

**WORKFORCE OUTSOURCES SERVICES, INC.  
d/b/a WORKFORCE OPPORTUNITY SERVICES**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016 AND 2015**

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6-10



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Workforce Outsource Services, Inc.

We have audited the accompanying financial statements of Workforce Outsource Services, Inc. (a nonprofit organization) which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Workforce Outsource Services, Inc. as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited Workforce Outsource Services, Inc.'s September 2015 financial statements and in our report dated December 28, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Berard + Associates CPA's PC*

Berard & Associates, CPA's P.C.  
Suffern, New York  
December 28, 2016

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**Workforce Outsource Services, Inc.**  
**Statement of Financial Position**  
**September 30, 2016 and 2015**

	2016	2015
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 4,836,649	\$ 4,083,794
Accounts Receivable	3,963,515	2,804,156
Prepaid Expenses	4,269	71,846
Short Term Loan Advances	15,933	12,682
Security Deposits	15,606	8,366
<b>TOTAL CURRENT ASSETS</b>	<b>8,835,972</b>	<b>6,980,844</b>
 <b>FURNITURE, FIXTURES &amp; EQUIPMENT</b>		
Furniture & Fixtures	93,764	87,785
Machinery & Equipment	7,245	7,245
Equipment In Kind Contribution	30,000	30,000
Web Site Development	35,700	35,700
Leasehold Improvements	307,306	304,206
Accumulated Depreciation	(208,750)	(168,508)
<b>NET PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>265,265</b>	<b>296,428</b>
 <b>INTANGIBLE ASSETS</b>		
Organization Expense	8,149	8,149
Accumulated Amortization	(4,744)	(4,201)
<b>NET INTANGIBLE ASSETS</b>	<b>3,405</b>	<b>3,948</b>
 <b>TOTAL ASSETS</b>	<b>\$ 9,104,642</b>	<b>\$ 7,281,220</b>
 <b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 468,128	\$ 373,295
Loan Payable	12,445	22,037
Payroll and Payroll Tax Liabilities	402,777	206,197
Unearned Income	-	55,341
<b>TOTAL CURRENT LIABILITIES</b>	<b>883,350</b>	<b>656,870</b>
 <b>TOTAL LIABILITIES</b>	<b>883,350</b>	<b>656,870</b>
 <b>NET ASSETS</b>		
Unrestricted		
Board Designated- Operating Reserve	3,018,242	3,042,204
Board Designated- Expansion	4,201,050	3,582,146
Unrestricted	7,219,292	6,624,350
Temporarily Restricted	1,002,000	-
Permanently Restricted	-	-
	<b>8,221,292</b>	<b>6,624,350</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,104,642</b>	<b>\$ 7,281,220</b>

See Accompanying Accountant's Report and Notes to Financial Statements

**Workforce Outsource Services, Inc.**  
**Statement of Activities**  
**Years Ended September 30, 2016 and 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>REVENUES AND OTHER SUPPORT</b>					
Charitable Contributions-Corporations	\$ 2,990,620	\$ 1,202,000	\$ -	\$ 4,192,620	\$ 4,315,168
Charitable Contributions-Other	164,951	-	-	164,951	150,269
Fundraising Revenue	149,090	-	-	149,090	182,200
Fundraising Expense	(41,680)	-	-	(41,680)	(72,177)
Inkind Donations	51,600	-	-	51,600	60,000
Program Services	9,148,556	-	-	9,148,556	8,332,832
Interest Income	4,774	-	-	4,774	6,166
Net assets released from restrictions	200,000	(200,000)	-	-	-
<b>TOTAL REVENUES &amp; OTHER SUPPORT</b>	<b>\$ 12,667,911</b>	<b>\$ 1,002,000</b>	<b>\$ -</b>	<b>\$ 13,669,911</b>	<b>\$ 12,974,458</b>
<b>EXPENSES</b>					
Program Expenses	11,275,759	-	-	11,275,759	11,330,517
Fundraising Expenses	102,672	-	-	102,672	125,798
Management & General	694,538	-	-	694,538	712,500
<b>TOTAL EXPENSES</b>	<b>12,072,969</b>	<b>-</b>	<b>-</b>	<b>12,072,969</b>	<b>12,168,815</b>
Changes in Net Assets	594,942	1,002,000	-	1,596,942	805,643
Net Assets, Beginning	6,624,350	-	-	6,624,350	5,818,707
<b>NET ASSETS, ENDING</b>	<b>\$ 7,219,292</b>	<b>\$ 1,002,000</b>	<b>\$ -</b>	<b>\$ 8,221,292</b>	<b>\$ 6,624,350</b>

See Accompanying Accountant's Report and Notes to Financial Statements

**Workforce Outsource Services, Inc.**  
**Statement of Cash Flows**  
**Years Ended September 30, 2016 and 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,596,942	\$ 805,643
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation & Amortization	40,785	40,711
Change in Receivables	(1,159,359)	558,591
Change in Prepaid Expenses	67,577	(12,552)
Change in Short-Term Loan Advances	(3,251)	(12,602)
Change in Security Deposits	(7,240)	
Change in Accounts Payable and Payroll Liabilities	291,413	(74,781)
Change in Unearned Income	(55,341)	(165,454)
Net Cash Provided/(Used) by Operating Activities	771,526	1,139,556
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Equipment	(9,079)	-
Net Cash Provided/(Used) by Investing Activities	(9,079)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Loan Payable	(9,592)	(9,592)
Net Cash Provided/(Used) by Financing Activities	(9,592)	(9,592)
Net Increase/(Decrease) in Cash and Cash Equivalents	752,855	1,129,964
Cash and Cash Equivalents- Beginning	4,083,794	2,953,830
Cash and Cash Equivalents- Ending	\$ 4,836,649	\$ 4,083,794
<b>NON-CASH ITEMS:</b>		
In-kind contributions	\$ 51,600	\$ 60,000
<b>Supplemental Information:</b>		
Taxes Paid	NA	NA
Interest Paid	\$ 54	\$ 23

See Accompanying Accountant's Report and Notes to Financial Statements

**Workforce Outsource Services, Inc.**  
**Statement of Functional Expenses**  
**Years Ended September 30, 2016 and 2015**

	Program Expenses	Management and General	Fundraising Expenses	2016 Expenses	2015 Expenses
Salaries	\$ 8,364,716	\$ 369,208	\$ 59,893	\$ 8,793,817	\$ 9,049,647
Payroll Taxes	708,279	31,263	5,071	744,613	764,557
Employee Benefits	471,501	20,811	3,376	495,688	451,849
Total Salaries & Related Expenses	<u>\$ 9,544,496</u>	<u>\$ 421,282</u>	<u>\$ 68,340</u>	<u>\$ 10,034,118</u>	<u>\$ 10,266,053</u>
Student Transportation and Relocation	266,638	-	-	266,638	350,715
Student Education and Programs	809,110	-	-	809,110	760,739
Student Equipment and Supplies	660	-	-	660	16,443
Accounting and Legal	-	118,681	-	118,681	118,069
Depreciation & Amortization	39,969	816	-	40,785	40,711
Travel	169,076	5,339	3,560	177,975	99,118
Insurance	32,867	3,652	-	36,519	32,038
Office Expenses	120,910	40,304	-	161,214	95,097
Marketing & Public Relations	36,013	-	-	36,013	14,806
Payroll Service	-	31,700	-	31,700	31,720
Consulting Fees	43,000	58,674	-	101,674	198,007
Occupancy	103,650	11,517	-	115,167	104,552
Telephone & Computer	22,383	2,573	772	25,728	21,308
Recruitment	86,987	-	30,000	116,987	19,438
Total Expenses	<u>\$ 11,275,759</u>	<u>\$ 694,538</u>	<u>\$ 102,672</u>	<u>\$ 12,072,969</u>	<u>\$ 12,168,814</u>

See Accompanying Accountant's Report and Notes to Financial Statements

**WORKFORCE OUTSOURCES SERVICES, INC.**  
**d/b/a WORKFORCE OPPORTUNITY SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 and 2015**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Workforce Outsource Services, Inc. is a non-profit agency, organized October 24, 2005 to provide educational training, professional development and employment to communities including low income and veteran. During 2016 the organization received 67% of its support from program revenue and 32% from contributions compared to 64% and 34%, respectively, for 2015.

BASIS OF PRESENTATION

Workforce Outsource Services, Inc. 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.

FUNCTIONAL EXPENSES

Expenses are charged to each program based on expenditures incurred. Any program expenditures not directly chargeable are allocated to a program based on units of service.

FINANCIAL STATEMENT PRESENTATION

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. It is the policy of the Corporation to account for temporarily restricted funds which are received and expended in the same year, to be recorded as unrestricted.

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose to be available for unrestricted net asset use unless specifically restricted by the donor.

All donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.



**WORKFORCE OUTSOURCES SERVICES, INC.**  
**d/b/a WORKFORCE OPPORTUNITY SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 and 2015**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

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.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents

ACCRUAL BASIS

The financial statements are prepared on an accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation inconformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2015 from which the summarized information was derived.

DONATED SERVICES AND MATERIALS

The Organization had donated legal services for fiscal year ending September 30, 2016 and 2015 of \$51,600 and \$60,000.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

**WORKFORCE OUTSOURCES SERVICES, INC.**  
**d/b/a WORKFORCE OPPORTUNITY SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 and 2015**

**Note 2: DESCRIPTION OF PROGRAMS**

Workforce Outsource Services, Inc. trains and employs inner-city, rural and 'underserved' populations. The Organization also provided services for returning enlisted post 9-11 military veterans. The Organization forms strategic relationships with corporations, institutes of higher education, social-ventures and government agencies for training and jobs. The Organization has started expanding to other inner-cities across the country. To date services the organization has expanded their operation from New York in a number of states such as Florida, Indiana, Alabama, South Carolina, Washington DC, Virginia Michigan, Pennsylvania, North Carolina, Ohio, Texas, Iowa, Georgia, Connecticut, Oregon, Louisiana and New Jersey. Products and services include Software Engineering - Technical Specifications and Quality Assurance, Project Management, Database Design, Call Center Operations, Network Administration, Cyber security, Claims processing, Equipment mechanic, Sales Representative, Finance and accounting and E-Commerce Systems.

Workers at the Organization can receive extensive training in all of the above areas through concentrations programs at Columbia University, Rutgers, Penn State, University of Akron, North Carolina Charlotte, Georgia Institute of Technology, Collin College, Universal Technical institute, North East Iowa College, Western Connecticut State University, El Paso Community College, University of Texas El Paso, University of Michigan – Dearborn, Tennessee State and Louisiana State University. Workforce Outsource Services, Inc. is engaged in research activities and reporting that measure the intellectual, social, and self-esteem of its students engaged in the program.

Workforce Outsource Services also offers a community-based initiative to assist our local community in New York to take advantage of opportunities for advancement. This outreach, called WOS in the Community, enables us to provide a variety of training and opportunities to bolster the employment-related skills of residents.

Through this effort, we have established the WOS Learning Center to offer free workshops and classes that will help individuals navigate our ever-changing economic landscape. The workshops include Business Writing Essentials; Interviewing in Person and Over the Phone; Professionalism in the Workplace; and other interpersonal skills development such as teamwork, time-management and goal setting.

The research results are reported in aggregate and used solely towards the general awareness of how under-served populations respond to assistance and higher education. Research results are also published in academic peer-reviewed journals.

We have added new programs during the year in the tri-state area - WOS on Demand - to allow sponsoring corporations to assist underserved individuals or small groups as opposed to sponsoring a cohort.

During the year we generated \$3,664,000 in program service revenues for WOS on Demand and incurred \$2,637,000 in program expenditures and incurred \$166,000 in program expenditure on WOS in the Community

**WORKFORCE OUTSOURCES SERVICES, INC.**  
**d/b/a WORKFORCE OPPORTUNITY SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 and 2015**

**Note 3: CONCENTRATIONS OF RISKS**

The Organization maintains cash balances in two banks, Citibank and J. P. Morgan Chase Bank. The balances at each financial institution are insured by the Federal Deposit Insurance Corporation limit of up to \$250,000. At September 30, 2016, the balance in both cash accounts exceeded the insured balance by \$2,740,807 and \$1,638,981, respectively.

**Note 4: FUND RAISING**

For the years ended September 30, 2016 and 2015 net fundraising revenue was \$107,410 and \$110,023

**Note 5: COMMITMENTS**

Workforce Outsources entered into a lease agreement to lease office space with the Interchurch Center for a ten year period commencing on February 1, 2013 to January 31, 2023. On September 1, 2016 Workforce amended their lease to increase their square footage at this location. The lease agreement requires monthly payments of \$ 15,570. Total payments to Interchurch for the year ended September 30, 2016 was \$113,745. In connection with the Lease Agreement Workforce has a security deposit of \$12,445. The minimum lease future obligations are:

September 2017	\$186,840
September 2018	\$186,840
September 2019	\$186,840
September 2020	\$186,840
Thereafter	\$435,960

**Note 6: OPERATING RESERVE**

The Organization has determined that it needs cash for operating reserves to cover at least three month's expenses.

**Note 7: LINE OF CREDIT**

The Organization has a \$1,500,000 line of credit with JP Morgan Chase which is collateralized with the assets for the organization. The balance at September 30, 2016 was \$0. The Interest rate is one month LIBOR plus 2.23%.

**Note 8: INTERCHURCH CENTER LOAN PAYABLE**

On March 14, 2013 the organization entered into a reimbursable interest free loan agreement with the interfaith Center for Construction in progress. The term of the loan is to make sixty equal payments over the first sixty months of the lease which commenced on January 31, 2013 and expires January 31, 2018. At September 30, 2016 the outstanding balance was \$ 12,445.

**WORKFORCE OUTSOURCES SERVICES, INC.  
d/b/a WORKFORCE OPPORTUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 and 2015**

**Note 9: PROPERTY, PLANT AND EQUIPMENT and ORGANIZATIONAL COSTS**

Equipment is recorded at cost if purchased or the fair market value at date of contribution. Assets with a cost of \$5,000 or greater are capitalized. Depreciation of equipment is provided on a straight-line basis over the estimated useful lives of the assets. Equipment, furniture and fixtures and the web site are depreciated over three to ten years. Leasehold Improvements are depreciated over the life of the lease. At September 30, 2016 the cost or fair market value of such assets were as follows:

	<u>9/30/2016</u>	<u>9/30/2015</u>
Equipment	\$ 7,245	\$ 7,245
Furniture and fixtures	93,763	87,785
Computers Donated	30,000	30,000
Web Site Development	35,700	35,700
Leasehold Improvements	307,305	304,206
Less: Accumulated depreciation	<u>(208,750)</u>	<u>(168,508)</u>
Net Assets	<u>\$ 265,263</u>	<u>\$ 296,428</u>

Depreciation expense was \$40,242 and \$40,278 for the fiscal years ended September 30, 2016 and 2015, respectively.

Organizational costs of \$8,149 are being amortized on a straight-line basis over 15 years. Amortization expense for the years ended September 30, 2016 and 2015 was \$543 and \$433. Accumulated amortization for the year ended September 30, 2016 and 2015 was \$4,201 and \$3,658.

**Note 10: SUBSEQUENT EVENTS**

Management has evaluated subsequent events after the balance sheet date through the date of issuance of our financial statements.

Workforce Outsource will incur expenses in the amount of \$450,000 for buildout of new space in its current location. Workforce Outsource entered into a one year lease office space in Texas. Under this agreement, Workforce Outsource Services, Inc. is obligated to pay monthly rent of \$1,308 from October 1, 2016 to September 30, 2017.