Financial Statements Together with Report of Independent Certified Public Accountants

Center for Employment Opportunities

June 30, 2020 and 2019

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, 2020 and 2019, 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.

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, 2020 and 2019, 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 15, 2020

Center for Employment Opportunities

STATEMENTS OF FINANCIAL POSITION

June 30,

	2020	2019
ASSETS		
Cash and cash equivalents	$ 20,945,817	$ 9,531,330
Contributions receivable	1,121,977	1,985,100
Contracts receivable	14,534,268	13,263,456
Prepaid expenses and other assets	598,212	563,710
Security deposits	348,101	295,035
Fixed assets, net (Note 3)	3,212,455	2,748,279
Total assets	$ 40,760,830	$ 28,386,910
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 4,157,443	$ 3,385,945
Advances payable	108,283	94,012
Deferred rent	1,577,527	1,381,082
Total liabilities	5,843,253	4,861,039
Commitments and contingencies (Note 8)		
NET ASSETS		
Without donor restrictions:		
Undesignated	29,513,531	17,697,628
Investment in fixed assets	3,212,455	2,748,279
Total net assets without donor restrictions	32,725,986	20,445,907
With donor restrictions (Note 6)	2,191,591	3,079,964
Total net assets	34,917,577	23,525,871
Total liabilities and net assets	$ 40,760,830	$ 28,386,910

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

Center for Employment Opportunities

STATEMENTS OF ACTIVITIES

Year ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Public support and revenues						
Program service contracts	$ 47,319,323	$ -	$ 47,319,323	$ 37,999,833	$ -	$ 37,999,833
Contributions	34,648,422	4,330,855	38,979,277	15,709,674	4,904,575	20,614,249
Interest and other income	348,286	-	348,286	128,478	-	128,478
	82,316,031	4,330,855	86,646,886	53,837,985	4,904,575	58,742,560
Net assets released from restrictions (Note 6)	5,219,228	(5,219,228)	-	4,249,841	(4,249,841)	-
Total public support and revenue	87,535,259	(888,373)	86,646,886	58,087,826	654,734	58,742,560
Expenses						
Program services:						
Transitional jobs	36,162,528	-	36,162,528	27,310,948	-	27,310,948
Vocational services	32,784,741	-	32,784,741	20,635,411	-	20,635,411
Total program services	68,947,269	-	68,947,269	47,946,359	-	47,946,359
Supporting services:						
General and administrative	4,965,894	-	4,965,894	4,350,793	-	4,350,793
Fundraising	1,342,017	-	1,342,017	1,071,167	-	1,071,167
Total supporting services	6,307,911	-	6,307,911	5,421,960	-	5,421,960
Total expenses	75,255,180	-	75,255,180	53,368,319	-	53,368,319
Change in net assets	12,280,079	(888,373)	11,391,706	4,719,507	654,734	5,374,241
Net assets, beginning of year	20,445,907	3,079,964	23,525,871	15,726,400	2,425,230	18,151,630
Net assets, end of year	$ 32,725,986	$ 2,191,591	$ 34,917,577	$ 20,445,907	$ 3,079,964	$ 23,525,871

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

Center for Employment Opportunities

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020
(with comparative totals for the year ended June 30, 2019)

	Program Services			Supporting Services			
	Transitional Jobs	Vocational Services	Total Program Services	General and Administrative	Fundraising	Total Expenses 2020	Total Expenses 2019
Personnel							
Salaries and wages:							
Staff	$ 9,079,943	$ 12,660,260	$ 21,740,203	$ 2,444,908	$ 933,973	$ 25,119,084	$ 20,371,728
Participants	15,650,934		15,650,934			15,650,934	12,198,440
Employee benefits:							
Staff	1,937,585	2,186,168	4,123,753	340,874	125,822	4,590,449	3,493,479
Participants	1,437,582		1,437,582			1,437,582	1,552,888
Payroll taxes:							
Staff	775,495	1,086,742	1,862,237	200,182	78,348	2,140,767	1,772,572
Participants	1,356,439		1,356,439			1,356,439	1,110,418
Total personnel	30,237,978	15,933,170	46,171,148	2,985,964	1,138,143	50,295,255	40,499,525
Other than personnel							
Consultants and other professional services	166,147	1,961,167	2,127,314	614,405	72,975	2,814,694	1,427,071
Occupancy	587,686	3,772,599	4,360,285	252,953	24,506	4,637,744	3,251,860
Equipment purchases and rentals	1,894,282	693,570	2,587,852	518,120	4,042	3,110,014	1,989,448
Publication and subscriptions	-	1,725	1,725	4,345	211	6,281	9,412
Training	115,622	316,612	432,234	40,582	644	473,460	560,418
Office expenses	451,951	89,760	541,711	108,458	1,631	651,800	582,351
Telephone	101,289	545,116	646,405	49,935	4,596	700,936	542,490
Travel and subsistence	840,864	499,727	1,340,591	129,476	24,505	1,494,572	1,399,381
Insurance	806,212	139,291	945,503	27,001	10,168	982,672	814,498
Office supplies	9,067	173,076	182,143	32,595	357	215,095	235,816
Interest	-	-	-	27,806	-	27,806	11,252
Conference/meetings	10,207	13,658	23,865	36,314	5,433	65,612	49,322
Participant activities supplies	802,896	103,759	906,655	-	-	906,655	698,197
Participant incentives	5,960	8,123,297	8,129,257	-	-	8,129,257	612,854
Taxes	-	-	-	-	-	-	3,532
Miscellaneous	50,012	123,088	173,100	55,327	2,054	230,481	295,788
Total other than personnel	5,842,195	16,556,445	22,398,640	1,897,317	151,122	24,447,079	12,483,690
Depreciation	82,355	295,126	377,481	82,613	52,752	512,846	385,104
Total expenses	$ 36,162,528	$ 32,784,741	$ 68,947,269	$ 4,965,894	$ 1,342,017	$ 75,255,180	$ 53,368,319

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

Center for Employment Opportunities

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2019

	Program Services			Supporting Services		
	Transitional Jobs	Vocational Services	Total Program Services	General and Administrative	Fundraising	Total Expenses 2019
Personnel						
Salaries and wages:						
Staff	$ 6,373,420	$ 11,243,632	$ 17,617,052	$ 2,004,860	$ 749,816	$ 20,371,728
Participants	12,198,440	-	12,198,440	-	-	12,198,440
Employee benefits:						
Staff	1,485,755	1,703,737	3,189,492	239,990	63,997	3,493,479
Participants	1,552,888	-	1,552,888	-	-	1,552,888
Payroll taxes:						
Staff	561,471	979,445	1,540,916	168,370	63,286	1,772,572
Participants	1,110,418	-	1,110,418	-	-	1,110,418
Total personnel	23,282,392	13,926,814	37,209,206	2,413,220	877,099	40,499,525
Other than personnal						
Consultants and other professional services	36,183	773,491	809,674	509,972	107,425	1,427,071
Occupancy	394,062	2,574,888	2,968,950	258,950	23,960	3,251,860
Equipment purchases and rentals	1,233,731	369,528	1,603,259	380,445	5,744	1,989,448
Publication and subscriptions	-	591	591	2,986	5,835	9,412
Training	93,929	435,066	528,995	28,539	2,884	560,418
Office expenses	371,058	81,845	452,903	128,325	1,123	582,351
Telephone	71,764	389,544	461,308	78,312	2,870	542,490
Travel and subsistence	563,778	640,995	1,204,773	179,240	15,368	1,399,381
Insurance	629,983	152,112	782,095	24,107	8,296	814,498
Office supplies	2,728	210,248	212,976	21,353	1,487	235,816
Interest	-	-	-	11,252	-	11,252
Conference/meetings	5,704	20,589	26,293	14,016	9,013	49,322
Participant activities supplies	588,708	109,489	698,197	-	-	698,197
Participant incentives	2,551	610,303	612,854	-	-	612,854
Taxes	-	-	-	3,532	-	3,532
Miscellaneous	28,683	165,123	193,806	91,919	10,063	295,788
Total other than personnel	4,022,862	6,533,812	10,556,674	1,732,948	194,068	12,483,690
Depreciation	5,694	174,785	180,479	204,625	-	385,104
Total expenses	$ 27,310,948	$ 20,635,411	$ 47,946,359	$ 4,350,793	$ 1,071,167	$ 53,368,319

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

Center for Employment Opportunities

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 11,391,706	$ 5,374,241
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	512,846	385,104
Changes in assets and liabilities:		
(Increase) decrease in contracts and contributions receivable	(407,689)	5,111,930
Increase in prepaid expenses and security deposits	(87,568)	(244,225)
Increase in accounts payable and accrued expenses	771,498	1,064,522
Increase (decrease) in advances payable	14,271	(63,624)
Increase in deferred rent	196,445	101,987
Net cash provided by operating activities	12,391,509	11,729,935
Cash flows from investing activities		
Purchase of equipment and leasehold improvements	(977,022)	(1,364,991)
Net cash used in investing activities	(977,022)	(1,364,991)
Cash flows from financing activities		
Principal payments under capital lease obligations	-	(34,598)
Repayments on line of credit	(4,000,000)	(3,500,000)
Proceeds from line of credit	4,000,000	-
Net cash used in financing activities	-	(3,534,598)
Net increase in cash and cash equivalents	11,414,487	6,830,346
Cash and cash equivalents, beginning of year	9,531,330	2,700,984
Cash and cash equivalents, end of year	$ 20,945,817	$ 9,531,330
Supplemental disclosure:		
Interest payments	$ 27,806	$ 11,252

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 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"). 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. CEO is dedicated to providing immediate, effective and comprehensive employment services to men and women with recent criminal convictions. CEO's highly structured and tightly supervised 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, 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 and Detroit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

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

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

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

Net assets with donor restrictions - include funds that have been restricted by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of CEO pursuant to those stipulations. Also, it includes funds whereby donors have stipulated that the corpus contributed be invested and maintained in perpetuity. As of June 30, 2020 and 2019, 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 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, statement 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. As of June 30, 2020 and 2019, all contributions receivables are expected to be collected within one year.

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 will provide funding up to $19 million in support of CEO's strategic plan. The award period commenced on January 1, 2019 and will continue for a period of no less than 30 months. Under the terms of the grant award, CEO received an initial payment of $7 million during fiscal 2019 and a subsequent payment of $6 million in fiscal year 2020. These are included in contributions revenue on the accompanying fiscal 2019 and fiscal 2020 statements of activities. The remaining $6 million is contingent upon CEO reaching specified milestones as set forth in the grant agreement and, accordingly, has not been recorded in the accompanying financial statements.

In 2018, CEO received a $12.5 million grant award in support of its implementation of a "Pilot Plan" to test two new scaling strategies. The grant was conditional based upon agreed milestones. The award period commenced on June 1, 2018 and continued through June 30, 2020. Under this grant award, CEO recorded the remaining $4.9 million in contributions revenue on the accompanying 2020 statement of activities because the conditions were satisfied.

CEO received other conditional pledges totaling $2,661,700, of which $660,000 has not been recorded in the accompanying financial statements because these 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 expects to raise and distribute approximately $30.3 million in contributions during the April - December 2020 period. Under this initiative, CEO recorded $16.9 million during fiscal 2020, and this amount is included in contributions revenue on the accompanying fiscal 2020 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 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.

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 center (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 was 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.

Reclassification

Certain information in the fiscal 2019 financial statements has been reclassified to conform to the fiscal 2020 presentation. There were no changes in assets, liabilities, revenues, expenses or changes in net assets as previously reflected in the 2019 financial statements.

Subsequent Events

CEO has evaluated its June 30, 2020 financial statements for subsequent events through December 15, 2020, 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, 2020 and 2019 consist of the following:

	2020	2019
Computer and project equipment	$ 735,148	$ 682,706
Computer software	2,107,256	288,961
Equipment, furniture and fixtures	1,941,278	1,518,646
Automobiles	520,331	234,166
Assets not yet placed in service	135,494	1,688,268
Leasehold improvements	859,333	815,190
	6,298,840	5,227,937
Less: accumulated depreciation	(3,086,385)	(2,479,658)
Fixed assets, net	$ 3,212,455	$ 2,748,279

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, 2020 and 2019, there were no outstanding borrowings under this line of credit facility. Borrowings bear interest at the prime rate (3.25% and 5.25% at June 30, 2020 and 2019, respectively). The line of credit expires on December 31, 2020.

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 $412,000 and $330,000 for the years ended June 30, 2020 and 2019, respectively.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTION

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)	-
Other programs	346,666	741,652	(733,915)	354,403
Total purpose restrictions	$ 3,079,964	$ 4,330,855	$ (5,219,228)	$ 2,191,591

Donor restricted net assets and activity as of and for the year ended June 30, 2019 consist of the following:

	Net Assets July 1, 2018	Contributions	Released From Restrictions	Net Assets June 30, 2019
Purpose restrictions:				
Economic mobility	$ -	$ 350,000	$ (154,963)	$ 195,037
Employment and retention	935,212	2,659,800	(2,131,751)	1,463,261
Expansion and system upgrade	1,185,758	1,411,575	(1,522,333)	1,075,000
Other programs	304,260	483,200	(440,794)	346,666
Total purpose restrictions	$ 2,425,230	$ 4,904,575	$ (4,249,841)	$ 3,079,964

NOTE 7 - LIQUIDITY AND AVAILIBILITY 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 June 30, 2020 and 2019, CEO's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2020	2019
Cash and cash equivalents	$ 20,945,817	$ 9,531,330
Contribution receivables	1,121,977	1,985,100
Grants receivables	14,534,268	13,263,456
Financial assets available to meet cash needs for general expenditures within one year	$ 36,602,062	$ 24,779,886

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, 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, and Detroit, Michigan 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 $3,406,000 and $2,525,000 for the years ended June 30, 2020 and 2019, respectively.

Minimum annual rental payments due under these lease agreements in the years subsequent to June 30, 2020 are as follows:

Year Ending June 30:	Total
2021	$ 3,424,750
2022	3,422,673
2023	3,097,441
2024	2,750,812
2025	2,449,804
Thereafter	8,916,325
Total	$ 24,061,805

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

CEO, in the normal course of its operations, is a party to various legal proceedings and complaints. While it is not feasible to predict the ultimate outcomes of such matters, management of CEO is not aware of any claims or contingencies, which are not covered by insurance, that would have a material adverse effect on CEO's financial position, changes in net assets or cash flows.

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 heavily 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.