

WORKFORCE OUTSOURCE SERVICES, INC

Financial Statements
Years Ended
September 30, 2021 and 2020

WORKFORCE OUTSOURCE SERVICES, INC

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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, 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.

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, 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.

Berard & Associates CPA's P.C.

Berard & Associates, CPA's P.C.
Suffern, New York 10901
January 12, 2022

Workforce Outsource Services, Inc.

Statement of Financial Position

September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,483,779	\$ 7,128,897
Investments	539,241	529,258
Accounts Receivable	1,417,823	1,782,040
Prepaid Expenses	33,447	58,704
Due from IRS	2,683	-
Short Term Loan Advances	1,870	1,475
Security Deposits	17,723	17,723
TOTAL CURRENT ASSETS	<u>9,496,566</u>	<u>9,518,097</u>
FURNITURE, FIXTURES & EQUIPMENT		
Furniture & Fixtures	194,042	194,042
Machinery & Equipment	7,245	7,245
Equipment In Kind Contribution	30,000	30,000
Web Site Development	90,036	90,036
Leasehold Improvements	658,080	658,080
Accumulated Depreciation	(840,282)	(724,685)
NET PROPERTY, PLANT & EQUIPMENT	<u>139,121</u>	<u>254,718</u>
INTANGIBLE ASSETS		
Organization Expense	8,149	8,149
Accumulated Amortization	(7,459)	(6,916)
NET INTANGIBLE ASSETS	<u>690</u>	<u>1,233</u>
TOTAL ASSETS	<u>\$ 9,636,377</u>	<u>\$ 9,774,048</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 373,117	\$ 152,427
Deferred Revenue	19,997	-
Payroll and Payroll Tax Liabilities	591,417	487,722
OSDAI Payroll Tax Liability	45,017	-
TOTAL CURRENT LIABILITIES	<u>1,029,548</u>	<u>640,149</u>
OSDAI Payroll Tax Liability	130,268	175,285
Paycheck Protection Program Liability	-	1,743,831
TOTAL LONG TERM LIABILITIES	<u>130,268</u>	<u>1,919,116</u>
TOTAL LIABILITIES	<u>1,159,816</u>	<u>2,559,265</u>
NET ASSETS		
Without Donor Restrictions		
Board Designated- Operating Reserve	3,250,000	3,212,915
Board Designated- Expansion	5,003,449	3,787,535
Without Donor Restrictions	<u>8,253,449</u>	<u>7,000,450</u>
With Donor Restrictions	223,112	214,333
	<u>8,476,561</u>	<u>7,214,783</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,636,377</u>	<u>\$ 9,774,048</u>

See notes to financial statements.

Workforce Outsource Services, Inc.
Statement of Activities
Years Ended September 30, 2021 and 2020

	2021			2020		
	Without-Donor Restriction	With-Donor Restriction	Total	Without-Donor Restriction	With-Donor Restriction	Total
REVENUES AND OTHER SUPPORT						
Charitable Contributions-Corporations	\$ 1,316,324	\$ 223,012	\$ 1,539,336	\$ 6,221,049	\$ 214,233	\$ 6,435,282
Charitable Contributions-Other	46,749	-	46,749	211,904	-	211,904
Fundraising Revenue	2,000	-	2,000	117,150	-	117,150
Fundraising Expense	(35,157)	-	(35,157)	(35,161)	-	(35,161)
In-kind Donations	61,500	-	61,500	52,000	-	52,000
Program Services	6,096,513	-	6,096,513	6,174,041	-	6,174,041
Interest Income	3,043	-	3,043	5,933	-	5,933
Net Investment Income	9,983	-	9,983	11,900	-	11,900
Paycheck Protection Program Revenue	3,587,218	-	3,587,218	13,591	-	13,591
Net assets released from restrictions	214,233	(214,233)	-	-	-	-
TOTAL REVENUES & OTHER SUPPORT	\$ 11,302,406	\$ 8,779	\$ 11,311,185	\$ 12,772,407	\$ 214,233	\$ 12,986,640
EXPENSES						
Program Expenses	9,105,185	-	9,105,185	11,901,221	-	11,901,221
Fundraising Expenses	77,621	-	77,621	882,637	-	882,637
Management & General	866,601	-	866,601	32,641	-	32,641
TOTAL EXPENSES	10,049,407	-	10,049,407	12,816,499	-	12,816,499
Changes in Net Assets	1,252,999	8,779	1,261,778	(44,092)	214,233	170,141
Change due to ASC 606 implementation	-	-	-	(1,027,526)	(2,760,681)	(3,788,207)
Net Assets, Beginning	7,000,450	214,333	7,214,783	8,072,068	2,760,781	10,832,849
NET ASSETS, ENDING	\$ 8,253,449	\$ 223,112	\$ 8,476,561	\$ 7,000,450	\$ 214,333	\$ 7,214,783

See notes to financial statements.

Workforce Outsource Services, Inc.
Statement of Expenses
Years Ended September 30, 2021 and 2020

	2021					2020				
	Program	Management	Fundraising	Direct cost of		Program	Management	Fundraising	Direct cost of	
	Expenses	and General	Expenses	Donor Benefits	Expenses	Expenses	and General	Expenses	Donor Benefits	Expenses
Salaries	\$ 6,488,878	\$ 563,229	\$ 66,123	-	\$ 7,118,230	\$ 8,722,571	\$ 527,959	\$ 24,491	-	\$ 9,275,021
Payroll Taxes	514,765	45,219	5,257	-	565,241	739,144	47,310	2,050	-	788,504
Employee Benefits	458,805	40,304	4,685	-	503,794	683,476	43,747	1,896	-	729,119
Total Salaries & Related Expenses	<u>7,462,448</u>	<u>648,752</u>	<u>76,065</u>	<u>-</u>	<u>8,187,265</u>	<u>10,145,191</u>	<u>619,016</u>	<u>28,437</u>	<u>-</u>	<u>10,792,644</u>
Student Transportation and Relocation	25,675	-	-	-	25,675	305,403	-	-	-	305,403
Student Education and Programs	437,622	-	-	-	437,622	213,205	-	-	-	213,205
Accounting and Legal	-	85,500	-	-	85,500	-	76,000	-	-	76,000
Depreciation & Amortization	113,817	2,323	-	-	116,140	117,735	2,403	-	-	120,138
Travel	29,542	933	622	-	31,097	149,967	4,736	3,157	-	157,860
Insurance	57,550	6,394	-	-	63,944	46,623	5,180	-	-	51,803
Office Expenses	150,588	50,196	-	-	200,784	180,962	60,072	-	-	241,283
Marketing & Public Relations	228,457	-	-	-	228,457	178,167	-	-	-	178,167
Payroll Service	-	40,741	-	-	40,741	-	41,257	-	-	41,257
Consulting Fees	144,726	3,550	-	-	148,276	56,255	44,885	-	-	101,140
Occupancy	225,889	25,099	-	-	250,988	228,149	25,350	-	-	253,499
Meals and Entertainment	-	-	-	35,157	35,157	-	-	-	35,161	35,161
Telephone & Computer	27,083	3,113	934	-	31,130	30,350	3,489	1,047	-	34,886
Interest Expense	-	-	-	-	-	-	249	-	-	-
Recruitment	201,788	-	-	-	201,788	249,214	-	-	-	249,214
Total expenses by function	9,105,185	866,601	77,621	35,157	10,084,564	11,901,221	882,637	32,641	35,161	12,851,660
Less expenses included with revenues on the statement of activities	-	-	-	(35,157)	(35,157)	-	-	-	(35,161)	(35,161)
Total expenses included in the expense section on the statement of activities	<u>\$ 9,105,185</u>	<u>\$ 866,601</u>	<u>\$ 77,621</u>	<u>\$ -</u>	<u>\$ 10,049,407</u>	<u>\$ 11,901,221</u>	<u>\$ 882,637</u>	<u>\$ 32,641</u>	<u>\$ -</u>	<u>\$ 12,816,499</u>

See notes to financial statements.

Workforce Outsource Services, Inc.
Statement of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,261,778	\$ 170,141
Change due to ASC 606	-	(3,788,207)
Accrued interest on PPP Loan	-	7,236
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation & Amortization	116,140	120,138
Change in Fair Value of Investments	(9,983)	(2,254)
Change in Receivables	364,217	3,306,678
Change in Prepaid Expenses	25,257	13,728
Change in Short-Term Loan Advances	(395)	(73)
Change in Due from IRS	(2,683)	-
Change in Deferred Revenue	19,997	
Change in Accounts Payable and Payroll Liabilities	324,385	(758,342)
Net Cash Provided/(Used) by Operating Activities	2,098,713	(930,955)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(9,528)
Net Cash Provided/(Used) by Investing Activities	-	(9,528)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Payroll Tax Liability	(45,017)	175,285
Proceeds from PPP Loan	(1,743,831)	1,736,595
Net Cash Provided/(Used) by Financing Activities	(1,788,848)	1,911,880
Net Increase/(Decrease) in Cash and Cash Equivalents	309,865	971,397
Cash and Cash Equivalents- Beginning	7,128,897	6,157,500
Cash and Cash Equivalents- Ending	\$ 7,438,762	\$ 7,128,897
NON-CASH ITEMS:		
In-kind contributions	\$ 61,500	\$ 48,100
Supplemental Information:		
Taxes Paid	NA	NA
Interest Paid	\$ -	\$ -

See notes to financial statements.

WORKFORCE OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1: 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 2021 the organization received 54% of its support from program revenue and 46% from contributions compared to 48% and 51%, respectively, for 2020.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING METHOD

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

NEW PRONOUNCEMENT IMPLEMENTATION

The Company adopted ASC 606 using the modified retrospective method for those contracts which were not substantially completed as of the transition date. The reported results for the fiscal year ended September 30, 2020, reflect the application of the guidance of ASC 606 while the reported results for the fiscal year ended September 30, 2019, were prepared under the guidance of ASC 605.

REVENUE RECOGNITION

Workforce Outsource Services, Inc. revenue is measured based on consideration in a contract signed with a sponsor. The two main components in these contracts are educational, including on-the-job training, and the provision of services building on the education received.

Services

Workforce Outsource Services, Inc.'s service revenue is classified as program revenue. Program revenue is derived from contracts which are conditioned upon certain performance requirements. Amounts received are recognized as revenue when the Organization has performed these services and therefore incurred expenditures in compliance with specific contract provisions.

Amounts received in advance of meeting the criteria for revenue recognition are initially deferred and recognized as revenue when earned.

Educational Component

The educational component is funded with contributions. Contributions are reported at fair value at the date the contribution is promised. The contributions are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

WORKFORCE OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

DONATED SERVICES AND MATERIALS

The Organization had donated legal services totaling \$61,500 and \$52,000 for the years ended September 30, 2021 and 2020, respectively.

BASIS OF PRESENTATION:

Workforce Outsource Services, Inc., is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. These classes are defined as follows:

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Workforce Outsource Services, Inc., reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

It is the policy of Workforce Outsource Services, Inc., to account for donor restricted funds, which are received and expended in the same year to be recorded as unrestricted.

Net Assets without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of Workforce Outsource Services, Inc., for general operating purposes. The Board has designated a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as personnel costs, consulting fees, office expenses, and insurance, which are allocated on the basis of estimates of time and effort.

WORKFORCE OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

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). The Organization does not believe they have taken any material uncertain tax positions and, accordingly they have not recorded any liability for unrecognized tax benefits.

NOTE 3: 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, California 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 and Dallas 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.

WORKFORCE OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 3: DESCRIPTION OF PROGRAMS- Continued

Through this effort, we have established the WOS Learning Center to offer free workshops, which can be delivered online or in person, 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. WOS has partnered with Teachers College and created an exclusive Workforce & Education Development Advanced Certificate.

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.

WOS On Demand is a national program to allow sponsoring corporations to assist underserved individuals or small groups as opposed to sponsoring a cohort.

Workforce has established its first Service and Operations Center to provide a number of innovative onshore services for client organizations. Located in Dallas, Texas, the Center is already providing IT service desk support (L1-L3) and cybersecurity analytics for, IBM mainframe operations, mechanics skills preparation and IT operations support for sponsors including Microsoft PowerBI. The Center will also provide additional services including:

- Service Desk
- Analytics
- Cyber SOC Services
- Call Center
- Quality Assurance
- Shared Services
- Legacy Application Support

NOTE 4: INVESTMENTS AND FAIR VALUE MEASUREMENT

Generally accepted accounting principles provide a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

At September 30, 2021 and 2020, the Organization’s investments consisted of publicly traded securities totaling \$539,241 and \$529,258. Investments are reported at fair value using a Level 1 measure as summarized below:

	2021	2020
Cash	\$ (470)	\$ 3,087
Mutual Funds	539,711	526,171
Total investments	\$ 539,241	\$ 529,258

Investment income consisted of dividends earned totaling \$10,438 and \$12,503 for the years ended September 30, 2021 and 2020, respectively; net realized and unrealized gain/(loss) totaling \$2,764 and \$2,255 for the years ended September 30, 2021 and 2020, respectively; and investment fees totaling \$3,219 and \$2,857 for the years ended September 30, 2021 and 2020, respectively.

WORKFORCE OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 5: 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 each bank. On September 30, 2021, the balance in both banks exceeded the insured balance by \$4,578,199 and \$2,405,540, respectively.

NOTE 6: COMMITMENTS

Workforce Outsource Servies Inc. 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 \$ 16,567. Total payments to Interchurch for the year ended September 30, 2021 and 2020 was \$198,800 and \$198,553. In connection with the Lease Agreement Workforce has a security deposit of \$15,806.

Workforce Outsource Services entered into a 2-year lease agreement for office space in Texas commencing August 1, 2019, to July 31, 2021. The lease agreement requires monthly payments of \$2,106. In connection with the Lease Agreement Workforce has a security deposit of \$1,917 In December of 2021, Workforce Outsource extended this lease until June 31, 2027. The new lease agreement requires monthly payments of \$17,677. In connection with the new lease agreement Workforce has a security deposit of \$17,677.

Workforce Outsource entered into a two-year lease agreement for office space in Newark, New Jersey commencing August 22, 2019. The lease agreement requires monthly payments of \$1,917. In connection with the Lease Agreement Workforce has a security deposit of \$1,917.

The minimum lease future obligations are:

September 2022	\$ 278,259
September 2023	\$ 280,288
September 2024	\$ 221,598
September 2025	\$ 229,174
September 2026	\$ 236,750

NOTE 7: OPERATING RESERVE

The Organization has determined that it needs cash for operating reserves to cover at least three month's expenses. The organization has determined that it will utilize its expansion reserves to fund projects such as a) fixed assets for its proposed Economic Development Centers, b) Investments in information technology, e.g., to streamline and scale the recruitment process, c) International expansion, and d) to attract and retain the talent to drive its expansion.

NOTE 8: LINE OF CREDIT

The Organization has a \$1,000,000 line of credit with JP Morgan Chase which is collateralized with the assets for the organization. The balance at September 30, 2021 and 2020 was \$0. The Interest rate is one-month LIBOR plus 2.22%.

WORKFORCE OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 9: EMPLOYEE BENEFIT PLAN

January 1, 2016, the Organization adopted a 401k pension plan covering all employees who have worked for one year and have completed 1,000 hours of service. Employees are eligible to contribute a percentage of salary to the maximum extent possible and subject to IRS allocation rules. The retirement plan allows for a matching contribution equal to a percentage of an employee's elective deferrals in an amount that the Organization will determine each year. For the plan year ended December 31, 2020 and December 31, 2021, no match was approved and hence no payment was made during the Organization's fiscal year ended September 30, 2021 and 2020.

NOTE 10: 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, 2021 and 2020, the cost or fair market value of such assets were as follows:

	<u>09/30/2021</u>	<u>09/30/2020</u>
Equipment	\$ 7,245	\$ 7,245
Furniture and Fixtures	194,042	194,042
Computers Donated	30,000	30,000
Web Site Development	90,036	90,036
Leasehold Improvements	658,080	658,080
Less: Accumulated depreciation	<u>(840,282)</u>	<u>(724,685)</u>
Net Assets	<u>\$ 139,121</u>	<u>\$ 254,718</u>

Depreciation expense was \$115,597 and \$119,595 for the fiscal years ended September 30, 2021 and 2020, 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, 2021 and 2020, was \$543 and \$543. Accumulated amortization for the year ended September 30, 2021 and 2020, was \$7,459 and \$6,916 .

NOTE 11 – CORONAVIRUS, AID, RELIEF AND ECONOMIC SECURITY ACT (CARES Act)

PPP #1

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The Paycheck Protection Program was established under the Federal CARES Act to help Organizations to continue to pay their workers. On May 1, 2020, Workforce Outsource Services, Inc was granted a \$1,736,595 loan under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. PPP loans and accrued interest are forgivable after a "covered period" as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount is reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion is payable over two or five years at an interest rate of 1%.

Workforce Outsource Services, Inc applied for and received loan forgiveness on June 17, 2021. This amount has been recognized as Paycheck Protection Program revenue on the Statement of Activities.

WORKFORCE OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 11 – CORONAVIRUS, AID, RELIEF AND ECONOMIC SECURITY ACT (CARES Act)-Continued

PPP #2

On March 16, 2021, Workforce Outsource, Inc. applied for and received a second round of funding in the amount of \$1,828,902 under the Paycheck Protection Program ("PPP"). The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for eligible expenses. The loan and accrued interest, or a portion thereof, may be forgiven so long as the borrower uses the loan proceeds for eligible purposes.

The Organization applied for and received loan forgiveness on January 3, 2022. This amount has been recognized as Paycheck Protection Program revenue on the Statement of Activities.

OASDI Deferral

The CARES Act also allowed employers to defer the deposit and payment of the employer's share of Social Security taxes during the period beginning March 27, 2020 and ending December 31, 2020. With this amount to be deposited based on the respective payroll quarter without penalty or interest. Workforce Outsource Services, Inc. has deferred \$175,285. Workforce Outsource Services, Inc. has paid \$45,017 on December 21, 2021. The remaining \$130,268 is due by December 31, 2022.

NOTE 12. REVENUE

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contract with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. We refer to the new Topic 606 as the "new guidance".

On October 1, 2019, Workforce Outsource Services, Inc. adopted the new guidance using the modified retrospective transition method for all contracts. In connection with the adoption of this standard, Workforce Outsource Services, Inc. recorded a cumulative-effect adjustment to decrease opening net assets by \$3,788,207, arising from program revenue of contracts in place on or before October 1, 2019, with a corresponding adjustment to decrease accounts receivable.

	Retained Earnings	Accounts Receivable
Opening balance - 10/1/2019	\$ 10,832,849	\$ 5,088,718
Reduction on Adjustment	<u>(3,788,207)</u>	<u>(3,788,207)</u>
Balance after Adjustment	7,044,642	1,300,511
Change from transactions during the year	<u>170,141</u>	<u>481,529</u>
Closing balance - 9/30/2020	\$ 7,214,783	\$ 1,782,040

WORKFORCE OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
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NOTE 13: LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Workforce Outsource Services, Inc.'s financial assets as of September 30, 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the Board has set aside the funds for specific reserve as Board designated. Board designations could be drawn upon if the Board approves that action.

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Financial assets at year-end:		
Cash	\$ 7,483,779	\$ 7,128,897
Investments	539,241	529,258
Accounts receivable	<u>1,417,823</u>	<u>1,782,040</u>
Financial assets at year end	9,440,843	9,440,195
Less: amount unavailable for general expenditure within one year due to:		
Board Designated for expansion	5,800,000	4,000,000
Donor restrictions	<u>223,112</u>	<u>214,333</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,417,731</u>	<u>\$ 5,225,862</u>

Workforce Outsource Services Inc. regularly monitors its cashflow and liquidity needs as part of its financial reporting and analysis. In the event of unanticipated liquidity need, Workforce Outsource Services, Inc. maintains three months of expenses in cash as well as stated in note 8, Workforce Outsource Services, Inc has a line of credit for \$1,000,000 with JP Morgan Chase.

NOTE 14: SUBSEQUENT EVENTS

Due to the COVID-19 pandemic, capacity limitations on social distancing, the Organization continues to comply with CDC guidelines and New York state regulations for social distancing and other safety precautions. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 7, Workforce Outsource Services Inc. applied for and received loan forgiveness for Paycheck Protection Program #2 on January 3, 2022, and Workforce Outsource Services Inc. paid the current portion of the OSDAI liability of \$45,017, as required, on December 12, 2021.

Subsequent events were evaluated by management through January 12, 2022, which is the date the financial statements were available to be issued.