	167,000	182,000
Cash held for unrelated for profit corporation related to agency funds payable	41,513	-
Financial assets available to meet cash needs for general expenditures within one year	$ 275,065	$ 249,482

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position dates, comprise the following:

	2018	2017
Cash	$ 187,314	$ 140,050
Grants receivable	49,196	46,484
Accounts receivable	38,555	62,948
	$ 275,065	$ 249,482

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's Board has designated cash as of December 31, 2018 and 2017 of $167,000 and $182,000, respectively, to serve as an operating reserve to support the current and future operations of the Organization. This operating reserve may be drawn upon in the event of financial distress or an immediate liquidity need resulting from unforeseen shortfalls or for certain nonrecurring expenditures. In the event of an unanticipated liquidity need, the Organization also could draw upon its $150,000 available line of credit (as further discussed in Note 7).

PEASE & ASSOCIATES, CPAs

1422 Euclid Avenue, Suite 400
Cleveland, OH 44115
phone: 216.348.9600
fax: 216.348.9610
peasecpa.com

Board of Directors
Manufacturing Works
(formerly 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 Manufacturing Works (formerly Westside Industrial Retention and Expansion Network) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Manufacturing Works' 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 Manufacturing Works' internal control. Accordingly, we do not express an opinion on the effectiveness of Manufacturing Works' 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 Manufacturing Works' 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 19, 2019

MANUFACTURING WORKS
(formerly Westside Industrial Retention and Expansion Network)

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Manufacturing Works did not expend more than $750,000 in federal awards during the year ended December 31, 2018, and therefore, is exempt from the audit requirements under the Single Audit Act and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

Not applicable