Financial Statements and Report of Independent Certified Public Accountants

Center for Employment Opportunities

June 30, 2023 and 2022

Contents

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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, 2023 and 2022, and the related statements 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, 2023 and 2022, 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.

Emphasis of matter
As discussed in Notes 2 and 8 to the financial statements, in 2023, CEO adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

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
December 21, 2023

Center for Employment Opportunities

STATEMENTS OF FINANCIAL POSITION

June 30,

	2023	2022
ASSETS		
Cash and cash equivalents	$ 3,741,285	$ 12,885,470
Contributions receivable	4,178,317	3,707,478
Contracts receivable	25,421,215	22,178,117
Prepaid expenses and other assets	1,667,894	1,041,517
Security deposits	379,953	352,959
Fixed assets, net	1,259,051	1,692,367
Right-of-use assets	16,465,497	-
Total assets	$ 53,113,212	$ 41,857,908
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 2,999,225	$ 9,878,204
Advances payable	1,157,330	834,489
Capital lease obligation	-	182,292
Deferred rent	-	1,661,633
Lease liabilities	18,121,599	-
Total liabilities	22,278,154	12,556,618
Commitments and contingencies		
Net assets		
Without donor restrictions:		
Undesignated	21,564,721	19,702,521
Investment in fixed assets	1,259,051	1,510,075
Total net assets without donor restrictions	22,823,772	21,212,596
With donor restrictions	8,011,286	8,088,694
Total net assets	30,835,058	29,301,290
Total liabilities and net assets	$ 53,113,212	$ 41,857,908

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

Center for Employment Opportunities

STATEMENTS OF ACTIVITIES

Years ended June 30,

	2023			2022		
	Without Donor Restriction	**With Donor Restriction**	**Total**	**Without Donor Restriction**	**With Donor Restriction**	**Total**
Public support and revenues						
Program service contracts	$ 72,330,297	$ -	$ 72,330,297	$ 60,870,531	$ -	$ 60,870,531
Contributions	19,143,117	9,800,062	28,943,179	16,166,514	10,749,005	26,915,519
Interest and other income	619,464	-	619,464	11,622	-	11,622
Net assets released from restrictions	9,877,470	(9,877,470)	-	8,606,197	(8,606,197)	-
Total public support and revenue	101,970,348	(77,408)	101,892,940	85,654,864	2,142,808	87,797,672
Expenses						
Program services						
Transitional jobs	51,250,072	-	51,250,072	44,490,245	-	44,490,245
Vocational services	37,287,944	-	37,287,944	30,291,181	-	30,291,181
Inclusive hiring	1,234,017	-	1,234,017	1,430,615	-	1,430,615
Total program services	89,772,033	-	89,772,033	76,212,041	-	76,212,041
Supporting services						
General and administrative	6,347,842	-	6,347,842	4,426,654	-	4,426,654
Fundraising	4,239,297	-	4,239,297	2,967,250	-	2,967,250
Total supporting services	10,587,139	-	10,587,139	7,393,904	-	7,393,904
Total expenses	100,359,172	-	100,359,172	83,605,945	-	83,605,945
CHANGE IN NET ASSETS	1,611,176	(77,408)	1,533,768	2,048,919	2,142,808	4,191,727
Net assets, beginning of year	21,212,596	8,088,694	29,301,290	19,163,677	5,945,886	25,109,563
Net assets, end of year	$ 22,823,772	$ 8,011,286	$ 30,835,058	$ 21,212,596	$ 8,088,694	$ 29,301,290

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

Center for Employment Opportunities

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023
(with comparative totals for the year ended June 30, 2022)

	Program Services				Supporting Services			
	Transitional Jobs	Vocational Services	Inclusive Hiring	Total Program Services	General and Administrative	Fundraising	Total Expenses 2023	Total Expenses 2022
Personnel								
Salaries and wages								
Staff	$ 12,707,238	$ 19,632,439	$ 571,501	$ 32,911,178	$ 2,944,744	$ 2,922,444	$ 38,778,366	$ 32,001,468
Participants	22,038,862	-	-	22,038,862	-	-	22,038,862	17,413,895
Employee benefits								
Staff	2,591,851	3,364,902	98,029	6,054,782	429,395	446,926	6,931,103	6,428,097
Participants	1,815,511	-	-	1,815,511	-	-	1,815,511	1,497,146
Payroll taxes								
Staff	1,170,182	1,727,275	47,833	2,945,290	251,130	265,796	3,462,216	2,884,323
Participants	1,943,871	-	-	1,943,871	-	-	1,943,871	1,853,123
Total personnel	42,267,515	24,724,616	717,363	67,709,494	3,625,269	3,635,166	74,969,929	62,078,052
Other than personnel								
Professional services	39,414	595,179	459,018	1,093,611	745,654	366,394	2,205,659	2,353,989
Occupancy	299,859	4,876,582	-	5,176,441	128,346	25,810	5,330,597	4,970,896
Equipment and technology	189,314	720,274	237	909,825	904,505	20,393	1,834,723	1,093,966
Utilities	125,931	1,127,609	900	1,254,440	75,189	7,849	1,337,478	1,207,914
Staff travel, training and other expenses	139,552	1,079,813	40,692	1,260,057	122,578	120,623	1,503,258	748,169
Office expenses	551,661	491,275	7,841	1,050,777	176,563	21,813	1,249,153	942,082
Vehicle expenses	4,087,379	136,471	-	4,223,850	2,703	1,486	4,228,039	4,155,459
Participant expenses	1,734,285	3,030,782	-	4,765,067	-	-	4,765,067	3,310,217
Insurance	1,641,934	286,637	7,966	1,936,537	40,368	39,763	2,016,668	1,558,921
Interest, finance, and other banking expenses	-	-	-	-	27,453	-	27,453	21,537
Other	9,594	-	-	9,594	2,750	-	12,344	75,216
Total other than personnel	8,818,923	12,344,622	516,654	21,680,199	2,226,109	604,131	24,510,439	20,438,366
Depreciation	163,634	218,706	-	382,340	496,464	-	878,804	1,089,527
TOTAL EXPENSES	$ 51,250,072	$ 37,287,944	$ 1,234,017	$ 89,772,033	$ 6,347,842	$ 4,239,297	$ 100,359,172	$ 83,605,945

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

Center for Employment Opportunities

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

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

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

Center for Employment Opportunities

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 1,533,768	$ 4,191,727
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	878,804	1,089,527
Amortization of right-of-use assets	3,511,163	-
Changes in assets and liabilities:		
Increase in contracts and contributions receivable	(3,713,937)	(4,784,974)
Increase in prepaid expenses and security deposits	(653,371)	(441,148)
Decrease in accounts payable and accrued expenses	(6,878,979)	(385,322)
Increase in advances payable	322,841	390,821
Decrease in lease liabilities	(3,516,942)	-
Increase in deferred rent	-	13,841
Net cash (used in) provided by operating activities	(8,516,653)	74,472
Cash flows from investing activities:		
Purchase of equipment and leasehold improvements	(445,240)	(284,762)
Net cash used in investing activities	(445,240)	(284,762)
Cash flows from financing activities:		
Principal payments under financing lease obligations	(182,292)	(49,550)
Net cash used in financing activities	(182,292)	(49,550)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,144,185)	(259,840)
Cash and cash equivalents, beginning of year	12,885,470	13,145,310
Cash and cash equivalents, end of year	$ 3,741,285	$ 12,885,470
Supplemental disclosure:		
Interest payments	$ 4,661	$ 7,178
Operating cash flow from operating leases	$ 4,074,128	$ -
ROU obtained in exchange for new operating lease liabilities	$ 2,600,940	$ -

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 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 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 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, 2023 and 2022, 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

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 2022, CEO was the recipient of a 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 earned $9 million in fiscal year 2023. This is included in contributions revenue on the fiscal 2023 statement of activities because the conditions were satisfied.

CEO received other new conditional pledges of approximately $1,675,000 and $1,457,000 during the years ended June 30, 2023 and 2022, respectively. CEO has recorded contributions revenue on the accompanying statement of activities of approximately $1,077,000 and $1,058,000 for the years ended June 30, 2023 and 2022, respectively, the extent to which the conditions on the pledges have been met. As of June 30, 2023 and 2022, CEO has conditional pledges outstanding of approximately $1,835,000 and $906,000, 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).

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 Accounting Standard Codification (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 twelve 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. Prior to the adoption of ASC 842, CEO recognized rent expense on a straight-line basis over the term of each respective lease. The difference between rent expense and payments made under the respective lease was reflected as deferred rent.

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, 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 adopted this ASU on the effective date of July 1, 2022, using the modified retrospective basis and elected the package of practical expedients and will not reassess whether contracts contain leases, the lease classification, and indirect costs for any existing or expired leases. As a result of this adoption, CEO recorded $17.4 million of right-of-use assets and $19 million of related lease liabilities as of July 1, 2022.

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. CEO adopted this ASU as of July 1, 2022. There was no material impact on its financial statements as a result of the adoption of this standard.

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses*, will be effective for 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. CEO is currently evaluating the ASU, but it is not expected to have a significant impact on CEO's financial statements.

Subsequent Events

CEO has evaluated its June 30, 2023 financial statements for subsequent events through December 21, 2023, 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, 2023 and 2022 consist of the following:

	2023	2022
Computer and project equipment	$ 54,894	$ 743,125
Computer software	2,231,959	2,231,959
Equipment, furniture and fixtures	2,277,801	2,094,172
Automobiles	958,265	1,031,442
Assets not yet placed in service	194,226	-
Leasehold improvements for renovations to leased space	888,378	859,333
	6,605,523	6,960,031
Less: accumulated depreciation	(5,346,472)	(5,267,664)
Fixed assets, net	$ 1,259,051	$ 1,692,367

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, 2023 and 2022, there were no outstanding borrowings under this line of credit facility. Borrowings bear interest at the prime rate (8.25% and 4.75% at June 30, 2023 and 2022, respectively). The line of credit expires on December 31, 2023.

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 $591,000 and $545,000 for the years ended June 30, 2023 and 2022, respectively.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTION

Donor restricted net assets and activity as of and for the year ended June 30, 2023 consist of the following:

	Net Assets July 1, 2022	Contributions	Released from Restrictions	Net Assets June 30, 2023
Purpose restrictions:				
Economic mobility	$ 517,161	$ 965,000	$ 727,390	$ 754,771
Employment and retention	6,140,581	4,473,665	5,770,824	4,843,422
Career pathway	-	2,173,085	868,102	1,304,983
Inclusive hiring	121,325	725,052	636,327	210,050
Other programs	1,309,627	1,463,260	1,874,827	898,060
Total purpose restrictions	$ 8,088,694	$ 9,800,062	$ 9,877,470	$ 8,011,286

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

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, 2023 and 2022, CEO's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2023	2022
Cash and cash equivalents	$ 3,741,285	$ 12,885,470
Contribution receivables	4,178,317	3,707,478
Contracts receivable	25,421,215	22,178,117
Financial assets available to meet cash needs for general expenditures within one year	$ 33,340,817	$ 38,771,065

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, 2031. 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 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 2031.

Rent expenses approximated $4,480,000 and $4,081,000 for the years ended June 30, 2023 and 2022, respectively, and is included in occupancy costs on the statements of functional expenses.

Minimum annual rental/lease payments due under these lease agreements in the years subsequent to June 30, 2023 are as follows:

Years Ending June 30:	Total
2024	$ 5,636,389
2025	5,053,200
2026	3,998,706
2027	2,980,614
2028	2,581,772
Thereafter	4,372,101
Total lease payments	24,622,782
Less:	
Interest expense	(1,708,998)
Future payments on financing leases below capitalization threshold	(3,153,001)
Future lease payments for leases with effective date in future periods	(1,639,184)
Present value of lease liabilities	$ 18,121,599

Total lease costs for the year ended June 30, 2023 are as follows:

Operating lease costs	$ 4,067,810
Short-term lease costs	141,633
Financing lease cost below capitalization policy	1,234,429
Variable lease costs	270,324
Total lease costs	$ 5,714,196

Upon the adoption of ASC 842, effective July 1, 2022, CEO recognized right-of-use assets and corresponding lease liabilities in the amount of $17.4 million and $19 million, respectively. For the year ended June 30, 2023, CEO obtained right-of-use-assets and corresponding lease liabilities in the amount of $2,600,940 and $2,600,375, respectively, and tenant improvement fixed assets in the amount of $29,045. For the year ended June 30, 2023, CEO recognized accumulated right-of-use assets and lease liabilities amortization of $3,511,163 and $3,516,942, respectively. As of June 30, 2023, the weighted average remaining lease term for operating leases was 5.6 years. 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 3.11%.

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

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.

Claim Settlement

On February 9, 2021, a class action complaint was filed against CEO, primarily alleging certain California wage and hour violations. The parties settled this matter and CEO paid an amount equal to $3.8 million in May 2023 in payment for the settlement amount and related taxes and fees. In entering into the settlement agreement, CEO does not admit, and specifically denies, that it violated any law or regulation.