

WORKFORCE OUTSOURCE SERVICES, INC

Financial Statements
Years Ended
September 30, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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.

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 P.C.

Berard & Associates, CPA's P.C.
Suffern, New York 10901
December 13, 2022

Workforce Outsource Services, Inc.

Statement of Financial Position

September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and Cash Equivalents	\$ 5,270,092	\$ 7,483,779
Investments	521,866	539,241
Accounts Receivable	1,777,442	1,417,823
Prepaid Expenses	44,267	33,447
Due from IRS	2,254,866	2,683
Short Term Loan Advances	2,794	1,870
Security Deposits	34,483	17,723
Total Current Assets	<u>9,905,810</u>	<u>9,496,566</u>
Furniture, Fixtures & Equipment		
Furniture & Fixtures	430,009	194,042
Machinery & Equipment	36,303	7,245
Equipment In Kind Contribution	30,000	30,000
Web Site Development	90,036	90,036
Leasehold Improvements	850,108	658,080
Accumulated Depreciation	<u>(1,001,452)</u>	<u>(840,282)</u>
Net Property, Plant & Equipment	<u>435,004</u>	<u>139,121</u>
Intangible Assets		
Organization Expense	8,149	8,149
Accumulated Amortization	<u>(8,149)</u>	<u>(7,459)</u>
Net Intangible Assets	<u>-</u>	<u>690</u>
Total Assets	<u>\$ 10,340,814</u>	<u>\$ 9,636,377</u>
Current Liabilities		
Accounts Payable	\$ 289,406	\$ 373,117
Deferred Rent	64,217	-
Deferred Revenue	-	19,997
Payroll and Payroll Tax Liabilities	755,089	591,417
OSDAI Payroll Tax Liability	130,268	45,017
Total Current Liabilities	<u>1,238,980</u>	<u>1,029,548</u>
Long Term Liabilities		
OSDAI Payroll Tax Liability	<u>-</u>	<u>130,268</u>
Total Long Term Liabilities	<u>-</u>	<u>130,268</u>
Total Liabilities	<u>1,238,980</u>	<u>1,159,816</u>
Net Assets		
Without Donor Restrictions		
Board Designated- Operating Reserve	3,249,822	2,521,141
Board Designated- Expansion	5,665,049	5,732,308
Without Donor Restrictions	<u>8,914,871</u>	<u>8,253,449</u>
With Donor Restrictions	<u>186,963</u>	<u>223,112</u>
Total Net Assets	<u>9,101,834</u>	<u>8,476,561</u>
Total Liabilities and Net Assets	<u>\$ 10,340,814</u>	<u>\$ 9,636,377</u>

See notes to financial statements.

Workforce Outsource Services, Inc.
Statement of Activities
Years Ended September 30, 2022 and 2021

	2022			2021		
	Without-Donor Restriction	With-Donor Restriction	Total	Without-Donor Restriction	With-Donor Restriction	Total
REVENUES AND OTHER SUPPORT						
Charitable Contributions-Corporations	\$ 1,537,815	\$ 186,963	\$ 1,724,778	\$ 1,316,324	\$ 223,012	\$ 1,539,336
Charitable Contributions-Other	145,100	-	145,100	46,749	-	46,749
Fundraising Revenue	-	-	-	2,000	-	2,000
Fundraising Expense	(8,659)	-	(8,659)	(35,157)	-	(35,157)
In-kind Donations	151,000	-	151,000	61,500	-	61,500
Program Services	9,366,664	-	9,366,664	6,096,513	-	6,096,513
Interest Income	4,152	-	4,152	3,043	-	3,043
Net Investment Income	(17,375)	-	(17,375)	9,983	-	9,983
Paycheck Protection Program Revenue	-	-	-	3,587,218	-	3,587,218
Employee Retention Credit	2,250,242	-	2,250,242	-	-	-
Net assets released from restrictions	223,112	(223,112)	-	214,233	(214,233)	-
TOTAL REVENUES & OTHER SUPPORT	\$ 13,652,051	\$ (36,149)	\$ 13,615,902	\$ 11,302,406	\$ 8,779	\$ 11,311,185
EXPENSES						
Program Expenses	12,007,326	-	12,007,326	9,105,185	-	9,105,185
Fundraising Expenses	34,635	-	34,635	866,601	-	866,601
Management & General	948,668	-	948,668	77,621	-	77,621
TOTAL EXPENSES	12,990,629	-	12,990,629	10,049,407	-	10,049,407
Changes in Net Assets	661,422	(36,149)	625,273	1,252,999	8,779	1,261,778
Net Assets, Beginning	8,253,449	223,112	8,476,561	7,000,450	214,333	7,214,783
NET ASSETS, ENDING	\$ 8,914,871	\$ 186,963	\$ 9,101,834	\$ 8,253,449	\$ 223,112	\$ 8,476,561

See notes to financial statements.

Workforce Outsource Services, Inc.
Statement of Expenses
Years Ended September 30, 2022 and 2021

	2022					2021				
	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	\$ 8,613,918	\$ 598,831	\$ 27,550	-	\$ 9,240,299	\$ 6,488,878	\$ 563,229	\$ 66,123	\$ -	\$ 7,118,230
Payroll Taxes	683,645	43,777	2,189	-	729,611	514,765	45,219	5,257	-	565,241
Employee Benefits	675,231	43,238	2,162	-	720,631	458,805	40,304	4,685	-	503,794
Total Salaries & Related Expenses	9,972,794	685,846	31,901	-	10,690,541	7,462,448	648,752	76,065	-	8,187,265
Student Transportation and Relocation	312,992	-	-	-	312,992	25,675	-	-	-	25,675
Student Education and Programs	227,858	-	-	-	227,858	437,622	-	-	-	437,622
Accounting and Legal	-	95,404	-	-	95,404	-	85,500	-	-	85,500
Depreciation & Amortization	158,623	3,237	-	-	161,860	113,817	2,323	-	-	116,140
Travel	89,703	2,833	1,889	-	94,425	29,542	933	622	-	31,097
Insurance	59,253	6,584	-	-	65,837	57,550	6,394	-	-	63,944
Office Expenses	232,187	77,396	-	-	309,583	150,588	50,196	-	-	200,784
Marketing & Public Relations	272,163	-	-	-	272,163	228,457	-	-	-	228,457
Payroll Service	-	43,688	-	-	43,688	-	40,741	-	-	40,741
Consulting Fees	89,256	-	-	-	89,256	144,726	3,550	-	-	148,276
Occupancy	277,771	30,863	-	-	308,634	225,889	25,099	-	-	250,988
Meals and Entertainment	-	-	-	8,659	8,659	-	-	-	35,157	35,157
Telephone & Computer	24,506	2,817	845	-	28,168	27,083	3,113	934	-	31,130
Recruitment	290,220	-	-	-	290,220	201,788	-	-	-	201,788
Total expenses by function	12,007,326	948,668	34,635	8,659	12,999,288	9,105,185	866,601	77,621	35,157	10,084,564
Less expenses included with revenues on the statement of activities	-	-	-	(8,659)	(8,659)	-	-	-	(35,157)	(35,157)
Total expenses included in the expense section on the statement of activities	\$ 12,007,326	\$ 948,668	\$ 34,635	\$ -	\$ 12,990,629	\$ 9,105,185	\$ 866,601	\$ 77,621	\$ -	\$ 10,049,407

See notes to financial statements.

Workforce Outsource Services, Inc.
Statement of Cash Flows
Years Ended September 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 625,273	\$ 1,261,778
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation & Amortization	161,860	116,140
Change in Fair Value of Investments	17,375	(9,983)
Change in Receivables	(359,619)	364,217
Change in Prepaid Expenses	(10,820)	25,257
Change in Short-Term Loan Advances	(924)	(395)
Change in Due from IRS	(2,252,183)	(2,683)
Change in Security Deposits	(16,760)	-
Change in Deferred Revenue	(19,997)	19,997
Change in Deferred Rent	64,217	-
Change in Accounts Payable and Payroll Liabilities	79,961	324,385
Net Cash Provided/(Used) by Operating Activities	(1,711,617)	2,098,713
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(457,053)	-
Net Cash Provided/(Used) by Investing Activities	(457,053)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on Payroll Tax Liability	(45,017)	-
Proceeds from PPP Loan	-	(1,743,831)
Net Cash Provided/(Used) by Financing Activities	(45,017)	(1,743,831)
Net Increase/(Decrease) in Cash and Cash Equivalent	(2,213,687)	354,882
Cash and Cash Equivalents- Beginning	7,483,779	7,128,897
Cash and Cash Equivalents- Ending	\$ 5,270,092	\$ 7,483,779
NON-CASH ITEMS:		
In-kind contributions	\$ 151,000	\$ 48,100
Supplemental Information:		
Taxes Paid	NA	NA
Interest Paid	\$ -	\$ -

See notes to financial statements.

WORKFORCE OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1: NATURE OF ACTIVITIES

Workforce Outsource Services, Inc. is a non-profit agency, organized October 24, 2005 to provide educational training, professional development and employment to communities including low income and veteran. During 2022 the organization received 54% of its support from program revenue and 46% from contributions compared to 48% and 51%, respectively, for 2021.

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 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 OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

DEFERRED EXPENSES

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. As of September 30, 2022, the deferred lease liability was \$64,217 .

DONATED SERVICES AND MATERIALS

The Organization had donated LinkedIn and legal services totaling \$151,000 for the year ended September 30, 2022, and donated legal services totaling \$61,500 for the year ended September 30, 2021.

BASIS OF PRESENTATION:

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

Net Assets with Donor Restrictions

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

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

Net Assets without Donor Restrictions

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

ALLOCATION OF EXPENSES

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

WORKFORCE OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ESTIMATES

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

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization does not believe they have taken any material uncertain tax positions and, accordingly they have not recorded any liability for unrecognized tax benefits.

NOTE 3: DESCRIPTION OF PROGRAMS

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

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

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

WORKFORCE OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3: DESCRIPTION OF PROGRAMS- Continued

Through this effort, we have established the WOS Learning Center to offer free workshops, which can be delivered online or in person, and classes that will help individuals navigate our ever-changing economic landscape. The workshops include Business Writing Essentials; Interviewing in Person and Over the Phone; Professionalism in the Workplace; and other interpersonal skills development such as teamwork, time-management and goal setting. WOS has partnered with Teachers College and created an exclusive Workforce & Education Development Advanced Certificate.

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

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

Workforce has established its first 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, 2022 and 2021, the Organization’s investments consisted of publicly traded securities totaling \$521,866 and \$539,241. Investments are reported at fair value using a Level 1 measure as summarized below:

	2022	2021
Cash	\$ (577)	\$ (470)
Mutual Funds	522,443	539,711
Total investments	\$ 521,866	\$ 539,241

Investment income consisted of dividends earned totaling \$9,951 and \$10,438 for the years ended September 30, 2022 and 2021, respectively; net realized and unrealized gain/(loss) totaling \$24,128 and \$2,764 for the years ended September 30, 2022 and 2021, respectively; and investment fees totaling \$3,191 and \$3,219 for the years ended September 30, 2022 and 2021, respectively.

WORKFORCE OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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, 2022, the balance in both banks exceeded the insured balance by \$2,031,104 and \$2,739,312, respectively.

NOTE 6: COMMITMENTS

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 on 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.

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 two-year lease agreement for office space in Newark, New Jersey commencing August 22, 2022. The lease agreement requires monthly payments of \$1,917. In connection with the Lease Agreement Workforce has a security deposit of \$1,917 which was return at the conclusion of the lease.

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.

The minimum lease future obligations are:

September 2023	\$ 475,745
September 2024	\$ 492,712
September 2025	\$ 502,640
September 2026	\$ 380,235
September 2027	\$ 324,096

NOTE 7: OPERATING RESERVE

The Organization has determined that it needs cash for operating reserves to cover at least three month's expenses. The organization has determined that it will utilize its expansion reserves to fund projects such as a) fixed assets for its proposed 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.

WORKFORCE OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 8: LINE OF CREDIT

The Organization has a \$1,000,000 line of credit with JP Morgan Chase which is collateralized with the assets for the organization. The balance at September 30, 2022 and 2021 was \$0. The Interest rate is one-month LIBOR plus 2.22%.

NOTE 9: EMPLOYEE BENEFIT PLAN

January 1, 2016, the Organization adopted a 401k pension plan covering all employees who have worked for one year and have completed 1,000 hours of service. Employees are eligible to contribute a percentage of salary to the maximum extent possible and subject to IRS allocation rules. The retirement plan allows for a matching contribution equal to a percentage of an employee's elective deferrals in an amount that the Organization will determine each year. For the plan year ended December 31, 2022 and December 31, 2021, no match was approved and hence no payment was made during the Organization's fiscal year ended September 30, 2022 and 2021.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT and ORGANIZATIONAL COSTS

Equipment is recorded at cost if purchased or the fair market value at date of contribution. Assets with a cost of \$5,000 or greater are capitalized. Depreciation of equipment is provided on a straight-line basis over the estimated useful lives of the assets. Equipment, furniture and fixtures and the web site are depreciated over three to ten years. Leasehold Improvements are depreciated over the life of the lease. At September 30, 2022 and 2021, the cost or fair market value of such assets were as follows:

	<u>09/30/2022</u>	<u>09/30/2021</u>
Equipment	\$ 36,303	\$ 7,245
Furniture and Fixtures	430,009	194,042
Computers Donated	30,000	30,000
Web Site Development	90,036	90,036
Leasehold Improvements	850,108	658,080
Less: Accumulated depreciation	<u>(1,001,452)</u>	<u>(840,282)</u>
Net Assets	<u>\$ 435,004</u>	<u>\$ 139,121</u>

Depreciation expense was \$161,170 and \$115,597 for the fiscal years ended September 30, 2022 and 2021, 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, 2022 and 2021, was \$690 and \$543. Accumulated amortization for the year ended September 30, 2022 and 2021, was \$8,149 and \$7,459.

WORKFORCE OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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

PPP #1

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

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

PPP #2

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

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

OASDI Deferral

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

WORKFORCE OUTSOURCE SERVICES, INC
d/b/a WORKFORCE OPPORTUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 12: LIQUIDITY AND FUNDS AVAILABLE

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

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Financial assets at year-end:		
Cash	\$ 5,270,092	\$ 7,483,779
Investments	521,866	539,241
Accounts receivable	1,777,442	1,417,823
Due from IRS	<u>2,254,866</u>	<u>2,683</u>
Financial assets at year end	7,569,400	9,440,843
Less: amount unavailable for general expenditure within one year due to:		
Board Designated for expansion	(5,800,000)	(5,800,000)
Donor restrictions	<u>(186,963)</u>	<u>(223,112)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,837,303</u>	<u>\$ 3,420,414</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 13: SUBSEQUENT EVENTS

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

As described in Note 6, 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.

As described in Note 11 Workforces Outsource Services Inc. paid the remaining balance of the OASDI Deferral on December 13, 2022.

Subsequent events were evaluated by management through December 13, 2022, which is the date the financial statements were available to be issued.