

Per Scholas, Inc.

Financial Statements and Supplementary Information Year Ended December 31, 2014

Per Scholas, Inc.

Financial Statements and
Supplementary Information
Year Ended December 31, 2014

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, 2014, 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, 2014, 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 September 9, 2014, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

June 15, 2015

Per Scholas, Inc.

Statement of Financial Position
(With Comparative Totals for 2013)

<i>December 31,</i>	2014	2013
Assets		
Current Assets:		
Cash and cash equivalents (Note 2)	\$1,868,778	\$1,521,686
Investments at fair value (Note 2)	-	1,354
Accounts receivable, (Note 3)	52,067	55,066
Contributions and government receivable (Notes 2 and 4)	1,757,679	983,789
Prepaid expenses and other assets	72,787	40,304
Total Current Assets	3,751,311	2,602,199
Fixed Assets, Net (Notes 2 and 5)	1,892,250	1,611,464
	\$5,643,561	\$4,213,663
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 188,035	\$ 140,752
Accrued payroll and related expenses	114,649	85,771
Deferred revenue	150,000	15,850
Total Current Liabilities	452,684	242,373
Other liabilities (Note 2)	354,257	315,401
	806,941	557,774
Commitments and Contingencies (Notes 6 and 9)		
Net Assets (Notes 2, 7 and 8):		
Unrestricted	3,648,120	3,339,139
Temporarily restricted	1,188,500	316,750
Total Net Assets	4,836,620	3,655,889
	\$5,643,561	\$4,213,663

See accompanying notes to financial statements.

Per Scholas, Inc.
Statement of Activities
(With Comparative Totals for 2013)

Year ended December 31,

	Unrestricted	Temporarily Restricted	2014	2013
Support and Operating Revenues:				
Foundation and other contributions	\$4,842,356	\$1,813,500	\$6,655,856	\$3,994,698
Government and contract revenue	1,122,886	-	1,122,886	1,236,911
Sales	244,009	-	244,009	315,190
Net assets released from restrictions (Note 8)	941,750	(941,750)	-	-
Net Income From Operations	7,151,001	871,750	8,022,751	5,546,799
Operating Expenses:				
Program Operations:				
Training	3,715,420	-	3,715,420	3,154,061
Urban Development Center	7,361	-	7,361	-
Columbus	462,877	-	462,877	411,085
Cincinnati	423,383	-	423,383	125,474
Silver Spring	482,332	-	482,332	14,552
Dallas	90,745	-	90,745	-
Asset Recovery	204,336	-	204,336	220,542
Total Program Operations	5,386,454	-	5,386,454	3,925,714
Supporting Operations:				
Administration	854,388	-	854,388	628,729
Fundraising	599,824	-	599,824	740,961
Total Supporting Operations	1,454,212	-	1,454,212	1,369,690
Total Operating Expenses	6,840,666	-	6,840,666	5,295,404
Net Income (Loss) Before Nonoperating Activity	310,335	871,750	1,182,085	251,395
Nonoperating Activity:				
Net gain (loss) on investments	(1,354)	-	(1,354)	133
Miscellaneous income	-	-	-	330,073
Total Nonoperating Activity	(1,354)	-	(1,354)	330,206
Change in Net Assets	308,981	871,750	1,180,731	581,601
Net Assets, Beginning of Year	3,339,139	316,750	3,655,889	3,074,288
Net Assets, End of Year	\$3,648,120	\$ 1,188,500	\$4,836,620	\$3,655,889

See accompanying notes to financial statements.

Per Scholas, Inc.

Statement of Cash Flows
(With Comparative Totals for 2013)

<i>Year ended December 31,</i>	2014	2013
Cash Flows From Operating Activities:		
Change in net assets	\$1,180,731	\$ 581,601
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	219,568	238,209
Gain on sale of building	-	(52,838)
Unrealized gains on investments	-	(133)
Realized loss on investments	1,354	-
(Increase) decrease in assets:		
Accounts receivable	2,999	28,996
Contributions and government receivable	(773,890)	(378,521)
Inventory	-	860
Prepaid expenses and other assets	(32,483)	(17,369)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	47,283	(125,108)
Accrued payroll and related expenses	28,878	22,244
Deferred revenue	134,150	14,103
Other liabilities	38,856	45,927
Net Cash Provided By Operating Activities	847,446	357,971
Cash Flows From Investing Activities:		
Proceeds from sale of building	-	2,300,000
Purchases of fixed assets	(500,354)	(96,273)
Net Cash (Used In) Provided By Investing Activities	(500,354)	2,203,727
Cash Flows From Financing Activities:		
Repayment of lines of credit	-	(291,000)
Repayment of mortgages payable	-	(1,908,809)
Net Cash Used In Financing Activities	-	(2,199,809)
Net Increase in Cash and Cash Equivalents	347,092	361,889
Cash and Cash Equivalents, Beginning of Year	1,521,686	1,159,797
Cash and Cash Equivalents, End of Year	\$1,868,778	\$ 1,521,686
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ -	\$ 54,580

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, 2014.
- (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) *Investments at Fair Value*

The Organization follows the guidance included in Accounting Standards Codification ("ASC") 820, "Fair Value Measurement". ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 establishes a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Per Scholas, Inc.

Notes to Financial Statements

Level 1 - Inputs are unadjusted quoted prices for identical assets in active markets.

Level 2 - Inputs are observable quoted prices for similar assets in active markets.

Level 3 - Inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

(e) Investments in Investment Partnerships and Investment Companies

The Organization's investments in investment entities are accounted for under the equity method. These investments are stated at fair value based upon the Organization's equity interest reported by the investment entities.

(f) 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.

(g) 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 and is reported for financial statement purposes as follows:

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.

Leasehold improvements	Lease term
Furniture and fixtures	7 years
Computers, equipment and software	3-5 years

(h) Deferred Rent

The Organization records rent expense for the 804 East 138th Street location 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 \$354,257 is included in other liabilities on the statement of financial position as of December 31, 2014.

(i) 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 or permanently restricted support that increases those net asset classes. Temporarily restricted contributions are classified as unrestricted on the statement of activities if the restrictions are met within the fiscal year. 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.

(j) 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

Per Scholas, Inc.

Notes to Financial Statements

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 promise to give are classified as either unrestricted temporarily restricted or permanently restricted.

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

(k) 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.

(l) 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.

(m) 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.

(n) 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 2014.

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 be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact on the Organization's financial statements. 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. No tax provision was recorded as of December 31, 2014. For the year ended December 31, 2014, there was no interest or penalties recorded or included in the statement of activities. The Organization is subject to routine audits by a taxing authority. As of December 31, 2014, the Organization was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examination for the years prior to 2011.

Per Scholas, Inc.

Notes to Financial Statements

(o) 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.

3. Accounts Receivable

Accounts receivable consist of the following:

December 31, 2014

Accounts receivable	\$52,067
Less: Allowance for uncollectible amounts	-
Accounts receivable, net	\$52,067

A provision for doubtful accounts receivable was not set up in 2014 by management based on its assessment of individual receivables from customers.

4. Contributions and Government Receivables

Contributions and government receivable totaling \$1,757,679 at December 31, 2014 represent commitments to the Organization, to be collected in 2015, for training and general operations. The amounts related to contributions and government receivable are listed as follows:

December 31, 2014

Foundations and donors:		
The Robin Hood Foundation	\$ 275,000	Training
Pinkerton Foundation	255,000	Training
Workday Foundation	150,000	Training
Harry and Jeanette Foundation	100,000	Training
Ira DeCamp Foundation	175,000	Urban Development Center
Mizuho Bank	75,000	Training
Ashoka Innovators for the Public	58,500	General
Ian Schaad	50,000	General
Suphin Family Foundation	25,000	Training
David Proctor Trust	10,000	General
PNC Charitable Trust	10,000	Training
Various other	50,195	Training/general
Total foundations and donors	1,233,695	
Government receivables:		
The Research Foundation	170,120	Training
Department of Youth Development	70,470	Training
Social Innovation Fund Subgrantee	68,765	Training
Workforce Development Corporation	65,483	Training
Consortium For Worker Education	111,319	Training
City of Columbus	28,077	Training
Office of Temp/Disability Assistance	9,750	Training
Total government receivables	523,984	
Total	\$1,757,679	

Per Scholas, Inc.

Notes to Financial Statements

5. Fixed Assets, Net

Fixed assets, net consist of the following:

December 31, 2014

Leasehold improvements	\$2,195,864
Furniture and fixtures	352,925
Computers, equipment and software	99,901
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	2,648,690
Less: Accumulated depreciation and amortization	(756,440)
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Fixed assets, net	\$1,892,250

Depreciation expense for the year ended December 31, 2014 was \$219,568.

6. Line of Credit

The Organization has a secured line of credit with a financial institution for \$250,000 with an interest rate of prime plus 1%, which was 4.25% at December 31, 2014. As of December 31, 2014, there was no outstanding balance on the line of credit.

7. Temporarily Restricted Net Assets

At December 31, 2014, temporarily restricted net assets are available for the following purposes:

December 31, 2014

Training	\$1,013,500
Urban Development Center	175,000
	<hr/>
	\$1,188,500

8. Net Assets Released From Restrictions

During the year ended December 31, 2014, temporarily restricted net assets were released from restrictions for training programs in the amount of \$941,750.

Per Scholas, Inc.

Notes to Financial Statements

9. Commitments and Contingencies

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:

<i>Year ending December 31,</i>	
2015	\$ 449,379
2016	414,031
2017	424,796
2018	410,711
2019	392,484
Thereafter	3,272,267
	<hr/>
	\$5,363,668

Rent expense for the year ended December 31, 2014 was \$374,808.

10. Subsequent Events

The Organization's management has performed subsequent events procedures through June 15, 2015, 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.

The Organization has acquired a new secured line of credit totaling \$500,000 with a financial institution. This agreement was executed in January 2015.

In January 2015, the Organization entered a new lease to house the Urban Development Center. The lease term that was entered was for a 10-year lease with an option to opt out after 5 years.

Supplementary Information

Per Scholas, Inc.
Analysis of Operations

Year ended December 31, 2014

	Program Services							Supporting Services			Total	
	Training - NY	UDC Construction	Columbus, Ohio	Cincinnati, Ohio	Silver Spring, Maryland	Dallas, Texas	Asset Recovery	Total Program Services	Administration	Fundraising		Total Supporting Services
Support and Operating Revenues:												
Foundation and other contributions	\$3,699,077	\$850,000	\$401,652	\$486,307	\$421,702	\$ 40,833	\$ -	\$5,899,571	\$ 492,847	\$ 263,438	\$ 756,285	\$ 6,655,856
Government and contract revenue	1,051,049	-	71,837	-	-	-	-	1,122,886	-	-	-	1,122,886
Sales	17,056	-	-	-	-	-	226,953	244,009	-	-	-	244,009
Net Operating Revenues From Operations	4,767,182	850,000	473,489	486,307	421,702	40,833	226,953	7,266,466	492,847	263,438	756,285	8,022,751
Salaries and Related Expenses:												
Salaries and wages	2,005,989	-	269,166	192,578	235,266	12,922	150,716	2,866,637	370,662	308,049	678,711	3,545,348
Fringe benefits	329,877	-	38,074	22,875	27,005	1,301	26,524	445,656	49,681	47,744	97,425	543,081
Total Salaries and Related Expenses	2,335,866	-	307,240	215,453	262,271	14,223	177,240	3,312,293	420,343	355,793	776,136	4,088,429
Other Expenses:												
Recruitment and advertising	35,214	-	8,685	23,075	12,732	2,498	-	82,204	4,098	3,793	7,891	90,095
Technology - data and website	55,373	-	4,600	1,029	11,386	25,084	425	97,897	25,264	1,672	26,936	124,833
Student supplies books	97,660	-	7,380	6,547	6,980	-	-	118,567	-	-	-	118,567
Professional fees	335,705	-	6,753	103,139	82,298	1,000	1,474	530,369	101,973	104,286	206,259	736,628
Rent	233,934	-	54,981	20,237	28,463	-	12,398	350,013	17,308	7,487	24,795	374,808
Utilities	103,697	-	15,870	3,669	-	-	-	123,236	-	-	-	123,236
Real estate tax	28,778	-	-	-	-	-	1,693	30,471	2,370	1,016	3,386	33,857
Building operating and maintenance	12,201	-	765	2,020	2,730	-	-	17,716	15,630	-	15,630	33,346
Security services	10,422	-	-	-	-	-	-	10,422	-	-	-	10,422
Business insurance	37,142	-	4,610	4,554	5,153	-	2,077	53,536	7,881	5,659	13,540	67,076
Employee development and training	7,111	-	1,015	364	414	-	182	9,086	34,525	364	34,889	43,975
Job training - interns	98,392	-	-	-	-	-	-	98,392	-	240	240	98,632
Employment and drug verifications	25,476	-	2,945	785	4,465	-	-	33,671	1,938	70	2,008	35,679
Office supplies	23,774	-	6,866	3,596	10,591	43,975	710	89,512	17,836	7,227	25,063	114,575
Shipping and postage	4,932	-	882	395	1,637	277	-	8,123	3,713	350	4,063	12,186
Equipment lease	15,018	-	-	-	1,680	-	-	16,698	-	-	-	16,698
Graduation expense	2,920	-	2,238	2,305	2,501	-	-	9,964	-	-	-	9,964
Communications, telephone and internet	56,635	-	7,015	5,361	4,839	130	3,223	77,203	17,057	2,404	19,461	96,664
Finance charges and other fees	-	-	305	-	-	-	386	691	7,363	-	7,363	8,054
Filing expenses	18,373	-	395	213	5,559	-	3	24,543	11,578	-	11,578	36,121
Membership fees	139	-	2,498	1,323	39	729	46	4,774	364	4,897	5,261	10,035
Conference registration fees	1,700	-	-	-	-	-	-	1,700	192	210	402	2,102
Travel	17,754	-	8,543	9,488	17,485	862	1,753	55,885	46,175	4,695	50,870	106,755
Hotel and meals	9,561	-	598	941	4,728	791	1,209	17,828	28,183	97,710	125,893	143,721
Fundraising events expense	-	-	2,513	-	-	-	-	2,513	-	-	-	2,513
Gifts and donations	19,364	-	1,917	1,167	1,480	250	1,517	25,695	9,240	1,951	11,191	36,886
Miscellaneous expense	-	-	-	-	-	-	-	-	45,241	-	45,241	45,241
Total Other Expenses	1,251,275	-	141,374	190,208	205,160	75,596	27,096	1,890,709	397,929	244,031	641,960	2,532,669
Total Expenses	3,587,141	-	448,614	405,661	467,431	89,819	204,336	5,203,002	818,272	599,824	1,418,096	6,621,098
Net Income (Loss) Before Depreciation and Amortization	1,180,041	850,000	24,875	80,646	(45,729)	(48,986)	22,617	2,063,464	(325,425)	(336,386)	(661,811)	1,401,653
Depreciation and Amortization	128,279	7,361	14,263	17,722	14,901	926	-	183,452	36,116	-	36,116	219,568
Change in Net Assets by Program	\$1,051,762	\$842,639	\$ 10,612	\$ 62,924	\$(60,630)	\$(49,912)	\$ 22,617	\$1,880,012	\$(361,541)	\$(336,386)	\$ (697,927)	\$1,182,085