

MANUFACTURING WORKS

AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020



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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Manufacturing Works

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, 2021 and 2020, 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, 2021 and 2020, 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 24, 2022, 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 24, 2022

MANUFACTURING WORKS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 685,795	\$ 422,863
Grants receivable	122,900	211,857
Accounts receivable, net	80,145	70,605
Employee retention credit receivable	396,390	-
Prepaid expenses	25,976	3,495
Total Current Assets	1,311,206	708,820
Property and Equipment, net	6,543	8,922
Other Assets		
Deposits	6,809	6,809
TOTAL ASSETS	\$ 1,324,558	\$ 724,551
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 93,634	\$ 63,329
Accrued expenses	102,141	48,343
Refundable advances	90,209	360,125
Total Current Liabilities	285,984	471,797
Net Assets		
Without donor restrictions:		
Undesignated	464,924	67,495
Board designated - operating reserve	137,000	137,000
	601,924	204,495
With donor restrictions	436,650	48,259
Total Net Assets	1,038,574	252,754
TOTAL LIABILITIES AND NET ASSETS	\$ 1,324,558	\$ 724,551

See notes to financial statements.

MANUFACTURING WORKS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Grants	\$ 1,356,666	\$ 475,000	\$ 1,831,666
Consulting fees	311,907	-	311,907
Membership dues and contributions	183,667	-	183,667
Program events and workshops	82,186	-	82,186
Revenue from forgiveness of Paycheck Protection Program loan	276,675	-	276,675
Employee retention credit	396,390	-	396,390
Interest income	15	-	15
Net assets released from donor restrictions	86,609	(86,609)	-
TOTAL REVENUE AND OTHER SUPPORT	2,694,115	388,391	3,082,506
EXPENSES			
Program services	1,510,355	-	1,510,355
Supporting services:			
Management and general expenses	610,966	-	610,966
Fundraising expenses	175,365	-	175,365
	2,296,686	-	2,296,686
CHANGE IN NET ASSETS	397,429	388,391	785,820
NET ASSETS AT BEGINNING OF YEAR	204,495	48,259	252,754
NET ASSETS AT END OF YEAR	\$ 601,924	\$ 436,650	\$ 1,038,574

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.

MANUFACTURING WORKS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services				Supporting Services			Total
	Manufacturing Services	Workforce Program	Growth and Transition and Leadership	Membership	Total Program Services	Management and General	Fundraising	
Personnel expense	\$ 472,802	\$233,676	\$ 146,266	\$ 77,532	\$ 930,276	\$ 393,876	\$ 93,894	\$1,418,046
Contractual services	115,436	106,287	115,564	-	337,287	-	-	337,287
Job training/management education	5,945	4,685	-	-	10,630	1,025	-	11,655
Occupancy	14,646	7,238	4,531	2,402	28,817	12,200	2,909	43,926
Travel	913	446	157	683	2,199	879	-	3,078
Staff development	-	-	-	1,000	1,000	25,093	-	26,093
Office supplies and equipment	9,923	14,587	1,163	9,743	35,416	31,098	103	66,617
Marketing and program awareness	28,885	9,593	-	8,733	47,211	10,549	-	57,760
Program events and other	-	-	-	16,127	16,127	1,118	-	17,245
Accounting services	12,428	12,428	-	4,143	28,999	53,857	-	82,856
Other professional services	-	-	-	-	-	42,488	-	42,488
Fund development services	-	-	-	-	-	-	75,577	75,577
Telephone	-	-	-	-	-	2,630	-	2,630
Meetings	109	-	2,293	-	2,402	2,975	-	5,377
IT and database services	39,493	7,172	4,489	11,605	62,759	12,179	2,882	77,820
Legal expense	-	-	4,571	270	4,841	7,795	-	12,636
Dues and subscriptions	-	-	-	-	-	3,421	-	3,421
Depreciation	-	-	-	-	-	2,379	-	2,379
Bank charges and fees	-	-	-	2,391	2,391	3,050	-	5,441
Insurance	-	-	-	-	-	3,089	-	3,089
Bad debt	-	-	-	-	-	1,265	-	1,265
	\$ 700,580	\$396,112	\$ 279,034	\$134,629	\$1,510,355	\$ 610,966	\$ 175,365	\$2,296,686

See notes to financial statements.

MANUFACTURING WORKS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services			Total Program Services	Supporting Services		Total
	Manufacturing Services	Workforce Program	Membership		Management and General	Fundraising	
Personnel expense	\$ 431,580	\$ 460,051	\$ 151,943	\$ 1,043,574	\$ 395,005	\$ 30,157	\$ 1,468,736
Contractual services	76,962	144,146	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
Marketing and program awareness	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	-	335	-	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	\$ 641,127	\$ 224,778	\$ 1,417,231	\$ 512,424	\$ 38,242	\$ 1,967,897

See notes to financial statements.

MANUFACTURING WORKS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 785,820	\$ (135,913)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Revenue from forgiveness of Paycheck Protection Program loan	(276,675)	(265,800)
Depreciation	2,379	2,379
Changes in assets and liabilities:		
Grants and accounts receivable	79,417	(104,090)
Employee retention credit receivable	(396,390)	-
Prepaid expenses	(22,481)	403
Accounts payable and accrued expenses	84,103	(2,739)
Agency funds payable	-	(12,270)
Refundable advances	(269,916)	176,270
	(13,743)	(341,760)
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	276,675	265,800
	276,675	265,800
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	262,932	(75,960)
CASH AND CASH EQUIVALENTS, beginning of year	422,863	498,823
CASH AND CASH EQUIVALENTS, end of year	\$ 685,795	\$ 422,863

See notes to financial statements.

MANUFACTURING WORKS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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.
- **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.

- ***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. 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, 2021 and 2020, the allowance for doubtful accounts receivable totaled \$1,060 and \$1,110, respectively. There was no allowance deemed necessary for grants receivable at December 31, 2021 and 2020 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 2021 and 2020 totaled \$2,379 in each year.

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 personnel expense, IT and database services, accounting 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, 2021 and 2020, the amounts accrued for compensated absences totaled \$34,627 and \$48,343, 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.

Reclassifications: Certain items in the 2020 financial statements have been reclassified to conform to the presentation in 2021. The reclassifications have no impact on the previously reported change in net assets, in total or by class.

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 in 2022.

Subsequent events: In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 24, 2022, the date the financial statements were available to be issued.

NOTE 3 – GOVERNMENTAL AND FOUNDATION FUNDING

In 2021 and 2020, the Organization received approximately 24% and 32%, 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 \$122,900 and \$211,857 at December 31, 2021 and 2020, respectively.

In addition, in 2021, the Organization recognized \$396,390 of revenue related to the Employee Retention Credit, as further described in Note 13, and in 2021 and 2020, the Organization recognized \$276,675 and \$265,800, respectively, of revenue from Paycheck Protection Program loan forgiveness, as further described in Note 12. The Employee Retention Credit receivable totaled \$396,390 at December 31, 2021.

Also, during 2021 and 2020, the Organization received \$550,125 and \$367,711, 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, 2021 and 2020.

NOTE 4 – CONDITIONAL PROMISES TO GIVE

At December 31, 2021 and 2020, the Organization had conditional promises to give of \$90,210 and \$25,000, respectively, related to the Encore technical corps and workforce programs, respectively. 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, 2021 and 2020, property and equipment is comprised of the following:

	<u>2021</u>	<u>2020</u>
Office furniture and equipment	\$ 84,933	\$ 84,933
Less – accumulated depreciation	<u>(78,390)</u>	<u>(76,011)</u>
	<u>\$ 6,543</u>	<u>\$ 8,922</u>

Depreciation expense totaled \$2,379 in both 2021 and 2020.

NOTE 6 – RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Net assets with donor restrictions at December 31, 2021 and 2020 relate to time and purpose-based restrictions for the following programs:

	<u>2021</u>	<u>2020</u>
Workforce Program	\$ 75,000	\$ 36,609
Growth and Transition	350,000	-
John Colm Excellence in Manufacturing Fund – Youth Programs	<u>11,650</u>	<u>11,650</u>
	<u>\$ 436,650</u>	<u>\$ 48,259</u>

Board designated net assets as of December 31, 2021 and 2020 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 expired in June 2022. The Organization continues to lease its office facility on a month-to-month basis. 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 2021 and 2020 totaled \$33,825 and \$46,892, respectively. The Organization also pays for certain operating expenses related to the office facility.

At December 31, 2021, future minimum rental payments required under the leases total \$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, 2021 and December 31, 2020) plus .35%. The line is secured by the assets of the Organization and expires on July 4, 2023. There were no outstanding borrowings on the line of credit at December 31, 2021 and 2020.

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 2021 and 2020 totaled \$24,283 and \$19,770, respectively. In addition, the Organization may make discretionary nonelective contributions to the Plan. Manufacturing Works did not make any discretionary nonelective contributions for 2021 and 2020.

NOTE 10 – LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Financial assets, at year-end	\$ 1,285,230	\$ 705,325
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions due to time or purpose restrictions	436,650	48,259
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>\$ 711,580</u>	<u>\$ 520,066</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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 162,145	\$ 237,604
Grants receivable	72,900	211,857
Accounts receivable	80,145	70,605
ERC receivable	<u>396,390</u>	<u>-</u>
	<u>\$ 711,580</u>	<u>\$ 520,066</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, 2021 and 2020 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 years ended December 31, 2021 and 2020, the Organization paid for consulting services to a company owned by one of the Organization's Board members totaling \$24,790 and \$7,000, respectively. As of December 31, 2021, the Organization has a payable of \$6,500 to the related party. 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.

NOTE 12 – COVID-19

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 temporary 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 response to COVID-19, the Organization applied for and received government-sponsored financial relief related to the pandemic, as described below.

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 February 2021 which was fully forgiven in December 2021 and recognized as revenue in the 2021 statement of activities.

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.

In addition, as further described in Note 13, the Organization has applied for and received an Employee Retention Credit.

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.

NOTE 13 – EMPLOYEE RETENTION CREDIT

The Coronavirus Aid, Relief and Economic Security Act ("CARES Act") provides an Employee Retention Credit ("ERC"), which is a refundable tax credit against certain employment taxes. To be eligible, the Company must (i) have had operations fully or partially suspended because of a shut-down order from a governmental authority related to the COVID-19 pandemic, or (ii) have had gross receipts decline by more than 50% in a calendar quarter, when compared to the same quarter in 2019. The Organization determined that it met the qualifications of the ERC and applied for a credit in June 2022. At December 31, 2021, the statement of financial position includes a receivable of \$396,390 related to the credit for the second quarter of 2020 and the fourth quarter of 2020 through the third quarter of 2021 and the related revenue is included in the statement of activities for the year ended December 31, 2021. The Organization expects to collect this amount in 2022 and 2023 through direct employment tax refunds.

Laws and regulations concerning government programs, including the ERC, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization's financial statements.



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, 2021 and 2020, 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 24, 2022.

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 24, 2022

MANUFACTURING WORKS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021

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, 2021, 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