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CENTER FOR EMPLOYMENT OPPORTUNITIES

Audited Financial Statements

June 30, 2010 and 2009

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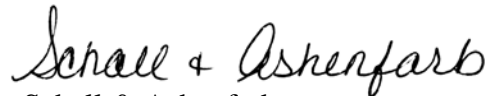
REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Center for Employment Opportunities

We have audited the accompanying statements of financial position of Center for Employment Opportunities (“CEO”) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of CEO’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Employment Opportunities as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


Schall & Ashenfarb
Certified Public Accountants, LLC

January 19, 2011

CENTER FOR EMPLOYMENT OPPORTUNITIES

Statement of Financial Position

As of June 30, 2010 and 2009

	<u>2010</u>	<u>2009 *</u>
ASSETS		
Cash and cash equivalents	\$666,232	\$1,485,426
Contracts and contributions receivable	4,706,387	3,182,455
Prepaid expenses and other assets	304,206	277,539
Equipment, furniture and fixtures and leasehold improvements, net of accumulated depreciation	329,316	207,107
Total Assets	<u><u>\$6,006,141</u></u>	<u><u>\$5,152,527</u></u>
 LIABILITIES AND NET ASSETS		
<i>Liabilities:</i>		
Accounts payable and accrued expenses	\$972,989	\$782,765
Advances payable	2,657,369	2,657,369
Custodial funds	0	164,673
Loans payable	506,871	12,024
Total Liabilities	<u>4,137,229</u>	<u>3,616,831</u>
 <i>Net Assets:</i>		
Unrestricted		
Undesignated	1,162,499	944,601
Investment in fixed assets	322,445	195,083
Total Unrestricted Net Assets	<u>1,484,944</u>	<u>1,139,684</u>
Temporarily restricted	383,968	396,012
Total Net Assets	<u>1,868,912</u>	<u>1,535,696</u>
 Total Liabilities and Net Assets	<u><u>\$6,006,141</u></u>	<u><u>\$5,152,527</u></u>

* Restated (See Note 10)

The attached notes and auditors' report are an integral part of these financial statements.

CENTER FOR EMPLOYMENT OPPORTUNITIES

Statement of Activities

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support & Revenue		
Program service contracts:		
United States Direct Federal	\$173,882	\$0
New York State	9,923,475	7,945,410
New York City	2,402,405	2,802,439
Other	29,046	84,756
	<u>12,528,808</u>	<u>10,832,605</u>
Contributions	2,940,310	2,166,311
Interest and other income	34,205	35,621
	<u>15,503,323</u>	<u>13,034,537</u>
Net assets released from restrictions	842,044	998,988
Total public support and revenue	<u>16,345,367</u>	<u>14,033,525</u>
Expenses:		
Program services	12,924,837	10,763,401
General and administrative	2,675,673	2,537,977
Fund raising	399,597	428,736
Total expenses	<u>16,000,107</u>	<u>13,730,114</u>
Increase in unrestricted net assets	<u>345,260</u>	<u>303,411</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	830,000	940,000
Net assets released from restrictions	<u>(842,044)</u>	<u>(998,988)</u>
Decrease in temporarily restricted net assets	<u>(12,044)</u>	<u>(58,988)</u>
Change in net assets	333,216	244,423
Prior period adjustment (Note 10)	0	129,000
Net assets, beginning of year	<u>1,535,696</u>	<u>1,162,273</u>
Net assets, end of year	<u><u>\$1,868,912</u></u>	<u><u>\$1,535,696</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

CENTER FOR EMPLOYMENT OPPORTUNITIES
Statement of Functional Expenses
For the Year Ended June 30, 2010
(With comparative totals for the year ended June 30, 2009)

	Program Services			Supporting Services		Total Expenses 2010	Total Expenses 2009	
	Transitional Jobs	Vocational Services	Learning Institute/CEO Academy	Total Program Services	General and Administrative			Fund Raising
PERSONNEL								
Salaries and wages:								
Staff	\$2,073,227	\$2,739,093	\$563,194	\$5,375,514	\$1,498,109	\$208,406	\$7,082,029	\$6,269,343
Participants	2,573,298	0	0	2,573,298	0	0	2,573,298	2,435,794
Employee benefits:								
Staff	370,538	375,257	51,974	797,769	164,533	19,983	982,285	1,028,224
Participants	211,874	0	0	211,874	0	0	211,874	145,627
Payroll taxes:								
Staff	162,091	213,137	43,599	418,827	112,883	14,445	546,155	459,353
Participants	203,541	0	0	203,541	0	0	203,541	186,338
Total Personnel	5,594,569	3,327,487	658,767	9,580,823	1,775,525	242,834	11,599,182	10,524,679
OTHER THAN PERSONNEL								
Sub-contracts	0	233,134	114,635	347,769	0	0	347,769	152,000
Consultants	0	14,192	76,595	90,787	118,346	31,880	241,013	184,666
Professional services	0	0	197	197	75,322	0	75,519	81,724
Occupancy expense	70,630	514,495	127,613	712,738	210,658	13,992	937,388	763,963
Equipment purchases and rentals	221,535	194,780	41,571	457,886	76,308	21,689	555,883	314,167
Publication and subscriptions	0	9,788	20	9,808	1,578	997	12,383	12,201
Training	16,762	9,103	2,550	28,415	13,601	0	42,016	15,326
Office expenses	10,495	21,588	7,591	39,674	176,782	45,128	261,584	211,709
Telephone	54,588	70,547	23,756	148,891	37,611	1,917	188,419	123,606
Travel and subsistence	176,708	185,413	21,657	383,778	14,175	9	397,962	310,108
Insurance	302,026	57,493	14,991	374,510	24,819	3,191	402,520	383,644
Office supplies	15,450	29,931	6,170	51,551	15,152	1,197	67,900	35,532
Interest	204	0	0	204	37,642	0	37,846	4,188
Conference/meetings	1,308	3,790	491	5,589	4,220	0	9,809	12,551
Participant activities/supplies	41,289	151,380	19,947	212,616	0	0	212,616	166,170
Participant incentives	0	298,336	4,683	303,019	0	0	303,019	211,863
Wage subsidy	0	39,670	0	39,670	0	0	39,670	0
Bad debt expense	0	0	0	0	0	0	0	8,601
Miscellaneous	955	16,706	419	18,080	72,238	36,763	127,081	66,591
Sub-total	6,506,519	5,177,833	1,121,653	12,806,005	2,653,977	399,597	15,859,579	13,583,289
Depreciation expenses	66,936	26,700	25,196	118,832	21,696	0	140,528	146,825
Total Expenses	\$6,573,455	\$5,204,533	\$1,146,849	\$12,924,837	\$2,675,673	\$399,597	\$16,000,107	\$13,730,114

The attached notes and auditors' report are an integral part of these financial statements.

CENTER FOR EMPLOYMENT OPPORTUNITIES

Statement of Functional Expenses

For the Year Ended June 30, 2009

	Program Services			Supporting Services		Total Expenses 2009	
	Transitional Jobs	Vocational Services	Learning Institute/CEO Academy	Total Program Services	General and Administrative		Fund Raising
PERSONNEL							
Salaries and wages:							
Staff	\$1,875,142	\$2,211,105	\$443,021	\$4,529,268	\$1,460,694	\$279,381	\$6,269,343
Participants	2,435,794	0	0	2,435,794	0	0	2,435,794
Employee benefits:							
Staff	374,580	360,984	48,373	783,937	207,657	36,630	1,028,224
Participants	145,627	0	0	145,627	0	0	145,627
Payroll taxes:							
Staff	138,390	164,198	32,710	335,298	104,901	19,154	459,353
Participants	186,338	0	0	186,338	0	0	186,338
Total Personnel	5,155,871	2,736,287	524,104	8,416,262	1,773,252	335,165	10,524,679
OTHER THAN PERSONNEL							
Sub-contracts	0	100,700	51,300	152,000	0	0	152,000
Consultants	0	15,340	70,058	85,398	73,376	25,892	184,666
Professional services	2,700	0	0	2,700	79,024	0	81,724
Occupancy expense	62,999	398,941	69,728	531,668	201,881	30,414	763,963
Equipment purchases and rentals	137,118	90,767	22,229	250,114	56,135	7,918	314,167
Publication and subscriptions	0	9,600	422	10,022	2,179	0	12,201
Training	9,916	2,672	370	12,958	2,243	125	15,326
Office expenses	7,527	17,672	3,689	28,888	168,487	14,334	211,709
Telephone	53,119	42,832	8,446	104,397	16,775	2,434	123,606
Travel and subsistence	153,567	125,915	20,100	299,582	10,486	40	310,108
Insurance	285,671	57,306	9,515	352,492	27,655	3,497	383,644
Office supplies	6,464	15,343	2,515	24,322	9,769	1,441	35,532
Interest	4,188	0	0	4,188	0	0	4,188
Conference/meetings	624	1,421	2,537	4,582	7,631	338	12,551
Participant activities/supplies	59,557	83,737	20,976	164,270	1,900	0	166,170
Participant incentives	0	210,123	1,740	211,863	0	0	211,863
Bad debt expense	0	0	0	0	8,601	0	8,601
Miscellaneous	1,044	3,990	4,059	9,093	50,360	7,138	66,591
Sub-total	5,940,365	3,912,646	811,788	10,664,799	2,489,754	428,736	13,583,289
Depreciation expenses	57,803	31,827	8,972	98,602	48,223	0	146,825
Total Expenses	\$5,998,168	\$3,944,473	\$820,760	\$10,763,401	\$2,537,977	\$428,736	\$13,730,114

The attached notes and auditors' report are an integral part of these financial statements.

CENTER FOR EMPLOYMENT OPPORTUNITIES

Statement of Cash Flows

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009 *</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$333,216	\$244,423
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Prior period adjustment	0	129,000
Depreciation	140,528	146,825
Increase in contracts and contributions receivable	(1,523,932)	(344,912)
Increase in prepaid expenses	(26,667)	(31,624)
Increase in accounts payable and accrued expenses	190,224	89,340
(Decrease)/increase in custodial funds	(164,673)	164,673
Net cash (used for)/provided by operating activities	<u>(1,051,304)</u>	<u>397,725</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of equipment and leasehold improvements	<u>(262,737)</u>	<u>(53,901)</u>
Net cash used for investing activities	<u>(262,737)</u>	<u>(53,901)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayments on loans	(1,566,999)	(104,775)
Proceeds from loans	<u>2,061,846</u>	<u>19,472</u>
Net cash provided by/(used for) financing activities	<u>494,847</u>	<u>(85,303)</u>
Net (decrease)/increase in cash and cash equivalents	(819,194)	258,521
Cash and cash equivalents, beginning of year	<u>1,485,426</u>	<u>1,226,905</u>
Cash and cash equivalents, end of year	<u><u>\$666,232</u></u>	<u><u>\$1,485,426</u></u>
Supplemental disclosure		
Interest payments	<u><u>\$37,846</u></u>	<u><u>\$4,188</u></u>

* Restated

The attached notes and auditors' report are an integral part of these financial statements.

CENTER FOR EMPLOYMENT OPPORTUNITIES

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 1 ORGANIZATION

Center for Employment Opportunities (“CEO”) was organized on April 6, 1995 pursuant to Section 201 of the Not-for-Profit Corporation Law of the State of New York. CEO is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization as described in Code Sections 509(a)(1) and 170(b)(A)(VI). Operations commenced on January 1, 1996.

CEO was formed in order to: provide employment and rehabilitative and support services to persons with criminal convictions and persons facing barriers to employment, including but not limited to applicants or recipients of public assistance; design, implement, demonstrate, and evaluate innovative supportive and rehabilitative services for men and women with recent criminal convictions, including but not limited to employment and training services and other services designed to alleviate barriers to employment; conduct studies and research regarding services for formerly incarcerated people and their barriers to employment; and to disseminate information regarding the work of the corporation and the administration of such services.

CEO operates two main programs, the Transitional Jobs (TJ) and the Vocational Services (VS) and an ancillary program, the CEO Academy. TJ, which is CEO’s signature work experience program, provides immediate, paid, time-limited employment for people with criminal records and provides them with the skills they need to rejoin the workforce and restart their lives. The VS places participants in full-time, unsubsidized employment and follows up through the first year after placement, providing retention and advancement counseling and referral. CEO Academy provides vocational support and industry trade-training preparatory classes such as plumbing, electrical and refrigeration mechanics that enable formerly incarcerated individuals overcome barriers to entering community colleges and technical institutes, and advance in the workforce.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

Use of Estimates

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

CENTER FOR EMPLOYMENT OPPORTUNITIES

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity (with original maturity of three months or less) that they present insignificant risk of change in value because of changes in interest rates.

Contributions

Unconditional promises to give are recorded as contributions receivable when received. Contributions receivable due in less than one year are recorded at their net realizable value. Contributions receivable due in more than one year are recorded at fair value, based on market conditions using the income approach.

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions received with donor-restrictions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Equipment, Furniture, Fixtures, and Leasehold Improvements

Equipment, furniture, fixtures, and leasehold improvements are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets as follows:

Equipment, furniture and fixtures	3-10 years
Computer equipment	3 years
Automobiles	5 years
Leasehold improvements	7 years

CEO capitalizes all equipment greater than or equal to \$500 and all improvements greater than or equal to \$5,000.

CENTER FOR EMPLOYMENT OPPORTUNITIES

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Recognition of Revenue

Cost Recovery Grants

The terms under which these grants are awarded provide for reimbursements of budgeted expenditures within the grant period. These funds are received in either predetermined installments or increments, based upon expenses incurred. Accordingly, grant income is recognized in amounts equal to expenditures incurred. Any excess or deficiency of cash receipts over expenditures incurred is reported as “advance payable” or “contacts receivable”. Upon termination of operations under each grant, the unexpended funds received under the terms of the grant revert to the grantor.

Performance-Based Grant

The terms under which these grants are awarded provide for payment based on unit costs for agreed-upon milestones achieved within the award period up to the maximum amount allowable under a given milestone, if any, and/or the total grant amount. Accordingly, income is recognized in amounts equal to the amount earned, based on performance.

Functional Expenditures

Certain expenses of CEO are allocated among program services, general and administrative, and fundraising in the accompanying statements of functional expenses, based on management’s estimates.

Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the balance sheet through January 19, 2011, the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date through our evaluation date that would require adjustment to or disclosure in the financial statements.

NOTE 3 CASH AND CASH EQUIVALENTS

The cash and cash equivalents balance at June 30, 2010 represent advances on program service contracts and contributions which are to be used to fund fiscal year 2011 program expenditures.

CENTER FOR EMPLOYMENT OPPORTUNITIES

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 4 EQUIPMENT, FURNITURE AND FIXTURES, AND LEASEHOLD IMPROVEMENTS

Equipment, furniture and fixtures, and leasehold improvements consisted of the following:

	<u>2010</u>	<u>2009</u>
Computer and project equipment	\$ 341,802	\$ 279,257
Office furniture and equipment	377,536	274,960
Vehicles	510,948	427,317
Leasehold improvements	<u>161,098</u>	<u>147,113</u>
	1,391,384	1,128,647
Less accumulated depreciation	<u>1,062,068</u>	<u>921,540</u>
Totals	<u>\$ 329,316</u>	<u>\$ 207,107</u>

NOTE 5 PENSION PLAN

CEO maintains a defined contribution group pension plan whereby contributions are made on behalf of all eligible employees. Employees are eligible to participate in the plan if they have completed one year of service and have contributed at least 3% of their annual salary to the CEO tax sheltered annuity plan. Contributions to the plan amounted to \$115,899 and \$173,047 for the years ended June 30, 2010 and 2009, respectively.

NOTE 6 LOANS PAYABLE

Loans payable at June 30, 2010 and 2009, consisted of the following:

	<u>2010</u>	<u>2009</u>
Automobile loan payable at June 30, 2010 and 2009 is interest free and is collateralized by the automobile. Final payment is due October 1, 2011.	\$ 6,871	\$ 12,024
CEO maintains a \$3 million line of credit, bearing a floating rate of interest at prime plus 1.5% on any outstanding balance, secured by accounts receivable. The line of credit expires on March 31, 2011.	<u>500,000</u>	<u>-</u>
Total loans payable	<u>\$ 506,871</u>	<u>\$ 12,024</u>

CENTER FOR EMPLOYMENT OPPORTUNITIES

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 6 LOANS PAYABLE *(Continued)*

Principal amounts due under the automobile loans in each of the years subsequent to June 30, 2010 are as follows:

2011	\$ 5,153
2012	<u>1,718</u>
Total	<u>\$ 6,871</u>

NOTE 7 COMMITMENTS AND CONTINGENCIES

Lease Commitments

CEO leases office and program facilities under a 10-year operating lease that was entered into in September 2003. The lease became effective January 2004 and expires in December 2014. The lease is subject to utilities, maintenance, and real estate tax escalations.

In May 2009, CEO entered into a 10-year operating lease agreement for the CEO Academy facilities at 975 Kelly Street in the Bronx, New York. The lease became effective September 2009 and expires in August 2019.

CEO also leases office and program facilities in Buffalo, Albany and Rochester New York for the upstate Transitional Jobs expansion initiatives as follows: 2-year operating lease agreements for Buffalo effective September 28, 2009 and for Albany effective November 1, 2009, and a 4-year operating lease agreement for Rochester effective May 1, 2010.

Total rent expense for the years ended June 30, 2010 and 2009 was \$749,392 and \$610,656, respectively.

Minimum annual rental payments under these lease agreements in the years subsequent to June 30, 2010 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Total</u>
2011	\$ 829,286
2012	796,847
2013	799,475
2014	422,202
2015	72,353
Thereafter	<u>317,274</u>
Total	<u>\$ 3,237,437</u>

CENTER FOR EMPLOYMENT OPPORTUNITIES

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 7 **COMMITMENTS AND CONTINGENCIES** *(continued)*

Cost Recovery Grants

Contracts are subject to audit by state and city auditors and costs charged to funding sources may be adjusted. In the opinion of management, no provision is required for cost adjustments.

NOTE 8 **TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2010, temporarily restricted net assets are available for use in future periods and for specific purposes, as restricted by the donor.

Net assets released from donor restrictions for the years ended June 30, 2010 and 2009 were released by incurring expenses satisfying the program restrictions and by the expiration of any time restriction specified by the donors.

NOTE 9 **CONCENTRATIONS OF CREDIT AND MARKET RISK**

Financial instruments that potentially expose CEO to concentrations of credit and market risk consist primarily of cash and cash equivalents with major financial institutions, which occasionally exceed the FDIC limit. These institutions have strong credit ratings and management believes that the risk related to these accounts is minimal. CEO's management monitors the balances with those institutions to limit the exposure to risk.

NOTE 10 **PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$129,000 has been recorded to correctly state the government grants receivable as of the beginning of the year.