

Per Scholas, Inc.

**Financial Statements, Supplementary
Information, and Supplemental Schedule of
Expenditures of Federal Awards
Year Ended December 31, 2018**

Per Scholas, Inc.

Financial Statements, Supplementary Information,
and Supplemental Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

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, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



Report on Summarized Comparative Information

We have previously audited Per Scholas, Inc.'s financial statements, and our report dated May 17, 2018 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of analysis of operations is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 to 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BDO USA, LLP

June 25, 2019

Per Scholas, Inc.

**Statement of Financial Position
(with comparative totals for 2017)**

<i>December 31,</i>	2018	2017
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 5,470,536	\$ 1,439,480
Grants and contracts receivable (Notes 2 and 3)	4,455,484	2,672,842
Accounts receivable (Note 2)	324,838	525,259
Prepaid expenses and other assets	224,928	82,206
Total Current Assets	10,475,786	4,719,787
Fixed Assets, Net (Notes 2 and 4)	3,357,128	2,852,006
	\$ 13,832,914	\$ 7,571,793
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 703,339	\$ 504,945
Accrued payroll and related expenses	396,175	535,497
Deferred revenue (Notes 2 and 9)	2,582,699	150,000
Deferred rent, current portion (Note 2)	104,685	8,008
Total Current Liabilities	3,786,898	1,198,450
Loan Payable (Note 6)	-	130,000
Deferred Rent, long-term portion (Note 2)	425,880	417,872
Total Liabilities	4,212,778	1,746,322
Commitments and Contingencies (Notes 6, 8, 9 and 10)		
Net Assets (Notes 2 and 7)		
Without donor restrictions	6,434,511	3,798,471
With donor restrictions	3,185,625	2,027,000
Total Net Assets	9,620,136	5,825,471
	\$ 13,832,914	\$ 7,571,793

See accompanying notes to financial statements.

Per Scholas, Inc.
Statement of Activities
(with comparative totals for 2017)

Year ended December 31,

	Without Donor Restrictions	With Donor Restrictions	2018	2017
Support and Operating Revenues				
Foundation and other contributions	\$ 7,340,101	\$ 4,483,000	\$ 11,823,101	\$ 7,898,650
Government and contract revenue	2,409,375	-	2,409,375	1,935,854
Sales (Note 2)	5,411,488	-	5,411,488	2,017,469
Other income	5,067	-	5,067	228,267
Net assets released from restrictions (Note 7)	3,324,375	(3,324,375)	-	-
Total Support and Operating Revenues	18,490,406	1,158,625	19,649,031	12,080,240
Operating Expenses				
Program operations:				
New York, New York	4,732,699	-	4,732,699	4,862,589
Newark, New Jersey	128,703	-	128,703	-
Columbus, Ohio	614,877	-	614,877	566,032
Cincinnati, Ohio	537,594	-	537,594	470,316
Silver Spring, Maryland - National Capital Region	1,273,444	-	1,273,444	863,057
Dallas, Texas	671,850	-	671,850	452,041
Atlanta, Georgia	685,822	-	685,822	456,218
Boston, Massachusetts	71,899	-	71,899	-
Social Ventures	786,656	-	786,656	1,905,039
Platform, New York	2,080,076	-	2,080,076	-
Platform, Texas	1,149,700	-	1,149,700	-
Total Program Operations	12,733,320	-	12,733,320	9,575,292
Supporting operations:				
Fundraising	864,271	-	864,271	637,802
Administration	2,256,775	-	2,256,775	1,646,034
Total Supporting Operations	3,121,046	-	3,121,046	2,283,836
Total Operating Expenses	15,854,366	-	15,854,366	11,859,128
Change in Net Assets	2,636,040	1,158,625	3,794,665	221,112
Net Assets, beginning of year	3,798,471	2,027,000	5,825,471	5,604,359
Net Assets, end of year	\$ 6,434,511	\$ 3,185,625	\$ 9,620,136	\$ 5,825,471

See accompanying notes to financial statements.

Per Scholas, Inc.
Statement of Functional Expenses
(with comparative totals for 2017)

Year ended December 31,

													Supporting Services			Total	
	New York, New York	Newark, New Jersey	Columbus, Ohio	Cincinnati, Ohio	Silver Spring, Maryland-NCR	Dallas, Texas	Atlanta, Georgia	Boston, Massachusetts	Social Ventures	Platform, New York	Platform, Texas	Total Program Services	Fundraising	Administration	Total Supporting Services	2018	2017
Salaries and Related Expenses																	
Salaries and wages	\$ 2,747,845	\$ 86,391	\$ 341,506	\$ 353,836	\$ 661,486	\$ 353,002	\$ 432,496	\$ 41,517	\$ 428,625	\$ 1,162,409	\$ 808,176	\$ 7,417,289	\$ 502,931	\$ 1,264,150	\$ 1,767,081	\$ 9,184,370	\$ 6,778,145
Fringe benefits	377,997	8,132	43,605	51,526	101,552	43,923	61,885	4,198	72,053	121,146	80,089	966,106	62,354	199,337	261,691	1,227,797	1,034,954
Total Salaries and Related Expenses	3,125,842	94,523	385,111	405,362	763,038	396,925	494,381	45,715	500,678	1,283,555	888,265	8,383,395	565,285	1,463,487	2,028,772	10,412,167	7,813,099
Other Expenses																	
Recruitment/advertising	2,558	8,000	20,515	20,554	12,305	4,920	3,583	1,945	30,259	36,630	19,530	160,799	3,813	17,291	21,104	181,903	90,208
Technology: data, website	105,682	7,695	17,384	9,664	40,346	48,434	38,459	3,316	7,579	15,793	20,582	314,934	7,100	83,584	90,684	405,618	144,531
Student supplies	102,818	4,125	27,668	19,440	60,144	30,155	40,651	8,195	29,218	7,451	5,114	334,979	-	6,285	6,285	341,264	142,967
Professional service	306,099	4,500	3,720	10,710	102,200	30,314	4,594	-	96,485	161,671	65,700	785,993	213,332	220,755	434,087	1,220,080	1,189,236
Professional service - legal	-	-	-	2,680	3,996	-	-	-	-	-	265	6,941	-	51,385	51,385	58,326	32,302
Professional service - accounting and audit	20,194	-	2,351	1,953	3,585	1,876	1,895	-	-	7,911	-	39,765	2,649	14,118	16,767	56,532	53,900
Professional payroll service	16,514	-	1,468	1,387	2,000	1,305	1,143	-	1,061	1,228	1,227	27,333	2,081	3,424	5,505	32,838	26,972
Professional faculty	-	-	-	-	-	-	-	-	-	-	-	-	-	26	26	26	-
Rent	314,331	-	77,075	25,515	125,764	98,609	32,720	-	-	122,700	47,250	843,964	7,439	33,316	40,755	884,719	651,115
Utilities	61,709	-	-	-	-	634	-	-	235	47,658	-	110,236	2,022	6,161	8,183	118,419	125,609
Real-estate tax	32,376	-	-	-	1,130	-	-	-	-	49,065	-	82,571	1,104	3,311	4,415	86,986	84,005
Building operating and maintenance	33,339	161	22,685	-	29,395	7,312	-	-	-	30,026	2,977	125,895	257	11,897	12,154	138,049	40,569
Security services	8,148	-	-	-	5,120	-	-	-	-	353	6,000	19,621	32	3,493	3,525	23,146	9,832
Business insurance	77,063	-	6,559	6,559	9,838	6,559	6,559	4,919	31,153	-	-	149,209	3,279	12,273	15,552	164,761	141,912
Employee development and training	13,687	2,069	-	325	396	1,975	615	-	-	2,586	668	22,321	730	19,459	20,189	42,510	10,829
Job training-interns	22,387	-	-	-	-	-	-	-	-	-	-	22,387	-	-	-	22,387	584
Employment and drug verifications	27,883	538	4,891	5,516	10,486	3,798	7,291	-	1,762	449	-	62,614	-	532	532	63,146	40,129
Office supplies	10,900	37	9,165	5,014	11,891	4,622	2,266	1,421	6,315	12,814	25,383	89,828	4,719	21,283	26,002	115,830	68,939
Shipping and postage	866	101	408	221	931	562	435	49	1,797	855	928	7,153	2,299	10,158	12,457	19,610	13,315
Equipment lease	16,144	-	2,394	2,727	2,852	1,913	-	-	-	7,843	716	34,589	-	1,055	1,055	35,644	31,698
Graduation expense	1,585	-	1,605	1,244	1,800	1,046	1,976	-	-	1,073	2,400	12,729	1,000	-	1,000	13,729	11,611
Communications, telephone and internet	68,517	161	5,129	1,338	11,446	12,253	6,457	-	9,276	42,793	7,442	164,812	7,000	28,649	35,649	200,461	164,420
Finance charges other fees	4,289	-	-	1,150	-	268	-	-	-	-	-	5,707	83	12,513	12,596	18,303	15,685
Filing expenses	38,965	1,276	413	441	-	-	65	15	-	248	247	41,670	-	4,363	4,363	46,033	36,387
Membership fees	19,254	1,875	3,764	1,485	413	25	-	-	131	-	85	27,032	9,955	10,902	20,857	47,889	19,514
Conference registration fees	1,422	185	239	-	-	539	15	-	1,103	36	375	3,914	1,210	900	2,110	6,024	3,197
Travel and transportation	13,278	1,638	3,992	2,591	19,111	7,611	11,368	2,652	29,079	12,362	13,439	117,121	16,632	31,411	48,043	165,164	106,900
Hotel and meals	26,257	666	7,492	3,530	19,100	7,661	17,792	3,672	37,052	21,085	20,590	164,897	8,000	109,950	117,950	282,847	193,128
Miscellaneous	17,100	1,153	2,129	2,750	3,819	2,000	3,500	-	1,000	10,336	5,950	49,737	4,250	35,057	39,307	89,044	70,101
Depreciation and amortization	243,492	-	8,720	5,438	32,338	534	10,057	-	2,473	203,555	14,567	521,174	-	39,737	39,737	560,911	526,434
Total Expenses	\$ 4,732,699	\$ 128,703	\$ 614,877	\$ 537,594	\$ 1,273,444	\$ 671,850	\$ 685,822	\$ 71,899	\$ 786,656	\$ 2,080,076	\$ 1,149,700	\$ 12,733,320	\$ 864,271	\$ 2,256,775	\$ 3,121,046	\$ 15,854,366	\$ 11,859,128

See accompanying notes to financial statements.

Per Scholas, Inc.
Statement of Cash Flows
(with comparative totals for 2017)

<i>Year ended December 31,</i>	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 3,794,665	\$ 221,112
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	560,911	526,434
(Increase) decrease in assets:		
Grants and contracts receivable	(1,782,642)	50,387
Accounts receivable	200,421	(403,146)
Prepaid expenses and other assets	(142,722)	45,316
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	198,394	138,183
Accrued payroll and related expenses	(139,322)	289,809
Deferred revenue	2,432,699	(449,721)
Deferred rent	104,685	16,123
Net Cash Provided by Operating Activities	5,227,089	434,497
Cash Flows from Investing Activities		
Purchases of fixed assets	(1,066,033)	(295,430)
Cash Flows from Financing Activities		
Loan repayments	(130,000)	-
Net Increase in Cash and Cash Equivalents	4,031,056	139,067
Cash and Cash Equivalents, beginning of year	1,439,480	1,300,413
Cash and Cash Equivalents, end of year	\$ 5,470,536	\$ 1,439,480
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 4,236	\$ 6,154

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 overlooked 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

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit organizations. 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.

Net Assets Classification

The Organization's net assets and its support, revenue and expenses are based on the existence or absence of donor-imposed restrictions. The amounts are classified in either of the two classes of net assets defined below and displayed in the statement of financial position, and the amounts of change in each of those classes of net assets are displayed in the statement of activities.

These classes are defined as follows:

Without Donor Restrictions - This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations.

With Donor Restrictions - This class consists of 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 donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities. Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or other removed by actions of the Organization are classified as net assets with donor restrictions-perpetual in nature.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently while permitting the Organization to expend the income generated by the assets in accordance with the provisions of donor-imposed stipulations.

For the year ended December 31, 2018, the Organization has no permanent donor-restricted assets that needed to be held in perpetuity.

Per Scholas, Inc.

Notes to Financial Statements

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.

Receivables

Receivables are recorded at their net realizable values, based upon an estimated allowance for doubtful accounts. Grants and contracts receivable due after one year are discounted to net present value using the risk-adjusted interest rate in effect on the date of the grants or contracts.

Provision for Allowance for Doubtful Accounts

The Organization reviews receivables as to their uncertainty in regard to collectability and, when needed, maintains an allowance for doubtful accounts.

An allowance for doubtful accounts was not needed in 2018, based on management's assessment of individual receivables from customers.

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

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, 2018, there have been no such losses.

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 U.S. GAAP. Total deferred rent in the amount of \$530,565, which relates to difference from cash payments for rent to straight-line expenses, is included in liabilities on the statement of financial position as of December 31, 2018.

Per Scholas, Inc.

Notes to Financial Statements

Contributions

All contributions are considered to be available without donor restrictions 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 net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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 net assets without donor restrictions when expenditures have been incurred in compliance with the grantor's restrictions or when deliverable results specified in the grant have been achieved. 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 with donor restrictions or without donor restrictions.

Sales revenue is generated from placing interns with various companies and social ventures. Social ventures billings represent fees charged to the Organization's clients for asset recovery services and providing customized training.

Functional Allocation of Expenses

Common costs incurred for the administration to support the various functions of the various programs are allocated directly to respective programs as incurred. Depreciation of common shared space is based on predetermined square footage allocation rates established by management. Any expenses that can be specifically identified to a project or program are charged directly to that project and program. Payroll and related expenses are allocated based on time spent among the programs. Rent and utilities are allocated based on square footage of the programs occupied, and any other expenses that cannot be specifically identified are allocated using the ratio value method.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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

Per Scholas, Inc.

Notes to Financial Statements

asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the prior year financial statements from which the summarized information was derived.

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 2018.

The Organization follows the provisions of U.S. GAAP which state that an organization must recognize the tax liability 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, 2018, there was no interest or penalties recorded or included in the statement of activities.

Recently Adopted Accounting Pronouncement

Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, “Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities.” The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Organization’s financial statements for fiscal years beginning after December 15, 2017. The provisions of the ASU must be applied on a retrospective basis for all years presented. The Organization adopted this pronouncement for the fiscal year ended December 31, 2018 and applied it retrospectively.

Per Scholas, Inc.

Notes to Financial Statements

Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14 which deferred the effective date for the entity until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2019. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11 was issued in June 2018, which also permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Management is currently evaluating the impact of this ASU on its financial statements.

3. Grants and Contracts Receivable

Grants and contracts receivable totaling \$4,455,484 at December 31, 2018 represent commitments to the Organization, to be collected in 2019, for training and general operations.

Per Scholas, Inc.

Notes to Financial Statements

4. Fixed Assets, Net

Fixed assets, net consists of the following:

December 31, 2018

Leasehold improvements	\$	4,170,259
Furniture and fixtures		769,395
Computers, equipment and software		1,150,256
		<hr/>
		6,089,910
Less: accumulated depreciation and amortization		(2,732,782)
Fixed Assets, Net	\$	3,357,128

Depreciation expense for the year ended December 31, 2018 was \$560,911.

5. Line of Credit

The Organization has a secured line of credit with a financial institution for \$1,000,000 with an interest rate of 4.01% per annum at December 31, 2018. As of December 31, 2018, there was no outstanding balance. The loan is secured by cash deposits.

6. Loan Payable

During 2015, the Organization obtained a loan from a financial institution in the amount of \$250,000 with the outstanding balance to be paid in full upon maturity on March 13, 2019. The loan was paid in full in August 2018. The interest rate on the loan was 5% as of the pay-off date. The Organization incurred \$4,236 in interest expense attributable to this loan during the year ended December 31, 2018.

7. Net Assets with Donor Restrictions

At December 31, 2018, net assets with donor restrictions in the amount of \$3,185,625 are designated for the time restriction and purposes of training.

During the year ended December 31, 2018, net assets with donor restrictions were released from restrictions in the amount of \$3,324,375 for training purpose.

Per Scholas, Inc.

Notes to Financial Statements

8. Commitments and Contingencies

Commitments

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 are as follows:

Year ending December 31,

2019	\$	1,107,148
2020		1,144,371
2021		1,119,488
2022		1,020,096
2023		780,966
Thereafter		2,299,603
	\$	7,471,672

Rent expense for the year ended December 31, 2018 was \$884,719.

Contingencies

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

9. Deferred Revenue

During 2018, the Organization received advances, which primarily consist of cash received on conditional grants that have not been expended at year-end and, thus, have not met the revenue recognition criteria.

As of December 31, 2018, the total deferred revenue was \$2,582,699.

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 limit. These financial institutions have strong credit ratings and management believes that the credit risk related to these accounts is minimal. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalent accounts.

Per Scholas, Inc.

Notes to Financial Statements

11. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Year ended December 31, 2018

Total Current Assets	\$	10,475,786
Less: amounts unavailable for general expenditures within one year, due to:		
Prepaid expenses and other assets		224,928
Restricted by donor with time or purpose restrictions		3,185,625
Total Financial Assets Available to Management for General Expenditure within One Year	\$	7,065,233

Liquidity Management

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$1 million, which it could draw upon.

12. Subsequent Events

The Organization's management has performed subsequent events procedures through June 25, 2019, 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, except the following:

In March 2019, the Organization opened a new location in Newark, New Jersey, to prepare students for potential hiring by unrelated entities. The students are eligible to be hired after finishing two weeks of training by the Organization.

Supplementary Information

Per Scholas, Inc.

Schedule of Changes in Net Assets by Program

Year ended December 31, 2018

	Program Services											Supporting Services			Total	
	New York, New York	Newark, New Jersey	Columbus, Ohio	Cincinnati, Ohio	Silver Spring, Maryland - NCR	Dallas, Texas	Atlanta, Georgia	Boston, Massachusetts	Social Ventures	Platform, New York	Platform, Texas	Total Program Services	Fundraising	Administration		Total Supporting Services
Support and Operating Revenues																
Foundation and other contributions	\$ 3,233,845	\$ 1,020,020	\$ 554,465	\$ 415,943	\$ 778,636	\$ 685,404	\$ 674,947	\$ 425,150	\$ 566,563	\$ 60,000	\$ -	\$ 8,414,973	\$ -	\$ 3,408,128	\$ 3,408,128	\$ 11,823,101
Government and contract revenue	1,671,665	-	87,494	116,367	499,799	22,800	11,250	-	-	-	-	2,409,375	-	-	-	2,409,375
Sales revenue	99,809	-	200	9,539	3,500	-	-	-	750,858	2,030,082	2,517,500	5,411,488	-	-	-	5,411,488
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	5,067	5,067	5,067
Net Operating Revenues from Operations	5,005,319	1,020,020	642,159	541,849	1,281,935	708,204	686,197	425,150	1,317,421	2,090,082	2,517,500	16,235,836	-	3,413,195	3,413,195	19,649,031
Expenses																
Salaries and Related Expenses	3,125,842	94,523	385,111	405,362	763,038	396,925	494,381	45,715	500,678	1,283,555	888,265	8,383,395	565,285	1,463,487	2,028,772	10,412,167
Other Expenses	1,606,857	34,180	229,766	132,232	510,406	274,925	191,441	26,184	285,978	796,521	261,435	4,349,925	298,986	793,288	1,092,274	5,442,199
Total Expenses	4,732,699	128,703	614,877	537,594	1,273,444	671,850	685,822	71,899	786,656	2,080,076	1,149,700	12,733,320	864,271	2,256,775	3,121,046	15,854,366
Change in Net Assets by Program	\$ 272,620	\$ 891,317	\$ 27,282	\$ 4,255	\$ 8,491	\$ 36,354	\$ 375	\$ 353,251	\$ 530,765	\$ 10,006	\$ 1,367,800	\$ 3,502,516	\$ (864,271)	\$ 1,156,420	\$ 292,149	\$ 3,794,665

Per Scholas, Inc.

Schedule of Analysis of Operations for Specific Locations

Year ended December 31, 2018

	Program Services		
	Brooklyn, New York	Bronx Core, New York	Bronx Platform, New York
Support and Operating Revenues			
Foundation and other contributions	\$ 1,100,000	\$ 2,133,845	\$ 60,000
Government and contract revenue	-	1,671,665	-
Sales revenue	-	99,809	2,030,082
Net Operating Revenues from Operations	1,100,000	3,905,319	2,090,082
Salaries and Related Expenses			
Salaries and wages	601,279	2,146,566	1,162,409
Fringe benefits	82,712	295,285	121,146
Total Salaries and Related Expenses	683,991	2,441,851	1,283,555
Other Expenses			
Recruitment and advertising	560	1,998	36,630
Technology - data and website	23,125	82,557	15,793
Student supplies	22,499	80,319	7,451
Professional services	66,980	239,119	161,671
Professional services - legal	-	-	-
Professional services - accounting and audit	4,419	15,775	7,911
Professional payroll services	3,614	12,900	1,228
Professional faculty	-	-	-
Rent	68,784	245,547	122,700
Utilities	13,503	48,206	47,658
Real estate tax	7,084	25,292	49,065
Building operating and maintenance	7,295	26,044	30,026
Security services	1,783	6,365	353
Business insurance	16,863	60,200	-
Employee development and training	2,995	10,692	2,586
Job training - interns	4,899	17,488	-
Employment and drug verifications	6,103	21,780	449
Office supplies	2,380	8,520	12,814
Shipping and postage	190	676	855
Equipment lease	3,533	12,611	7,843
Graduation expense	347	1,238	1,073
Communications, telephone and internet	14,993	53,524	42,793
Finance charges and other fees	938	3,351	-
Filing expenses	8,526	30,439	248
Membership fees	4,213	15,041	-
Conference registration fees	311	1,111	36
Travel and transportation	2,906	10,372	12,362
Hotel and meals	5,745	20,512	21,085
Miscellaneous	3,742	13,358	10,336
Total Other Expenses	298,330	1,065,035	592,966
Total Expenses	982,321	3,506,886	1,876,521
Net Income (Loss), before depreciation and amortization	117,679	398,433	213,561
Depreciation and Amortization	78,235	165,257	203,555
Change in Net Assets by Program	\$ 39,444	\$ 233,176	\$ 10,006

Per Scholas, Inc.

Schedule of Expenditures of Federal Awards

December 31, 2018

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Passed Through New York State Office of Temporary and Disability Assistance: SNAP Cluster: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	C00245GG	\$ -	\$ 228,625
Total U.S. Department of Agriculture			-	228,625
U.S. Department of Labor				
WIA/WIOA - Cluster:				
Passed Through Department of Youth and Community Development: WIA/WIOA Youth Activities	17.259	90541	-	92,876
Passed Through New York State Department of Labor:				
WIA/WIOA Dislocated Worker Formula Grants	17.278	C015493	-	31,190
WIA/WIOA - Cluster	17.278/17.258 /17.259	C17192GG	-	88,895
Passed Through WorkSource Cobb/ CobbWorks, Inc.: WIA/WIOA Adult Program/Dislocated Worker Formula Grants	17.258/17.278	N/A	-	11,250
Subtotal WIA/WIOA Cluster			-	224,211
Passed Through Jobs for the Future, Inc.: H-1B Job Training Grants	17.268	HG-29351-16- 60-A-25	-	545,919
Passed Through New York State Department of Labor: WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	C017096	-	58,328
Total U.S. Department of Labor			-	828,458
U.S. Department of Health and Human Services				
Passed Through Research Foundation of CUNY: Child Support Enforcement	93.563	CM00001719- 00	-	40,846
Total U.S. Department of Health and Human Services			-	40,846
Total Expenditures of Federal Awards			\$ -	\$ 1,097,929

The accompanying notes are an integral part of this schedule.

Per Scholas, Inc.

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Per Scholas, Inc. (the Organization) under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Per Scholas, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2018, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

June 25, 2019



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Per Scholas Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.



Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

June 25, 2019

Per Scholas, Inc.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section 1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
Significant deficiency(ies) identified?
Noncompliance material to financial statements noted?

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
Significant deficiency(ies) identified?

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major federal programs:

Table with 2 columns: CFDA Number, Name of Federal Program or Cluster. Row 1: 17.268, H-1B Job Training Grants

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? Yes No

Section 2. Financial Statement Findings

There were no findings related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards.

Section 3. Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.