Financial Statements Together with Report of Independent Certified Public Accountants

Center for Employment Opportunities

June 30, 2021 and 2020

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Center for Employment Opportunities

We have audited the accompanying financial statements of the Center for Employment Opportunities ("CEO"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to CEO'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 CEO'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.

GrantThornton

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center for Employment Opportunities as of June 30, 2021 and 2020, 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.

Grant Thornton LLP

New York, New York
December 1, 2021

Center for Employment Opportunities

STATEMENTS OF FINANCIAL POSITION

June 30,

		2021		2020
ASSETS				
Cash and cash equivalents	$	13,145,310	$	20,945,817
Contributions receivable		1,411,209		1,121,977
Contracts receivable		19,689,412		14,534,268
Prepaid expenses and other assets		617,292		598,212
Security deposits		336,036		348,101
Fixed assets, net (Note 3)		2,497,132		3,212,455
Total assets	$	37,696,391	$	40,760,830
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$	10,263,526	$	4,157,443
Advances payable		443,668		108,283
Capital lease obligation		231,842		-
Deferred rent		1,647,792		1,577,527
Total liabilities		12,586,828		5,843,253
Commitments and contingencies (Note 8)				
Net assets				
Without donor restrictions:				
Undesignated		16,898,387		29,513,531
Investment in fixed assets		2,265,290		3,212,455
Total net assets without donor restrictions		19,163,677		32,725,986
With donor restrictions (Note 6)		5,945,886		2,191,591
Total net assets		25,109,563		34,917,577
Total liabilities and net assets	$	37,696,391	$	40,760,830

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

Center for Employment Opportunities

STATEMENTS OF ACTIVITIES

Years ended June 30,

	2021			2020		
	Without Donor Restriction	**With Donor Restriction**	**Total**	**Without Donor Restriction**	**With Donor Restriction**	**Total**
Public support and revenues						
Program service contracts	$ 51,831,907	$ -	$ 51,831,907	$ 47,319,323	$ -	$ 47,319,323
Contributions	25,394,846	13,008,215	38,403,061	34,648,422	4,330,855	38,979,277
Interest and other income	261,939	-	261,939	348,286	-	348,286
Net assets released from restrictions (Note 6)	9,253,920	(9,253,920)	-	5,219,228	(5,219,228)	-
Total public support and revenue	86,742,612	3,754,295	90,496,907	87,535,259	(888,373)	86,646,886
Expenses						
Program services:						
Transitional jobs	43,601,286	-	43,601,286	36,171,758	-	36,171,758
Vocational services	46,365,398		46,365,398	32,851,776		32,851,776
Inclusive Hiring	459,057	-	459,057	-	-	-
Total program services	90,425,741	-	90,425,741	69,023,534	-	69,023,534
Supporting services:						
General and administrative	8,091,073	-	8,091,073	4,889,688	-	4,889,688
Fundraising	1,788,107	-	1,788,107	1,341,958	-	1,341,958
Total supporting services	9,879,180	-	9,879,180	6,231,646	-	6,231,646
Total expenses	100,304,921	-	100,304,921	75,255,180	-	75,255,180
CHANGE IN NET ASSETS	(13,562,309)	3,754,295	(9,808,014)	12,280,079	(888,373)	11,391,706
Net assets, beginning of year	32,725,986	2,191,591	34,917,577	20,445,907	3,079,964	23,525,871
Net assets, end of year	$ 19,163,677	$ 5,945,886	$ 25,109,563	$ 32,725,986	$ 2,191,591	$ 34,917,577

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

Center for Employment Opportunities

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

	Program Services				Supporting Services			
	Transitional Jobs	Vocational Services	Inclusive Hiring	Total Program Services	General and Administrative	Fundraising	Total Expenses 2021	Total Expenses 2020
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	$ 25,039,699
Participants	14,857,571	-	-	14,857,571	-	-	14,857,571	15,655,393
Employee benefits:								
Staff	3,036,080	2,791,255	4,192	5,831,527	325,218	186,751	6,343,496	4,579,809
Participants	2,888,210	-	-	2,888,210	-	-	2,888,210	1,437,992
Payroll taxes:								
Staff	1,120,264	1,394,888	5,784	2,520,936	186,416	121,127	2,828,479	2,134,318
Participants	1,482,865	-	-	1,482,865	-	-	1,482,865	1,356,825
Total personnel	34,877,532	18,891,653	34,243	53,803,428	2,499,700	1,631,583	57,934,711	50,204,036
Other than personnel								
Professional services	26,813	291,386	424,814	743,013	460,863	44,315	1,248,191	1,784,866
Occupancy	193,232	3,834,209	-	4,027,441	106,340	25,789	4,159,570	3,874,178
Equipment and technology	185,889	465,893	-	651,782	308,754	14,122	974,658	1,078,305
Utilities	71,460	705,610	-	777,070	50,440	3,846	831,356	823,499
Staff travel, training and other expenses	69,998	165,742	-	235,740	16,031	4,945	256,716	801,322
Office expenses	454,559	243,280	-	697,839	96,163	2,988	796,990	933,391
Vehicle expenses	3,424,035	88,835	-	3,512,870	-	-	3,512,870	2,941,151
Participant expenses	3,082,636	21,180,448	-	24,263,084	-	-	24,263,084	11,128,340
Insurance	1,054,814	185,144	-	1,239,958	23,142	15,519	1,278,619	981,995
Interest, finance, and other banking expenses	-	-	-	-	22,345	-	22,345	35,784
Other	3,138	52,463	-	55,601	3,787	-	59,388	61,585
Total other than personnel	8,566,574	27,213,010	424,814	36,204,398	1,087,865	111,524	37,403,787	24,444,416
Accrued contingency loss	-	-	-	-	3,867,458	-	3,867,458	-
Depreciation	157,180	260,735	-	417,915	636,050	45,000	1,098,965	606,728
TOTAL EXPENSES	$ 43,601,286	$ 46,365,398	$ 459,057	$ 90,425,741	$ 8,091,073	$ 1,788,107	$ 100,304,921	$ 75,255,180

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

Center for Employment Opportunities

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Program Services			Supporting Services		
	Transitional Jobs	Vocational Services	Total Program Services	General and Administrative	Fundraising	Total Expenses 2020
Personnel						
Salaries and wages:						
Staff	$ 9,082,531	$ 12,668,155	$ 21,750,686	$ 2,349,417	$ 939,596	$ 25,039,699
Participants	15,655,393	-	15,655,393	-	-	15,655,393
Employee benefits:						
Staff	1,938,137	2,187,531	4,125,668	327,561	126,580	4,579,809
Participants	1,437,992	-	1,437,992	-	-	1,437,992
Payroll taxes:						
Staff	775,716	1,087,419	1,863,135	192,363	78,820	2,134,318
Participants	1,356,825	-	1,356,825	-	-	1,356,825
Total personnel	30,246,594	15,943,105	46,189,699	2,869,341	1,144,996	50,204,036
Other than personnel						
Professional services	203,836	880,554	1,084,390	626,695	73,781	1,784,866
Occupancy	229,019	3,416,772	3,645,791	203,734	24,653	3,874,178
Equipment and technology	98,474	483,856	582,330	492,500	3,475	1,078,305
Utilities	104,357	653,311	757,668	61,207	4,624	823,499
Staff travel, training and other expenses	157,359	404,149	561,508	207,596	32,218	801,322
Office expenses	461,465	327,155	788,620	142,558	2,213	933,391
Vehicle expenses	2,737,769	201,794	2,939,563	953	635	2,941,151
Participant expenses	1,048,013	10,080,327	11,128,340	-	-	11,128,340
Insurance	806,442	139,377	945,819	25,947	10,229	981,995
Interest, finance, and other banking expenses	-	-	-	35,784	-	35,784
Other	7,908	53,327	61,235	216	134	61,585
Total other than personnel	5,854,642	16,640,622	22,495,264	1,797,190	151,962	24,444,416
Depreciation	70,522	268,049	338,571	223,157	45,000	606,728
TOTAL EXPENSES	$ 36,171,758	$ 32,851,776	$ 69,023,534	$ 4,889,688	$ 1,341,958	$ 75,255,180

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

Center for Employment Opportunities

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ (9,808,014)	$ 11,391,706
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,098,965	606,728
Changes in assets and liabilities:		
Increase in contracts and contributions receivable	(5,444,376)	(407,689)
Increase in prepaid expenses and security deposits	(7,015)	(87,568)
Increase in accounts payable and accrued expenses	6,106,083	771,498
Increase in advances payable	335,385	14,271
Increase in deferred rent	70,265	196,445
Net cash (used in) provided by operating activities	(7,648,707)	12,485,391
Cash flows from investing activities:		
Purchase of equipment and leasehold improvements	(383,642)	(1,070,904)
Net cash used in investing activities	(383,642)	(1,070,904)
Cash flows from financing activities:		
Principal payments under capital lease obligations	(28,018)	-
Capital lease obligation	259,860	-
Repayments on line of credit	-	(4,000,000)
Proceeds from line of credit	-	4,000,000
Net cash provided by financing activities	231,842	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,800,507)	11,414,487
Cash and cash equivalents, beginning of year	20,945,817	9,531,330
Cash and cash equivalents, end of year	$ 13,145,310	$ 20,945,817
Supplemental disclosure:		
Interest payments	$ 13,750	$ 27,806

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 Inclusive Hiring 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 our 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, Louisville, New Orleans, Colorado Spring, Cincinnati, Cleveland, Columbus, Memphis, Detroit, 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:

<u>Net assets without donor restrictions</u> - 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.

<u>Net assets with donor restrictions</u> - 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, 2021 and 2020, 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 new and 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.

The results of applying ASC 606 using the modified retrospective approach did not have a material impact on the statements of financial position, statements of activities, statements of cash flows, business processes, controls or systems of CEO. CEO derives its revenue principally from program service contracts and contributions.

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 a second payment of $6 million during fiscal year 2020 and the remaining payment of $6 million in fiscal year 2021. These are included in contributions revenue on the fiscal 2020 and fiscal 2021 statement of activities because the conditions were satisfied.

CEO received other new conditional pledges of approximately $1,750,000 and $550,000 during the years ended June 30, 2021 and 2020, respectively. CEO has recorded contributions revenue on the accompanying statement of activities of approximately $625,000 and $100,000 for the years ended June 30, 2021 and 2020, respectively, the extent to which the conditions on the pledges have been met. As of June 30, 2021 and 2020, CEO has conditional pledges outstanding of approximately $1,318,000 and $576,000, 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.

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.

Reclassification

Certain information in the fiscal 2020 financial statements has been reclassified to conform to the fiscal 2021 presentation. There were no changes in assets, liabilities, revenues, expenses or changes in net assets as previously reflected in the 2020 financial statements.

Subsequent Events

CEO has evaluated its June 30, 2021 financial statements for subsequent events through December 1, 2021, 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, 2021 and 2020 consist of the following:

	2021	2020
Computer and project equipment	$ 743,125	$ 735,148
Computer software	2,231,959	2,107,256
Equipment, furniture and fixtures	1,969,341	1,941,278
Automobiles	863,424	520,331
Assets not yet placed in service	15,300	135,494
Leasehold improvements	859,333	859,333
	6,682,482	6,298,840
Less: accumulated depreciation	(4,185,350)	(3,086,385)
Fixed assets, net	$ 2,497,132	$ 3,212,455

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, 2021 and 2020, there were no outstanding borrowings under this line of credit facility. Borrowings bear interest at the prime rate (3.25% and 3.25% at June 30, 2021 and 2020, respectively). The line of credit expires on December 31, 2021.

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 $519,000 and $412,000 for the years ended June 30, 2021 and 2020, respectively.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTION

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

Donor restricted net assets and activity as of and for the year ended June 30, 2020 consist of the following:

	Net Assets July 1, 2019	Contributions	Released from Restrictions	Net Assets June 30, 2020
Purpose restrictions:				
Economic mobility	$ 195,037	$ 2,347,000	$ (1,314,476)	$ 1,227,561
Employment and retention	1,463,261	935,925	(1,789,559)	609,627
Expansion and system upgrade	1,075,000	306,278	(1,381,278)	-
Inclusive hiring	-	180,000	(120,943)	59,057
Other programs	346,666	561,652	(612,972)	295,346
Total purpose restrictions	$ 3,079,964	$ 4,330,855	$ (5,219,228)	$ 2,191,591

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, 2021 and 2020, CEO's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2021	2020
Cash and cash equivalents	$ 13,145,310	$ 20,945,817
Contribution receivables	1,411,209	1,121,977
Contracts receivable	19,689,412	14,534,268
Financial assets available to meet cash needs for general expenditures within one year	$ 34,245,931	$ 36,602,062

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.

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.

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, Philadelphia and Pittsburgh, Pennsylvania, Colorado Spring, and Denver, Colorado, Louisville, Kentucky, New Orleans, Louisiana, Cincinnati, Cleveland and Columbus, Ohio, Memphis, Tennessee, Detroit, Michigan, Charlotte, North Carolina and Atlanta Georgia for its TJ expansion initiatives operated at these locations. The leases pertaining to these office and program facilities expire at various dates through 2026.

Total rent expense approximated $3,751,000 and $3,406,000 for the years ended June 30, 2021 and 2020, respectively.

Minimum annual rental payments due under these lease agreements in the years subsequent to June 30, 2021 are as follows:

Years Ending June 30:	Total
2022	$ 3,722,388
2023	3,356,592
2024	2,944,365
2025	2,648,243
2026	2,146,816
Thereafter	6,972,976
Total	$ 21,791,380

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. As of the date hereof, the settlement agreement is now scheduled for judicial preliminary approval on February 24, 2022. 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.

Coronavirus Outbreak

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization, resulting in federal, state and local governments mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories and quarantining of people who have been exposed to the virus. Measures taken by various governments to contain the virus have affected economic activity.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on CEO's financial condition, liquidity, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, and operations.

CEO's operations are dependent on private and public donations from individuals, foundations, corporations, and fee for service contracts derived from its ability to provide work crew services. Additionally, access to grants and contracts from federal, state, and local governments may decrease or may not be available. As of the date of this report, program service contracts and contributions revenues have remained steady, though CEO has been operating its TJ work crews at reduced capacity. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of economic slowdown. As of this date, this situation is not expected to materially depress donations, fee for services and government grants during fiscal year 2021.