

Financial Statements and Report of  
Independent Certified Public  
Accountants

**Center for Employment Opportunities**

June 30, 2025 and 2024

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**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, 2025 and 2024, 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, 2025 and 2024, 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 available to be 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  
March 20, 2026

**Center for Employment Opportunities**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30,**

	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 28,460,664	\$ 24,418,122
Contributions receivable, net	4,780,445	4,213,171
Contracts receivable	34,399,222	34,461,152
Prepaid expenses and other assets	1,757,435	2,481,742
Security deposits	422,523	413,904
Fixed assets, net	1,031,641	1,033,162
Right-of-use assets	14,897,250	15,721,429
	<b>\$ 85,749,180</b>	<b>\$ 82,742,682</b>
Total assets	<b>\$ 85,749,180</b>	<b>\$ 82,742,682</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 7,918,903	\$ 4,401,111
Advances payable	1,339,040	326,637
Deferred revenues	12,500,000	5,500,000
Lease liabilities	16,450,644	17,343,050
	<b>38,208,587</b>	<b>27,570,798</b>
Total liabilities	<b>38,208,587</b>	<b>27,570,798</b>
<b>Net assets</b>		
Without donor restrictions:		
Undesignated	38,174,307	46,805,663
Investment in fixed assets	1,031,641	1,033,162
	<b>39,205,948</b>	<b>47,838,825</b>
Total net assets without donor restrictions	<b>39,205,948</b>	<b>47,838,825</b>
With donor restrictions	<b>8,334,645</b>	<b>7,333,059</b>
Total net assets	<b>47,540,593</b>	<b>55,171,884</b>
Total liabilities and net assets	<b>\$ 85,749,180</b>	<b>\$ 82,742,682</b>

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

**Center for Employment Opportunities**

**STATEMENTS OF ACTIVITIES**

Years ended June 30,

	<b>2025</b>			<b>2024</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Public support and revenues</b>						
Program service contracts	\$ 88,397,206	\$ -	\$ 88,397,206	\$ 78,791,677	\$ -	\$ 78,791,677
Contributions	18,994,910	8,688,743	27,683,653	44,878,754	8,911,671	53,790,425
Interest and other income	664,311	-	664,311	2,076,827	-	2,076,827
Net assets released from restrictions	7,687,157	(7,687,157)	-	9,589,898	(9,589,898)	-
Total public support and revenue	<u>115,743,584</u>	<u>1,001,586</u>	<u>116,745,170</u>	<u>135,337,156</u>	<u>(678,227)</u>	<u>134,658,929</u>
<b>Expenses</b>						
Program services:						
Transitional jobs	60,542,906	-	60,542,906	55,232,668	-	55,232,668
Vocational services	47,932,606	-	47,932,606	42,346,051	-	42,346,051
Inclusive hiring	1,145,229	-	1,145,229	887,868	-	887,868
Total program services	<u>109,620,741</u>	<u>-</u>	<u>109,620,741</u>	<u>98,466,587</u>	<u>-</u>	<u>98,466,587</u>
Supporting services:						
General and administrative	9,704,674	-	9,704,674	7,058,457	-	7,058,457
Fundraising	5,051,046	-	5,051,046	4,797,059	-	4,797,059
Total supporting services	<u>14,755,720</u>	<u>-</u>	<u>14,755,720</u>	<u>11,855,516</u>	<u>-</u>	<u>11,855,516</u>
Total expenses	<u>124,376,461</u>	<u>-</u>	<u>124,376,461</u>	<u>110,322,103</u>	<u>-</u>	<u>110,322,103</u>
<b>CHANGE IN NET ASSETS</b>	(8,632,877)	1,001,586	(7,631,291)	25,015,053	(678,227)	24,336,826
<b>Net assets, beginning of period</b>	<u>47,838,825</u>	<u>7,333,059</u>	<u>55,171,884</u>	<u>22,823,772</u>	<u>8,011,286</u>	<u>30,835,058</u>
<b>Net assets, end of year</b>	<u>\$ 39,205,948</u>	<u>\$ 8,334,645</u>	<u>\$ 47,540,593</u>	<u>\$ 47,838,825</u>	<u>\$ 7,333,059</u>	<u>\$ 55,171,884</u>

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

Center for Employment Opportunities

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2025

(with comparative totals for the year ended June 30, 2024)

	Program Services			Total Program Services	Supporting Services		Total Expenses 2025	Total Expenses 2024
	Transitional Jobs	Vocational Services	Inclusive Hiring		General and Administrative	Fundraising		
<b>Personnel</b>								
Salaries and wages								
Staff	\$ 13,773,943	\$ 23,078,690	\$ 739,346	\$ 37,591,979	\$ 3,792,814	\$ 3,151,716	\$ 44,536,509	\$ 42,111,827
Participants	24,781,647	-	-	24,781,647	-	-	24,781,647	24,013,818
Employee benefits								
Staff	3,714,369	4,596,684	98,812	8,409,865	557,665	556,334	9,523,864	8,496,687
Participants	3,709,187	-	-	3,709,187	-	-	3,709,187	2,470,220
Payroll taxes								
Staff	1,294,743	2,052,579	62,905	3,410,227	324,902	286,874	4,022,003	3,614,786
Participants	2,303,908	-	-	2,303,908	-	-	2,303,908	2,131,750
Total personnel	49,577,797	29,727,953	901,063	80,206,813	4,675,381	3,994,924	88,877,118	82,839,088
<b>Other than personnel</b>								
Professional services	141,438	1,104,399	147,586	1,393,423	1,063,539	652,643	3,109,605	2,326,624
Occupancy	461,691	5,533,381	-	5,995,072	126,042	61,110	6,182,224	5,954,901
Equipment and technology	98,902	480,687	3,873	583,462	1,041,922	17,346	1,642,730	1,817,661
Utilities	114,204	1,321,494	1,271	1,436,969	69,804	12,570	1,519,343	1,367,000
Staff travel, training and other expenses	151,459	1,232,676	60,703	1,444,838	64,535	180,569	1,689,942	1,495,233
Office expenses	1,400,808	534,656	13,350	1,948,814	180,478	37,730	2,167,022	1,743,583
Vehicle expenses	4,026,614	260,625	-	4,287,239	2,935	4,286	4,294,460	3,861,312
Participant expenses	1,989,686	4,372,578	284	6,362,548	297	5,154	6,367,999	5,847,607
Insurance	2,082,711	461,456	14,767	2,558,934	69,995	58,905	2,687,834	2,006,676
Interest, finance, and other banking expenses	267	6,926	57	7,250	55,428	5,337	68,015	24,434
Grants and sponsorships	8,234	2,697,142	2,275	2,707,651	-	20,472	2,728,123	571,676
Other	335,655	46,714	-	382,369	2,328,180	-	2,710,549	33,315
Depreciation	153,440	151,919	-	305,359	26,138	-	331,497	432,993
Total other than personnel	10,965,109	18,204,653	244,166	29,413,928	5,029,293	1,056,122	35,499,343	27,483,015
Total expenses	\$ 60,542,906	\$ 47,932,606	\$ 1,145,229	\$ 109,620,741	\$ 9,704,674	\$ 5,051,046	\$ 124,376,461	\$ 110,322,103

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

Center for Employment Opportunities

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2024

	Program Services			Total Program Services	Supporting Services		Total Expenses 2024
	Transitional Jobs	Vocational Services	Inclusive Hiring		General and Administrative	Fundraising	
<b>Personnel</b>							
Salaries and wages							
Staff	\$ 12,780,268	\$ 21,901,397	\$ 671,899	\$ 35,353,564	\$ 3,654,680	\$ 3,103,583	\$ 42,111,827
Participants	24,013,818	-	-	24,013,818	-	-	24,013,818
Employee benefits							
Staff	3,013,225	4,267,302	97,671	7,378,198	567,865	550,624	8,496,687
Participants	2,470,220	-	-	2,470,220	-	-	2,470,220
Payroll taxes							
Staff	1,122,899	1,863,678	54,868	3,041,445	302,034	271,307	3,614,786
Participants	2,131,750	-	-	2,131,750	-	-	2,131,750
Total personnel	45,532,180	28,032,377	824,438	74,388,995	4,524,579	3,925,514	82,839,088
<b>Other than personnel</b>							
Professional services	51,285	936,675	8,491	996,451	778,359	551,814	2,326,624
Occupancy	594,206	5,204,602	-	5,798,808	128,912	27,181	5,954,901
Equipment and technology	81,847	598,480	3,577	683,904	1,100,091	33,666	1,817,661
Utilities	123,702	1,136,401	1,301	1,261,404	94,141	11,455	1,367,000
Staff travel, training and other expenses	107,440	1,058,558	37,795	1,203,793	118,158	173,282	1,495,233
Office expenses	992,301	516,792	4,566	1,513,659	194,343	35,581	1,743,583
Vehicle expenses	3,719,656	136,994	191	3,856,841	813	3,658	3,861,312
Participant expenses	2,167,223	3,680,384	-	5,847,607	-	-	5,847,607
Insurance	1,657,047	265,866	7,509	1,930,422	41,346	34,908	2,006,676
Interest, finance, and other banking expenses	-	-	-	-	24,434	-	24,434
Grants and sponsorships	6,016	565,660	-	571,676	-	-	571,676
Other	14,529	17,073	-	31,602	1,713	-	33,315
Depreciation	185,236	196,189	-	381,425	51,568	-	432,993
Total other than personnel	9,700,488	14,313,674	63,430	24,077,592	2,533,878	871,545	27,483,015
Total expenses	<u>\$ 55,232,668</u>	<u>\$ 42,346,051</u>	<u>\$ 887,868</u>	<u>\$ 98,466,587</u>	<u>\$ 7,058,457</u>	<u>\$ 4,797,059</u>	<u>\$ 110,322,103</u>

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

**Center for Employment Opportunities**

**STATEMENTS OF CASH FLOWS**

Years ended June 30,

	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (7,631,291)	\$ 24,336,826
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	331,497	432,993
Amortization of right-of-use assets	824,179	744,068
Changes in assets and liabilities:		
Increase in contracts and contributions receivable	(505,344)	(9,074,791)
Decrease (increase) in prepaid expenses and security deposits	715,688	(847,799)
Increase in accounts payable and accrued expenses	3,517,792	1,401,886
Increase in advances payable	1,012,403	4,669,307
Increase in deferred revenue	7,000,000	-
Decrease in lease liabilities	<u>(892,406)</u>	<u>(778,549)</u>
Net cash provided by operating activities	<u>4,372,518</u>	<u>20,883,941</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment and leasehold improvements	<u>(329,976)</u>	<u>(207,104)</u>
Net cash used in investing activities	<u>(329,976)</u>	<u>(207,104)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	4,042,542	20,676,837
<b>Cash and cash equivalents, beginning of year</b>	<u>24,418,122</u>	<u>3,741,285</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 28,460,664</u></u>	<u><u>\$ 24,418,122</u></u>
<b>Supplemental disclosure:</b>		
Operating cash flow from operating leases	<u>\$ 4,859,657</u>	<u>\$ 4,465,055</u>
Right-of-use obtained in exchange for new operating lease liabilities	<u><u>\$ 3,127,328</u></u>	<u><u>\$ 3,109,242</u></u>

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

## Center for Employment Opportunities

### NOTES TO FINANCIAL STATEMENTS

June 30, 2025 and 2024

#### 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 three main programs, the Transitional Jobs (“TJ”), the Vocational Services (“VS”) and the 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 Reentry Employment Solutions, LLC (“CRES”) was formed on July 24, 2023, as a limited liability company in the State of Delaware for the purpose of supporting Center for Employment Opportunities, Inc. with regard to certain processes in support of its mission.

CRES was formed in order to provide certain support and services to non-profit organizations that 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 people recently released from incarceration and/or with experience with the criminal legal system.

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

**Center for Employment Opportunities**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

**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 purposes 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, 2025 and 2024, 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 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***

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.

**Center for Employment Opportunities**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

***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 2025, CEO was the recipient of a conditional grant award from a private foundation that is providing funding up to \$70 million primarily in support of expanding areas to reentry employment programs and advancing public systems support of reentry employment services and provision of benefits. The award period commenced on May 1, 2025, continuing through April 30, 2030. Under the terms of the grant award, CEO recognized \$6 million in fiscal year 2025. This is included in contributions revenue on the fiscal 2025 statement of activities because the conditions were satisfied.

In addition to the conditional award noted above, CEO received other new conditional pledges of approximately \$0 and \$500,000 during the years ended June 30, 2025 and 2024, respectively. CEO has recorded contributions revenue on the accompanying statement of activities of approximately \$855,000 and \$1,714,000 for the years ended June 30, 2025 and 2024, respectively, the extent to which the conditions on the pledges have been met. As of June 30, 2025 and 2024, CEO has conditional pledges outstanding of approximately \$0 and \$855,000, respectively. Pledge are contingent upon CEO reaching specified milestones as set forth in the grant agreements.

***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).

**Center for Employment Opportunities**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

***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.

***Leases***

CEO has established a \$50,000 materiality threshold for accounting for leases under ASC 842, *Leases*. Leases where the right-of-use asset or liability is equal or less than \$50,000 will be accounted for with lease payments expensed on the straight-line basis over the lease term and no right-of-use asset or liability recorded. Short-term leases, those for twelve months or less, will also be accounted for with lease payments expensed on the straight-line basis over the lease term. Leases greater than 12 months and larger than \$50,000 will be accounted for in accordance with ASC 842. CEO did not elect to use the rates implicit in the respective lease agreements and, therefore, elected as an accounting policy to use a risk-free rate comparable with the term of the lease.

***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.

***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,

## Center for Employment Opportunities

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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***

ASU 2016-13, *Financial Instruments – Credit Losses*, was effective and adopted by CEO on July 1, 2023. This ASU addresses measurement of credit losses on financial instruments and replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of information to inform credit loss estimates. There was no material impact on its financial statements as a result of the adoption of this standard.

In July 2025, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2025-05, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This ASU provides a practical expedient allowing entities to assume that conditions existing at the statement of financial position date will remain unchanged for the remaining life of the asset when estimating credit losses. Additionally, entities other than public business entities may elect an accounting policy to consider subsequent collection activity occurring after the statement of financial position date in estimating expected credit losses. The amendments are effective for annual reporting periods beginning after December 15, 2025, and interim periods within those annual periods. Early adoption is permitted. CEO is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

#### ***Reclassifications***

Certain amounts pertaining to the 2024 financial statements have been reclassified to conform with the 2025 presentation. Such reclassifications did not change total assets, liabilities, net assets and revenues and expenses as previously reported.

#### ***Subsequent Events***

CEO has evaluated its June 30, 2025 financial statements for subsequent events through March 20, 2026, 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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

**NOTE 3 - CONTRIBUTIONS RECEIVABLE, NET**

Contributions receivable, net, are summarized as follows:

	2025	2024
Unconditional promises expected to be collected in:		
Less than one year	\$ 3,619,246	\$ 3,656,075
One to five years	1,553,902	610,000
	5,173,148	4,266,075
Less: allowance for doubtful accounts	(277,067)	-
Less: unamortized discount to present value	(115,636)	(52,904)
Contributions receivable, net	\$ 4,780,445	\$ 4,213,171

**NOTE 4 - FIXED ASSETS, NET**

Fixed assets, net, as of June 30, 2025 and 2024 consist of the following:

	2025	2024
Computer and project equipment	\$ 54,894	\$ 54,894
Computer software	2,231,959	2,231,959
Equipment, furniture and fixtures	2,048,660	1,996,787
Automobiles	1,088,817	957,504
Assets not yet placed in service	35,512	28,509
Leasehold improvements for renovations to leased space	1,122,898	983,112
	6,582,740	6,252,765
Less: accumulated depreciation	(5,551,099)	(5,219,603)
Fixed assets, net	\$ 1,031,641	\$ 1,033,162

**NOTE 5 - BORROWINGS UNDER LINE OF CREDIT**

CEO maintains a line of credit in the amount of \$10,000,000 with a financial institution that is secured by certain assets of CEO. At June 30, 2025 and 2024, there were no outstanding borrowings under this line of credit facility. Borrowings bear interest at the prime rate plus 1% (7.50% and 8.00% at June 30, 2025 and 2024, respectively). The line of credit expires on April 30, 2026.

**NOTE 6 - 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 \$666,000 and \$622,000 for the years ended June 30, 2025 and 2024, respectively.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

**NOTE 7 - NET ASSETS WITH DONOR RESTRICTION**

Donor restricted net assets and activity as of and for the year ended June 30, 2025 consist of the following:

	Net Assets July 1, 2024	Contributions	Released From Restrictions	Net Assets June 30, 2025
Purpose restrictions:				
Inclusive hiring	\$ 174,105	\$ 1,794,383	\$ 174,105	\$ 1,794,383
Transitional jobs	700,743	747,766	823,509	625,000
Vocational services	6,458,211	6,146,594	6,689,543	5,915,262
Total purpose restrictions	<u>\$ 7,333,059</u>	<u>\$ 8,688,743</u>	<u>\$ 7,687,157</u>	<u>\$ 8,334,645</u>

Donor restricted net assets and activity as of and for the year ended June 30, 2024 consist of the following:

	Net Assets July 1, 2023	Contributions	Released From Restrictions	Net Assets June 30, 2024
Purpose restrictions:				
Inclusive hiring	\$ 210,050	\$ -	\$ 35,945	\$ 174,105
Transitional jobs	153,700	1,280,000	732,957	700,743
Vocational services	7,647,536	7,631,671	8,820,996	6,458,211
Total purpose restrictions	<u>\$ 8,011,286</u>	<u>\$ 8,911,671</u>	<u>\$ 9,589,898</u>	<u>\$ 7,333,059</u>

**NOTE 8 - 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, 2025 and 2024, CEO's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2025	2024
Cash and cash equivalents	\$ 28,460,664	\$ 24,418,122
Contribution receivables	4,780,445	4,213,171
Contracts receivable	34,399,222	34,461,152
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 67,640,331</u>	<u>\$ 63,092,445</u>

**Center for Employment Opportunities**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

***Lease Commitments and Other Matters***

In October 2013, CEO entered into a 16-year operating lease agreement for its 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 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, 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 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 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.

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 March 2022, CEO entered into a 6-year operating lease agreement for its office space located in Tulsa, Oklahoma. The lease became effective June 1, 2022 and expires June 30, 2031. The lease is subject to base rent escalations and additional payments for utilities, maintenance, and real estate tax escalations.

In June 2023, CEO entered into a 7-year operating lease agreement for its office space located in Sacramento, California. The lease became effective March 19, 2024 and expires on March 31, 2031. The lease is subject to base rent escalations.

CEO also leases office and program facilities Albany, Buffalo, and Rochester, New York; Oklahoma City, Oklahoma; Fresno, Marin County, San Jose, Los Angeles, and Solano, California; Harrisburg, Philadelphia, and Pittsburgh, Pennsylvania; Colorado Springs, 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 2031.

Rent expenses approximated \$5,048,000 and \$4,880,000 for the years ended June 30, 2025 and 2024, respectively, and is included in occupancy costs on the statements of functional expenses.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2025 and 2024**

Minimum annual rental/lease payments due under these lease agreements in the years subsequent to June 30, 2025 are as follows:

Years Ending June 30:	Total
2026	\$ 5,611,545
2027	4,616,342
2028	3,785,045
2029	3,511,251
2030	2,489,284
Thereafter	379,205
Total lease payments	20,392,672
Less:	
Interest expense	(1,393,543)
Future payments on financing leases below capitalization threshold	(1,799,919)
Future lease payments for leases with effective date in future periods	(748,566)
Present value of lease liabilities	\$ 16,450,644

Total lease costs for the year ended June 30, 2025 are as follows:

Operating lease costs	\$ 4,705,180
Short-term lease costs	28,466
Variable lease costs	314,326
Financing lease cost below capitalization policy	1,230,734
Sublease income	(130,886)
Total lease costs	\$ 6,147,820

For the year ended June 30, 2025, CEO obtained right-of-use-assets and corresponding lease liabilities in the amount of \$3,127,328 and \$3,310,853, respectively, and tenant improvement fixed assets in the amount of \$122,356. For the year ended June 30, 2024, CEO obtained right-of-use-assets and corresponding lease liabilities in the amount of \$3,109,242 and \$3,109,110, respectively, and tenant improvement fixed assets in the amount of \$116,174. For the year ended June 30, 2025, CEO recognized accumulated right-of-use assets and lease liabilities amortization of \$4,122,658 and \$4,203,259, respectively. For the year ended June 30, 2024, CEO recognized accumulated right-of-use assets and lease liabilities amortization of \$3,853,309 and \$3,887,659, respectively. As of June 30, 2025 and 2024, the weighted average remaining lease term for operating leases was 4.4 years and 5.0 years, respectively. CEO did not elect to use the rates implicit in the respective lease agreements and, therefore, uses a risk-free rate as the discount rate as an accounting policy election and the weighted average discount rate was 3.56% and 3.48% for the years ended June 30, 2025 and 2024.

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.

**Center for Employment Opportunities**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

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.

Without limiting the foregoing, on September 1, 2023, a class action complaint was filed against CEO, primarily alleging certain California wage and hour violations. Two other class actions were subsequently filed but have now been consolidated with the first-filed class action. In July 2024, the parties engaged in mediation which did not result in settlement. Subsequent negotiations resulted in a settlement agreement. CEO does not admit, and specifically denies, that it violated any law or regulation.

Without limiting any statement made above, in June 2025, a class and collective action complaint was filed against CEO, alleging that New York program participants were not paid for all time worked. CEO does not admit, and specifically denies, that it has violated any law or regulation and the matter is currently being litigated.