

**WORKFORCE OUTSOURCE SERVICES, INC**

Financial Statements  
Years Ended  
September 30, 2023 and 2022

# WORKFORCE OUTSOURCE SERVICES, INC

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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Workforce Outsource Services, Inc. as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Workforce Outsource Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, in 2023, the Organization adopted new accounting guidance, Accounting Standards Codification (ASC) 842: Leases. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Workforce Outsource Services, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Workforce Outsource Services, Inc. internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Workforce Outsource Services, Inc. ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Berard + Associates CPA's PC*

Berard & Associates, CPA's P.C.  
Suffern, New York 10901  
January 5, 2024

**Workforce Outsource Services, Inc.**

## Statement of Financial Position

September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 914,174	\$ 5,270,092
Investments	3,739,525	521,866
Accounts receivable	2,148,980	1,777,442
Prepaid expenses	42,006	44,267
Due from IRS	2,250,242	2,254,866
Short term loan advances	2,899	2,794
Security deposits	35,480	34,483
Total current assets	<u>9,133,306</u>	<u>9,905,810</u>
<b>Furniture, fixtures &amp; equipment</b>		
Furniture & Fixtures	430,009	430,009
Machinery & equipment	42,330	36,303
Equipment in kind contribution	30,000	30,000
Web site development	90,036	90,036
Leasehold improvements	858,166	850,108
Accumulated depreciation	(1,112,823)	(1,001,452)
Net property, plant & equipment	<u>337,718</u>	<u>435,004</u>
<b>Intangible assets</b>		
Organization expense	8,149	8,149
Accumulated amortization	(8,149)	(8,149)
Net Intangible Assets	<u>-</u>	<u>-</u>
<b>Right of Use Asset</b>	<u>1,557,015</u>	<u>-</u>
Total Assets	<u>\$ 11,028,039</u>	<u>\$ 10,340,814</u>
<b>Current Liabilities</b>		
Accounts Payable	\$ 485,952	\$ 289,406
Deferred Rent	-	64,217
Payroll and Payroll Tax Liabilities	675,186	755,089
Lease Liability	452,952	-
OSDAI Payroll Tax Liability	-	45,017
Total Current Liabilities	<u>1,614,090</u>	<u>1,153,729</u>
<b>Long Term Liabilities</b>		
Lease Liability	1,185,220	-
OSDAI Payroll Tax Liability	-	85,251
Total Long Term Liabilities	<u>1,185,220</u>	<u>85,251</u>
Total Liabilities	<u>2,799,310</u>	<u>1,238,980</u>
<b>Net Assets</b>		
Without Donor Restrictions		
Board Designated- Operating Reserve	3,617,392	3,249,822
Board Designated- Expansion	4,328,983	5,665,049
Without Donor Restrictions	<u>7,946,375</u>	<u>8,914,871</u>
With Donor Restrictions	282,354	186,963
Total Net Assets	<u>8,228,729</u>	<u>9,101,834</u>
Total Liabilities and Net Assets	<u>\$ 11,028,039</u>	<u>\$ 10,340,814</u>

See notes to financial statements.

**Workforce Outsource Services, Inc.**  
Statement of Activities  
Years Ended September 30, 2023 and 2022

	2023			2022		
	Without-Donor Restriction	With-Donor Restriction	Total	Without-Donor Restriction	With-Donor Restriction	Total
<b>REVENUES AND OTHER SUPPORT</b>						
Charitable contributions-corporations	\$ 816,749	\$ 282,354	\$ 1,099,103	\$ 1,537,815	\$ 186,963	\$ 1,724,778
Charitable contributions-other	106,788	-	106,788	145,100	-	145,100
Fundraising revenue	-	-	-	-	-	-
Fundraising expense	-	-	-	(8,659)	-	(8,659)
In-kind donations	43,500	-	43,500	151,000	-	151,000
Program services	12,224,166	-	12,224,166	9,366,664	-	9,366,664
Interest income	44,570	-	44,570	4,152	-	4,152
Net investment income	75,783	-	75,783	(17,375)	-	(17,375)
Employee retention credit	-	-	-	2,250,242	-	2,250,242
Other Income	2,551	-	2,551	-	-	-
Net assets released from restrictions	186,963	(186,963)	-	223,112	(223,112)	-
<b>TOTAL REVENUES &amp; OTHER SUPPORT</b>	<b>\$ 13,501,070</b>	<b>\$ 95,391</b>	<b>\$ 13,596,461</b>	<b>\$ 13,652,051</b>	<b>\$ (36,149)</b>	<b>\$ 13,615,902</b>
<b>EXPENSES</b>						
Program expenses	13,459,230	-	13,459,230	12,007,326	-	12,007,326
Fundraising expenses	36,622	-	36,622	34,635	-	34,635
Management & general	973,714	-	973,714	948,668	-	948,668
<b>TOTAL EXPENSES</b>	<b>14,469,566</b>	<b>-</b>	<b>14,469,566</b>	<b>12,990,629</b>	<b>-</b>	<b>12,990,629</b>
Changes in net assets	(968,496)	95,391	(873,105)	661,422	(36,149)	625,273
Net assets, beginning	8,914,871	186,963	9,101,834	8,253,449	223,112	8,476,561
<b>NET ASSETS, ENDING</b>	<b>\$ 7,946,375</b>	<b>\$ 282,354</b>	<b>\$ 8,228,729</b>	<b>\$ 8,914,871</b>	<b>\$ 186,963</b>	<b>\$ 9,101,834</b>

See notes to financial statements.

**Workforce Outsource Services, Inc.**  
Statement of Functional Expenses  
Years Ended September 30, 2023 and 2022

	2023					2022				
	Program Expenses	Management and General	Fundraising Expenses	Direct cost of Donor Benefits	Expenses	Program Expenses	Management and General	Fundraising Expenses	Direct cost of Donor Benefits	Expenses
Salaries	\$ 9,857,667	\$ 588,716	\$ 26,729	-	\$ 10,473,112	\$ 8,613,918	\$ 598,831	\$ 27,550	\$ -	\$ 9,240,299
Payroll taxes	742,316	47,513	2,059	-	791,888	683,645	43,777	2,189	-	729,611
Employee benefits	905,646	57,968	2,512	-	966,126	675,231	43,238	2,162	-	720,631
Total salaries & related expenses	<u>11,505,629</u>	<u>694,197</u>	<u>31,300</u>	<u>-</u>	<u>12,231,126</u>	<u>9,972,794</u>	<u>685,846</u>	<u>31,901</u>	<u>-</u>	<u>10,690,541</u>
Student transportation and relocation	30,978	-	-	-	30,978	312,992	-	-	-	312,992
Student education and programs	451,754	-	-	-	451,754	227,858	-	-	-	227,858
Accounting and legal	-	89,745	-	-	89,745	-	95,404	-	-	95,404
Depreciation & amortization	109,144	2,227	-	-	111,371	158,623	3,237	-	-	161,860
Travel	205,821	6,500	4,333	-	216,654	89,703	2,833	1,889	-	94,425
Insurance	61,411	6,824	-	-	68,235	59,253	6,584	-	-	65,837
Office expenses	194,259	64,753	-	-	259,012	232,187	77,396	-	-	309,583
Marketing & public relations	139,176	-	-	-	139,176	272,163	-	-	-	272,163
Payroll service	-	53,283	-	-	53,283	-	43,688	-	-	43,688
Consulting fees	76,713	-	-	-	76,713	89,256	-	-	-	89,256
Occupancy	475,991	52,888	-	-	528,879	277,771	30,863	-	-	308,634
Meals & entertainment	-	-	-	-	-	-	-	-	8,659	8,659
Telephone & computer	28,679	3,297	989	-	32,965	24,506	2,817	845	-	28,168
Recruitment	179,675	-	-	-	179,675	290,220	-	-	-	290,220
Total expenses by function	<u>13,459,230</u>	<u>973,714</u>	<u>36,622</u>	<u>-</u>	<u>14,469,566</u>	<u>12,007,326</u>	<u>948,668</u>	<u>34,635</u>	<u>8,659</u>	<u>12,999,288</u>
Less expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,659)</u>	<u>(8,659)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 13,459,230</u>	<u>\$ 973,714</u>	<u>\$ 36,622</u>	<u>\$ -</u>	<u>\$ 14,469,566</u>	<u>\$ 12,007,326</u>	<u>\$ 948,668</u>	<u>\$ 34,635</u>	<u>\$ -</u>	<u>\$ 12,990,629</u>

See notes to financial statements.

**Workforce Outsource Services, Inc.**  
Statement of Cash Flows  
Years Ended September 30, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (873,105)	\$ 625,273
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation & amortization	111,371	161,860
Interest and dividends received	(100,954)	-
Realized and unrealized (gain) loss on investments	(27,609)	17,375
(Increase) decrease in receivables	(371,538)	(359,619)
(Increase) decrease in prepaid expenses	2,261	(10,820)
(Increase) decrease in due from IRS	4,624	(2,252,183)
(Increase) in security deposits	(997)	(16,760)
(Increase) in operating right of use assets	(1,557,015)	-
(Decrease) in deferred revenue	-	(19,997)
Increase (decrease) in deferred rent	(64,217)	64,217
Increase in operating lease liabilities	1,638,172	-
Increase in accounts payable and payroll liabilities	116,643	79,961
Net cash (used) by operating activities	(1,122,364)	(1,710,693)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Transfers in for the purchase of investments	(3,100,003)	-
Transfers out due to the sale of investments	4,024	-
Other investment activity (net)	6,883	-
Purchase of fixed assets	(14,085)	(457,053)
Net cash (used) by investing activities	(3,103,181)	(457,053)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loan advances	(105)	(924)
Payment on payroll tax liability	(130,268)	(45,017)
Net cash (used) by financing activities	(130,373)	(45,941)
Net (decrease) in cash and cash equivalents	(4,355,918)	(2,213,687)
Cash and cash equivalents- beginning	5,270,092	7,483,779
Cash and cash equivalents-ending	\$ 914,174	\$ 5,270,092
<b>NON-CASH ITEMS:</b>		
In-kind contributions	\$ 43,500	\$ 48,100
<b>Supplemental information:</b>		
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, 2023 AND 2022

**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 individuals of low income and veterans. During 2023, the organization received 90% of its support from program revenue and 9% from contributions compared to 69% and 14%, respectively, for 2022.

**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.

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.

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 receivables 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 OUTSOURCE SERVICES, INC**  
d/b/a WORKFORCE OPPORTUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

DEFERRED RENT LIABILITIES-Prior to the adoption of ASU 842

Workforce Outsource Services, Inc. recognizes rent expense on the straight-line basis over the term of the lease. The actual lease payment varies from the expense. The difference is recorded as a deferred lease liability.

DONATED SERVICES AND MATERIALS

The Organization had donated legal services totaling \$43,500 for the year ended September 30, 2023, and donated legal and marketing services totaling \$151,000 for the year ended September 30, 2022.

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:

Leases

At the inception of a contract, we assess whether the contract is, or contains, a lease. A lease is classified as a finance lease if any one of the following criteria are met: the lease transfers ownership of the asset by the end of the lease term, the lease contains an option to purchase the asset that is reasonably certain to be exercised, the lease term is for a major part of the remaining useful life of the asset or the present value of the lease payments equals or exceeds substantially all of the fair value of the asset. A lease is classified as an operating lease if it does not meet any one of the above criteria.

For all leases a Right of Use (ROU) asset and lease liability are recognized at the lease commencement date. The lease liability represents the present value of the lease payments under the lease. The ROU asset is initially measured at cost, which includes the initial lease liability, plus any initial direct costs incurred, less any lease incentives received. The lease liability is initially measured as the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the risk-free rate. The Organization recognizes lease liabilities with an initial, individual value of \$50,000 or more.

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.

**WORKFORCE OUTSOURCE SERVICES, INC**  
d/b/a WORKFORCE OPPORTUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

*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.

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.

Accounting Change: Adoption of ASC 842

On October 1, 2022, the Organization adopted FASB Accounting Standards Codification, or ASC, (Topic 842), Leases, which requires the recognition of the right-of-use, or ROU, assets and related operating and finance lease liabilities on the statement of financial position. As permitted by ASC 842, the organization elected the adoption date of October 1, 2022, which is the date of initial application. As a result, the statement of financial position prior to October 1, 2022 was not restated and continues to be reported under ASC (Topic 840), Leases, which did not require the recognition of operating lease liabilities on the balance sheet and is not comparative.

**WORKFORCE OUTSOURCE SERVICES, INC**  
d/b/a WORKFORCE OPPORTUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Accounting Change: Adoption of ASC 842- Continued

All leases are classified as either operating leases or finance leases. The lease classification affects the expense recognition in the statement of activities. Operating lease charges are recorded entirely in operating expenses. Finance lease charges are split, amortization of the ROU asset is recorded in operating expenses and an implied interest component is recorded in interest expense. The expense recognition for operating leases and finance leases under ASC 842 is substantially consistent with ASC 840. As a result, there is no significant difference in the results of operations presented in our statement of activities for each period presented.

The Organization adopted ASC 842 using a modified retrospective approach for all leases existing at October 1, 2022. The adoption had a substantial impact on our statement of financial position. The most significant impact was the recognition of the operating lease ROU assets and the operating lease liability. Accordingly, at September 30, 2023 an operating lease right-of-use asset and corresponding lease liability of approximately \$1,557,015 and \$1,638,172 was recognized. The Organization elected the package of practical expedients, which allowed, among other things, for not reassessing the lease classification or initial direct costs for existing leases. The application of the practical expedients did not have a significant impact on the measurement of the operating lease liability. Financing leases in the prior year were categorized under property, plant, and equipment and equipment lease liability. After adoption of this standard this equipment was reclassified on the balance sheet as financing lease right of use asset and financing lease liability.

**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, INC**  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3: DESCRIPTION OF PROGRAMS-** Continued

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.

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 Managed Service and Community 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, 2023 and 2022, the Organization's investments consisted of publicly traded securities totaling \$3,739,525 and \$521,866. Investments are reported at fair value using a Level 1 measure as summarized below:

**WORKFORCE OUTSOURCE SERVICES, INC**  
d/b/a WORKFORCE OPPORTUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

**NOTE 4: INVESTMENTS AND FAIR VALUE MEASUREMENT-** Continued

	2023	2022
Cash	\$ 257,868	\$ (577)
Fixed Income	2,934,856	-
ETF's	75,507	-
Mutual Funds	471,294	522,443
Total investments	<u>\$ 3,739,525</u>	<u>\$ 521,866</u>

Investment income consisted of dividends earned totaling \$56,384 and \$9,951 for the years ended September 30, 2023 and 2022, respectively; net realized and unrealized gain/(loss) totaling \$26,281 and \$(24,128) for the years ended September 30, 2023 and 2022, respectively; and investment fees totaling \$6,883 and \$3,191 for the years ended September 30, 2023 and 2022, respectively.

**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, 2023, the balance in J.P Morgan Chase Bank exceeded the insured balance by \$570,588. In November 2023, the Organization mitigated the overnight element of the concentration of risk by entering into a Sweep agreement with JPMorgan Chase whereby funds in excess of \$25,000 are automatically swept into a US treasury backed money market account overnight.

**NOTE 6 – LEASES**

The Organization leases space, copiers, and other office equipment through various operating lease agreements. The leases expire at various points from 2023 to 2027. There are no renewal options included in its lease agreement that is reasonably certain to be exercised.

While the agreement provides for minimum lease payments, it also includes payments adjusted for certain operating expenses. Variable payments that are not determinable at lease commencement are not included in the measurement of the lease asset and liability. The lease agreement does not include any material residual value guarantees or restrictive covenants.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to all classes of assets.

The Organization elected the practical expedient to not separate lease and non-lease components for real estate and office equipment leases.

Total right-of-use assets and lease liabilities on September 30, 2023 are as follows:

Lease assets – classification in statement of financial position	
Operating right-of-use asset	\$ 1,557,015
Lease liabilities – classification in statement of financial position	
Operating lease liabilities	\$ 1,638,171

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**NOTE 6 – LEASES - Continued**

The components of operating lease expenses that are included the statement of activities for the year ended September 30, 2023 were as follows:

Operating lease cost	\$ 394,124
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The following table summarizes the supplemental cash flow information for the year ended September 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 445,922

Weighted average lease term and discount rate as of September 30, 2023 were as follows:

Weighted-average remaining lease term in years	
Operating right-of-use asset	2.42
Lease liabilities – classification in statement of financial position	
Operating lease liabilities	3.89%

The future minimum lease payments under noncancelable operating and finance leases are listed below as of September 30, 2023:

September 30,		
2024	\$	504,640
2025		516,769
2026		392,366
2027		334,894
2028		-
Total lease payment		1,748,669
Less: interest portion		(110,498)
Present value of lease liabilities	\$	1,638,171

**NOTE 6: COMMITMENTS – Prior to the adoption of ASC 842**

Workforce Outsource Services 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. In connection with the Lease Agreement Workforce has a security deposit of \$15,806.

On November 1, 2022 Workforces Outsource Services Inc. extended the office lease with Interchurch center for an additional three years commencing om February 1, 2023 to January 31, 2026.

Workforce Outsource Services entered into a 2-year lease agreement for office space in Texas commencing August 1, 2019, to July 31, 2022. This lease was extended for additional twelve month, ending July 1 2022. The lease agreement requires monthly payments of \$2,205.

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**NOTE 7: COMMITMENTS – Prior to the adoption of ASC 842 - Continued**

Workforce Outsource Services inc. entered into a lease for additional space in Texas that commenced on July of 2022 until September 31, 2027. This 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 one-year lease agreement for office space in Parsippany, New Jersey commencing March 1, 2022 to February 28, 2023. The lease agreement requires monthly payments of \$1,000. In connection with the Lease Agreement Workforce has a security deposit of \$1,000.

**NOTE 8: 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 Managed Service and Community 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 9: 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, 2023 and 2022 was \$0. The Interest rate is one-month LIBOR plus 2.22%.

**NOTE 10: 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 September 30, 2022 and September 30, 2021, no match was approved and hence no payment was made during the Organization's fiscal year ended September 30, 2022 and 2021.

**NOTE 11: 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.



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**NOTE 11: PROPERTY, PLANT AND EQUIPMENT and ORGANIZATIONAL COSTS- Continued**

At September 30, 2023 and 2022, the cost or fair market value of such assets were as follows:

	September 30, 2023	September 30, 2022
Equipment	\$ 42,330	\$ 36,303
Furniture and Fixtures	430,009	430,009
Computers Donated	30,000	30,000
Web Site Development	90,036	90,036
Leasehold Improvements	858,166	850,108
Less: Accumulated depreciation	<u>(1,112,823)</u>	<u>(1,001,452)</u>
Net Assets	<u>\$ 337,718</u>	<u>\$ 435,004</u>

Depreciation expense was \$111,371 and \$161,170 for the fiscal years ended September 30, 2023 and 2022, 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, 2023 and 2022, was \$0 and \$690. Accumulated amortization for the year ended September 30, 2023 and 2022, was \$8,149.

**NOTE 12: CORONAVIRUS, AID, RELIEF AND ECONOMIC SECURITY ACT (CARES Act)**

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 September 30, 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 was paid in full on December 13, 2022.

Employee Retention Credit

The Employee Retention Credit is a tax credit created by the U.S. government to encourage smaller businesses to retain employees during COVID-19 shutdowns and slowdown. Business was eligible for tax periods in 2020 & 2021. In most cases tax credits reduce the total amount of taxes owed. In the case of ERC not only does it reduce your taxes owed, but if your taxes owed are reduced to zero you are entitled to compensation above and beyond your original tax liability. Workforce Outsource Services, Inc. has recorded on the Employee Retention Credit as revenue on the statement of activities for a total of \$2,250,272 for the year ended September 30, 2022.

**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.

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**NOTE 13: LIQUIDITY AND FUNDS AVAILABLE - Continued**

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Financial assets at year-end:		
Cash	\$ 914,174	\$ 5,270,092
Investments	3,739,525	521,866
Accounts receivable	2,148,980	1,777,442
Due from IRS	<u>2,250,242</u>	<u>2,254,866</u>
Financial assets at year end	9,052,921	7,569,400
Less: amount unavailable for general expenditure within one year due to:		
Board Designated for expansion	(5,800,000)	(5,800,000)
Donor restrictions	<u>(282,354)</u>	<u>(186,963)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,970,567</u>	<u>\$ 1,582,437</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**

Subsequent events were evaluated by management through January 5, 2024 which is the date the financial statements were available to be issued.