



IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA

CENTER FOR EMPLOYMENT OPPORTUNITIES

Audited Financial Statements

June 30, 2008 and 2007

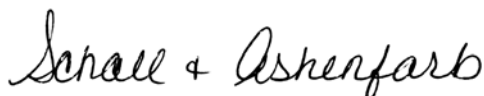
REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Center for Employment Opportunities

We have audited the accompanying statement of financial position of Center for Employment Opportunities (“CEO”) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of CEO’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of CEO as of June 30, 2007, were audited by other auditors whose report dated November 30, 2007, expressed an unqualified opinion on those statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Employment Opportunities as of June 30, 2008, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Schall & Ashenfarb
Schall & Ashenfarb
Certified Public Accountants, LLC

November 21, 2008

CENTER FOR EMPLOYMENT OPPORTUNITIES

Statement of Financial Position

As of June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 1,226,905	\$ 1,755,322
Contracts and contributions receivable	2,837,543	3,147,821
Prepaid expenses and other assets	245,915	255,889
Equipment, furniture and fixtures and leasehold improvements, net of accumulated depreciation	<u>300,031</u>	<u>440,106</u>
Total Assets	<u><u>\$ 4,610,394</u></u>	<u><u>\$ 5,599,138</u></u>
LIABILITIES AND NET ASSETS		
<i>Liabilities:</i>		
Accounts payable and accrued expenses	\$ 693,425	\$ 865,106
Advances payable	2,657,369	2,657,369
Loans payable	<u>97,327</u>	<u>143,453</u>
Total Liabilities	<u>3,448,121</u>	<u>3,665,928</u>
<i>Net Assets:</i>		
Unrestricted		
Undesignated	504,569	1,271,794
Investment in fixed assets	<u>202,704</u>	<u>296,653</u>
Total Unrestricted Net Assets	<u>707,273</u>	<u>1,568,447</u>
Temporarily restricted	<u>455,000</u>	<u>364,763</u>
Total Net Assets	<u>1,162,273</u>	<u>1,933,210</u>
Total Liabilities and Net Assets	<u><u>\$ 4,610,394</u></u>	<u><u>\$ 5,599,138</u></u>

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

CENTER FOR EMPLOYMENT OPPORTUNITIES

Statement of Activities

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support & Revenue		
Program service contracts:		
New York State	\$ 8,180,860	\$ 7,346,608
New York City	1,936,242	3,557,255
Other	181,706	160,778
	<u>10,298,808</u>	<u>11,064,641</u>
Contributions	2,106,365	3,115,345
Disposal of fixed assets	(20,139)	-
Interest and other income	14,842	50,535
	<u>12,399,876</u>	<u>14,230,521</u>
Net assets released from restrictions	823,763	718,872
Total public support and revenue	<u>13,223,639</u>	<u>14,949,393</u>
Expenses:		
Program services	11,002,961	11,481,608
General and administrative	2,821,956	2,894,852
Fundraising	259,896	136,075
Total expenses	<u>14,084,813</u>	<u>14,512,535</u>
Increase (decrease) in unrestricted net assets	<u>(861,174)</u>	<u>436,858</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	914,000	540,000
Net assets released from restrictions	<u>(823,763)</u>	<u>(718,872)</u>
Increase (decrease) in temporarily restricted net assets	<u>90,237</u>	<u>(178,872)</u>
Change in net assets	(770,937)	257,986
Net assets, beginning of year	<u>1,933,210</u>	<u>1,675,224</u>
Net assets, end of year	<u><u>\$ 1,162,273</u></u>	<u><u>\$ 1,933,210</u></u>

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

CENTER FOR EMPLOYMENT OPPORTUNITIES

Statement of Functional Expenses

For the Year Ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

	<u>Program Services</u>		<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total Expenses 2008</u>	<u>Total Expenses 2007</u>
	<u>TJ (NWP)</u>	<u>VS (VDP)</u>					
<u>PERSONNEL</u>							
Salaries and wages:							
Staff	\$ 1,934,754	\$ 2,814,133	\$ 4,748,887	\$ 1,554,196	\$ 169,533	\$ 6,472,616	\$ 6,514,777
Participants	2,634,102	-	2,634,102	-	-	2,634,102	2,662,054
Employee benefits:							
Staff	457,002	413,950	870,952	236,810	21,524	1,129,286	1,167,068
Participants	69,546	-	69,546	-	-	69,546	241,002
Payroll taxes:							
Staff	144,064	208,950	353,014	109,071	12,096	474,181	469,784
Participants	201,509	-	201,509	-	-	201,509	203,647
Total Personnel	<u>5,440,977</u>	<u>3,437,033</u>	<u>8,878,010</u>	<u>1,900,077</u>	<u>203,153</u>	<u>10,981,240</u>	<u>11,258,332</u>
<u>OTHER THAN PERSONNEL</u>							
Sub-contracts	10,958	-	10,958	-	-	10,958	55,596
Consultants	-	41,326	41,326	109,706	32,976	184,008	342,474
Professional services	1,550	-	1,550	65,877	-	67,427	65,604
Occupancy expense	59,357	417,689	477,046	192,060	10,078	679,184	650,824
Equipment purchases and rentals	132,652	81,770	214,422	56,837	2,616	273,875	339,136
Publication and subscriptions	-	16,767	16,767	1,815	-	18,582	3,883
Training	6,202	5,296	11,498	26,277	50	37,825	58,077
Office expenses	6,938	21,724	28,662	168,474	2,844	199,980	163,589
Telephone	53,675	58,469	112,144	23,342	1,216	136,702	144,689
Travel and subsistence	169,067	172,285	341,352	10,991	347	352,690	336,788
Insurance	266,999	100,130	367,129	32,893	2,674	402,696	431,640
Office supplies	8,318	15,533	23,851	14,918	2,876	41,645	45,549
Interest	8,693	-	8,693	22,257	-	30,950	18,488
Conference/meetings	768	3,320	4,088	10,474	165	14,727	19,424
Participant activities/supplies	30,972	39,692	70,664	-	-	70,664	65,569
Participant incentives	-	269,970	269,970	-	-	269,970	226,267
Bad debt expense	-	-	-	73,062	-	73,062	15,406
Miscellaneous	3,258	10,471	13,729	58,054	901	72,684	92,185
Sub-total	<u>6,200,384</u>	<u>4,691,475</u>	<u>10,891,859</u>	<u>2,767,114</u>	<u>259,896</u>	<u>13,918,869</u>	<u>14,333,520</u>
Depreciation expenses	67,853	43,249	111,102	54,842		165,944	179,015
Total Expenses	<u>\$ 6,268,237</u>	<u>\$ 4,734,724</u>	<u>\$ 11,002,961</u>	<u>\$ 2,821,956</u>	<u>\$ 259,896</u>	<u>\$ 14,084,813</u>	<u>\$ 14,512,535</u>

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

CENTER FOR EMPLOYMENT OPPORTUNITIES

Statement of Functional Expenses

For the Year Ended June 30, 2007

	<u>Program Services</u>		<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
	<u>TJ (NWP)</u>	<u>VS (VDP)</u>				
<u>PERSONNEL</u>						
Salaries and wages:						
Staff	\$ 2,001,605	\$ 2,940,690	\$ 4,942,295	\$ 1,516,359	\$ 56,123	\$ 6,514,777
Participants	2,662,054	-	2,662,054	-	-	2,662,054
Employee benefits:			-			-
Staff	461,557	473,543	935,100	229,420	2,548	1,167,068
Participants	241,002	-	241,002	-	-	241,002
Payroll taxes:						
Staff	150,057	217,312	367,369	98,491	3,924	469,784
Participants	203,647	-	203,647	-	-	203,647
Total Personnel	5,719,922	3,631,545	9,351,467	1,844,270	62,595	11,258,332
<u>OTHER THAN PERSONNEL</u>						
Sub-contracts	23,413	32,183	55,596	-	-	55,596
Consultants	-	8,660	8,660	275,699	58,115	342,474
Professional services	-	-	-	65,604	-	65,604
Occupancy expense	58,224	403,143	461,367	181,004	8,453	650,824
Equipment purchases and rentals	143,305	113,493	256,798	81,268	1,070	339,136
Publication and subscriptions	27	578	605	3,278	-	3,883
Training	11,949	5,415	17,364	40,557	156	58,077
Office expenses	4,857	16,770	21,627	140,229	1,733	163,589
Telephone	53,193	62,656	115,849	27,821	1,019	144,689
Travel and subsistence	157,894	160,013	317,907	17,615	1,266	336,788
Insurance	283,925	124,036	407,961	22,710	969	431,640
Office supplies	7,486	17,710	25,196	19,952	401	45,549
Interest	7,685	-	7,685	10,803	-	18,488
Conference/meetings	428	5,897	6,325	12,975	124	19,424
Participant activities/supplies	25,986	39,583	65,569	-	-	65,569
Participant incentives	4,720	221,547	226,267	-	-	226,267
Bad debt expense	-	-	-	15,406	-	15,406
Miscellaneous	1,438	17,143	18,581	73,430	174	92,185
Sub-total	6,504,452	4,860,372	11,364,824	2,832,621	136,075	14,333,520
Depreciation expenses	70,810	45,974	116,784	62,231	-	179,015
Total Expenses	\$ 6,575,262	\$ 4,906,346	\$ 11,481,608	\$ 2,894,852	\$ 136,075	\$ 14,512,535

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

CENTER FOR EMPLOYMENT OPPORTUNITIES

Statement of Cash Flows

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	(\$770,937)	\$257,986
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	165,944	179,015
Decrease (increase) in contracts and contributions receivable	310,278	671,256
(Increase) decrease in prepaid expenses	9,974	(10,540)
(Decrease) increase in accounts payable and accrued expenses	(171,681)	(69,346)
Advances payable	-	(138,476)
Net cash provided (used) by operating activities	<u>(456,422)</u>	<u>889,895</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of equipment and leasehold improvements	(46,008)	(204,533)
Disposition of equipment and leasehold improvements	20,139	-
Net cash provided (used) by investing activities	<u>(25,869)</u>	<u>(204,533)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayments on loans	(81,296)	(28,044)
Proceeds from loans	35,170	54,279
Net cash provided (used) by financing activities	<u>(46,126)</u>	<u>26,235</u>
Net increase (decrease) in cash and cash equivalents	(528,417)	711,597
Cash and cash equivalents, beginning of year	<u>1,755,322</u>	<u>1,043,725</u>
Cash and cash equivalents, end of year	<u>\$ 1,226,905</u>	<u>\$ 1,755,322</u>
Supplemental disclosure		
Interest payments	<u>\$ 30,934</u>	<u>\$ 18,488</u>

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

CENTER FOR EMPLOYMENT OPPORTUNITIES

Notes to Financial Statements

June 30, 2008 and 2007

NOTE 1 ORGANIZATION

Center for Employment Opportunities (“CEO”) was organized on April 6, 1995 pursuant to Section 201 of the Not-for-Profit Corporation Law of the State of New York. CEO is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization as described in Code Sections 509(a)(1) and 170(b)(A)(VI). Operations commenced on January 1, 1996.

CEO was formed in order to: provide employment and rehabilitative and support services to ex-offenders and persons facing barriers to employment, including but not limited to applicants or recipients of public assistance; design, implement, demonstrate, and evaluate innovative supportive and rehabilitative services for men and women with recent criminal convictions, including but not limited to employment and training services and other services designed to alleviate barriers to employment; conduct studies and research regarding services for formerly incarcerated people and their barriers to employment; and to disseminate information regarding the work of the corporation and the administration of such services.

CEO operates two main programs, the Transitional Jobs (TJ) and the Vocational Services (VS) programs. TJ, which is CEO’s signature work experience program, provides immediate, paid, time-limited employment for people with criminal records and provides them with the skills they need to rejoin the workforce and restart their lives. The VS places participants in full-time, unsubsidized employment and follows up through the first year after placement, providing retention and advancement counseling and referral.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

Use of Estimates

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

CENTER FOR EMPLOYMENT OPPORTUNITIES

Notes to Financial Statements

June 30, 2008 and 2007

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

Cash and Cash Equivalents

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

Contributions

Unconditional promises to give are recorded as contributions receivable when received. Contributions receivable due in less than one year are recorded at their net realizable value. Contributions receivable due in more than one year are recorded at the present value of their future cash flow, using risk-free interest rates applicable to the years in which the contributions are received to discount the amounts.

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

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Equipment, Furniture, Fixtures, and Leasehold Improvements

Equipment, furniture, fixtures, and leasehold improvements are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets as follows:

Equipment, furniture and fixtures	3-10 years
Computer equipment	3 years
Automobiles	5 years
Leasehold improvements	7 years

CEO capitalizes all equipment greater than or equal to \$500 and all improvements greater than or equal to \$5,000.

CENTER FOR EMPLOYMENT OPPORTUNITIES

Notes to Financial Statements

June 30, 2008 and 2007

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

Recognition of Revenue

Cost Recovery Grants

The terms under which these grants are awarded provide for reimbursements of budgeted expenditures within the grant period. These funds are received in either predetermined installments or increments, based upon expenses incurred. Accordingly, grant income is recognized in amounts equal to expenditures incurred. Any excess or deficiency of cash receipts over expenditures incurred is reported as “advance payable” or “contacts receivable”. Upon termination of operations under each grant, the unexpended funds received under the terms of the grant revert to the grantor.

Performance-Based Grant

The terms under which these grants are awarded provide for payment based on unit costs for agreed-upon milestones achieved within the award period up to the maximum amount allowable under a given milestone, if any, and/or the total grant amount. Accordingly, income is recognized in amounts equal to the amount earned, based on performance.

Functional Expenditures

Certain expenses of CEO are allocated among program services, general and administrative, and fundraising in the accompanying statements of functional expenses, based on management’s estimates.

NOTE 3 CASH AND CASH EQUIVALENTS

The cash and cash equivalents balance at June 30, 2008 represent advances on program service contracts and contributions which are to be used to fund fiscal year 2009 program expenditures.

CENTER FOR EMPLOYMENT OPPORTUNITIES

Notes to Financial Statements

June 30, 2008 and 2007

NOTE 4 EQUIPMENT, FURNITURE, FIXTURES, AND LEASEHOLD IMPROVEMENTS

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

	<u>2008</u>	<u>2007</u>
Computer and project equipment	\$ 249,406	\$ 379,177
Office furniture and equipment	272,882	271,552
Vehicles	462,602	598,574
Leasehold improvements	<u>147,113</u>	<u>147,113</u>
	1,132,003	1,396,416
Less accumulated depreciation	<u>831,972</u>	<u>956,310</u>
Totals	<u>\$ 300,031</u>	<u>\$ 440,106</u>

NOTE 5 PENSION PLAN

CEO maintains a defined contribution group pension plan whereby contributions are made on behalf of all eligible employees. Employees are eligible to participate in the plan if they have completed one year of service and have contributed at least 3% of their annual salary to the CEO tax sheltered annuity plan. Contributions to the plan amounted to \$195,692 and \$185,998 for the years ended June 30, 2008 and 2007, respectively.

NOTE 6 LOANS PAYABLE

Loans payable at June 30, 2008 consisted of the following:

	<u>2008</u>	<u>2007</u>
Automobile loans payable in varying amounts including interest at rates ranging from 0% to 8.69%, final payment due June 2012, collateralized by the automobiles.	\$ 97,327	\$ 143,453
CEO maintains a \$2.2 million line of credit, bearing a floating rate of interest at prime plus 1% on any outstanding balance, secured by accounts receivable. The line of credit expires on March 31, 2009.	<u>-</u>	<u>-</u>
Total loans payable	<u>\$ 97,327</u>	<u>\$ 143,453</u>

CENTER FOR EMPLOYMENT OPPORTUNITIES

Notes to Financial Statements

June 30, 2008 and 2007

NOTE 6 **LOANS PAYABLE** *(continued)*

Principal amounts due under the automobile loans in each of the years subsequent to June 30, 2008 are as follows:

2009	\$ 53,580
2010	32,428
2011	9,601
2012	<u>1,718</u>
Total	<u>\$ 97,327</u>

NOTE 7 **COMMITMENTS AND CONTINGENCIES**

Lease Commitments

CEO leases office and program facilities under a 10-year operating lease that was entered into in September 2003. The lease became effective January 2004 and expires in December 2013. The lease is subject to utilities, maintenance, and real estate tax escalations. Total rent expense for the years ended June 30, 2008 and 2007 was \$564,897 and \$551,609, respectively.

Minimum annual rental payments under the lease in years subsequent to June 30, 2008 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Total</u>
2009	\$ 577,335
2010	608,546
2011	621,206
2012	633,630
2013	646,302
Thereafter	<u>271,511</u>
Total	<u>\$ 3,358,530</u>

CENTER FOR EMPLOYMENT OPPORTUNITIES

Notes to Financial Statements

June 30, 2008 and 2007

NOTE 7 COMMITMENTS AND CONTINGENCIES *(continued)*

Cost Recovery Grants

Contracts are subject to audit by state and city auditors and costs charged to funding sources may be adjusted. In the opinion of management, no provision is required for cost adjustments.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2008, temporarily restricted net assets are available for use in future periods and for specific purposes, as restricted by the donor.

Net assets released from donor restrictions for the years ended June 30, 2008 and 2007 were released by incurring expenses satisfying the program restrictions and by the expiration of any time restriction specified by the donors.

NOTE 9 CONCENTRATIONS OF CREDIT AND MARKET RISK

Financial instruments that potentially expose CEO to concentrations of credit and market risk consist primarily of cash and cash equivalents with major financial institutions, which occasionally exceed the FDIC limit. These institutions have strong credit ratings and management believes that the risk related to these accounts is minimal. CEO's management monitors the balances with those institutions to limit the exposure to risk.