

WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK  
AND SUBSIDIARY

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

**Consolidated Audited Financial Statements**

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

**DECEMBER 31, 2008 AND 2007**

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

### Report of Independent Auditors

We have audited the accompanying consolidated statement of financial position of Westside Industrial Retention and Expansion Network (a nonprofit organization) and subsidiary (collectively "WIRE-Net") as of December 31, 2008, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of WIRE-Net's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of WIRE-Net as of December 31, 2007, were audited by other auditors whose report dated April 25, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 consolidated financial statements referred to above present fairly, in all material respects, the financial position of WIRE-Net as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2009, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Our audit was conducted for the purpose of forming an opinion on the basic financial statements of WIRE-Net taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Pease & Associates, Inc.*

Cleveland, Ohio  
May 28, 2009



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

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

We have audited the consolidated financial statements of Westside Industrial Retention and Expansion Network (a nonprofit organization) and subsidiary (collectively "WIRE-Net") as of and for the year ended December 31, 2008, and have issued our report thereon dated May 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered WIRE-Net's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WIRE-Net's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



### Compliance and Other Matters

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

We noted certain matters that we reported to management of WIRE-Net in a separate letter dated May 28, 2009.

This report is intended solely for the information and use of management, the Finance Committee, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Pease & Associates, Inc.*

Cleveland, Ohio  
May 28, 2009



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

*Report on Compliance With Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in Accordance With OMB Circular A-133*

Compliance

We have audited the compliance of Westside Industrial Retention and Expansion Network (a nonprofit organization) and subsidiary (collectively "WIRE-Net") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. WIRE-Net's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of WIRE-Net's management. Our responsibility is to express an opinion on WIRE-Net's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about WIRE-Net's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of WIRE-Net's compliance with those requirements.

In our opinion, WIRE-Net complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.



## Internal Control Over Compliance

The management of WIRE-Net is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered WIRE-Net's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of WIRE-Net internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Finance Committee, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Pease & Associates, Inc.*

Cleveland, Ohio  
May 28, 2009

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2008 AND 2007**

	2008	2007
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 505,368	\$ 564,416
Grants receivable	632,454	250,326
Accounts receivable	54,842	26,293
Prepaid expenses	2,078	2,070
	1,194,742	843,105
<b>Property And Equipment</b>		
Office furniture and equipment	185,312	185,312
Less: accumulated depreciation	(184,823)	(179,958)
	489	5,354
<b>Other Assets</b>		
Deposits	6,809	6,809
	6,809	6,809
<b>TOTAL ASSETS</b>	\$ 1,202,040	\$ 855,268
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 160,456	\$ 51,412
Accrued expenses	2,288	1,674
	162,744	53,086
<b>Net Assets</b>		
Unrestricted	385,118	456,370
Temporarily restricted	654,178	345,812
	1,039,296	802,182
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,202,040	\$ 855,268

See notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2008**

	Unrestricted	Temporarily Restricted	Amount
<b>REVENUE AND OTHER SUPPORT</b>			
Grants	\$ 1,407,140	\$ 698,000	\$ 2,105,140
Consulting fees	257,580		257,580
Membership dues and contributions	245,979		245,979
Interest income	18,193		18,193
Program events and workshops	21,755		21,755
Net assets released from donor restrictions	389,634	(389,634)	
	2,340,281	308,366	2,648,647
<b>EXPENSES</b>			
Program services	2,038,068		2,038,068
Supporting services:			
Management and general expenses	281,079		281,079
Fundraising expenses	92,386		92,386
	2,411,533		2,411,533
<b>CHANGE IN NET ASSETS</b>	(71,252)	308,366	237,114
<b>NET ASSETS AT BEGINNING OF YEAR</b>	456,370	345,812	802,182
<b>NET ASSETS AT END OF YEAR</b>	\$ 385,118	\$ 654,178	\$ 1,039,296

See notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2007**

	Unrestricted	Temporarily Restricted	Amount
<b>REVENUE AND OTHER SUPPORT</b>			
Grants	\$ 1,158,979	\$ 150,270	\$ 1,309,249
Membership dues and contributions	238,364		238,364
Interest income	32,098		32,098
Consulting fees	23,934		23,934
Program events and workshops	6,490		6,490
Miscellaneous	911		911
Net assets released from donor restrictions	163,709	(163,709)	
	1,624,485	(13,439)	1,611,046
<b>EXPENSES</b>			
Program services	1,582,370		1,582,370
Supporting services:			
Management and general expenses	185,595		185,595
Fundraising expenses	92,980		92,980
	1,860,945		1,860,945
<b>CHANGE IN NET ASSETS</b>	(236,460)	(13,439)	(249,899)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	692,830	359,251	1,052,081
<b>NET ASSETS AT END OF YEAR</b>	\$ 456,370	\$ 345,812	\$ 802,182

See notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2008**

	Program Services							Total Program Services	Supporting Services		
	Manufacturing Assistance	Great Lakes WIND Network™	Youth Workforce Development	Adult Workforce Development	Membership	Redevelopment	Safety-Net		Management and general	Fundraising	Total
Payroll	\$ 299,020	\$ 170,893	\$ 174,265	\$ 96,101	\$ 44,480	\$ 52,792	\$ 45,195	\$ 882,746	\$ 166,833	\$ 71,475	\$ 1,121,054
Payroll taxes and fringes	57,256	24,476	46,895	23,637	10,640	18,126	4,743	185,773	40,122	14,328	54,450
	<u>356,276</u>	<u>195,369</u>	<u>221,160</u>	<u>119,738</u>	<u>55,120</u>	<u>70,918</u>	<u>49,938</u>	<u>1,068,519</u>	<u>206,955</u>	<u>85,803</u>	<u>1,361,277</u>
Contractual services	270,388	286,540	-	33,204	16,266	10,044	990	617,432	14,324	-	631,756
Job training/management education	-	-	95,766	256	-	-	-	96,022	-	-	96,022
Occupancy	21,192	7,395	14,310	9,838	1,071	2,554	-	56,360	-	4,268	60,628
Travel	9,912	25,494	5,294	605	416	1,042	1,165	43,928	2,651	342	46,921
Office supplies and equipment	6,488	9,090	2,495	40	623	-	3,052	21,788	19,947	806	42,541
Communication	1,963	15,403	750	-	2,498	-	-	20,614	10,262	-	30,876
Other events and workshops	7,808	15,852	2,058	284	2,848	-	-	28,850	1,500	-	30,350
Uncollectible accounts	645	-	200	-	18,580	1,800	-	21,225	-	160	21,385
Telephone	2,970	2,602	7,135	1,649	546	414	2,761	18,077	-	691	18,768
Split dues	-	-	-	-	16,704	-	-	16,704	-	-	16,704
Meetings	819	1,143	205	256	8,453	300	60	11,236	1,216	-	12,452
Dues and subscriptions	2,395	398	-	190	-	4,667	-	7,650	3,610	60	11,320
Staff and board development	987	75	369	264	867	35	-	2,597	4,980	-	7,577
Postage and shipping	56	285	-	-	207	-	-	548	4,202	256	5,006
Depreciation	-	-	-	-	-	-	-	-	4,865	-	4,865
Staff recruitment	3,485	-	-	125	-	-	-	3,610	225	-	3,835
Bank charges and fees	-	-	-	-	-	-	-	-	3,148	-	3,148
Insurance	-	-	-	-	-	-	-	-	2,882	-	2,882
Scholarship award	-	-	1,908	-	-	-	-	1,908	-	-	1,908
Miscellaneous	-	-	-	-	1,000	-	-	1,000	312	-	1,312
	<u>\$ 685,384</u>	<u>\$ 559,646</u>	<u>\$ 351,650</u>	<u>\$ 166,449</u>	<u>\$ 125,199</u>	<u>\$ 91,774</u>	<u>\$ 57,966</u>	<u>\$ 2,038,068</u>	<u>\$ 281,079</u>	<u>\$ 92,386</u>	<u>\$ 2,411,533</u>

See notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2007**

	Program Services						Total Program Services	Supporting Services		
	Manufacturing Assistance	Youth Workforce Development	Adult Workforce Development	Membership	Redevelopment	Safety-Net		Management and general	Fundraising	Total
Payroll	\$ 342,347	\$ 136,224	\$ 153,489	\$ 75,055	\$ 61,068	\$ 43,448	\$ 811,631	\$ 82,870	\$ 60,629	\$ 955,130
Payroll taxes and fringes	69,798	39,955	36,977	19,328	19,986	4,790	190,834	20,154	15,139	226,127
	<u>412,145</u>	<u>176,179</u>	<u>190,466</u>	<u>94,383</u>	<u>81,054</u>	<u>48,238</u>	<u>1,002,465</u>	<u>103,024</u>	<u>75,768</u>	<u>1,181,257</u>
Contractual services	109,521	6,105	22,415	2,053	22,495	3,310	165,899	15,845	-	181,744
Job training/management education	-	98,615	10,115	-	-	-	108,730	-	-	108,730
Occupancy	29,813	16,083	5,904	1,202	2,859	-	55,861	1,157	4,765	61,783
Office supplies and equipment	18,795	9,210	2,674	1,208	1,826	1,253	34,966	21,524	1,904	58,394
Communication	11,587	-	2,255	32,359	-	-	46,201	2,392	2,728	51,321
Cleveland Shoreway Classic	-	45,932	-	-	-	-	45,932	-	-	45,932
Travel	10,979	4,021	8,185	1,882	1,252	1,105	27,424	4,670	261	32,355
Staff and board development	1,901	739	6,417	367	550	-	9,974	16,171	-	26,145
Meetings	1,818	265	730	14,332	609	-	17,754	1,321	203	19,278
Split dues	-	-	-	17,668	-	-	17,668	-	-	17,668
Other events and workshops	10,529	-	-	259	-	-	10,788	-	5,807	16,595
Dues and subscriptions	4,466	485	567	(44)	4,530	-	10,004	2,836	60	12,900
Telephone	4,574	2,954	969	676	372	2,289	11,834	-	620	12,454
Uncollectible accounts	-	-	-	7,846	-	-	7,846	-	400	8,246
Depreciation	-	-	-	-	-	-	-	7,484	-	7,484
Scholarship award	-	4,817	-	-	-	-	4,817	-	-	4,817
Postage and shipping	395	18	128	716	-	-	1,257	2,120	464	3,841
Insurance	47	47	46	-	-	-	140	2,984	-	3,124
Staff recruitment	1,049	742	914	-	-	-	2,705	-	-	2,705
Bank charges and fees	-	-	-	55	-	-	55	2,244	-	2,299
Miscellaneous	50	-	-	-	-	-	50	1,823	-	1,873
	<u>\$ 617,669</u>	<u>\$ 366,212</u>	<u>\$ 251,785</u>	<u>\$ 174,962</u>	<u>\$ 115,547</u>	<u>\$ 56,195</u>	<u>\$ 1,582,370</u>	<u>\$ 185,595</u>	<u>\$ 92,980</u>	<u>\$ 1,860,945</u>

See notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 237,114	\$ (249,899)
Adjustments to reconcile increase (decrease) in net assets to net cash used for operating activities:		
Depreciation	4,865	7,484
Changes in assets and liabilities:		
Grants and accounts receivables	(410,677)	(128,236)
Prepaid expenses	(8)	268
Accounts payable and accrued expenses	109,658	30,717
	(59,048)	(339,666)
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<b>(59,048)</b>	<b>(339,666)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	-	(10,483)
	-	(10,483)
<b>NET CASH USED FOR FINANCING ACTIVITIES</b>	<b>-</b>	<b>(10,483)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(59,048)</b>	<b>(350,149)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>564,416</b>	<b>914,565</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 505,368</b>	<b>\$ 564,416</b>

See notes to consolidated financial statements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2008 AND 2007**

**NOTE 1 – ORGANIZATION AND OPERATIONS**

The mission of the Westside Industrial Retention and Expansion Network (formed 1988) and subsidiary (formed 1996) (“WIRE-Net” or the “Organization”) is to strengthen manufacturing in order to create healthy communities and fuel economic growth in Cleveland and Northeast Ohio. The Organization provides expertise that is responsive to manufacturing-related businesses and their employees. WIRE-Net also connects leaders to each other and engages them in their communities.

WIRE-Net’s website is [www.wire-net.org](http://www.wire-net.org).

WIRE-Net currently engages in the following programs:

- ***Manufacturing Assistance Program*** – working directly with manufacturing businesses to help them cut costs, innovate, increase their effectiveness and grow their business. Competitiveness is improved through training and consulting services for companies in LEAN, ISO, and through Manufacturing Innovation for the Next Decade (MIND). WIRE-Net manages the Cleveland Industrial Retention Initiative (CIRI) in coordination with the City of Cleveland’s Department of Economic Development. CIRI is a program of the City of Cleveland providing outreach efforts to raise industry awareness of available resources to stimulate business and neighborhood investment, foster job creation, and make Cleveland more “user friendly.”
- ***Great Lakes WIND Network™ Program*** – assists in business development and job creation through growth in the wind industry by developing and implementing a comprehensive plan to identify, expand and promote the wind energy supply chain. The Great Lakes WIND Network™ was launched by WIRE-Net in 2007 and has grown substantially and has become a force in the U.S. wind industry. Great Lakes WIND Network™ provides linkages between wind turbine companies seeking to grow in America, manufacturers looking to gain new business through components production, and economic development groups that are seeking ways to promote local investment and job growth.
- ***Youth Workforce Development Program*** – provides a continuum of services to youth in junior high through post-secondary education. The School-to-Career Program, for younger students, is based at Max Hayes High School and provides students with employability and life skills training and manufacturing career awareness activities, as well as mentoring, tutoring, leadership development, work experiences, and social service supports. WIRE-Net’s Accelerated Introduction to Manufacturing Camp (AIM) in an intensive 5-week summer career exploration program designed to interest 9<sup>th</sup> and 10<sup>th</sup> grade students in pursuing careers in advanced manufacturing. Project HIPHOP, WIRE-Net’s program for older youth, helps participants earn a diploma or GED and, with technical training, transition from unemployment or underemployment to family-sustaining employment.

- ***Adult Workforce Development Program*** – provides a range of services to individual job seekers, incumbent workers, and manufacturing companies throughout Northeast Ohio. Services include candidate recruitment, screening, and referrals to job openings or to supportive services; training program development in conjunction with technical training providers; workplace assessment followed by development and implementation of improvement strategies, and human resource consulting.
- ***Membership Program*** – WIRE-Net is a membership-based organization devoted to the advancement of manufacturing in Cleveland and Northeast Ohio. WIRE-Net assists its membership by engaging manufacturing company leaders in networking activities, connecting companies to resources and providing a collective voice for the manufacturing community in the areas of policy, research and education.
- ***Redevelopment Program*** – providing extensive industrial site search assistance to companies, increasing the availability of developable industrial land and providing infrastructure planning and advocacy.
- ***Safety-Net Program*** – WIRE-Net is the fiscal agent for the Safety-Net Program, which provides technical assistance to local neighborhood businesses and their employees regarding safety issues and resolving business district and neighborhood concerns about actual and potential criminal activity through increased awareness, education and crime prevention strategies.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Consolidation policy:** The accompanying consolidated financial statements include the accounts of WIRE-Net and its wholly-owned subsidiary, WIRE-Net Development Company. WIRE-Net Development Company is a corporation formed to hold land purchased for an economic redevelopment project in Cleveland, Ohio. The land was sold in 2006 and WIRE-Net Development Company's accounts and transactions are not material to the accompanying consolidated financial statements.

**Basis of accounting:** The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**Basis of presentation:** Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. WIRE-Net has no permanently restricted net assets at December 31, 2008 and 2007.

**Revenue recognition:** WIRE-Net follows Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. Accordingly, contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

WIRE-Net uses the allowance method to provide for uncollectible contributions receivable. At December 31, 2008 and 2007, no allowance was considered necessary by management as all contributions receivable were deemed fully collectible.

**Cash and cash equivalents:** WIRE-Net considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents at December 31, 2008 and 2007 consist of checking accounts and certificates of deposits 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 they are exposed to any substantial credit risk.

**Grants and accounts receivables:** Grants and accounts receivable are recognized as revenues or gains in the period in which an unconditional promise to give is received or, in the case of cost reimbursement based grants, in the period in which the related expenditures are incurred. Assets, decreases of liabilities, or expenses are recognized depending on the form of the benefits received. 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, 2008 and 2007.

**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. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are 5-10 years for office furniture and equipment. Depreciation expense for 2008 and 2007 totaled \$4,865 and \$7,484, respectively.

**Membership dues revenue and split dues expense:** WIRE-Net has a joint membership agreement with five community development corporations that sponsor WIRE-Net. WIRE-Net remits a portion of dues received, classified as split dues expense, to these sponsoring community development corporations.

**Contributed services:** SFAS No. 116 states that for donated services to be recognized in the financial statements, the services must either (a) create or enhance non-financial assets of (b) require specialized skills, provided by entities or persons possessing those skills that would have to be purchased if not donated.

A number of volunteers have donated significant amounts of their time assisting WIRE-Net with specific programs, management and internal functions, campaign solicitations and various committee assignments. These donated services have not been recognized in the accompanying financial statements because the criteria for recognition of such volunteer efforts under SFAS No. 116 have not been satisfied.

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

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

**Income taxes:** WIRE-Net is a non-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization other than a private foundation under Section 509(a) of the Internal Revenue Code. WIRE-Net Development Company is a taxable nonprofit corporation and is, therefore, responsible for income taxes on its taxable income, if any.

**Compensated absences:** WIRE-Net does not accrue for compensated absences and recognizes the cost of compensated absences when actually paid to the employees. Accordingly, no liability has been recorded in the accompanying financial statements. The effect of this policy is not material to the financial statements.

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassifications:** Certain amounts in the prior years' financial statements have been reclassified to conform with the current year presentation.

### **NOTE 3 – GOVERNMENTAL AND FOUNDATION FUNDING**

The Organization received approximately 54% and 41% of its funding for 2008 and 2007, respectively, through Federal, state, county, and city grants and purchases of service agreements. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's activities. Grants receivable from government funding sources totaled \$385,554 and \$182,773 at December 31, 2008 and 2007, respectively.

Also, during 2008, the Organization received \$400,000 of additional grant funding for three programs from one foundation. Grants receivable from this foundation totaled \$160,000 at December 31, 2008.

### **NOTE 4 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets at December 31, 2008 and 2007 are restricted for and relate to the following programs:

	2008	2007
Great Lakes WIND Network™	\$ 249,048	\$ -
Redevelopment	187,305	195,542
Youth Workforce Development	137,760	73,966
Manufacturing Assistance	59,474	51,304
Membership	16,619	25,000
Adult Workforce Development	3,972	-
	\$ 654,178	\$ 345,812

### **NOTE 5 – COMMITMENTS**

Net assets temporarily restricted for the redevelopment program include \$156,156 and \$158,000 of cash and cash equivalents as of December 31, 2008 and 2007, respectively, related to WIRE-Net Development Company's sale of land located in Walworth Run Industrial Park to the Cleveland Municipal School District in 2006. Upon completion of the sale, the State of Ohio requested and WIRE-Net's Board of Directors approved the restriction of \$158,000 for use in another economic redevelopment project.

**NOTE 6 – RENTAL COMMITMENTS**

WIRE-Net leases its office and certain office equipment under operating leases. The office equipment leases expire at various times through September 2012. WIRE-Net renewed its office lease for a one-year term, beginning July 2009.

Rent expense for all operating leases for the years ended December 31, 2008 and 2007 totaled \$55,709 and \$45,474, respectively.

At December 31, 2008, future minimum rental payments required under the leases are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2009	\$ 47,918
2010	27,162
2011	6,220
2012	<u>4,139</u>
	<u>\$ 85,439</u>

WIRE-Net also pays rent on a month-to-month basis to house program employees for the City of Cleveland’s Cleveland Industrial Retention Initiative program at off-site locations. Rent paid in 2008 and 2007 totaled \$10,990 and \$9,157, respectively.

**NOTE 7 – LINE OF CREDIT**

WIRE-Net has available a \$100,000 demand bank line of credit. Each borrowing on the line of credit bears interest at the bank’s prime rate plus 0.75%. The line is secured by the assets of the Organization. As of December 31, 2008 and 2007 there were no borrowings on the line.

**NOTE 8 – RETIREMENT PLAN**

The Organization has a defined contribution retirement plan (the “Plan”) under Section 403(b) of the Internal Revenue Code. Under the Plan, employees may elect to defer a portion of their salary, subject to Plan provisions and Internal Revenue Code limits. It is the policy of WIRE-Net to match a portion of eligible employee salary deferral contributions. In addition, the Organization may make discretionary contributions to the Plan. Matching contributions for 2008 and 2007 totaled \$30,935 and \$29,409, respectively. WIRE-Net did not make any discretionary contributions in 2008 and 2007.

**WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED DECEMBER 31, 2008**

<b><u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Federal Expenditures</u></b>
U.S. Department of Housing and Urban Development:		
Community Development Block Grants Passed through from City of Cleveland	14.218	\$ 110,580
U.S. Department of Labor:		
WIA Youth Activities Passed through from City of Cleveland, Department of Human Resources	17.259	237,752
Community Based Job Training Grants Passed through from Cuyahoga County, Department of Workforce Development, Employment and Training Administration	17.269	<u>157,647</u>
Total expenditures of federal awards		<u>\$ 505,979</u>

**WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE A -- BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Westside Industrial Retention and Expansion Network and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

**WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: unqualified  
Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
Significant deficiencies 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**

Internal control over major programs:  
Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
Significant deficiencies identified that are  
not considered to be material weakness(es)? \_\_\_\_\_ yes  X  none reported  
Type of auditor’s report issued on compliance  
for major programs: unqualified  
Any audit findings disclosed that are required  
to be reported in accordance with section  
510(a) of Circular A-133? \_\_\_\_\_ yes  X  no

Identification of major programs:

<u>CFDA Numbers(s)</u>	<u>Name of Federal Program or Cluster</u>
17.269	Community Based Job Training Grants

Dollar threshold used to distinguish  
between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

**WESTSIDE INDUSTRIAL RETENTION AND EXPANSION NETWORK**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**Section II – Financial Statement Findings**

No significant deficiencies, material weakness, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards* were identified.

**Section III – Federal Award Findings and Questioned Costs**

No audit findings required to be reported by section 510(a) of Circular A-133 (for example, significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs) were identified.