

Per Scholas, Inc.

Financial Statements and Supplementary Information Year Ended December 31, 2015

Per Scholas, Inc.

Financial Statements and
Supplementary Information
Year Ended December 31, 2015

Per Scholas, Inc.

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Independent Auditor's Report

Board of Directors
Per Scholas, Inc.
Bronx, New York

We have audited the accompanying financial statements of Per Scholas, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 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 from 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 Per Scholas, Inc. as of December 31, 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.

Other Matter

Supplementary Information

Our audit of the financial statements was conducted for the purpose of forming an opinion on those statements as a whole. The accompanying supplemental schedule of analysis of operations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Per Scholas, Inc.'s financial statements, and our report dated June 15, 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 December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 18, 2016

Per Scholas, Inc.

Statement of Financial Position
(With Comparative Totals for 2014)

<i>December 31,</i>	2015	2014
Assets		
Current Assets:		
Cash and cash equivalents (Note 2)	\$2,163,270	\$1,868,778
Contributions, government and other accounts receivable (Notes 2 and 3)	2,572,857	1,809,746
Prepaid expenses and other assets	84,636	72,787
Total Current Assets	4,820,763	3,751,311
Fixed Assets, Net (Notes 2 and 4)	2,858,167	1,892,250
	\$7,678,930	\$5,643,561
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 417,248	\$ 188,035
Accrued payroll and related expenses	182,923	114,649
Deferred revenue (Note 9)	1,250,000	150,000
Total Current Liabilities	1,850,171	452,684
Loan Payable (Note 6)	250,000	-
Other Liabilities (Note 2)	385,794	354,257
Total Liabilities	2,485,965	806,941
Commitments and Contingencies (Notes 2, 5, 6, 8 and 10)		
Net Assets (Notes 2 and 7):		
Unrestricted	4,572,965	3,648,120
Temporarily restricted	620,000	1,188,500
Total Net Assets	5,192,965	4,836,620
	\$7,678,930	\$5,643,561

See accompanying notes to financial statements.

Per Scholas, Inc.
Statement of Activities
(With Comparative Totals for 2014)

Year ended December 31,

	Unrestricted	Temporarily Restricted	2015	2014
Support and Operating Revenues:				
Foundation and other contributions	\$6,015,758	\$ 800,000	\$6,815,758	\$6,655,856
Government and contract revenue	1,274,724	-	1,274,724	1,122,886
Sales	295,941	-	295,941	244,009
Other income	202,120	-	202,120	-
Net assets released from restrictions (Note 9)	1,368,500	(1,368,500)	-	-
Total Operating Revenues	9,157,043	(568,500)	8,588,543	8,022,751
Operating Expenses:				
Program operations:				
Training - NY	4,222,351	-	4,222,351	3,715,420
Urban Development Center - NY Columbus, Ohio	372,177	-	372,177	7,361
Cincinnati, Ohio	527,794	-	527,794	462,877
Silver Spring, Maryland- NCR	490,333	-	490,333	423,383
Dallas, Texas	599,472	-	599,472	482,332
Atlanta, Georgia	401,448	-	401,448	90,745
Asset Recovery	22,729	-	22,729	-
	207,625	-	207,625	204,336
Total Program Operations	6,843,929	-	6,843,929	5,386,454
Supporting operations:				
Administration	890,373	-	890,373	854,388
Fundraising	497,896	-	497,896	599,824
Total Supporting Operations	1,388,269	-	1,388,269	1,454,212
Total Operating Expenses	8,232,198	-	8,232,198	6,840,666
Net Income (Loss) Before Nonoperating Activity	924,845	(568,500)	356,345	1,182,085
Nonoperating Activity:				
Net loss on investments	-	-	-	(1,354)
Change in Net Assets	924,845	(568,500)	356,345	1,180,731
Net Assets, Beginning of Year	3,648,120	1,188,500	4,836,620	3,655,889
Net Assets, End of Year	\$4,572,965	\$ 620,000	\$5,192,965	\$4,836,620

See accompanying notes to financial statements.

Per Scholas, Inc.

Statement of Cash Flows
(With Comparative Totals for 2014)

<i>Year ended December 31,</i>	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	\$ 356,345	\$1,180,731
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	358,125	219,568
Realized loss on investments	-	1,354
(Increase) decrease in assets:		
Contributions, government and other accounts receivable	(763,111)	(770,891)
Prepaid expenses and other assets	(11,849)	(32,483)
Increase in liabilities:		
Accounts payable and accrued expenses	229,213	47,283
Accrued payroll and related expenses	68,274	28,878
Deferred revenue	1,100,000	134,150
Other liabilities	31,537	38,856
Net Cash Provided By Operating Activities	1,368,534	847,446
Cash Flows From Investing Activities:		
Purchases of fixed assets	(1,324,042)	(500,354)
Cash Flows From Financing Activities:		
Proceeds from a loan	250,000	-
Net Increase in Cash and Cash Equivalents	294,492	347,092
Cash and Cash Equivalents, Beginning of Year	1,868,778	1,521,686
Cash and Cash Equivalents, End of Year	\$ 2,163,270	\$1,868,778
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 12,658	\$ -

See accompanying notes to financial statements.

Per Scholas, Inc.

Notes to Financial Statements

1. Description of the Organization

Per Scholas, Inc. (the "Organization") is a national nonprofit organization committed to providing free high quality technology job training, job placement and career development services to individuals from underserved communities. The asset recovery program partners with leading asset disposition vendors to offer a complete IT asset disposition solution for retired computer equipment to corporations.

2. Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The financial statements of the Organization have been prepared on the accrual basis. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

(b) *Financial Statement Presentation*

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

- (i) **Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that they be maintained permanently by the Organization. There were no permanently restricted net assets at December 31, 2015.
- (ii) **Temporarily Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.
- (iii) **Unrestricted** - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) *Cash and Cash Equivalents*

The Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents are recorded at cost which approximates fair market value.

(d) *Provision for Allowance for Doubtful Accounts*

The Organization maintains an allowance for doubtful accounts for the receivables that are specifically identified by management as to their uncertainty in regards to collectability.

Allowance for doubtful accounts was not set up in 2015 by management based on its assessment of individual receivables from customers.

Per Scholas, Inc.

Notes to Financial Statements

(e) Fixed Assets and Depreciation

Fixed assets are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The Organization's policy is to capitalize expenditures in excess of \$5,000, which represent new purchases, or extend the life of existing fixed assets. The current estimated useful lives are as follows:

Furniture and fixtures	7 years
Computers, equipment and software	3-5 years

Leasehold improvements are amortized over the shorter of the lease term or estimated useful life.

(f) Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including fixed assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2015, there have been no such losses.

(g) Deferred Rent

The Organization records rent expenses for the long-term leases under a straight-line basis over the life of the lease in accordance with Accounting Standards Codification ("ASC") 840, "Accounting for Leases." Total deferred rent in the amount of \$385,794 is included in other liabilities on the statement of financial position as of December 31, 2015.

(h) Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(i) Revenue Recognition

The Organization receives most of its revenues from contributions and government contracts. In addition, the Organization earns revenue from the recycling of end-of-life computer equipment.

Government grants and other contracts designated for use in specific activities are recognized as revenue in unrestricted net assets when expenditures have been incurred in compliance with the grantor's restrictions or when deliverable results specified in the grant have been achieved, and as requisitions for payments are submitted. Advances are received under certain grant agreements to assist the Organization with expenditures incurred in the first several months of the grant period. Cash received in excess of revenue recognized is recorded as deferred revenue.

Contributions are recorded as revenue when either unrestricted cash is received or when donors make a promise to give. Contributions and promises to give are classified as either unrestricted temporarily restricted or permanently restricted.

Per Scholas, Inc.

Notes to Financial Statements

Revenue from recycling end-of-life computer equipment is recorded when billed.

(j) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(l) Comparative Financial Information

The financial statements include certain prior year summarized comparative information. With respect to the statement of activities, the prior year information is presented in total not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the prior year financial statements from which the summarized information was derived.

(m) Income Taxes

The Organization was incorporated in the commonwealth of Massachusetts and is a charitable organization that is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2015.

The Organization follows the provisions of ASC 740, "Income Taxes", which state that 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 not be sustained upon examination by a taxing authority. The Organization does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, The Organization has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended December 31, 2015, there was no interest or penalties recorded or included in the statement of activities. As of December 31, 2015, the years still subject to examination by a taxing authority are 2012 through 2014.

(n) Reclassifications

Certain prior year balances have been reclassified to be consistent with the current year's financial statement presentation. The reclassifications have no effect on net assets or operating results of the prior year.

(o) New Accounting Pronouncement

Accounting for Leases

On February 25, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases," which will require lessees to recognize a lease

Per Scholas, Inc.

Notes to Financial Statements

liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2019 and the Organization is currently evaluating the impact of the pending adoption of ASU 2016-02.

3. Contributions, Government and Other Accounts Receivable

Contributions, government and other accounts receivable totaling \$2,572,857 at December 31, 2015 represent commitments to the Organization, to be collected in 2016, for training and general operations.

4. Fixed Assets, Net

Fixed assets, net consist of the following:

December 31, 2015

Leasehold improvements	\$ 3,226,425
Furniture and fixtures	375,022
Computers, equipment and software	371,281
	<u>3,972,728</u>
Less: Accumulated depreciation and amortization	<u>(1,114,561)</u>
Fixed assets, net	<u>\$ 2,858,167</u>

Depreciation expense for the year ended December 31, 2015 was \$358,125.

5. Line of Credit

The Organization has two secured lines of credit with a financial institution for \$500,000 and \$250,000 with an interest rate of 3.8% and 4.5%, respectively, at December 31, 2015. As of December 31, 2015, there was no outstanding balance.

6. Loan Payable

During 2015, the Organization obtained a loan from a financial institution in the amount of \$250,000 to be repaid in full upon maturity on March 12, 2019. The interest rate on the loan was 5% as of December 31, 2015. The Organization incurred \$10,102 in interest expense during the year ended December 31, 2015.

7. Temporarily Restricted Net Assets

At December 31, 2015, temporarily restricted net assets in the amount of \$620,000 are designated for the purposes of training.

During the year ended December 31, 2015, temporarily restricted net assets were released from restrictions for training programs in the amount of \$1,368,500.

Per Scholas, Inc.

Notes to Financial Statements

8. Commitments and Contingencies

(a) *Operating Leases*

The Organization leases office space under terms of various leases expiring through December 2028. The leases generally provide for annual base rentals, with certain escalation clauses. Minimum future lease payments through December 2028 are as follows:

Year ending December 31,

2016	\$ 414,031
2017	424,796
2018	410,711
2019	392,484
2020	387,496
Thereafter	2,884,771
	<hr/> \$4,914,289 <hr/>

Rent expense for the year ended December 31, 2015 was \$494,406.

(b) *Litigation*

Per Scholas is involved in a claim and a legal action arising out of the normal course of its operations, the final outcome of which cannot presently be determined. Per Scholas management is of the opinion that the ultimate liability, if any, with respect to this matter will not have a material outcome.

9. Deferred Revenue

During 2015, the Organization received advances, which primarily consist of cash received on conditional grants that have not been expended at year-end.

As of December 31, 2015, the total deferred revenue was \$1,250,000.

10. Concentration of Credit Risk

The financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents. At various times, the Organization has cash deposits at financial institutions which exceed the Federal Depository Insurance Corporation ("FDIC") limit.

11. Subsequent Events

The Organization's management has performed subsequent events procedures through May 18, 2016, which is the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to or disclosure in the financial statements.

Supplementary Information

Per Scholas, Inc.
Analysis of Operations

Year ended December 31, 2015

	Program Services								Supporting Services			Total	
	Training - NY	Urban Development Center - NY	Columbus, Ohio	Cincinnati, Ohio	Silver Spring, Maryland - NCR	Dallas, Texas	Atlanta, Georgia	Asset Recovery	Total Program Services	Administration	Fundraising		Total Supporting Services
Support and Operating Revenues:													
Foundation and other contributions	\$3,451,000	\$ -	\$507,947	\$520,624	\$760,617	\$913,878	\$161,250	\$212,204	\$6,527,520	\$ 245,298	\$ 42,940	\$ 288,238	\$6,815,758
Government and contract revenue	1,219,722	-	55,000	-	-	-	-	-	1,274,722	-	-	-	1,274,722
Sales	21,650	-	-	-	-	-	-	274,291	295,941	-	-	-	295,941
Other income	-	171,318	-	-	-	-	-	-	171,318	30,804	-	30,804	202,122
Net Operating Revenues From Operations	4,692,372	171,318	562,947	520,624	760,617	913,878	161,250	486,495	8,269,501	276,102	42,940	319,042	8,588,543
Salaries and Related Expenses:													
Salaries and wages	2,401,615	-	317,615	231,405	353,433	186,543	12,061	152,221	3,654,893	378,296	260,289	638,585	4,293,478
Fringe benefits	343,512	-	51,450	32,657	40,179	22,776	1,253	24,693	516,520	64,263	43,181	107,444	623,964
Total Salaries and Related Expenses	2,745,127	-	369,065	264,062	393,612	209,319	13,314	176,914	4,171,413	442,559	303,470	746,029	4,917,442
Other Expenses:													
Recruitment and advertising	40,014	-	9,861	8,762	8,555	13,179	839	-	81,210	8,641	5,865	14,506	95,716
Technology - data and website	82,911	13,372	3,354	3,776	8,481	7,264	3,256	488	122,902	18,908	404	19,312	142,214
Student supplies books	141,670	-	12,327	6,575	7,997	7,540	-	-	176,109	104	-	104	176,213
Professional fees	468,564	-	5,310	134,250	54,820	84,665	-	1,933	749,542	138,748	101,238	239,986	989,528
Rent	211,784	113,925	53,216	21,947	30,742	25,200	-	12,458	469,272	17,619	7,515	25,134	494,406
Utilities	100,248	-	12,314	754	-	-	-	2,661	115,977	3,718	1,597	5,315	121,292
Real estate tax	28,685	49,038	-	-	-	-	-	1,839	79,562	5,144	1,103	6,247	85,809
Building operating and maintenance	12,024	2,103	167	3,716	2,719	435	-	265	21,429	24,977	159	25,136	46,565
Security services	2,472	-	-	-	-	-	-	-	2,472	380	-	380	2,852
Business insurance	37,846	3,046	4,963	4,671	5,008	4,074	-	1,862	61,470	7,109	6,182	13,291	74,761
Employee development and training	8,273	-	175	-	4,856	35	-	-	13,339	30,143	758	30,901	44,240
Job training - interns	27,026	124	-	-	-	-	-	-	27,150	160	-	160	27,310
Employment and drug verifications	43,850	-	2,580	2,630	3,275	420	-	-	52,755	139	-	139	52,894
Office supplies	13,351	4,631	11,102	5,057	5,724	4,828	-	175	44,868	14,009	6,165	20,174	65,042
Shipping and postage	5,642	375	1,165	858	806	2,154	124	-	11,124	2,772	582	3,354	14,478
Equipment lease	14,345	-	-	1,096	2,336	2,752	-	-	20,529	-	-	-	20,529
Graduation expense	3,328	-	3,730	3,161	689	1,422	-	-	12,330	-	-	-	12,330
Communications, telephone and internet	41,969	-	6,472	3,020	5,107	10,125	115	3,623	70,431	19,353	2,249	21,602	92,033
Finance charges and other fees	15	12,808	-	27	11	-	-	45	12,906	6,473	16	6,489	19,395
Filing expenses	22,689	-	831	77	1,140	-	225	-	24,962	1,970	-	1,970	26,932
Membership fees	1,237	-	2,923	775	2,274	540	-	30	7,779	997	3,649	4,646	12,425
Conference registration fees	4,849	-	35	20	-	280	-	100	5,284	890	-	890	6,174
Travel	13,035	100	7,495	4,408	15,087	7,192	3,348	1,337	52,002	39,224	3,738	42,962	94,964
Hotel and meals	23,517	1,761	4,231	5,965	27,730	6,702	948	2,702	73,556	41,047	50,366	91,413	164,969
Miscellaneous expense	19,677	60	2,814	2,150	2,750	2,205	-	1,193	30,849	39,871	2,840	42,711	73,560
Total Other Expenses	1,369,021	201,343	145,065	213,695	190,107	181,012	8,855	30,711	2,339,809	422,396	194,426	616,822	2,956,631
Total Expenses	4,114,148	201,343	514,130	477,757	583,719	390,331	22,169	207,625	6,511,222	864,955	497,896	1,362,851	7,874,073
Net Income (Loss) Before Depreciation and Amortization	578,224	(30,025)	48,817	42,867	176,898	523,547	139,081	278,870	1,758,279	(588,853)	(454,956)	(1,043,809)	714,470
Depreciation and Amortization	108,203	170,834	13,664	12,576	15,753	11,117	560	-	332,707	25,418	-	25,418	358,125
Change in Net Assets by Program	\$ 470,021	\$(200,859)	\$ 35,153	\$ 30,291	\$161,145	\$512,430	\$138,521	\$278,870	\$1,425,572	\$(614,271)	\$(454,956)	\$(1,069,227)	\$ 356,345