

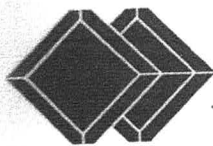
**WORKFORCE OUTSOURCES SERVICES, INC.  
d/b/a WORKFORCE OPPORTUNITY SERVICES**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2013 AND 2012**

WORKFORCE OUTSOURCE SERVICES, INC.  
d/b/a WORKFORCE OPPORTUNITY SERVICES  
SEPTEMBER 30, 2013 AND 2012

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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, 2013 and 2012, 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 Workforce Outsource Services, Inc as of September 30, 2013 and 2012, 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.

*Berard & Donahue CPAs PC*

Berard and Donahue CPA's PC  
Suffern, New York  
January 7, 2014

[www.berarddonahue.com](http://www.berarddonahue.com)

**Workforce Outsource Services, Inc.**  
**Statement of Financial Position**  
**September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,571,514	\$ 2,900,447
Accounts Receivable	1,395,181	946,925
<b>OTHER CURRENT ASSETS</b>		
Prepaid Expenses	4,310	407
Short Term Loan Advances	24,345	5,205
Security Deposits	8,366	2,510
<b>TOTAL CURRENT ASSETS</b>	<u>5,003,716</u>	<u>3,855,494</u>
<b>FURNITURE, FIXTURES &amp; EQUIPMENT</b>		
Furniture & Fixtures	87,785	2,441
Machinery & Equipment	7,245	3,646
Equipment In Kind Contribution	30,000	30,000
Web Site Development	35,700	35,700
Leasehold Improvements	304,206	-
Accumulated Depreciation	(84,620)	(57,656)
<b>NET PROPERTY, PLANT &amp; EQUIPMENT</b>	<u>380,316</u>	<u>14,131</u>
<b>INTANGIBLE ASSETS</b>		
Organization Expense	8,149	8,149
Accumulated Amortization	(3,335)	(2,902)
<b>NET INTANGIBLE ASSETS</b>	<u>4,814</u>	<u>5,247</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,388,846</u>	<u>\$ 3,874,872</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 407,873	\$ 122,387
Loan Payable	41,284	-
Payroll and Payroll Tax Liabilities	316,464	203,486
<b>TOTAL CURRENT LIABILITIES</b>	<u>765,621</u>	<u>325,873</u>
<b>TOTAL LIABILITIES</b>	<u>765,621</u>	<u>325,873</u>
<b>NET ASSETS</b>		
Unrestricted		
Board Designated- Operating Reserve	1,889,756	1,525,525
Board Designated- Expansion	2,733,469	2,023,474
Unrestricted	4,623,225	3,548,999
Temporarily Restricted	-	-
Permanently Restricted	-	-
	<u>4,623,225</u>	<u>3,548,999</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,388,846</u>	<u>\$ 3,874,872</u>

See Accompanying Accountant's Report and Notes to Financial Statements

**Workforce Outsource Services, Inc.**  
**Statement of Activities**  
**Years Ended September 30, 2013 and 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
REVENUES AND OTHER SUPPORT					
Charitable Contributions-Corporations	\$ 4,023,840	\$ -	\$ -	\$ 4,023,840	\$ 2,518,079
Charitable Contributions-Other	33,729	-	-	33,729	29,986
Fundraising Revenue	82,100	-	-	82,100	116,862
Fundraising Expense	(52,261)	-	-	(52,261)	(73,911)
Inkind Office Space	35,821	-	-	35,821	143,284
Services Rendered	5,980,243	-	-	5,980,243	5,817,619
Tax Credits	23,079	-	-	23,079	-
Interest Income	6,537	-	-	6,537	4,489
TOTAL REVENUES & OTHER SUPPORT	<u>\$10,133,088</u>	<u>-</u>	<u>-</u>	<u>\$10,133,088</u>	<u>\$ 8,556,408</u>
EXPENSES					
Program Expenses	8,605,989	-	-	8,605,989	6,637,422
Fundraising Expenses	36,677	-	-	36,677	26,177
Management & General	416,196	-	-	416,196	392,660
TOTAL EXPENSES	<u>9,058,862</u>	<u>-</u>	<u>-</u>	<u>9,058,862</u>	<u>7,056,259</u>
Changes in Net Assets	1,074,226	-	-	1,074,226	1,500,149
Net Assets, Beginning	<u>3,548,999</u>	<u>-</u>	<u>-</u>	<u>3,548,999</u>	<u>2,048,850</u>
NET ASSETS, ENDING	<u>\$ 4,623,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,623,225</u>	<u>\$ 3,548,999</u>

See Accompanying Accountant's Report and Notes to Financial Statements

**Workforce Outsource Services, Inc.**  
**Statement of Cash Flows**  
**Years Ended September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,074,226	\$ 1,500,149
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation & Amortization	27,397	13,020
Change in Receivables	(448,254)	(114,502)
Change in Prepaid Expenses	(3,903)	35,184
Change in Short- Term Loans	(19,140)	(626)
Change in Accounts Payable and Payroll Liabilities	398,464	(51,858)
Net Cash Provided/(Used) by Operating Activities	<u>1,028,790</u>	<u>1,381,367</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
None	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loan Payable	<u>47,959</u>	<u>-</u>
Payments on Loan Payable	<u>(6,675)</u>	<u>-</u>
	41,284	-
Security Deposits	(5,856)	(1,196)
Purchase of Equipment and Organization Cost	(393,151)	(1,198)
Net Cash Provided/(Used) by Investing Activities	<u>(399,007)</u>	<u>(2,394)</u>
Net Increase in Cash and Cash Equivalents	671,067	1,378,973
Cash and Cash Equivalents- Beginning	<u>2,900,447</u>	<u>1,521,474</u>
Cash and Cash Equivalents- Ending	<u>\$ 3,571,514</u>	<u>\$ 2,900,447</u>
NON-CASH ITEMS:		
In-kind contributions	35,821	143,284
Supplemental Information:		
Taxes Paid	NA	NA
Interest Paid	NA	NA

See Accompanying Accountant's Report and Notes to Financial Statements

**Workforce Outsource Services, Inc.**  
**Statement of Functional Expenses**  
**Years Ended September 30, 2013 and 2012**

	Program Expenses	Management and General	Fundraising Expenses	2013 Total Expenses	2012 Total Expenses
Salaries	\$ 6,277,195	\$ 244,125	\$ 30,000	\$ 6,551,320	\$ 5,251,952
Payroll Taxes	543,272	39,222	1,950	584,444	519,735
Employee Benefits	390,869	31,163	1,227	423,259	330,414
Total Salaries & Related Expenses	<u>\$ 7,211,336</u>	<u>\$ 314,510</u>	<u>\$ 33,177</u>	<u>\$ 7,559,023</u>	<u>\$ 6,102,101</u>
Student Transportation	31,230	-	-	31,230	33,885
Student Education and Programs	934,795	-	-	934,795	486,260
Student Equipment and Supplies	4,015	-	-	4,015	21,127
Accounting and Legal	-	31,843	-	31,843	42,990
Depreciation & Amortization	26,964	433	-	27,397	13,020
Travel	158,695	5,015	3,000	166,710	80,150
Contributions	-	-	-	-	250
Insurance	9,896	2,000	-	11,896	10,299
Inkind Rent	35,821	-	-	35,821	143,284
Office Expenses	58,240	19,413	-	77,653	38,224
Research	795	-	-	795	14,651
Marketing & Public Relations	24,435	-	-	24,435	10,875
Payroll Service	-	27,730	-	27,730	16,415
Consulting Fees	-	3,000	-	3,000	10,800
Occupancy	97,849	10,872	-	108,721	18,780
Telephone & Computer	11,918	1,380	500	13,798	13,148
Total Expenses	<u>\$ 8,605,989</u>	<u>\$ 416,196</u>	<u>\$ 36,677</u>	<u>\$ 9,058,862</u>	<u>\$ 7,056,259</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, 2013 and 2012**

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 2013 the organization received 58% of its support from program revenue and 42% from contributions compared to 68% and 32%, respectively, for 2013 and 2012.

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



**WORKFORCE OUTSOURCE SERVICES, INC.**  
**d/b/a WORKFORCE OPPORTUNITY SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013 AND 2012**

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

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 years ended September 30, 2013 and September 30, 2012 from which the summarized information was derived.

UNCERTAINTY IN INCOME TAXES

Workforce Outsource Services, Inc. has adopted the provisions of FIN 48 (ASC 740) Under FIN 48; 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. The implementation of FIN 48 had no impact on Workforce Outsource Services, Inc. Workforce Outsource Services, 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 Services, Inc. has filed for and received income tax exemptions in the jurisdictions where required to do so.

The Organization's Federal Return of Organization Exempt from Income Tax Returns 2012, 2011 and 2010 are subject to examination by the IRS, generally three years after they are 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 was 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 7, 2014, the date of issuance of our financial statements.

**WORKFORCE OUTSOURCE SERVICES, INC.**  
**d/b/a WORKFORCE OPPORTUNITY SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013 AND 2012**

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

DONATED SERVICES AND MATERIALS

The Organization signed an extension of 3 months lease agreement with Prudential on August 30, 2013. 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 \$35,821, 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.

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, 2013 the balance in both cash accounts exceeded the insured balance by \$1,748,939 and \$1,322,475, 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 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 and the University of North Florida. 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.

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.

**WORKFORCE OUTSOURCE SERVICES, INC.**  
**d/b/a WORKFORCE OPPORTUNITY SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013 AND 2012**

**Note 4: FUND RAISING**

For the year ended September 30, 2013 \$29,839 was netted to fundraising activities

**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 2023. The lease agreement requires monthly payments of \$ 8,425. Total payments to Interchurch at September 30, 2013 \$78,556. In connection with the Lease agreement Workforce has a security deposit of \$8,366. The minimum lease future obligations are:

February 2014	\$101,100
February 2015	\$101,100
February 2016	\$101,100
February 2017	\$101,100
February 2018	\$101,100
Thereafter	\$505,500

**Note 6: 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 \$1,000 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, 2013 the cost or fair market value of such assets were as follows:

	<u>9/30/2013</u>	<u>9/30/2012</u>
Equipment	\$ 7,245	\$ 3,645
Furniture and fixtures	87,785	2,441
Computers Donated	30,000	30,000
Web Site Development	35,700	35,700
Leasehold Improvements	304,206	-
Less: Accumulated depreciation	<u>(84,620)</u>	<u>(57,656)</u>
Net Assets	<u>\$ 380,316</u>	<u>\$ 14,131</u>

Depreciation expense was \$26,964 and \$13,020 for the fiscal years ended September 30, 2013 and 2012, 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, 2013 and 2012 was \$433 and \$543. Accumulated amortization at September 30, 2013 was \$3,335 and \$2,902 for the year ended September 30, 2012.

**WORKFORCE OUTSOURCE SERVICES, INC.**  
**d/b/a WORKFORCE OPPORTUNITY SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013 AND 2012**

**Note 7: 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 8: 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, 2013 was \$0. The Interest rate should be one month LIBOR plus 2.858.

**Note 9: CONCENTRATION**

A significant portion of the organization revenue is received from one donor. Contributions received from this donor totaled approximately 33% of the organization's total contributions and 23% of the organization's total revenue for 2013 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<sup>th</sup> 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, 2013 the outstanding balance was \$ 41, 284.