

**WORKFORCE OUTSOURCE SERVICES, INC**

Financial Statements  
Years Ended  
September 30, 2020 and 2019

# WORKFORCE OUTSOURCE SERVICES, INC

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Workforce Outsource Services, Inc. (a nonprofit organization) which comprise the statement of financial position as of September 30, 2020 and 2019, and the related statements of activities, expenses, and cash flows for the years 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**

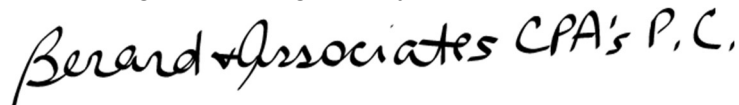
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2020 and 2019, 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.



Berard & Associates, CPA's P.C.  
Suffern, New York 10901  
February 1, 2021

**Workforce Outsource Services, Inc.**  
**Statement of Financial Position**  
**September 30, 2020 and 2019**

	2020	2019
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 7,128,897	\$ 6,157,500
Investments	529,258	517,476
Accounts Receivable	1,782,040	5,088,718
Prepaid Expenses	58,704	72,432
Short Term Loan Advances	1,475	1,402
Security Deposits	17,723	17,723
<b>TOTAL CURRENT ASSETS</b>	<b>9,518,097</b>	<b>11,855,251</b>
<b>FURNITURE, FIXTURES &amp; EQUIPMENT</b>		
Furniture & Fixtures	194,042	194,042
Machinery & Equipment	7,245	7,245
Equipment In Kind Contribution	30,000	30,000
Web Site Development	90,036	90,036
Leasehold Improvements	658,080	658,080
Accumulated Depreciation	(724,685)	(605,090)
<b>NET PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>254,718</b>	<b>374,313</b>
<b>INTANGIBLE ASSETS</b>		
Organization Expense	8,149	8,149
Accumulated Amortization	(6,916)	(6,373)
<b>NET INTANGIBLE ASSETS</b>	<b>1,233</b>	<b>1,776</b>
<b>TOTAL ASSETS</b>	<b>\$ 9,774,048</b>	<b>\$ 12,231,340</b>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 152,427	\$ 865,885
Payroll and Payroll Tax Liabilities	487,722	532,606
<b>TOTAL CURRENT LIABILITIES</b>	<b>640,149</b>	<b>1,398,491</b>
Payroll tax liability	175,285	-
Paycheck Protection Program Liability	1,743,831	-
<b>TOTAL LONG TERM LIABILITIES</b>	<b>1,919,116</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>2,559,265</b>	<b>1,398,491</b>
<b>NET ASSETS</b>		
Without Donor Restrictions		
Board Designated- Operating Reserve	3,212,915	3,179,896
Board Designated- Expansion	3,787,535	4,892,172
Without Donor Restrictions	<b>7,000,450</b>	<b>8,072,068</b>
With Donor Restrictions	214,333	2,760,781
	<b>7,214,783</b>	<b>10,832,849</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,774,048</b>	<b>\$ 12,231,340</b>

See notes to financial statements.

**Workforce Outsource Services, Inc.**  
**Statement of Activities**  
**Years Ended September 30, 2020 and 2019**

	2020			2019		
	Without-Donor Restriction	With-Donor Restriction	Total	Without-Donor Restriction	With-Donor Restriction	Total
<b>REVENUES AND OTHER SUPPORT</b>						
Charitable Contributions-Corporations	\$ 6,221,049	\$ 214,233	\$ 6,435,282	\$ 330,383	\$ 9,410,414	\$ 9,740,797
Charitable Contributions-Other	211,904	-	211,904	222,705	-	222,705
Fundraising Revenue	117,150	-	117,150	177,915	-	177,915
Fundraising Expense	(35,161)	-	(35,161)	(61,693)	-	(61,693)
Inkind Donations	52,000	-	52,000	48,100	-	48,100
Program Services	6,174,041	-	6,174,041	5,019,715	-	5,019,715
Interest Income	5,933	-	5,933	8,478	-	8,478
Net Investment Income	11,900	-	11,900	17,087	-	17,087
Miscellaneous Income	13,591	-	13,591	5,368	-	5,368
Net assets released from restrictions	-	-	-	8,772,419	(8,772,419)	-
<b>TOTAL REVENUES &amp; OTHER SUPPORT</b>	<b>\$ 12,772,407</b>	<b>\$ 214,233</b>	<b>\$ 12,986,640</b>	<b>\$ 14,540,477</b>	<b>\$ 637,995</b>	<b>\$ 15,178,472</b>
<b>EXPENSES</b>						
Program Expenses	11,901,221	-	11,901,221	11,827,945	-	11,827,945
Fundraising Expenses	32,641	-	32,641	820,086	-	820,086
Management & General	882,637	-	882,637	71,554	-	71,554
<b>TOTAL EXPENSES</b>	<b>12,816,499</b>	<b>-</b>	<b>12,816,499</b>	<b>12,719,585</b>	<b>-</b>	<b>12,719,585</b>
Changes in Net Assets	(44,092)	214,233	170,141	1,820,892	637,995	2,458,887
Change due to ASC 606 implementation	(1,027,526)	(2,760,681)	(3,788,207)	-	-	-
Net Assets, Beginning	8,072,068	2,760,781	10,832,849	6,251,176	2,122,786	8,373,962
<b>NET ASSETS, ENDING</b>	<b>\$ 7,000,450</b>	<b>\$ 214,333</b>	<b>\$ 7,214,783</b>	<b>\$ 8,072,068</b>	<b>\$ 2,760,781</b>	<b>\$ 10,832,849</b>

See notes to financial statements.

**Workforce Outsource Services, Inc.**  
**Statement of Expenses**  
**Years Ended September 30, 2020 and 2019**

	2020				2019					
	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	\$ 8,722,571	\$ 527,959	\$ 24,491	-	\$ 9,275,021	\$ 7,819,612	\$ 499,897	\$ 57,968	-	\$ 8,377,477
Payroll Taxes	739,144	47,310	2,050	-	788,504	580,489	37,327	4,293	-	622,109
Employee Benefits	683,476	43,747	1,896	-	729,119	505,250	32,488	3,736	-	541,474
Total Salaries & Related Expenses	<u>10,145,191</u>	<u>619,016</u>	<u>28,437</u>	<u>-</u>	<u>10,792,644</u>	<u>8,905,351</u>	<u>569,712</u>	<u>65,997</u>	<u>-</u>	<u>9,541,060</u>
Student Transportation and Relocation	305,403	-	-	-	305,403	532,331	-	-	-	532,331
Student Education and Programs	213,205	-	-	-	213,205	1,081,911	-	-	-	1,081,911
Accounting and Legal	-	76,000	-	-	76,000	-	78,075	-	-	78,075
Depreciation & Amortization	117,735	2,403	-	-	120,138	131,021	2,674	-	-	133,695
Travel	149,967	4,736	3,157	-	157,860	220,292	6,957	4,638	-	231,887
Insurance	46,623	5,180	-	-	51,803	35,553	3,950	-	-	39,503
Office Expenses	180,962	60,072	-	-	241,034	193,106	64,369	-	-	257,475
Marketing & Public Relations	178,167	-	-	-	178,167	139,417	-	-	-	139,417
Payroll Service	-	41,257	-	-	41,257	-	37,272	-	-	37,272
Consulting Fees	56,255	44,885	-	-	101,140	11,906	31,968	-	-	43,874
Occupancy	228,149	25,350	-	-	253,499	198,401	22,045	-	-	220,446
Meals and Entertainment	-	-	-	35,161	35,161	-	-	-	61,693	61,693
Telephone & Computer	30,350	3,489	1,047	-	34,886	26,655	3,064	919	-	30,638
interest expense	-	249	-	-	249	-	-	-	-	-
Recruitment	249,214	-	-	-	249,214	352,001	-	-	-	352,001
Total expenses by function	<u>11,901,221</u>	<u>882,637</u>	<u>32,641</u>	<u>35,161</u>	<u>12,851,660</u>	<u>11,827,945</u>	<u>820,086</u>	<u>71,554</u>	<u>61,693</u>	<u>12,781,278</u>
Less expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,161)</u>	<u>(35,161)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,693)</u>	<u>(61,693)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 11,901,221</u>	<u>\$ 882,637</u>	<u>\$ 32,641</u>	<u>\$ -</u>	<u>\$ 12,816,499</u>	<u>\$ 11,827,945</u>	<u>\$ 820,086</u>	<u>\$ 71,554</u>	<u>\$ -</u>	<u>\$ 12,719,585</u>

See notes to financial statements.

**Workforce Outsource Services, Inc.**  
**Statement of Cash Flows**  
**Years Ended September 30, 2020 and 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 170,141	\$ 2,458,887
Change due to ASC 606	(3,788,207)	-
Accrued interest on PPP Loan	7,236	-
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation & Amortization	120,138	133,695
Change in Fair Value of Investments	(2,254)	(596)
Change in Receivables	3,306,678	(1,903,548)
Change in Prepaid Expenses	13,728	(58,693)
Change in Short-Term Loan Advances	(73)	1,581
Change in Security Deposits	-	(1,917)
Change in Accounts Payable and Payroll Liabilities	(758,342)	460,936
Net Cash Provided/(Used) by Operating Activities	<u>(930,955)</u>	<u>1,090,345</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Equipment	-	(6,703)
Purchase of investments	(9,528)	(16,693)
Net Cash Provided/(Used) by Investing Activities	<u>(9,528)</u>	<u>(23,396)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in Payroll tax liability	175,285	-
Proceeds from PPP Loan	1,736,595	-
Net Cash Provided/(Used) by Financing Activities	<u>1,911,880</u>	<u>-</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	971,397	1,066,949
Cash and Cash Equivalents- Beginning	<u>6,157,500</u>	<u>5,090,551</u>
Cash and Cash Equivalents- Ending	<u>\$ 7,128,897</u>	<u>\$ 6,157,500</u>
<b>NON-CASH ITEMS:</b>		
In-kind contributions	\$ 52,000	\$ 48,100
<b>Supplemental Information:</b>		
Taxes Paid	NA	NA
Interest Paid	\$ 249	\$ -

See notes to financial statements.

**WORKFORCE OUTSOURCE SERVICES, INC**  
**d/b/a WORKFORCE OPPORTUNITY SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**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 2020 the organization received 48% of its support from program revenue and 51% from contributions compared to 33% and 66%, respectively, for 2019.

**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.

RECENT ACCOUNTING PRONOUNCEMENTS

On May 28, 2014, the FASB issued ASU 2014-09 regarding ASC Topic 606, "Revenue from Contracts with Customers" ("ASC 606"). This standard provides principles for recognizing revenue for the transfer of promised goods or services to customers with the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB approved a one-year delay of the effective date of this new revenue recognition standard. The Company has adopted this standard as of October 1, 2019. Refer to Note 12 of the accompanying consolidated financial statements for a description of the impact of the adopted guidance.

REVENUE RECOGNITION

The Company adopted ASC 606 using the modified retrospective method for those contracts which were not substantially completed as of the transition date. The reported results for the fiscal year ended September 30, 2020 reflect the application of the guidance of ASC 606 while the reported results for the fiscal year ended September 30, 2019 were prepared under the guidance of ASC 605.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Workforce Outsource Services, Inc.'s program revenue is derived from cost-reimbursable contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract provisions.

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, 2020 AND 2019**

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

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.

Revenue With and Without Donor Restrictions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor 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.

DONATED SERVICES AND MATERIALS

The Organization had donated legal services totaling \$52,000 and \$48,100 for the years ended September 30, 2020 and 2019, respectively.

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, 2020 AND 2019**

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

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.

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 as established its first Service and Operations 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. 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, 2020 and 2019, the Organization's investments consisted of publicly traded securities totaling \$529,258 and \$517,476. Investments are reported at fair value using a Level 1 measure as summarized below:

	2020	2019
Cash	\$ 3,087	\$ 4,435
Money Markets	526,171	513,041
Total investments	\$ 529,258	\$ 517,476

Investment income consisted of dividends earned totaling \$12,503 and \$16,693 for the years ended September 30, 2020 and 2019, respectively; net realized and unrealized gain/(loss) totaling \$2,255 and \$3,424 for the years ended September 30, 2020 and 2019, respectively; and investment fees totaling \$2,857 and \$3,030 for the years ended September 30, 2020 and 2019, respectively.

**WORKFORCE OUTSOURCE SERVICES, INC**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**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, 2020, the balance in both cash accounts exceeded the insured balance by \$4,494,582 and \$2,140,954, respectively.

**NOTE 6: COMMITMENTS**

Workforce Outsources 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 \$ 15,570. Total payments to Interchurch for the year ended September 30, 2020 and 2019 was \$198,553 and \$193,707. In connection with the Lease Agreement Workforce has a security deposit of \$15,806.

Workforce Outsources entered into a 2-year lease agreement for office space in Texas commencing August 1, 2019 to July 31, 2021. The lease agreement requires monthly payments of \$2,077. In connection with the Lease Agreement Workforce has a security deposit of \$1,917.

Workforce Outsources entered into a two-year lease agreement for office space in Newark, New Jersey commencing August 22, 2019. The lease agreement requires monthly payments of \$1,917. In connection with the Lease Agreement Workforce has a security deposit of \$1,917.

The minimum lease future obligations are:

September 2021	\$	240,939
September 2022		198,800
September 2023		66,267

**NOTE 7: OPERATING RESERVE**

The Organization has determined that it needs cash for operating reserves to cover at least three month's expenses.

**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, 2020 and 2019 was \$0. The Interest rate is one-month LIBOR plus 2.22%.

**WORKFORCE OUTSOURCE SERVICES, INC**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9: 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, 2020 and 2019 the cost or fair market value of such assets were as follows:

	09/30/2020	09/30/2019
Equipment	\$ 7,245	\$ 7,245
Furniture and fixtures	194,042	194,042
Computers Donated	30,000	30,000
Web Site Development	90,036	90,036
Leasehold Improvements	658,080	658,080
Less: Accumulated depreciation	<u>(724,685)</u>	<u>(605,090)</u>
Net Assets	<u>\$ 254,718</u>	<u>\$ 374,313</u>

Depreciation expense was \$119,595 and \$133,152 for the fiscal years ended September 30, 2020 and 2019, 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, 2020 and 2019 was \$543 and \$543. Accumulated amortization for the year ended September 30, 2020 and 2019 was \$6,916 and \$6,373 .

**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 December 31, 2018, no match was approved and hence no payment was made during the Organization's fiscal year ended September 30, 2019. For the Plan year ended December 31, 2019 a contribution of 50% up to 4% was approved and a payment of \$28,957, was made during The Organizations fiscal year ended September 30, 2020. For the plan year ended December 31, 2020, no match was approved and hence no payment was made during the Organization's fiscal year ended September 30, 2021.

**WORKFORCE OUTSOURCE SERVICES, INC**  
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**SEPTEMBER 30, 2020 AND 2019**

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

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. Any unforgiven portion is payable over two or five years at an interest rate of 1%. Workforce Outsource Services, Inc has used the PPP loan proceeds for purposes consistent with the PPP and will apply for forgiveness. As a result, it is anticipated that this amount will be reflected as income in the September 30, 2021 year.

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 50% by December 31, 2021 and 50% by December 31, 2022, without penalty or interest. Workforce Outsource Services, Inc. has deferred \$175,285. Workforce Outsource Services, Inc. intends to make timely payments to repay this amount.

**NOTE 12. Revenue**

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contract with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. We refer to the new Topic 606 as the “new guidance”.

On October 1, 2019, Workforce Outsource Services, Inc. adopted the new guidance using the modified retrospective transition method for all contracts. In connection with the adoption of this standard, Workforce Outsource Services, Inc. recorded a cumulative-effect adjustment to decrease opening net assets by \$3,788,207, arising from program revenue of contracts in place on or before October 1, 2019, with a corresponding adjustment to decrease accounts receivable.

	Retained Earnings	Accounts Receivable
Opening balance - 10/1/2019	\$ 10,832,849	\$ 5,088,718
Reduction on adjustment	<u>(3,788,207)</u>	<u>(3,788,207)</u>
Balance after Adjustment	7,044,642	1,300,511
Change from transactions during the year	<u>170,141</u>	<u>481,529</u>
Closing balance - 9/30/2020	\$ 7,214,783	\$ 1,782,040

**WORKFORCE OUTSOURCE SERVICES, INC**  
**d/b/a WORKFORCE OPPORTUNITY SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**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.

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Financial assets at year-end:		
Cash	\$ 7,128,897	\$ 6,157,500
Investments	529,258	517,476
Accounts receivable	<u>1,782,040</u>	<u>5,088,718</u>
Financial assets at year end	9,440,195	11,763,694
Less: amount unavailable for general expenditure within one year due to:		
Board Designated for expansion	4,000,000	4,000,000
Donor restrictions	<u>214,333</u>	<u>2,760,781</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 5,225,862</u>	<u>\$ 5,002,913</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 February 1, 2021, which is the date the financial statements were available to be issued.