Financial Statements and Report of Independent Certified Public Accountants

Center for Employment Opportunities

June 30, 2022 and 2021

Contents

GRANT THORNTON LLP
757 Third Avenue, 9th Floor
New York, NY 10017

D +1 212 599 0100
F +1 212 370 4520

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of:
Center for Employment Opportunities

Opinion

We have audited the financial statements of Center for Employment Opportunities ("CEO"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CEO as of June 30, 2022 and 2021, 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.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CEO and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CEO's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CEO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CEO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

New York, New York
November 30, 2022

Center for Employment Opportunities

STATEMENTS OF FINANCIAL POSITION

June 30,

	2022	2021
ASSETS		
Cash and cash equivalents	$ 12,885,470	$ 13,145,310
Contributions receivable	3,707,478	1,411,209
Contracts receivable	22,178,117	19,689,412
Prepaid expenses and other assets	1,041,517	617,292
Security deposits	352,959	336,036
Fixed assets, net	1,692,367	2,497,132
Total assets	$ 41,857,908	$ 37,696,391
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 9,878,204	$ 10,263,526
Advances payable	834,489	443,668
Capital lease obligation	182,292	231,842
Deferred rent	1,661,633	1,647,792
Total liabilities	12,556,618	12,586,828
Commitments and contingencies		
Net assets		
Without donor restrictions:		
Undesignated	19,702,521	16,898,387
Investment in fixed assets	1,510,075	2,265,290
Total net assets without donor restrictions	21,212,596	19,163,677
With donor restrictions	8,088,694	5,945,886
Total net assets	29,301,290	25,109,563
Total liabilities and net assets	$ 41,857,908	$ 37,696,391

The accompanying notes are an integral part of these financial statements.

Center for Employment Opportunities

STATEMENTS OF ACTIVITIES

Years ended June 30,

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Public support and revenues						
Program service contracts	$ 60,870,531	$ -	$ 60,870,531	$ 51,831,907	$ -	$ 51,831,907
Contributions	16,166,514	10,749,005	26,915,519	25,394,846	13,008,215	38,403,061
Interest and other income	11,622	-	11,622	261,939	-	261,939
Net assets released from restrictions	8,606,197	(8,606,197)	-	9,253,920	(9,253,920)	-
Total public support and revenue	85,654,864	2,142,808	87,797,672	86,742,612	3,754,295	90,496,907
Expenses						
Program services:						
Transitional jobs	44,490,245	-	44,490,245	43,601,286	-	43,601,286
Vocational services	30,291,181	-	30,291,181	46,365,398	-	46,365,398
Inclusive hiring	1,430,615	-	1,430,615	459,057	-	459,057
Total program services	76,212,041	-	76,212,041	90,425,741	-	90,425,741
Supporting services:						
General and administrative	4,426,654	-	4,426,654	8,091,073	-	8,091,073
Fundraising	2,967,250	-	2,967,250	1,788,107	-	1,788,107
Total supporting services	7,393,904	-	7,393,904	9,879,180	-	9,879,180
Total expenses	83,605,945	-	83,605,945	100,304,921	-	100,304,921
CHANGE IN NET ASSETS	2,048,919	2,142,808	4,191,727	(13,562,309)	3,754,295	(9,808,014)
Net assets, beginning of year	19,163,677	5,945,886	25,109,563	32,725,986	2,191,591	34,917,577
Net assets, end of year	$ 21,212,596	$ 8,088,694	$ 29,301,290	$ 19,163,677	$ 5,945,886	$ 25,109,563

The accompanying notes are an integral part of these financial statements.

Center for Employment Opportunities

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

	Program Services				Supporting Services			
	Transitional Jobs	Vocational Services	Inclusive Hiring	Total Program Services	General and Administrative	Fundraising	Total Expenses 2022	Total Expenses 2021
Personnel								
Salaries and wages:								
Staff	$ 12,009,056	$ 15,643,693	$ 395,710	$ 28,048,459	$ 1,978,177	$ 1,974,832	$ 32,001,468	$ 29,534,090
Participants	17,413,895	-	-	17,413,895	-	-	17,413,895	14,857,571
Employee benefits:								
Staff	2,706,493	2,993,777	72,876	5,773,146	326,691	328,260	6,428,097	6,343,496
Participants	1,497,146	-	-	1,497,146	-	-	1,497,146	2,888,210
Payroll taxes:								
Staff	987,795	1,479,504	38,626	2,505,925	176,886	201,512	2,884,323	2,828,479
Participants	1,853,123	-	-	1,853,123	-	-	1,853,123	1,482,865
Total personnel	36,467,508	20,116,974	507,212	57,091,694	2,481,754	2,504,604	62,078,052	57,934,711
Other than personnel								
Professional services	30,343	714,048	881,793	1,626,184	486,317	241,488	2,353,989	1,248,191
Occupancy	281,907	4,555,003	-	4,836,910	109,797	24,189	4,970,896	4,159,570
Equipment and technology	113,363	529,688	1,047	644,098	437,569	12,299	1,093,966	974,658
Utilities	122,647	1,029,616	1,490	1,153,753	43,483	10,678	1,207,914	831,356
Staff travel, training and other expenses	104,479	476,314	32,608	613,401	50,929	83,839	748,169	256,716
Office expenses	455,827	346,514	1,270	803,611	119,853	18,618	942,082	796,990
Vehicle expenses	4,053,632	100,736	-	4,154,368	245	846	4,155,459	3,512,870
Participant expenses	1,405,116	1,905,101	-	3,310,217	-	-	3,310,217	24,263,084
Insurance	1,277,861	224,458	5,195	1,507,514	25,718	25,689	1,558,921	1,278,619
Interest, finance, and other banking expenses	-	-	-	-	21,537	-	21,537	22,345
Other	1,113	68,198	-	69,311	5,905	-	75,216	59,388
Total other than personnel	7,846,288	9,949,676	923,403	18,719,367	1,301,353	417,646	20,438,366	37,403,787
Accrued contingency loss	-	-	-	-	-	-	-	3,867,458
Depreciation	176,449	224,531	-	400,980	643,547	45,000	1,089,527	1,098,965
TOTAL EXPENSES	$ 44,490,245	$ 30,291,181	$ 1,430,615	$ 76,212,041	$ 4,426,654	$ 2,967,250	$ 83,605,945	$ 100,304,921

The accompanying notes are an integral part of this financial statement.

Center for Employment Opportunities

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	Program Services				Supporting Services		
	Transitional Jobs	Vocational Services	Inclusive Hiring	Total Program Services	General and Administrative	Fundraising	Total Expenses 2021
Personnel							
Salaries and wages:							
Staff	$ 11,492,542	$ 14,705,510	$ 24,267	$ 26,222,319	$ 1,988,066	$ 1,323,705	$ 29,534,090
Participants	14,857,571	-	-	14,857,571	-	-	14,857,571
Employee benefits:							
Staff	3,036,080	2,791,255	4,192	5,831,527	325,218	186,751	6,343,496
Participants	2,888,210	-	-	2,888,210	-	-	2,888,210
Payroll taxes:							
Staff	1,120,264	1,394,888	5,784	2,520,936	186,416	121,127	2,828,479
Participants	1,482,865	-	-	1,482,865	-	-	1,482,865
Total personnel	34,877,532	18,891,653	34,243	53,803,428	2,499,700	1,631,583	57,934,711
Other than personnel							
Professional services	26,813	291,386	424,814	743,013	460,863	44,315	1,248,191
Occupancy	193,232	3,834,209	-	4,027,441	106,340	25,789	4,159,570
Equipment and technology	185,889	465,893	-	651,782	308,754	14,122	974,658
Utilities	71,460	705,610	-	777,070	50,440	3,846	831,356
Staff travel, training and other expenses	69,998	165,742	-	235,740	16,031	4,945	256,716
Office expenses	454,559	243,280	-	697,839	96,163	2,988	796,990
Vehicle expenses	3,424,035	88,835	-	3,512,870	-	-	3,512,870
Participant expenses	3,082,636	21,180,448	-	24,263,084	-	-	24,263,084
Insurance	1,054,814	185,144	-	1,239,958	23,142	15,519	1,278,619
Interest, finance, and other banking expenses	-	-	-	-	22,345	-	22,345
Other	3,138	52,463	-	55,601	3,787	-	59,388
Total other than personnel	8,566,574	27,213,010	424,814	36,204,398	1,087,865	111,524	37,403,787
Accrued contingency loss	-	-	-	-	3,867,458	-	3,867,458
Depreciation	157,180	260,735	-	417,915	636,050	45,000	1,098,965
TOTAL EXPENSES	$ 43,601,286	$ 46,365,398	$ 459,057	$ 90,425,741	$ 8,091,073	$ 1,788,107	$ 100,304,921

The accompanying notes are an integral part of this financial statement.

Center for Employment Opportunities

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 4,191,727	$ (9,808,014)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,089,527	1,098,965
Changes in assets and liabilities:		
Increase in contracts and contributions receivable	(4,784,974)	(5,444,376)
Increase in prepaid expenses and security deposits	(441,148)	(7,015)
(Decrease) increase in accounts payable and accrued expenses	(385,322)	6,106,083
Increase in advances payable	390,821	335,385
Increase in deferred rent	13,841	70,265
Net cash provided by (used in) operating activities	74,472	(7,648,707)
Cash flows from investing activities:		
Purchase of equipment and leasehold improvements	(284,762)	(383,642)
Net cash used in investing activities	(284,762)	(383,642)
Cash flows from financing activities:		
Principal payments under capital lease obligations	(49,550)	(28,018)
Capital lease obligation	-	259,860
Net cash (used in) provided by financing activities	(49,550)	231,842
NET DECREASE IN CASH AND CASH EQUIVALENTS	(259,840)	(7,800,507)
Cash and cash equivalents, beginning of year	13,145,310	20,945,817
Cash and cash equivalents, end of year	$ 12,885,470	$ 13,145,310
Supplemental disclosure:		
Interest payments	$ 7,178	$ 13,750

The accompanying notes are an integral part of these financial statements.

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 (the "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, 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 recently released from incarceration and/or with experience with the criminal legal system, 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; impact the field of reentry more broadly; and to disseminate information regarding the work of the corporation and the administration of such services.

CEO has been operating two main programs, the Transitional Jobs ("TJ") and the Vocational Services ("VS") and in fiscal 2021 commenced an Inclusive Hiring ("IH") program. TJ, which is CEO's signature work experience program, provides immediate, paid, time-limited employment for people with justice involvement 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. The IH assists mid-sized and large private sector employers in improving their hiring practices with a view to creating more job openings for job seekers with past convictions. In addition, the IH program provides support to prospective employers in building local employment pipelines for those with justice involvement across multiple markets, including in cities where CEO operates. Consistent with CEO's mission and strategic plan, this work expands employment opportunities and advances economic mobility and equity for returning citizens. CEO is dedicated to providing immediate, effective and comprehensive employment services to men and women with recent experience with the criminal legal system. CEO's highly structured programs help participants regain the skills and confidence needed for successful transitions to stable, productive lives.

CEO's vision is that anyone with a recent criminal history who wants to work has the preparation and support needed to find a job and to stay connected to the labor force.

CEO has its headquarters in New York City, and offices in the Bronx, Albany, Buffalo, Rochester, Philadelphia, Pittsburgh, Harrisburg, Fresno, Oakland, San Bernardino, San Diego, San Jose, Los Angeles, Marin County, Riverside, Sacramento, Solano, Oklahoma City, Tulsa, Denver, Colorado Spring, Louisville, New Orleans, Cincinnati, Cleveland, Columbus, Memphis, Detroit, Pontiac, Atlanta, and Charlotte.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying financial statements have been prepared under accounting principles generally accepted in the United States of America ("US GAAP"). The following are the significant accounting policies consistently applied in preparation of the accompanying financial statements.

CEO's net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of CEO and changes therein are classified and reported as follows:

Net assets without donor restrictions - include funds that have not been restricted by donors and are, therefore, available for use in carrying out the general operations of CEO. Investment in fixed assets represents resources designated for leasehold improvements, furniture and fixtures and equipment, less accumulated depreciation and capital lease obligations. Net assets without donor restrictions may be designated for specific purpose by actions of the Board of Directors.

Net assets with donor restrictions - include funds that have been restricted by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of CEO pursuant to those stipulations. Also, it includes funds whereby donors have stipulated that the corpus contributed be invested and maintained in perpetuity. As of June 30, 2022 and 2021, CEO did not have any net assets that are to be maintained in perpetuity.

Cash and Cash Equivalents

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

Concentrations of Credit Risk

Financial instruments which potentially subject CEO to concentrations 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, CEO's balances may exceed the Federal Deposit Insurance Corporation ("FDIC") limits. Management does not believe that a significant risk of loss due to the failure of a financial institution CEO utilizes is likely.

Public Support and Revenues

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers ("ASC 606")*, CEO recognizes revenue when control of the promised goods or services are transferred in an amount that reflects the consideration CEO expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

ASC 606 also requires expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. CEO recognizes contracts with customers, as goods or services are transferred or provided in accordance with ASC 606.

CEO recognizes revenue from contributions, grants and contracts in accordance with Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Accordingly, CEO evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, CEO applies guidance under ASC 606. If the transfer of assets is determined to be a contribution, CEO evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before CEO is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received or pledged at their net realizable value. Unconditional promises to give, which are to be received after one year, are discounted using an appropriate discount rate (credit adjusted) commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided based on management's judgement, including such factors as prior collection history and type of contribution. Receivables are written-off in the period in which they are deemed uncollectible.

Contributions received with purpose or time restrictions are reported as increases in net assets with donor restrictions. When a 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 on the statements of activities as net assets released from restrictions. Contributions subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in net assets with donor restriction.

Conditional promises to give and intentions to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. During fiscal 2019, CEO was the recipient of a conditional grant award from a private foundation that provided funding up to $19 million in support of CEO's strategic plan. The award period commenced on January 1, 2019, continuing for a period of no less than 30 months. Under the terms of the grant award, CEO received the remaining payment of $6 million in fiscal year 2021. Additionally, during fiscal 2022, CEO was the recipient of another conditional grant award from a private foundation that provided funding up to $27 million in support of CEO's strategic plan. The award period commenced on July 1, 2021, continuing through June 30, 2024. Under the terms of the grant award, CEO received $8 million in fiscal year 2022. These are included in contributions revenue on the fiscal 2021 and 2022 statement of activities because the conditions were satisfied

CEO received other new conditional pledges of approximately $1,457,000 and $1,750,000 during the years ended June 30, 2022 and 2021, respectively. CEO has recorded contributions revenue on the accompanying statement of activities of approximately $625,000 and $625,000 for the years ended June 30, 2022 and 2021, respectively, the extent to which the conditions on the pledges have been met. As of June 30, 2022 and 2021, CEO has conditional pledges outstanding of approximately $906,000 and $1,318,000, respectively. Pledge receivables are contingent upon CEO reaching specified milestones as set forth in the grant agreements.

As a result of COVID-19, in April 2020, CEO launched the Returning Citizen Stimulus ("RCS") initiative, a nation-wide initiative under its VS program. Under RCS, CEO provides cash assistance to eligible individuals while providing direct support or connecting them to essential reentry support providers. With the support and collaboration of sponsoring foundations, CEO has raised approximately $31 million in contributions since the inception of the initiative. Under this initiative, CEO received and recorded $14.1 million during fiscal 2021, and this amount is included in contributions revenue on the accompanying fiscal 2021 statement of activities. There were no receipts in fiscal year 2022.

Program Service Contracts

Cost Recovery Grants

The terms under which these grants are awarded provide for reimbursement of actual expenditures during the grant period. These funds are received in either predetermined installments or increments, based upon expenses incurred. Accordingly, grant income is recognized in accordance with allowable expenditures (barriers) incurred. Any excess or deficiency of cash receipts over expenditures incurred is reported as advance payable or contracts receivable in the statements of financial position.

Performance-Based Grants

The terms under which these grants are awarded provide for payment based on unit costs for agreed-upon milestones achieved during 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 (barriers).

Fixed Assets

Equipment, furniture, fixtures, computer software and project equipment, automobiles 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, software and project equipment	3 years
Automobiles	5 years

Leasehold improvements are amortized over the estimated useful lives of the improvements or the term of the leases to which they pertain, whichever is shorter.

CEO capitalizes all fixed asset purchases with useful lives of more than one year and with a cost greater than or equal to $5,000. All improvements that cost at least $5,000 are also capitalized.

Advances Payable

Program service contracts received during the year wherein CEO has not yet completed its obligation as stipulated are recorded as advances payable until CEO has discharged its designated obligations.

Rent Expense

Rent expense is recognized on a straight-line basis over the term of each respective lease. The difference between rent expense and payments made under the respective lease are reflected as deferred rent.

Functional Expenditures

Direct expenses are assigned to various programs and supporting services based upon actual costs incurred. Indirect expenses are allocated to the various programs and supporting services based upon various allocation factors, including square footage occupied, number of employees or salaries. A portion of general and administrative costs that benefit multiple cost centers (indirect costs) have been allocated to programs and fundraising based on the proportion of a salary and fringe benefit base of the program and fundraising.

Accounting for Uncertainty of Income Taxes

CEO follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

CEO is exempt from federal income tax under the Code Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. CEO has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated business income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. CEO has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. In addition, CEO has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires organizations to recognize lease assets and related lease liabilities on the statement of financial position for the rights of use of leased assets and obligations under the lease. This ASU (as amended) is effective for annual periods beginning on or after December 15, 2021. CEO is currently evaluating the effect the new standard will have on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU improves transparency in the reporting of contributed nonfinancial assets for not-for-profit organizations. ASU 2020-07 will be effective for annual periods beginning on or after June 15, 2021. Early adoption is permitted. CEO is currently evaluating the new guidance and has not determined the impact this standard may have on its financial statements.

Subsequent Events

CEO has evaluated its June 30, 2022 financial statements for subsequent events through November 30, 2022, the date the financial statements were available to be issued. CEO is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

NOTE 3 - FIXED ASSETS, NET

Fixed assets, net, as of June 30, 2022 and 2021 consist of the following:

	2022	2021
Computer and project equipment	$ 743,125	$ 743,125
Computer software	2,231,959	2,231,959
Equipment, furniture and fixtures	2,094,172	1,969,341
Automobiles	1,031,442	863,424
Assets not yet placed in service	-	15,300
Leasehold improvements for renovations to leased space	859,333	859,333
	6,960,031	6,682,482
Less: accumulated depreciation	(5,267,664)	(4,185,350)
Fixed assets, net	$ 1,692,367	$ 2,497,132

NOTE 4 - BORROWINGS UNDER LINE OF CREDIT

CEO maintains a line of credit in the amount of $7,000,000 with a financial institution that is secured by certain assets of CEO. At June 30, 2022 and 2021, there were no outstanding borrowings under this line of credit facility. Borrowings bear interest at the prime rate (4.75% and 3.25% at June 30, 2022 and 2021, respectively). The line of credit expires on December 31, 2022.

NOTE 5 - PENSION PLAN

CEO maintains a defined contribution tax sheltered annuity plan (the “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 Plan. Contributions to the Plan amounted to approximately $545,000 and $519,000 for the years ended June 30, 2022 and 2021, respectively.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTION

Donor restricted net assets and activity as of and for the year ended June 30, 2022 consist of the following:

	Net Assets July 1, 2021	Contributions	Released from Restrictions	Net Assets June 30, 2022
Purpose restrictions:				
Economic mobility	$ 268,201	$ 506,200	$ 257,240	$ 517,161
Employment and retention	1,400,287	8,898,658	4,158,364	6,140,581
Expansion and system upgrade	750,000	-	750,000	-
Inclusive hiring	375,000	670,000	923,675	121,325
Other programs	3,152,398	674,147	2,516,918	1,309,627
Total purpose restrictions	$ 5,945,886,	$ 10,749,005	$ 8,606,197	$ 8,088,694

Donor restricted net assets and activity as of and for the year ended June 30, 2021 consist of the following:

	Net Assets July 1, 2020	Contributions	Released from Restrictions	Net Assets June 30, 2021
Purpose restrictions:				
Economic mobility	$ 1,227,561	$ 4,650,000	$ (5,609,360)	$ 268,201
Employment and retention	609,627	1,985,875	(1,195,215)	1,400,287
Expansion and system upgrade	-	1,991,196	(1,241,196)	750,000
Inclusive hiring	59,057	775,000	(459,057)	375,000
Other programs	295,346	3,606,144	(749,092)	3,152,398
Total purpose restrictions	$ 2,191,591	$ 13,008,215	$ (9,253,920)	$ 5,945,886

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

CEO structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due and CEO deposits excess cash in operating requirements in an interest-bearing account.

CEO's cash flow has variation during the year attributable to the timing of contract execution. To manage liquidity, CEO maintains a bank line of credit that can be drawn upon as needed during the year to manage cash flows. Additionally, if needed CEO maintains corporate and vendor payment commercial charge credit card programs.

As of June 30, 2022 and 2021, CEO's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2022	2021
Cash and cash equivalents	$ 12,885,470	$ 13,145,310
Contribution receivables	3,707,478	1,411,209
Contracts receivable	22,178,117	19,689,412
Financial assets available to meet cash needs for general expenditures within one year	$ 38,771,065	$ 34,245,931

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Lease Commitments

In October 2013, CEO entered into a 16-year operating lease agreement for its new CEO headquarters located 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 2014, CEO entered into a 10-year operating lease agreement for its office space located in Tulsa, Oklahoma. The lease became effective May 1, 2014 and expires on April 30, 2024. The lease is subject to base rent escalations. This lease was terminated in December 2021. In March 2022, CEO entered into a six year replacement lease. The lease became effective June 1, 2022 and expires on June 30, 2028. The lease is subject to additional payments for utilities, maintenance, and real estate tax escalations.

In October 2015, CEO entered into an operating lease agreement for its office space located in Oakland, California. The lease became effective October 1, 2015 and expires on December 31, 2025. The lease is subject to base rent escalations.

In April 2020, CEO entered into an operating lease agreement for its office space located in San Diego, California. The lease became effective April 1, 2020 and expires on March 30, 2030. The lease is subject to base rent escalations.

In April 2020, CEO entered into an operating lease agreement for its office space located in the Bronx, New York. The lease became effective September 26, 2019 and expires on November 30, 2029. The lease is subject to base rent escalations.

In January 2022, CEO entered into a 5-year operating lease agreement for its office space located in San Bernardino and Riverside, California. The lease became effective March 1, 2022 and expires on February 28, 2027. The lease is subject to base rent escalations.

In June 2021, CEO entered into an operating lease agreement for its office space located in Atlanta, Georgia. The lease became effective June 7, 2021 and expires on July 31, 2026. The lease is subject to base rent escalations.

CEO also leases office and program facilities in Bronx, Buffalo, Albany and Rochester, New York, Tulsa and Oklahoma City, Oklahoma, Fresno, Marin County, San Diego, San Bernardino, San Jose, Sacramento, Los Angeles, Solano, Oakland, and Riverside California, Harrisburg, Philadelphia and Pittsburgh, Pennsylvania, Colorado Spring, and Denver, Colorado, Louisville, Kentucky, New Orleans, Louisiana, Cincinnati, Cleveland and Columbus, Ohio, Memphis, Tennessee, Detroit, Michigan, and Charlotte, North Carolina for its TJ expansion initiatives operated at these locations. The leases pertaining to these office and program facilities expire at various dates through 2027.

Total rent expense approximated $4,081,000 and $3,751,000 for the years ended June 30, 2022 and 2021, respectively.

Minimum annual rental payments due under these lease agreements in the years subsequent to June 30, 2022 are as follows:

Years Ending June 30:	Total
2023	$ 3,827,067
2024	3,411,831
2025	3,133,256
2026	2,641,961
2027	2,284,728
Thereafter	5,212,309
Total	$ 20,511,152

Cost Recovery Grants

In accordance with the terms of certain government grants and contracts, the records of CEO are subject to audit by state and city auditors after the date of final payment of the contracts. CEO is liable for any disallowed costs; however, CEO believes that the amount of costs disallowed, if any, would not be material to the accompanying financial statements.

Litigation

(i) Complaints

CEO is a party to various legal proceedings and claims. CEO does not believe that any of the claims have merit and, while it is not feasible to predict the ultimate outcome of any matter, management does not believe that any such proceedings or claims would be likely to have a material adverse effect on CEO's financial position, changes in net assets or cash flows.

(ii) Claim Settlement

On February 9, 2021, a class action complaint was filed against CEO, primarily alleging certain California wage and hour violations. In June, the parties engaged in a mediation which resulted in a settlement in the amount of $3,750,000 plus payroll taxes. A hearing on judicial preliminary approval for the settlement agreement occurred on August 18, 2022; however, the judge requested additional documentation on one issue before the court will grant preliminary approval. CEO has recognized a $3.9 million provision in relation to this action. In entering into the settlement agreement, CEO does not admit, and specifically denies, that it violated any law or regulation.