

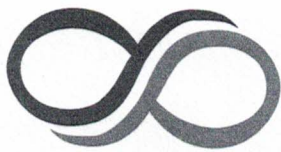
**WORKFORCE OUTSOURCES SERVICES, INC.  
d/b/a WORKFORCE OPPORTUNITY SERVICES**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014 AND 2013**

**WORKFORCE OUTSOURCE SERVICES, INC.  
d/b/a WORKFORCE OPPORTUNITY SERVICES  
SEPTEMBER 30, 2014 AND 2013**

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# **Berard & Associates** CPA'S P.C. Certified Public Accountants

## 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, 2014, 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, 2014, 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 2013 financial statements and in our report dated January 7, 2014, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Berard & Associates CPA's PC*

Berard and Associates CPA's PC  
Suffern, New York  
January 16, 2015

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**Workforce Outsource Services, Inc.**  
**Statement of Financial Position**  
**September 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,953,830	\$ 3,571,514
Accounts Receivable	3,362,747	1,395,181
Prepaid Expenses	59,294	4,310
Short Term Loan Advances	80	24,345
Security Deposits	8,366	8,366
<b>TOTAL CURRENT ASSETS</b>	<u>6,384,317</u>	<u>5,003,716</u>
<b>FURNITURE, FIXTURES &amp; EQUIPMENT</b>		
Furniture & Fixtures	87,785	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	304,206	304,206
Accumulated Depreciation	(128,230)	(84,620)
<b>NET PROPERTY, PLANT &amp; EQUIPMENT</b>	<u>336,706</u>	<u>380,316</u>
<b>INTANGIBLE ASSETS</b>		
Organization Expense	8,149	8,149
Accumulated Amortization	(3,768)	(3,335)
<b>NET INTANGIBLE ASSETS</b>	<u>4,381</u>	<u>4,814</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 6,725,404</u></u>	<u><u>\$ 5,388,846</u></u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 462,653	\$ 407,873
Loan Payable	31,629	41,284
Payroll and Payroll Tax Liabilities	191,620	316,464
Unearned Income	220,795	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>906,697</u>	<u>765,621</u>
<b>TOTAL LIABILITIES</b>	<u>906,697</u>	<u>765,621</u>
<b>NET ASSETS</b>		
Unrestricted		
Board Designated- Operating Reserve	2,238,161	1,889,756
Board Designated- Expansion	3,580,546	2,733,469
Unrestricted	5,818,707	4,623,225
Temporarily Restricted	-	-
Permanently Restricted	-	-
	<u>5,818,707</u>	<u>4,623,225</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 6,725,404</u></u>	<u><u>\$ 5,388,846</u></u>

See Accompanying Accountant's Report and Notes to Financial Statements

**Workforce Outsource Services, Inc.**  
**Statement of Activities**  
**Years Ended September 30, 2014 and 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
<b>REVENUES AND OTHER SUPPORT</b>					
Charitable Contributions-Corporations	\$ 4,662,511	\$ -	\$ -	\$ 4,662,511	\$ 4,023,840
Charitable Contributions-Other	37,203	-	-	37,203	33,729
Fundraising Revenue	123,303	-	-	123,303	82,100
Fundraising Expense	(91,164)	-	-	(91,164)	(52,261)
Inkind Office Space	23,880	-	-	23,880	35,821
Program Services	7,213,025	-	-	7,213,025	5,980,243
Tax Credits	350	-	-	350	23,079
Interest Income	6,439	-	-	6,439	6,537
<b>TOTAL REVENUES &amp; OTHER SUPPORT</b>	<b>\$ 11,975,547</b>	<b>-</b>	<b>-</b>	<b>\$ 11,975,547</b>	<b>\$ 10,133,088</b>
<b>EXPENSES</b>					
Program Expenses	10,110,684	-	-	10,110,684	8,605,989
Fundraising Expenses	36,998	-	-	36,998	36,677
Management & General	632,383	-	-	632,383	416,196
<b>TOTAL EXPENSES</b>	<b>10,780,065</b>	<b>-</b>	<b>-</b>	<b>10,780,065</b>	<b>9,058,862</b>
Changes in Net Assets	1,195,482	-	-	1,195,482	1,074,226
Net Assets, Beginning	4,623,225	-	-	4,623,225	3,548,999
<b>NET ASSETS, ENDING</b>	<b>\$ 5,818,707</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,818,707</b>	<b>\$ 4,623,225</b>

See Accompanying Accountant's Report and Notes to Financial Statements



**Workforce Outsource Services, Inc.**  
**Statement of Cash Flows**  
**Years Ended September 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,195,482	\$ 1,074,226
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation & Amortization	44,043	27,397
Change in Receivables	(1,967,566)	(448,254)
Change in Prepaid Expenses	(54,984)	(3,903)
Change in Short-Term Loan Advances	24,265	(19,140)
Change in Security Deposits	-	(5,856)
Change in Accounts Payable and Payroll Liabilities	(70,064)	398,464
Change in Unearned Income	220,795	
Net Cash Provided/(Used) by Operating Activities	<u>(608,029)</u>	<u>1,022,934</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Equipment and Organization Cost	-	(393,151)
Net Cash Provided/(Used) by Investing Activities	<u>-</u>	<u>(393,151)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Loan Payable	100,000	47,959
Payments on Loan Payable	(109,655)	(6,675)
Net Cash Provided/(Used) by Financing Activities	<u>(9,655)</u>	<u>41,284</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(617,684)	671,067
Cash and Cash Equivalents- Beginning	<u>3,571,514</u>	<u>2,900,447</u>
Cash and Cash Equivalents- Ending	<u><u>\$ 2,953,830</u></u>	<u><u>\$ 3,571,514</u></u>
<b>NON-CASH ITEMS:</b>		
In-kind contributions	23,880	35,821
<b>Supplemental Information:</b>		
Taxes Paid	NA	NA
Interest Paid	478	119

See Accompanying Accountant's Report and Notes to Financial Statements

**Workforce Outsource Services, Inc.**  
**Statement of Functional Expenses**  
**Years Ended September 30, 2014 and 2013**

	Program Expenses	Management and General	Fundraising Expenses	2014 Expenses	2013 Expenses
Salaries	\$ 7,528,893	\$ 294,125	\$ 30,000	\$ 7,853,018	\$ 6,551,320
Payroll Taxes	624,986	43,523	1,950	670,459	584,444
Employee Benefits	396,483	31,458	1,227	429,168	423,259
Total Salaries & Related Expenses	<u>\$ 8,550,362</u>	<u>\$ 369,106</u>	<u>\$ 33,177</u>	<u>\$ 8,952,645</u>	<u>\$ 7,559,023</u>
Student Transportation and Relocation	82,695	-	-	82,695	31,230
Student Education and Programs	931,122	-	-	931,122	934,795
Student Equipment and Supplies	406	-	-	406	4,015
Accounting and Legal	-	39,314	-	39,314	31,843
Depreciation & Amortization	43,162	881	-	44,043	27,397
Travel	155,365	4,906	3,271	163,542	166,710
Insurance	25,273	2,808	-	28,081	11,896
Inkind Rent	23,880	-	-	23,880	35,821
Office Expenses	80,191	26,730	-	106,921	75,756
Research	3,175	-	-	3,175	795
Marketing & Public Relations	54,814	-	-	54,814	24,435
Payroll Service	-	26,412	-	26,412	27,730
Consulting Fees	50,000	75,719	-	125,719	3,000
Occupancy	94,279	10,475	-	104,754	108,721
Telephone & Computer	15,960	1,835	550	18,345	13,798
Bad Debt	-	74,197	-	74,197	1,897
Total Expenses	<u>\$ 10,110,684</u>	<u>\$ 632,383</u>	<u>\$ 36,998</u>	<u>\$ 10,780,065</u>	<u>\$ 9,058,862</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, 2014 and 2013**

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 2014 the organization received 60% of its support from program revenue and 39% from contributions compared to 59% and 40%, respectively, for 2014 and 2013.

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.

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.



**WORKFORCE OUTSOURCES SERVICES, INC.**  
**d/b/a WORKFORCE OPPORTUNITY SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 and 2013**

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

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 years ended September 30, 2014 and September 30, 2013 from which the summarized information was derived.

UNCERTAINTY IN INCOME TAXES

Workforce Outsource Service, Inc. has adopted FASB ASC Reference 740, *Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statements NO. 109*. Under this pronouncement, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained upon examination by a taxing authority. Workforce Outsource Service, Inc. does not believe they have taken any material uncertain tax positions and, accordingly they have not recorded any liability for unrecognized tax benefits. Workforce Outsource Service, Inc. have filed for and received income tax exemptions in the jurisdictions where required to do so.

Workforce Outsource Service, Inc.'s Federal Return of Organization Exempt from Income Tax Returns 2013, 2012, and 2011 are subject to examination by the IRS, generally three years after they were filed. Additionally, it has filed Internal Revenue Service Form 990 informational returns, as required, and all other applicable returns in jurisdictions where so required. For the years ended September 30, 2013 and 2012, there were no interest or penalties recorded or included in the statement of activities.

SUBSEQUENT EVENTS

Management has evaluated subsequent events after the balance sheet date through January 16, 2015, the date of issuance of our financial statements.

DONATED SERVICES AND MATERIALS

The Organization signed two one month extensions of the lease agreement with Prudential during the current fiscal year ended September 30, 2014. The terms of the lease specified that 6,033 square feet of Office Space will be donated to the organization. Donated space based on the fair market value amounted to \$23,880, as displayed on the Financial Statement.

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, 2014 and 2013**

**Note 2: 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, 2014 the balance in both cash accounts exceeded the insured balance by \$1,390,269 and \$1,143,942, respectively.

**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 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, Benefits Coding, 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 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 as opposed to sponsoring a cohort.



**WORKFORCE OUTSOURCES SERVICES, INC.**  
**d/b/a WORKFORCE OPPORTUNITY SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 and 2013**

**Note 4: FUND RAISING**

For the years ended September 30, 2014 and 2013 net fundraising revenue was \$32,140 and \$29,839.

**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. The lease agreement requires monthly payments of \$ 8,425. Total payments to Interchurch for the year ended September 30, 2014 was \$104,754. In connection with the Lease agreement Workforce has a security deposit of \$8,366. The minimum lease future obligations are:

September 2015	\$101,102
September 2016	\$101,102
September 2017	\$101,102
September 2018	\$33,701
Thereafter	\$337,007

**Note 6: OPERATING RESERVE**

The Organization has determined that it needs cash for operating reserves to cover at least three month's payroll which is paid in advance of billings. In addition, it needs reserves for other operating expenses paid prior to receipt of revenues. The organization has set a goal of three months expenses in reserve.

**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, 2014 was \$0. The Interest rate is one month LIBOR plus 2.858.



**WORKFORCE OUTSOURCES SERVICES, INC.**  
**d/b/a WORKFORCE OPPORTUNITY SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 and 2013**

**Note 8: 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, 2014 the cost or fair market value of such assets were as follows:

	<u>9/30/2014</u>	<u>9/30/2013</u>
Equipment	\$ 7,245	\$ 7,245
Furniture and fixtures	87,785	87,785
Computers Donated	30,000	30,000
Web Site Development	35,700	35,700
Leasehold Improvements	304,206	304,206
Less: Accumulated depreciation	<u>(128,230)</u>	<u>(84,620)</u>
Net Assets	<u>\$ 336,706</u>	<u>\$ 380,316</u>

Depreciation expense was \$43,610 and \$26,964 for the fiscal years ended September 30, 2014 and 2013, 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, 2014 and 2013 was \$433 and \$433. Accumulated amortization at September 30, 2014 was \$3,768 and \$3,335 for the year ended September 30, 2013.

**Note 9: CONCENTRATION**

A significant portion of the organization revenue is received from one donor. Contributions received from this donor totaled approximately 34% of the organization's total contributions and 24% of the organization's total revenue for 2014 fiscal year.

A significant decrease in funding from this donor could have a material effect on the organization's financial statements and could negatively impact the organization's ability to carry out its programs.

**Note 10: 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 2023. At September 30, 2014 the outstanding balance was \$ 31,629.