

# MANUFACTURING WORKS

AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022



**Audited Financial Statements**  
**MANUFACTURING WORKS**  
**DECEMBER 31, 2023 AND 2022**  
**TABLE OF CONTENTS**

<b>Report of Independent Auditors .....</b>	<b>1-3</b>
<b>Financial Statements</b>	
Statements of Financial Position.....	4
Statements of Activities.....	5-6
Statements of Functional Expenses.....	7-8
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10-17
<b>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 <i>Government Auditing Standards</i> .....</b>	<b>18-19</b>
<b>Schedule of Findings and Responses .....</b>	<b>20</b>



## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Manufacturing Works  
Cleveland, Ohio

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Manufacturing Works (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

#### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Manufacturing Works and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Manufacturing Works' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Manufacturing Works' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Manufacturing Works' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2024, 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 solely 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 effectiveness of Manufacturing Works' 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.

*Pease Bell CPAs, LLC*

Cleveland, Ohio  
August 28, 2024

**MANUFACTURING WORKS**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 408,140	\$ 434,332
Grants receivable	442,504	266,155
Accounts receivable, net	9,479	28,491
Prepaid expenses	<u>-</u>	<u>15,795</u>
<b>Total Current Assets</b>	860,123	744,773
<b>Other Assets</b>		
Deposits	<u>-</u>	<u>6,809</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 860,123</u></u>	<u><u>\$ 751,582</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 180,162	\$ 125,196
Accrued expenses	32,660	46,816
Refundable advances	<u>350,000</u>	<u>296,600</u>
<b>Total Current Liabilities</b>	562,822	468,612
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	5,318	134,320
Board designated - operating reserve	<u>137,000</u>	<u>137,000</u>
	142,318	271,320
With donor restrictions	<u>154,983</u>	<u>11,650</u>
<b>Total Net Assets</b>	<u>297,301</u>	<u>282,970</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 860,123</u></u>	<u><u>\$ 751,582</u></u>

See notes to financial statements.

**MANUFACTURING WORKS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Grants	\$ 1,885,655	\$ 155,000	\$ 2,040,655
Consulting fees	327,157	-	327,157
Membership dues and contributions	230,680	-	230,680
Program events and workshops	184,540	-	184,540
Interest income	1,450	-	1,450
Net assets released from donor restrictions	11,667	(11,667)	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	2,641,149	143,333	2,784,482
<b>EXPENSES</b>			
Program services	2,100,848	-	2,100,848
Supporting services:			
Management and general expenses	427,225	-	427,225
Fundraising expenses	242,078	-	242,078
	2,770,151	-	2,770,151
<b>CHANGE IN NET ASSETS</b>	(129,002)	143,333	14,331
<b>NET ASSETS AT BEGINNING OF YEAR</b>	271,320	11,650	282,970
<b>NET ASSETS AT END OF YEAR</b>	\$ 142,318	\$ 154,983	\$ 297,301

See notes to financial statements.

**MANUFACTURING WORKS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Grants	\$ 1,602,805	\$ -	\$ 1,602,805
Consulting fees	452,412	-	452,412
Membership dues and contributions	180,042	-	180,042
Program events and workshops	113,840	-	113,840
Interest income	18,673	-	18,673
Net assets released from donor restrictions	425,000	(425,000)	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	2,792,772	(425,000)	2,367,772
<b>EXPENSES</b>			
Program services	2,350,126	-	2,350,126
Supporting services:			
Management and general expenses	508,813	-	508,813
Fundraising expenses	264,437	-	264,437
	3,123,376	-	3,123,376
<b>CHANGE IN NET ASSETS</b>	(330,604)	(425,000)	(755,604)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	601,924	436,650	1,038,574
<b>NET ASSETS AT END OF YEAR</b>	\$ 271,320	\$ 11,650	\$ 282,970

See notes to financial statements.

**MANUFACTURING WORKS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2023**

	Program Services				Supporting Services			
	Manufacturing Services	Workforce Program	Growth and Transition and Leadership	Membership	Total Program Services	Management and General	Fundraising	Total
Personnel expense	\$ 512,039	\$ 454,934	\$ 216,102	\$ 135,929	\$ 1,319,004	\$ 231,741	\$ 82,065	\$ 1,632,810
Contractual services	238,124	325,124	102,150	-	665,398	-	97,146	762,544
Job training/management education	4,500	14,000	7,522	-	26,022	-	-	26,022
Occupancy	3,316	-	-	-	3,316	30,405	-	33,721
Travel	12,062	6,787	1,149	-	19,998	5,373	-	25,371
Staff development	-	-	2,500	-	2,500	13,507	-	16,007
Office supplies and equipment	1,530	4,064	776	-	6,370	8,350	-	14,720
Marketing and program awareness	2,324	15,090	557	147	18,118	6,969	-	25,087
Fundraising events and other	530	3,853	2,257	-	6,640	-	60,841	67,481
Sponsorships	3,500	1,750	1,000	-	6,250	520	-	6,770
Accounting services	-	-	-	-	-	24,743	-	24,743
Other professional services	-	-	-	-	-	26,345	-	26,345
Miscellaneous	185	84	149	-	418	-	-	418
Meetings	2,029	377	1,396	-	3,802	8,868	2,026	14,696
IT and database services	7,333	156	4,008	-	11,497	28,585	-	40,082
Legal expense	-	-	-	-	-	6,100	-	6,100
Dues and subscriptions	9,379	2,033	103	-	11,515	16,548	-	28,063
Bank charges and fees	-	-	-	-	-	13,021	-	13,021
Insurance	-	-	-	-	-	4,508	-	4,508
Interest expense	-	-	-	-	-	1,642	-	1,642
	<u>\$ 796,851</u>	<u>\$ 828,252</u>	<u>\$ 339,669</u>	<u>\$ 136,076</u>	<u>\$ 2,100,848</u>	<u>\$ 427,225</u>	<u>\$ 242,078</u>	<u>\$ 2,770,151</u>

See notes to financial statements.

**MANUFACTURING WORKS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022**

	Program Services				Supporting Services			
	Manufacturing Services	Workforce Program	Growth and Transition and Leadership	Membership	Total Program Services	Management and General	Fundraising	Total
Personnel expense	\$ 504,552	\$ 459,099	\$ 175,900	\$ 122,007	\$ 1,261,558	\$ 214,379	\$ 118,555	\$ 1,594,492
Contractual services	166,412	341,689	420,672	493	929,266	6,578	95,618	1,031,462
Job training/management education	4,587	40,938	4,125	-	49,650	-	-	49,650
Occupancy	16,994	10,745	5,373	2,686	35,798	8,804	-	44,602
Travel	2,587	3,637	83	-	6,307	4,355	-	10,662
Staff development	1,179	-	-	-	1,179	19,099	-	20,278
Office supplies and equipment	388	7,654	445	861	9,348	12,838	-	22,186
Marketing and program awareness	11,600	-	10,000	-	21,600	11,412	-	33,012
Fundraising events and other	-	-	-	-	-	-	50,264	50,264
Accounting services	-	-	-	-	-	114,886	-	114,886
Other professional services	-	-	-	-	-	16,440	-	16,440
Miscellaneous	-	-	-	-	-	5,011	-	5,011
Meetings	156	343	232	-	731	24,326	-	25,057
IT and database services	21,381	4,535	8,283	-	34,199	23,588	-	57,787
Legal expense	-	-	355	-	355	2,093	-	2,448
Dues and subscriptions	-	-	-	135	135	21,322	-	21,457
Depreciation	-	-	-	-	-	2,379	-	2,379
Bank charges and fees	-	-	-	-	-	10,498	-	10,498
Insurance	-	-	-	-	-	9,562	-	9,562
Interest	-	-	-	-	-	1,243	-	1,243
	<u>\$ 729,836</u>	<u>\$ 868,640</u>	<u>\$ 625,468</u>	<u>\$ 126,182</u>	<u>\$ 2,350,126</u>	<u>\$ 508,813</u>	<u>\$ 264,437</u>	<u>\$ 3,123,376</u>

See notes to financial statements.

**MANUFACTURING WORKS**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 14,331	\$ (755,604)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	-	2,379
Loss on disposal of property and equipment	-	4,163
Changes in assets and liabilities:		
Grants and accounts receivable	(157,337)	(91,601)
Employee retention credit receivable	-	396,390
Prepaid expenses	15,795	10,181
Accounts payable and accrued expenses	40,810	(23,763)
Deposits	6,809	-
Refundable advances	<u>53,400</u>	<u>206,392</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(26,192)</u>	<u>(251,463)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(26,192)	(251,463)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>434,332</u>	<u>685,795</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 408,140</u></u>	<u><u>\$ 434,332</u></u>

See notes to financial statements.

**MANUFACTURING WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**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](http://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.
- ***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 21<sup>st</sup> 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.

- ***Growth and Transition and Leadership Institute*** - Manufacturing Works has created a program called Growth and Transition, which is an impartial and independent program designed to prepare, inform, and guide business owners on a transition out of their business in a way that helps fulfill their personal and financial goals. The program uses the scalability and efficiency of owner group meetings, combined with local professional subject matter experts who are supporting members of the Organization. These subject matter experts provide knowledge and insights related to both preparing for a transaction and value enhancing operating strategies. The program was designed to meet the needs and requirements of middle market and small manufacturers by providing a safe and affordable roadmap to transition from one owner to the next. The program seeks to find buyers from within the community, in order to maintain the employment levels and growth potential of these local enterprises.

The Leadership Institute program was initiated to prepare prospective buyers for ownership or educate senior managers to think and act like owners. Like the Growth and Transition program, the Leadership Institute involves small groups for cohort support and education, as well as subject matter experts from our supporting members to provide the education. In addition, we reach out to the community to locate and engage female and minority professionals who desire ownership or leadership in manufacturing businesses to create a diverse pool of qualified buyers for the transitioning owners to consider. The program includes extensive financial coaching for minority participants provided by the professionals at The Mezzanine Fund.

- ***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. When necessary, the Organization establishes an allowance for credit losses, which is based on historical collection experience, a review of the current status of individual accounts, and forecasts. 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. There was no allowance deemed necessary for grants and accounts receivable at December 31, 2022 and 2023 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.

**Contributed facilities and services:** Support arising from contributed facilities and services is recognized in the accompanying financial statements at fair market value at the time of receipt. 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 personnel expense, IT and database services, and occupancy, which are allocated on the basis of estimates of time and effort.

**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, 2023 and 2022, the amounts accrued for compensated absences totaled \$31,751 and \$44,547, respectively, and are included in accrued expenses in the accompanying statements of financial position.

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

**Recently adopted accounting standards:** In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-13, *Measurement of Credit Losses on Financial Instruments*, which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the current expected credit loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to this standard are grants and accounts receivable. The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

**Subsequent events:** In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 28, 2024, the date the financial statements were available to be issued.

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

In 2023 and 2022, the Organization received approximately 45% and 40%, respectively, of its total revenue and other support through direct and indirect federal, 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 \$304,054 and \$163,505 at December 31, 2023 and 2022, respectively.

In addition, during 2023 and 2022, the Organization received \$396,600 and \$430,419, 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, 2023 and 2022.

### **NOTE 4 – CONDITIONAL PROMISES TO GIVE**

At December 31, 2023 and 2022, the Organization had conditional promises to give of \$100,000 and \$100,000, respectively, related to the Encore technical corps program. 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, 2023 and 2022, property and equipment is comprised of the following:

	2023	2022
Office furniture and equipment	\$ 13,000	\$ 13,000
Less – accumulated depreciation	(13,000)	(13,000)
	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense totaled \$2,379 in 2022. There was no depreciation expense in 2023.

## NOTE 6 – RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Net assets with donor restrictions at December 31, 2023 and 2022 relate to time and purpose-based restrictions for the following programs:

	2023	2022
Youth programming	\$ 20,000	\$ -
Strategic planning	8,333	-
Leadership Institute	100,000	-
Program operations for the subsequent year	15,000	-
John Colm Excellence in Manufacturing		
Fund – Youth Programs	<u>11,650</u>	<u>11,650</u>
	<u>\$ 154,983</u>	<u>\$ 11,650</u>

Board designated net assets as of December 31, 2023 and 2022 consist of \$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 leased its old office facility under an operating lease which expired in June 2022. The Organization continued to lease its old office facility on a month-to-month basis through August 2022. In August 2022, the Organization executed a new lease agreement for a new office facility commencing September 1, 2022 on a month-to-month basis. The rent for the new office facility is \$1 per month. During 2023 and 2022, the Organization recorded \$14,000 and \$6,994, respectively, as both grant revenue and occupancy expense based on the fair rental value of the donated office. The Organization also pays for certain operating expenses related to the office facility.

The Organization also leases certain office equipment under an operating lease which expires in June 2026.

Rent expense for all operating leases in 2023 and 2022 totaled \$16,771 and \$29,732, respectively.

At December 31, 2023, future minimum rental payments required under the office equipment lease total \$2,508 in 2024, \$2,508 in 2025, and \$1,254 in 2026.

## 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 (8.50% and 7.50% at December 31, 2023 and 2022, respectively) plus .35%. The line is secured by the assets of the Organization and expires on July 4, 2025. There were no outstanding borrowings on the line of credit at December 31, 2023 and 2022.

## 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 2023 and 2022 totaled \$28,635 and \$23,377, respectively. In addition, the Organization may make discretionary nonelective contributions to the Plan. Manufacturing Works did not make any discretionary nonelective contributions for 2023 and 2022.

## NOTE 10 – LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2023 and 2022, 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.

	<u>2023</u>	<u>2022</u>
Financial assets, at year-end	\$ 860,123	\$ 728,978
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions due to time or purpose restrictions	154,983	11,650
Board designation – operating reserve	<u>137,000</u>	<u>137,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 568,140</u>	<u>\$ 580,328</u>

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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 251,157	\$ 285,682
Grants receivable	307,504	266,155
Accounts receivable	<u>9,479</u>	<u>28,491</u>
	<u>\$ 568,140</u>	<u>\$ 580,328</u>

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, 2023 and 2022 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 – RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2022, the Organization paid for consulting services to a company owned by one of the Organization's Board members totaling \$11,000. Such transactions are conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the Organization. There were no such payments during 2023.

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  
Cleveland, Ohio

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, 2023 and 2022, 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 August 28, 2024.

**Report on 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) as a basis for designing 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 Manufacturing Works' 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.

## **Report on 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 Bell CPAs, LLC*

Cleveland, Ohio  
August 28, 2024

**MANUFACTURING WORKS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED DECEMBER 31, 2023**

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

**Financial Statements**

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

**Federal Awards**

Manufacturing Works did not expend more than \$750,000 in federal awards during the year ended December 31, 2023, 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