



**SCHALL** Certified Public Accountants, LLC  
**& ASHENFARB**

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## Audited Financial Statements

June 30, 2015

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## **REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors of  
Center for Employment Opportunities

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Center for Employment Opportunities (“CEO”), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors’ Responsibility**

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

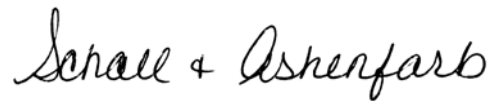
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 Center for Employment Opportunities as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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Schall & Ashenfarb  
Certified Public Accountants, LLC

January 5, 2016

**CENTER FOR EMPLOYMENT OPPORTUNITIES**

Statement of Financial Position

As of June 30, 2015 and 2014

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|   | <u>2015</u>                | <u>2014</u>               |
|---|----------------------------|---------------------------|
| <b>ASSETS</b>   |                            |                           |
| Cash and cash equivalents   | \$801,625                  | \$707,558                 |
| Contracts and contributions receivable  | 7,771,327                  | 5,265,809                 |
| Prepaid expenses and other assets   | 477,710                    | 334,949                   |
| Security deposits (Note 7)  | 493,677                    | 480,031                   |
| Equipment, furniture and fixtures, and leasehold improvements, net of accumulated depreciation (Note 3) | <u>767,401</u>             | <u>852,086</u>            |
| <b>Total Assets</b>   | <u><u>\$10,311,740</u></u> | <u><u>\$7,640,433</u></u> |
| <br>  |                            |                           |
| <b>LIABILITIES AND NET ASSETS</b>   |                            |                           |
| <i>Liabilities:</i>   |                            |                           |
| Accounts payable and accrued expenses   | \$1,399,852                | \$1,449,893               |
| Advances payable  | 1,679,064                  | 2,026,099                 |
| Capital lease obligations (Note 5)  | 253,191                    | 318,130                   |
| Loans payable (Note 6)  | 3,500,000                  | 0                         |
| Deferred rent (Note 7)  | <u>601,054</u>             | <u>343,855</u>            |
| Total Liabilities   | <u>7,433,161</u>           | <u>4,137,977</u>          |
| <br>  |                            |                           |
| <i>Net Assets:</i>  |                            |                           |
| Unrestricted:   |                            |                           |
| Undesignated  | 1,405,668                  | 837,243                   |
| Investment in fixed assets  | <u>767,401</u>             | <u>852,086</u>            |
| Total Unrestricted Net Assets   | 2,173,069                  | 1,689,329                 |
| Temporarily restricted (Note 8)   | <u>705,510</u>             | <u>1,813,127</u>          |
| Total Net Assets  | <u>2,878,579</u>           | <u>3,502,456</u>          |
| <br>  |                            |                           |
| <b>Total Liabilities and Net Assets</b>   | <u><u>\$10,311,740</u></u> | <u><u>\$7,640,433</u></u> |

*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, 2015 and 2014

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|  | <u>2015</u>               | <u>2014</u>               |
|--|---------------------------|---------------------------|
| <b>CHANGES IN UNRESTRICTED NET ASSETS:</b>           |                           |                           |
| Public Support & Revenue                             |                           |                           |
| Program service contracts:                           |                           |                           |
| State  | \$12,582,067              | \$8,824,922               |
| City   | 2,266,670                 | 1,556,951                 |
| Private contracts                                    | 5,375,734                 | 4,577,356                 |
|  | <u>20,224,471</u>         | <u>14,959,229</u>         |
| Contributions  | 2,951,136                 | 1,171,845                 |
| Interest and other income                            | 12,369                    | 43,833                    |
|  | <u>23,187,976</u>         | <u>16,174,907</u>         |
| Net assets released from restrictions                | 2,876,617                 | 5,605,640                 |
| Total public support and revenue                     | <u>26,064,593</u>         | <u>21,780,547</u>         |
| Expenses:  |                           |                           |
| Program services                                     | 20,983,378                | 17,656,378                |
| General and administrative                           | 4,220,193                 | 3,415,147                 |
| Fundraising  | 377,282                   | 441,909                   |
| Total expenses                                       | <u>25,580,853</u>         | <u>21,513,434</u>         |
| Increase in unrestricted net assets                  | <u>483,740</u>            | <u>267,113</u>            |
| <b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</b> |                           |                           |
| Contributions  | 1,769,000                 | 5,367,793                 |
| Net assets released from restrictions                | <u>(2,876,617)</u>        | <u>(5,605,640)</u>        |
| Decrease in temporarily restricted net assets        | <u>(1,107,617)</u>        | <u>(237,847)</u>          |
| Change in net assets                                 | (623,877)                 | 29,266                    |
| Net assets, beginning of year                        | <u>3,502,456</u>          | <u>3,473,190</u>          |
| <b>Net assets, end of year</b>                       | <u><u>\$2,878,579</u></u> | <u><u>\$3,502,456</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, 2015

(With comparative totals for the year ended June 30, 2014)

|                                 | Program Services    |                     |                        | Supporting Services        |                  | Total Expenses 2015 | Total Expenses 2014 |
|---------------------------------|---------------------|---------------------|------------------------|----------------------------|------------------|---------------------|---------------------|
|                                 | Transitional Jobs   | Vocational Services | Total Program Services | General and Administrative | Fund Raising     |                     |                     |
| <b>PERSONNEL</b>                |                     |                     |                        |                            |                  |                     |                     |
| Salaries and wages:             |                     |                     |                        |                            |                  |                     |                     |
| Staff                           | \$3,063,478         | \$4,993,677         | \$8,057,155            | \$1,938,363                | \$264,369        | \$10,259,887        | \$8,960,473         |
| Participants                    | 4,866,924           | 0                   | 4,866,924              | 0                          | 0                | 4,866,924           | 3,601,782           |
| Employee benefits:              |                     |                     |                        |                            |                  |                     |                     |
| Staff                           | 688,818             | 818,812             | 1,507,630              | 254,152                    | 30,183           | 1,791,965           | 1,653,144           |
| Participants                    | 613,812             | 0                   | 613,812                | 0                          | 0                | 613,812             | 317,455             |
| Payroll taxes:                  |                     |                     |                        |                            |                  |                     |                     |
| Staff                           | 280,430             | 449,833             | 730,263                | 112,593                    | 21,944           | 864,800             | 777,603             |
| Participants                    | 606,924             | 0                   | 606,924                | 0                          | 0                | 606,924             | 478,836             |
| <b>Total Personnel</b>          | <b>10,120,386</b>   | <b>6,262,322</b>    | <b>16,382,708</b>      | <b>2,305,108</b>           | <b>316,496</b>   | <b>19,004,312</b>   | <b>15,789,293</b>   |
| <b>OTHER THAN PERSONNEL</b>     |                     |                     |                        |                            |                  |                     |                     |
| Sub-contracts                   | 0                   | 0                   | 0                      | 0                          | 0                | 0                   | 85,000              |
| Consultants                     | 0                   | 268,031             | 268,031                | 685,785                    | 0                | 953,816             | 622,075             |
| Occupancy expense               | 247,127             | 1,101,082           | 1,348,209              | 337,330                    | 39,766           | 1,725,305           | 1,580,204           |
| Equipment purchases and rentals | 416,336             | 145,192             | 561,528                | 78,747                     | 2,617            | 642,892             | 614,550             |
| Publication and subscriptions   | 32                  | 11,954              | 11,986                 | 1,104                      | 138              | 13,228              | 16,011              |
| Training                        | 19,994              | 121,699             | 141,693                | 12,558                     | 1,900            | 156,151             | 124,191             |
| Office expenses                 | 162,582             | 24,541              | 187,123                | 89,603                     | 3,869            | 280,595             | 294,325             |
| Telephone                       | 64,641              | 196,839             | 261,480                | 85,074                     | 1,775            | 348,329             | 317,199             |
| Travel and subsistence          | 293,505             | 222,479             | 515,984                | 37,902                     | 0                | 553,886             | 551,456             |
| Insurance                       | 526,327             | 61,763              | 588,090                | 80,762                     | 4,132            | 672,984             | 521,667             |
| Office supplies                 | 4,176               | 64,445              | 68,621                 | 27,506                     | 613              | 96,740              | 107,795             |
| Interest                        | 0                   | 14,818              | 14,818                 | 68,659                     | 0                | 83,477              | 58,048              |
| Conference/meetings             | 0                   | 5,155               | 5,155                  | 4,216                      | 0                | 9,371               | 6,523               |
| Participant activities supplies | 251,477             | 26,469              | 277,946                | 0                          | 0                | 277,946             | 290,346             |
| Participant incentives          | 2,977               | 302,708             | 305,685                | 0                          | 0                | 305,685             | 262,827             |
| Bad debt expense                | 0                   | 0                   | 0                      | 2,548                      | 0                | 2,548               | 0                   |
| Miscellaneous                   | 22,273              | 22,048              | 44,321                 | 247,918                    | 5,976            | 298,215             | 154,275             |
| <b>Sub-total</b>                | <b>12,131,833</b>   | <b>8,851,545</b>    | <b>20,983,378</b>      | <b>4,064,820</b>           | <b>377,282</b>   | <b>25,425,480</b>   | <b>21,395,785</b>   |
| Depreciation expenses           | 0                   | 0                   | 0                      | 155,373                    | 0                | 155,373             | 117,649             |
| <b>Total Expenses</b>           | <b>\$12,131,833</b> | <b>\$8,851,545</b>  | <b>\$20,983,378</b>    | <b>\$4,220,193</b>         | <b>\$377,282</b> | <b>\$25,580,853</b> | <b>\$21,513,434</b> |

*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, 2014

|                                 | <u>Program Services</u>  |                            |                               | <u>Supporting Services</u>        |                     | <u>Total Expenses 2014</u> |
|---------------------------------|--------------------------|----------------------------|-------------------------------|-----------------------------------|---------------------|----------------------------|
|                                 | <u>Transitional Jobs</u> | <u>Vocational Services</u> | <u>Total Program Services</u> | <u>General and Administrative</u> | <u>Fund Raising</u> |                            |
| <u>PERSONNEL</u>                |                          |                            |                               |                                   |                     |                            |
| Salaries and wages:             |                          |                            |                               |                                   |                     |                            |
| Staff                           | \$2,642,652              | \$4,588,795                | \$7,231,447                   | \$1,412,639                       | \$316,387           | \$8,960,473                |
| Participants                    | 3,601,782                | 0                          | 3,601,782                     | 0                                 | 0                   | 3,601,782                  |
| Employee benefits:              |                          |                            |                               |                                   |                     |                            |
| Staff                           | 570,999                  | 763,164                    | 1,334,163                     | 280,940                           | 38,041              | 1,653,144                  |
| Participants                    | 317,455                  | 0                          | 317,455                       | 0                                 | 0                   | 317,455                    |
| Payroll taxes:                  |                          |                            |                               |                                   |                     |                            |
| Staff                           | 235,226                  | 406,253                    | 641,479                       | 112,854                           | 23,270              | 777,603                    |
| Participants                    | 478,836                  | 0                          | 478,836                       | 0                                 | 0                   | 478,836                    |
| <b>Total Personnel</b>          | <u>7,846,950</u>         | <u>5,758,212</u>           | <u>13,605,162</u>             | <u>1,806,433</u>                  | <u>377,698</u>      | <u>15,789,293</u>          |
| <u>OTHER THAN PERSONNEL</u>     |                          |                            |                               |                                   |                     |                            |
| Sub-contracts                   | 0                        | 85,000                     | 85,000                        | 0                                 | 0                   | 85,000                     |
| Consultants                     | 1,036                    | 165,870                    | 166,906                       | 455,096                           | 73                  | 622,075                    |
| Occupancy expense               | 281,969                  | 888,004                    | 1,169,973                     | 370,249                           | 39,982              | 1,580,204                  |
| Equipment purchases and rentals | 316,283                  | 193,145                    | 509,428                       | 100,216                           | 4,906               | 614,550                    |
| Publication and subscriptions   | 0                        | 11,534                     | 11,534                        | 4,477                             | 0                   | 16,011                     |
| Training                        | 3,790                    | 114,362                    | 118,152                       | 5,539                             | 500                 | 124,191                    |
| Office expenses                 | 134,789                  | 46,193                     | 180,982                       | 103,808                           | 9,535               | 294,325                    |
| Telephone                       | 61,924                   | 141,424                    | 203,348                       | 110,813                           | 3,038               | 317,199                    |
| Travel and subsistence          | 289,980                  | 218,414                    | 508,394                       | 42,117                            | 945                 | 551,456                    |
| Insurance                       | 344,541                  | 87,275                     | 431,816                       | 85,822                            | 4,029               | 521,667                    |
| Office supplies                 | 17,608                   | 56,836                     | 74,444                        | 32,337                            | 1,014               | 107,795                    |
| Interest                        | 0                        | 0                          | 0                             | 58,048                            | 0                   | 58,048                     |
| Conference/meetings             | 15                       | 2,988                      | 3,003                         | 3,520                             | 0                   | 6,523                      |
| Participant activities/supplies | 269,373                  | 20,973                     | 290,346                       | 0                                 | 0                   | 290,346                    |
| Participant incentives          | 4,662                    | 258,165                    | 262,827                       | 0                                 | 0                   | 262,827                    |
| Bad debt expense                | 0                        | 0                          | 0                             | 0                                 | 0                   | 0                          |
| Miscellaneous                   | 4,459                    | 30,604                     | 35,063                        | 119,023                           | 189                 | 154,275                    |
| <b>Sub-total</b>                | <u>9,577,379</u>         | <u>8,078,999</u>           | <u>17,656,378</u>             | <u>3,297,498</u>                  | <u>441,909</u>      | <u>21,395,785</u>          |
| Depreciation expenses           | 0                        | 0                          | 0                             | 117,649                           | 0                   | 117,649                    |
| <b>Total Expenses</b>           | <u>\$9,577,379</u>       | <u>\$8,078,999</u>         | <u>\$17,656,378</u>           | <u>\$3,415,147</u>                | <u>\$441,909</u>    | <u>\$21,513,434</u>        |

*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, 2015 and 2014

|  | <u>2015</u>             | <u>2014</u>             |
|--|-------------------------|-------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES:</b>  |                         |                         |
| Change in net assets   | (\$623,877)             | \$29,266                |
| Adjustments to reconcile change in net assets to net cash used for operating activities: |                         |                         |
| Depreciation   | 155,373                 | 117,649                 |
| Increase in contracts and contributions receivable                                       | (2,505,518)             | (672,418)               |
| Increase in prepaid expenses and security deposits                                       | (156,407)               | (398,282)               |
| (Decrease)/increase in accounts payable and accrued expenses                             | (50,041)                | 325,334                 |
| Decrease in advances payable   | (347,035)               | (961,812)               |
| Increase in deferred rent  | 257,199                 | 343,855                 |
| Net cash used for operating activities   | <u>(3,270,306)</u>      | <u>(1,216,408)</u>      |
| <b>CASH FLOW FROM INVESTING ACTIVITIES:</b>  |                         |                         |
| Purchase of equipment and leasehold improvements   | (70,688)                | (885,801)               |
| Net cash used for investing activities   | <u>(70,688)</u>         | <u>(885,801)</u>        |
| <b>CASH FLOW FROM FINANCING ACTIVITIES:</b>  |                         |                         |
| Proceeds from capital lease obligation   | 0                       | 352,892                 |
| Principal payments under capital lease obligation  | (64,939)                | (34,762)                |
| Repayments on loans  | (500,000)               | (6,000,000)             |
| Proceeds from loans  | 4,000,000               | 6,000,000               |
| Net cash provided by financing activities  | <u>3,435,061</u>        | <u>318,130</u>          |
| Net increase/(decrease) in cash and cash equivalents                                     | 94,067                  | (1,784,079)             |
| Cash and cash equivalents, beginning of year   | <u>707,558</u>          | <u>2,491,637</u>        |
| Cash and cash equivalents, end of year   | <u><u>\$801,625</u></u> | <u><u>\$707,558</u></u> |
| <b>Supplemental disclosure</b>   |                         |                         |
| Interest payments  | <u>\$83,477</u>         | <u>\$58,048</u>         |

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



## CENTER FOR EMPLOYMENT OPPORTUNITIES

Notes to Financial Statements

June 30, 2015 and 2014

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### 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”). 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.

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred, rather than when received or paid.

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

### Basis of Presentation

Not-for-profit organizations report information regarding their financial position and activities according to specific classes of net assets, as follows:

- \* Unrestricted – represents all activity without donor imposed restrictions. CEO has elected to provide additional information regarding unrestricted net assets by segregating between investments in fixed assets and undesignated.
- \* Temporarily restricted – accounts for activity based on specific donor restrictions that are expected to be satisfied by passage of time or performance of activities.
- \* Permanently restricted – accounts for activity restricted by donors that must remain intact in perpetuity. CEO did not have any activity of this type.

### Use of Estimates

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

### 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.

### Concentration of Credit Risk

Financial instruments which potentially subject CEO to concentration of credit risk consist of cash and money market accounts, which are placed with financial institutions that management deems to be creditworthy. From time to time and at year-end, CEO's balances were in excess of insurance levels by material amounts. However, CEO has not experienced any losses due to bank failure.

### Contributions

CEO records unconditional promises to give as revenue in the period received at net realizable value if expected to be received within one year or at the fair value using a risk adjusted discount rate if expected to be received after one year. Conditional promises are recognized when the conditions on which they depend are substantially met.

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

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

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 that has a useful life of more than one year and is greater than or equal to \$500. All improvements that cost at least \$5,000 are also capitalized.

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.

Advances Payable

Government grants are subject to audit by State and City auditors for a specified period of time after the grants have been completed. Once the statute of limitations has expired, it is CEO’s policy to remove any advances that remain on the books and recognize as revenue.

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

Rent Expense

Rent expense is recognized on the straight line basis over the full term of each lease. Deferred rent is reflected in periods where amounts paid exceed the rent expense recognized.

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.

Accounting for Uncertainty of Income Taxes

CEO does not believe its financial statements include any material uncertain tax positions. Tax filings for periods ending June 30, 2012 and later are subject to examination by applicable taxing authorities.

Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through January 5, 2016 the date the financial statements were available to be issued. All events that have occurred subsequent to the statement of financial position date through our evaluation date have been adjusted to or disclosed in the financial statements.

**NOTE 3**      **EQUIPMENT, FURNITURE AND FIXTURES, AND LEASEHOLD IMPROVEMENTS**

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

|                                | <u>2015</u>       | <u>2014</u>       |
|--------------------------------|-------------------|-------------------|
| Computer and project equipment | \$ 451,536        | \$ 431,399        |
| Office furniture and equipment | 869,428           | 837,744           |
| Vehicles                       | 57,514            | 57,514            |
| Leasehold improvements         | <u>631,633</u>    | <u>612,766</u>    |
|                                | 2,010,111         | 1,939,423         |
| Less: accumulated depreciation | <u>1,242,710</u>  | <u>1,087,337</u>  |
| Totals                         | <u>\$ 767,401</u> | <u>\$ 852,086</u> |

**NOTE 4 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 \$141,913 and \$143,404 for the years ended June 30, 2015 and 2014, respectively.

**NOTE 5 CAPITAL LEASE OBLIGATION**

During the year ended June 30, 2014, CEO entered into two separate agreements with a vendor whereby CEO leases furniture for its offices for sixty (60) months. The recurring monthly lease charges for the furniture, including principal and interest, totals \$6,753. Future annual principal payments are as follows:

|                                    |                  |
|------------------------------------|------------------|
| Total payments due – June 30, 2016 | \$68,655         |
| Total payments due – June 30, 2017 | 72,584           |
| Total payments due – June 30, 2018 | 76,738           |
| Total payments due – June 30, 2019 | <u>35,214</u>    |
| Total                              | <u>\$253,191</u> |

**NOTE 6 LOANS PAYABLE**

CEO maintains a line of credit, in the amount of \$5 million with a financial institution. The line of credit has a floating rate of interest at prime on any outstanding balance. The line of credit expires on March 1, 2016. At June 30, 2015, \$3,500,000 was outstanding on this line. However, at June 30, 2014, there was no amount outstanding.

**NOTE 7 COMMITMENTS AND CONTINGENCIES**

Lease Commitments

In October 2013, CEO entered into a 16-year operating lease agreement for the new CEO headquarters at 50 Broadway in New York, New York. The lease became effective March 2014 and expires in February 2030. The lease is subject to additional payments for utilities, maintenance, and real estate tax escalations.

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

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

CEO also leases office and program facilities in Buffalo, Albany and Rochester, New York, Tulsa and Oklahoma City, Oklahoma, San Diego and Oakland, California, and Philadelphia, Pennsylvania for the Transitional Jobs expansion initiatives in these locations. Leases expire at various points in 2016 for these locations.

Total rent expense was \$1,618,011 and \$1,498,273 for the years ended June 30, 2015 and 2014, respectively.

Minimum annual rental payments under these lease agreements in the years subsequent to June 30, 2015 are as follows:

| <u>Year-Ending</u> | <u>Total</u>        |
|--------------------|---------------------|
| 2016               | \$ 1,456,603        |
| 2017               | 1,453,094           |
| 2018               | 1,430,114           |
| 2019               | 1,312,355           |
| 2020               | 1,249,858           |
| Thereafter         | <u>10,191,564</u>   |
| Total              | <u>\$17,093,588</u> |

Cost Recovery Grants

Contracts are subject to audit by state and city auditors and costs charged to funding sources may be adjusted. Any adjustments will be recorded when it is probable that a liability has been incurred.

Litigation

In the normal course of business, legal actions occur. Based on advice of legal counsel, management does not believe any exposure to legal matters will have a material impact on the financial statements and has not recorded liabilities within the accompanying financial statement.

**NOTE 8      TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets and activity consist of:

|   | Net<br>Assets<br><u>7/1/14</u> | <u>Contributions</u> | Released<br>from<br><u>Restrictions</u> | Net<br>Assets<br><u>6/30/15</u> |
|---|--------------------------------|----------------------|---|---------------------------------|
| Program restrictions:                     |                                |                      |   |                                 |
| Improve Financial<br>Management Structure | \$0                            | \$123,500            | \$108,650                               | \$14,850                        |
| Employment and<br>Retention               | 879,206                        | 1,220,500            | 1,577,240                               | 522,466                         |
| Single Stop<br>Services                   | 428                            | 0                    | 428                                     | 0                               |
| E.D. Transition                           | 175,000                        | 0                    | 175,000                                 | 0                               |
| Fund Development                          | 521,846                        | 0                    | 521,846                                 | 0                               |
| Other programs                            | <u>236,647</u>                 | <u>275,000</u>       | <u>443,453</u>                          | <u>68,194</u>                   |
| Total program<br>restrictions             | 1,813,127                      | 1,619,000            | 2,826,617                               | 605,510                         |
| Time                                      | <u>0</u>                       | <u>150,000</u>       | <u>50,000</u>                           | <u>100,000</u>                  |
| Total                                     | <u>\$1,813,127</u>             | <u>\$1,769,000</u>   | <u>\$2,876,617</u>                      | <u>\$705,510</u>                |

|                             | Net<br>Assets<br><u>7/1/13</u> | <u>Contributions</u> | Released<br>from<br><u>Restrictions</u> | Net<br>Assets<br><u>6/30/14</u> |
|-----------------------------|--------------------------------|----------------------|---|---------------------------------|
| Program restrictions:       |                                |                      |   |                                 |
| Social Innovation<br>Fund   | \$1,424,648                    | \$2,011,784          | \$3,436,432                             | \$0                             |
| Adopt-A-Crew<br>Model       | 117,597                        | 0                    | 117,597                                 | 0                               |
| Employment and<br>Retention | 450,277                        | 1,654,700            | 1,225,771                               | 879,206                         |
| Single Stop<br>Services     | 0                              | 140,000              | 139,572                                 | 428                             |
| Moving                      | 0                              | 200,000              | 200,000                                 | 0                               |
| E.D. Transition             | 0                              | 175,000              | 0                                       | 175,000                         |
| Fund Development            | 0                              | 750,000              | 228,154                                 | 521,846                         |
| Other programs              | <u>58,452</u>                  | <u>436,309</u>       | <u>258,114</u>                          | <u>236,647</u>                  |
| Total                       | <u>\$2,050,974</u>             | <u>\$5,367,793</u>   | <u>\$5,605,640</u>                      | <u>\$1,813,127</u>              |