

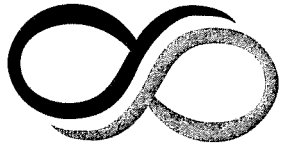
**WORKFORCE OUTSOURCES SERVICES, INC.
d/b/a WORKFORCE OPPORTUNITY SERVICES**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015 AND 2014

**WORKFORCE OUTSOURCE SERVICES, INC.
d/b/a WORKFORCE OPPORTUNITY SERVICES
SEPTEMBER 30, 2015 AND 2014**

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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, 2015, 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Workforce Outsource Services, Inc.'s September 2014 financial statements and in our report dated January 16, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Berard + Associates CPA's PC

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December 28, 2015

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Workforce Outsource Services, Inc.
Statement of Financial Position
September 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|----------------------------|----------------------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 4,083,794 | \$ 2,953,830 |
| Accounts Receivable | 2,804,156 | 3,362,747 |
| Prepaid Expenses | 71,846 | 59,294 |
| Short Term Loan Advances | 12,682 | 80 |
| Security Deposits | 8,366 | 8,366 |
| TOTAL CURRENT ASSETS | <u>6,980,844</u> | <u>6,384,317</u> |
| FURNITURE, FIXTURES & EQUIPMENT | | |
| 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 | (168,508) | (128,230) |
| NET PROPERTY, PLANT & EQUIPMENT | <u>296,428</u> | <u>336,706</u> |
| INTANGIBLE ASSETS | | |
| Organization Expense | 8,149 | 8,149 |
| Accumulated Amortization | (4,201) | (3,768) |
| NET INTANGIBLE ASSETS | <u>3,948</u> | <u>4,381</u> |
| TOTAL ASSETS | <u><u>\$ 7,281,220</u></u> | <u><u>\$ 6,725,404</u></u> |

See Accompanying Accountant's Report and Notes to Financial Statements

Workforce Outsource Services, Inc.
Statement of Activities
Years Ended September 30, 2015 and 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2015 Total | 2014 Total |
|---|----------------------|---------------------------|---------------------------|----------------------|----------------------|
| REVENUES AND OTHER SUPPORT | | | | | |
| Charitable Contributions-Corporations | \$ 4,315,168 | \$ - | \$ - | \$ 4,315,168 | \$ 4,662,511 |
| Charitable Contributions-Other | 150,269 | - | - | 150,269 | 37,203 |
| Fundraising Revenue | 182,200 | - | - | 182,200 | 123,303 |
| Fundraising Expense | (72,177) | - | - | (72,177) | (91,164) |
| Inkind Donations | 60,000 | - | - | 60,000 | 23,880 |
| Program Services | 8,332,832 | - | - | 8,332,832 | 7,213,025 |
| Tax Credits | - | - | - | - | 350 |
| Interest Income | 6,166 | - | - | 6,166 | 6,439 |
| TOTAL REVENUES & OTHER SUPPORT | \$ 12,974,458 | - | - | \$ 12,974,458 | \$ 11,975,547 |
| EXPENSES | | | | | |
| Program Expenses | 11,330,517 | - | - | 11,330,517 | 10,110,684 |
| Fundraising Expenses | 125,798 | - | - | 125,798 | 36,998 |
| Management & General | 712,500 | - | - | 712,500 | 632,383 |
| TOTAL EXPENSES | 12,168,815 | - | - | 12,168,815 | 10,780,065 |
| Changes in Net Assets | 805,643 | - | - | 805,643 | 1,195,482 |
| Net Assets, Beginning | 5,818,707 | - | - | 5,818,707 | 4,623,225 |
| NET ASSETS, ENDING | \$ 6,624,350 | \$ - | \$ - | \$ 6,624,350 | \$ 5,818,707 |

See Accompanying Accountant's Report and Notes to Financial Statements

Workforce Outsource Services, Inc.
Statement of Cash Flows
Years Ended September 30, 2015 and 2014

| | 2015 | 2014 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 805,643 | \$ 1,195,482 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation & Amortization | 40,711 | 44,043 |
| Change in Receivables | 558,591 | (1,967,566) |
| Change in Prepaid Expenses | (12,552) | (54,984) |
| Change in Short-Term Loan Advances | (12,602) | 24,265 |
| Change in Accounts Payable and Payroll Liabilities | (74,781) | (70,064) |
| Change in Unearned Income | (165,454) | 220,795 |
| Net Cash Provided/(Used) by Operating Activities | 1,139,556 | (608,029) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Equipment and Organization Cost | - | - |
| Net Cash Provided/(Used) by Investing Activities | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Loan Payable | - | 100,000 |
| Payments on Loan Payable | (9,592) | (109,655) |
| Net Cash Provided/(Used) by Financing Activities | (9,592) | (9,655) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 1,129,964 | (617,684) |
| Cash and Cash Equivalents- Beginning | 2,953,830 | 3,571,514 |
| Cash and Cash Equivalents- Ending | \$ 4,083,794 | \$ 2,953,830 |
| NON-CASH ITEMS: | | |
| In-kind contributions | \$ 60,000 | \$ 23,880 |
| Supplemental Information: | | |
| Taxes Paid | NA | NA |
| Interest Paid | \$ 23 | \$ 478 |

See Accompanying Accountant's Report and Notes to Financial Statements

Workforce Outsource Services, Inc.
Statement of Functional Expenses
Years Ended September 30, 2015 and 2014

| | Program Expenses | Management and General | Fundraising Expenses | 2015 Expenses | 2014 Expenses |
|---------------------------------------|----------------------|---------------------------|-------------------------|----------------------|----------------------|
| Salaries | \$ 8,649,104 | \$ 370,543 | \$ 30,000 | \$ 9,049,647 | \$ 7,853,018 |
| Payroll Taxes | 714,379 | 48,228 | 1,950 | 764,557 | 670,459 |
| Employee Benefits | 418,030 | 32,592 | 1,227 | 451,849 | 429,168 |
| Total Salaries & Related Expenses | <u>\$ 9,781,513</u> | <u>\$ 451,363</u> | <u>\$ 33,177</u> | <u>\$ 10,266,053</u> | <u>\$ 8,952,645</u> |
| Student Transportation and Relocation | 350,715 | - | - | 350,715 | 82,695 |
| Student Education and Programs | 760,739 | - | - | 760,739 | 931,122 |
| Student Equipment and Supplies | 16,443 | - | - | 16,443 | 406 |
| Accounting and Legal | - | 118,069 | - | 118,069 | 39,314 |
| Depreciation & Amortization | 39,897 | 814 | - | 40,711 | 44,043 |
| Travel | 94,162 | 2,974 | 1,982 | 99,118 | 163,542 |
| Insurance | 28,834 | 3,204 | - | 32,038 | 28,081 |
| Inkind Rent | - | - | - | - | 23,880 |
| Office Expenses | 84,197 | 28,066 | - | 112,263 | 106,921 |
| Research | 2,273 | - | - | 2,273 | 3,175 |
| Marketing & Public Relations | 14,806 | - | - | 14,806 | 54,814 |
| Payroll Service | - | 31,720 | - | 31,720 | 26,412 |
| Consulting Fees | 44,303 | 63,704 | 90,000 | 198,007 | 125,719 |
| Occupancy | 94,097 | 10,455 | - | 104,552 | 104,754 |
| Telephone & Computer | 18,538 | 2,131 | 639 | 21,308 | 18,345 |
| Bad Debt | - | - | - | - | 74,197 |
| Total Expenses | <u>\$ 11,330,517</u> | <u>\$ 712,500</u> | <u>\$ 125,798</u> | <u>\$ 12,168,815</u> | <u>\$ 10,780,065</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, 2015 and 2014

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 2015 the organization received 64% of its support from program revenue and 34% from contributions compared to 60% and 39%, respectively, for 2014.

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, 2015 and 2014

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 in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2014 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 2014, 2013, and 2012 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, 2015 and 2014, 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 December 28, 2015, the date of issuance of our financial statements.

DONATED SERVICES AND MATERIALS

The Organization had donated legal services for ordinary courses of business contracts, for fiscal year ending September 30, 2015 of \$60,000. Donated space for September 2014 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, 2015 and 2014

Note 2: DESCRIPTION OF PROGRAMS

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

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

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

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

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

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

During the year we generated \$ 1,970,000 in program service revenues for WOS on Demand and incurred \$ 1,418,000 in program expenditures and incurred \$ 168,000 in program expenditure on WOS in the Community

WORKFORCE OUTSOURCES SERVICES, INC.
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 and 2014

Note 3: CONCENTRATIONS OF RISKS

The Organization maintains cash balances in two banks, Citibank and J. P. Morgan Chase Bank. The balances at each financial institution are insured by the Federal Deposit Insurance Corporation limit of up to \$250,000. At September 30, 2015 the balance in both cash accounts exceeded the insured balance by \$1,432,742 and \$2,163,127, respectively.

Note 4: FUND RAISING

For the years ended September 30, 2015 and 2014 net fundraising revenue was \$110,023 and \$32,140.

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, 2015 was \$104,552. In connection with the Lease agreement Workforce has a security deposit of \$8,366. The minimum lease future obligations are:

| | |
|----------------|-----------|
| September 2016 | \$101,102 |
| September 2017 | \$101,102 |
| September 2018 | \$101,102 |
| September 2019 | \$101,102 |
| 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 expenses.

Note 7: LINE OF CREDIT

The Organization has a \$1,500,000 line of credit with JP Morgan Chase which is collateralized with the assets for the organization. The balance at September 30, 2015 was \$0. The Interest rate is one month LIBOR plus 2.23%.

WORKFORCE OUTSOURCES SERVICES, INC.
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 and 2014

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, 2015 the cost or fair market value of such assets were as follows:

| | <u>9/30/2015</u> | <u>9/30/2014</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>(168,508)</u> | <u>(128,230)</u> |
| Net Assets | <u>\$ 296,428</u> | <u>\$ 336,706</u> |

Depreciation expense was \$40,278 and \$43,610 for the fiscal years ended September 30, 2015 and 2014, 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, 2015 and 2014 was \$433 and \$433. Accumulated amortization for the year ended September 30, 2015 and 2014 was \$4,201 and \$3,768.

Note 9: CONCENTRATION

A significant portion of the organization revenue is received from one sponsor. Contributions received from this donor totaled approximately 43% of the organization's total contributions and 25% of the organization's total revenue for 2015 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 2018. At September 30, 2015 the outstanding balance was \$ 22,037.