DRAFT
11.23.2021

MANUFACTURING WORKS

AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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Audited Financial Statements

MANUFACTURING WORKS

DECEMBER 31, 2020 AND 2019

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Manufacturing Works

Report on the Financial Statements

We have audited the accompanying financial statements of Manufacturing Works (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, 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 November 18, 2021 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.

Cleveland, Ohio
November 18, 2021

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11.23.2021

MANUFACTURING WORKS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	$ 422,863	$ 498,823
Grants receivable	211,857	148,222
Accounts receivable, net	70,605	30,150
Prepaid expenses	3,495	3,898
Total Current Assets	708,820	681,093
Property and Equipment, net	8,922	11,301
Other Assets		
Deposits	6,809	6,809
TOTAL ASSETS	$ 724,551	$ 699,203
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 63,329	$ 73,743
Accrued expenses	48,343	40,668
Agency funds payable	-	12,270
Refundable advances	360,125	183,855
Total Current Liabilities	471,797	310,536
Net Assets		
Without donor restrictions:		
Undesignated	67,495	115,954
Board designated - operating reserve	137,000	137,000
	204,495	252,954
With donor restrictions	48,259	135,713
Total Net Assets	252,754	388,667
TOTAL LIABILITIES AND NET ASSETS	$ 724,551	$ 699,203

See notes to financial statements.

MANUFACTURING WORKS

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Grants	$ 931,313	$ 80,385	$ 1,011,698
Consulting fees	211,216	-	211,216
Membership dues and contributions	204,930	-	204,930
Program events and workshops	138,263	-	138,263
Revenue from forgiveness of Paycheck Protection Program loan	265,800	-	265,800
Interest income	77	-	77
Net assets released from donor restrictions	167,839	(167,839)	-
TOTAL REVENUE AND OTHER SUPPORT	1,919,438	(87,454)	1,831,984
EXPENSES			
Program services	1,417,231	-	1,417,231
Supporting services:			
Management and general expenses	512,424	-	512,424
Fundraising expenses	38,242	-	38,242
	1,967,897	-	1,967,897
CHANGE IN NET ASSETS	(48,459)	(87,454)	(135,913)
NET ASSETS AT BEGINNING OF YEAR	252,954	135,713	388,667
NET ASSETS AT END OF YEAR	$ 204,495	$ 48,259	$ 252,754

See notes to financial statements.

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MANUFACTURING WORKS

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Grants	$ 1,196,526	$ 155,000	$ 1,351,526
Consulting fees	187,660	-	187,660
Membership dues and contributions	303,643	15,150	318,793
Program events and workshops	219,601	-	219,601
Interest income	132	-	132
Net assets released from donor restrictions	141,231	(141,231)	-
TOTAL REVENUE AND OTHER SUPPORT	2,048,793	28,919	2,077,712
EXPENSES			
Program services	1,653,487	-	1,653,487
Supporting services:			
Management and general expenses	232,802	-	232,802
Fundraising expenses	61,402	-	61,402
	1,947,691	-	1,947,691
CHANGE IN NET ASSETS	101,102	28,919	130,021
NET ASSETS AT BEGINNING OF YEAR	151,852	106,794	258,646
NET ASSETS AT END OF YEAR	$ 252,954	$ 135,713	$ 388,667

See notes to financial statements.

MANUFACTURING WORKS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services					Supporting Services		
	Manufacturing Services	Global Wind Network (GLWN™)	Workforce Program	Membership	Total Program Services	Management and General	Fundraising	Total
Payroll	$ 367,167	$ -	$ 361,607	$ 114,062	$ 842,836	$ 314,135	$ 26,254	$ 1,183,225
Payroll taxes and benefits	64,413	-	98,444	37,881	200,738	80,870	3,903	285,511
	431,580	-	460,051	151,943	1,043,574	395,005	30,157	1,468,736
Contractual services	76,962	3,654	140,492	45,799	266,907	55,376	6,940	329,223
Job training/management education	2,355	-	4,651	-	7,006	941	-	7,947
Occupancy	3,904	-	7,003	2,206	13,113	34,523	474	48,110
Travel	610	-	1,508	405	2,523	1,266	195	3,984
Office supplies and equipment	620	-	543	3,405	4,568	10,065	27	14,660
Communication	31,063	-	9,583	4,320	44,966	-	-	44,966
Other events and workshops	1,126	-	-	10,118	11,244	-	-	11,244
Telephone	606	-	1,565	343	2,514	5,512	74	8,100
Meetings	-	195	140	-	335	297	40	672
Dues and subscriptions	2,500	-	617	-	3,117	1,419	335	4,871
Postage and shipping	-	-	-	-	-	107	-	107
Depreciation	-	-	-	-	-	2,379	-	2,379
Bank charges and fees	-	-	-	6,239	6,239	328	-	6,567
Insurance	-	-	-	-	-	5,063	-	5,063
Sponsorship	-	-	3,500	-	3,500	-	-	3,500
Bad debt	-	-	7,625	-	7,625	-	-	7,625
Miscellaneous	-	-	-	-	-	143	-	143
	$ 551,326	$ 3,849	$ 637,278	$ 224,778	$ 1,417,231	$ 512,424	$ 38,242	$ 1,967,897

See notes to financial statements.

MANUFACTURING WORKS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services					Supporting Services		
	Manufacturing Services	Global Wind Network (GLWN™)	Workforce Program	Membership	Total Program Services	Management and General	Fundraising	Total
Payroll	$ 366,397	$ -	$ 449,537	$ 167,475	$ 983,409	$ 69,604	$ 48,589	$ 1,101,602
Payroll taxes and benefits	62,031	-	108,651	41,262	211,944	37,866	9,703	259,513
	428,428	-	558,188	208,737	1,195,353	107,470	58,292	1,361,115
Contractual services	87,801	42,869	103,828	8,629	243,127	50,627	399	294,153
Job training/management education	414	-	1,850	1,625	3,889	8,044	365	12,298
Occupancy	4,911	-	8,811	2,775	16,497	34,355	596	51,448
Travel	3,095	-	9,574	2,295	14,964	5,455	956	21,375
Office supplies and equipment	2,992	-	5,959	3,619	12,570	13,695	-	26,265
Communication	22,517	-	2,406	23,901	48,824	-	99	48,923
Other events and workshops	385	-	9,616	68,585	78,586	95	604	79,285
Telephone	727	-	2,407	411	3,545	5,083	88	8,716
Meetings	17	-	767	22,451	23,235	599	-	23,834
Dues and subscriptions	2,479	-	285	430	3,194	1,319	-	4,513
Postage and shipping	-	-	-	500	500	-	-	500
Staff recruitment	-	-	-	-	-	170	-	170
Depreciation	-	-	-	-	-	595	-	595
Bank charges and fees	-	-	-	9,203	9,203	-	3	9,206
Insurance	-	-	-	-	-	5,090	-	5,090
Miscellaneous	-	-	-	-	-	205	-	205
	$ 553,766	$ 42,869	$ 703,691	$ 353,161	$ 1,653,487	$ 232,802	$ 61,402	$ 1,947,691

See notes to financial statements.

MANUFACTURING WORKS

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (135,913)	$ 130,021
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Revenue from forgiveness of Paycheck Protection Program loan	(265,800)	-
Depreciation	2,379	595
Changes in assets and liabilities:		
Grants and accounts receivable	(104,090)	(32,289)
Prepaid expenses	403	(108)
Accounts payable and accrued expenses	(2,739)	42,944
Agency funds payable	(12,270)	(29,243)
Refundable advances	176,270	(132,083)
NET CASH USED IN OPERATING ACTIVITIES	(341,760)	(20,163)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(11,896)
NET CASH USED IN INVESTING ACTIVITIES	-	(11,896)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	265,800	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	265,800	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(75,960)	(32,059)
CASH AND CASH EQUIVALENTS, beginning of year	498,823	530,882
CASH AND CASH EQUIVALENTS, end of year	$ 422,863	$ 498,823

See notes to financial statements.

MANUFACTURING WORKS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 1 – ORGANIZATION AND OPERATIONS

The mission of Manufacturing Works (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.

Manufacturing Works' website is www.MfgWorksCLE.org.

Manufacturing Works currently operates the following programs:

- ***Manufacturing Services*** – 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.

- ***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.

- ***Workforce 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.

The Youth team 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.

- ***Membership Program*** – Manufacturing Works is a membership organization devoted to the advancement of manufacturing. Manufacturing Works provides its more than 300 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

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 Financial Accounting Standards Board ("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").

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 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 condition is satisfied. Conditional contributions and grants contain barriers that must be overcome or explicitly waived by the donor before 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 at a point in time when the services are performed.

Membership dues are recognized as revenue ratably over the membership period, 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 the related receivable. At December 31, 2020, the allowance for doubtful accounts receivable totaled $1,110. There was no allowance deemed necessary for grants receivable at December 31, 2020 and 2019, nor for accounts receivable at December 31, 2019, as uncollectible amounts were estimated to be immaterial.

Refundable advances: Funds received in advance of the Organization successfully meeting the donor's conditions are recorded as refundable advances in the statements of financial position.

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. Depreciation expense for 2020 and 2019 totaled $2,379 and $595, 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 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, 2020 and 2019, the amounts accrued for compensated absences totaled $48,343 and $40,668, respectively, and are presented as accrued expenses in the accompanying statements of financial position.

Agency funds payable: Manufacturing Works acted as a fiscal agent for an unrelated for profit corporation. The agency funds payable consisted 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 2019 and 2018. The amount held by Manufacturing Works on behalf of this corporation was included in Manufacturing Works' cash and cash equivalents. In 2019, Manufacturing Works earned fees of $20,000 for its supporting services, which are included in program events and workshops revenue in the accompanying 2019 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.

Pending accounting pronouncements: 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 2022 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 November 18, 2021, the date the financial statements were available to be issued.

NOTE 3 – GOVERNMENTAL AND FOUNDATION FUNDING

In 2020 and 2019, the Organization received approximately 47% and 29%, respectively, of its total revenue and other support through direct and indirect federal 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 $211,857 and $68,222 at December 31, 2020 and 2019, respectively.

Also, during 2020 and 2019, the Organization received $367,711 and $703,478, respectively, of additional grant funding from one foundation. There are no grants receivable from this foundation recorded in the accompanying statements of financial position at December 31, 2020 and 2019.

NOTE 4 – CONDITIONAL PROMISES TO GIVE

At December 31, 2020 and 2019, the Organization had conditional promises to give of $25,000 and $258,856, respectively, related to the workforce and manufacturing services programs. Due to the nature of the promises to give, they are excluded from grants receivable and are recognized as revenue in the period in which the conditions are met.

NOTE 5 – PROPERTY AND EQUIPMENT

At December 31, 2020 and 2019, property and equipment is comprised of the following:

	2020	2019
Office furniture and equipment	$ 84,933	$ 84,933
Less – accumulated depreciation	(76,011)	(73,632)
	$ 8,922	$ 11,301

Depreciation expense totaled $2,379 and $595 in 2020 and 2019, respectively.

NOTE 6 – RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Net assets with donor restrictions at December 31, 2020 and 2019 relate to time and purpose-based restrictions for the following programs:

	2020	2019
Workforce Program	$ 36,609	$ 120,563
John Colm Excellence in Manufacturing Fund – Youth Programs	11,650	15,150
	$ 48,259	$ 135,713

Board designated net assets as of December 31, 2020 and 2019 consist $137,000 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 7 – RENTAL COMMITMENTS

The Organization leases its office facility under an operating lease which expires in June 2022. The Organization also leases certain office equipment under operating leases which expired in June 2021 and were renewed for an additional 5 years. Rent expense for all operating leases in 2020 and 2019 totaled $46,892 and $48,317, respectively. The Organization also pays for certain operating expenses related to the office facility.

At December 31, 2020, future minimum rental payments required under the leases total $34,045 in 2021, $17,508 in 2022, $2,508 in 2023, $2,508 in 2024, $2,508 in 2025, and $1,254 thereafter.

NOTE 8 – 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 (3.25% at December 31, 2020 and 4.75% at December 31, 2019) plus .35%. The line is secured by the assets of the Organization and expires on July 4, 2022. There were no outstanding borrowings on the line of credit at December 31, 2020 and 2019.

NOTE 9 – RETIREMENT PLAN

The Organization sponsors a retirement savings plan under Section 401(k) of the Internal Revenue Code (the "Plan"). 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 2020 and 2019 totaled $19,770 and $15,955, respectively. In addition, the Organization may make discretionary nonelective contributions to the Plan. Manufacturing Works did not make any discretionary nonelective contributions for 2020 and 2019.

NOTE 10 – LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, 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.

	2020	2019
Financial assets, at year-end	$ 705,325	$ 677,195
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions due to time or purpose restrictions	48,259	135,713
Board designation – operating reserve	137,000	137,000
Cash held for unrelated for profit corporation related to agency funds payable	-	12,270
Financial assets available to meet cash needs for general expenditures within one year	$ 520,066	$ 392,212

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:

	2020	2019
Cash and cash equivalents	$ 237,604	$ 293,840
Grants receivable	211,857	68,222
Accounts receivable	70,605	30,150
	$ 520,066	$ 392,212

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, 2020 and 2019 of $137,000, 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 8).

NOTE 11 – RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the COVID-19 virus a pandemic, with the outbreak continuing to negatively impact the United States and the world. During 2020, the pandemic forced the temporarily closures of businesses and limited the Organization's ability to host in-person membership and program activities. The Organization relies heavily on collecting government and foundation grants as well as membership dues and contributions.

In April 2020, the Organization received a loan of $265,800 from the federal Paycheck Protection Program ("PPP"). The two-year note, maturing in April 2022, bears interest at 1% per year. The PPP loan can be forgiven, fully or in part, depending on the Organization maintaining employees and payroll at pre-pandemic levels and using the loan proceeds for permitted expenses. The Organization has determined that the PPP loan should be accounted for as a conditional contribution under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. As of December 31, 2020, the full amount of the loan proceeds had been used to fund eligible expenses under the terms of the PPP loan and the Organization substantially met the conditions for forgiveness related to this amount, which is recognized as revenue in the 2020 statement of activities. In March 2021 the Organization received from the SBA a formal notice for full forgiveness of the loan. Also, the Organization received a second draw PPP loan of $276,675 in 2021.

In April 2020 the Organization also received a Small Business Administration grant of $10,000 from the federal COVID-19 Economic Injury Disaster Loan Advance program to help cover costs during the pandemic, which is included in grant revenue in the 2020 statement of activities.

The Organization continues to monitor the situation closely; and because the pandemic's ultimate length, severity, and impact are still unknown, the future impact of the pandemic on the Organization's operations and financial condition cannot be reasonably estimated.

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*

Board of Directors
Manufacturing Works

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 (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 November 18, 2021.

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.

Cleveland, Ohio
November 18, 2021

MANUFACTURING WORKS

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2020

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, 2020, 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