

NONPROFIT INVESTOR

INDEPENDENT RESEARCH FOR PHILANTHROPY

Center for Employment Opportunities

Nonprofit Investor Rating:

HOLD

Mission Statement

The Center for Employment Opportunities (CEO) is dedicated to providing immediate, effective and comprehensive employment services to men and women with recent criminal convictions. Its highly structured and tightly supervised programs help participants regain the skills and confidence needed for a successful transition to a stable, productive life

Financial Overview

\$ in MM, Fiscal Year Ended June 30

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenue and Support	\$13.2	\$14.0	\$16.3
Operating Expenses	\$14.1	\$13.7	\$16.0
% of Total:			
Program Expenses	78%	78%	81%
G&A	20%	18%	17%
Fundraising	2%	3%	2%

Year Founded: 1996 (as independent nonprofit)

Contact Details:

Center for Employment Opportunities
32 Broadway, 15th Floor
New York, NY 10004
(212) 422-4430

<http://ceoworks.org/>

EIN: 13-3843322

Analyst: RJ Price

Peer Review: J. Tran

Publication Date: January 4, 2012

SUMMARY

Center for Employment Opportunities ("CEO") offers services exclusively for people with criminal records, focusing on a structured program of life skill education, short-term paid transitional employment, full-time job placement and post-placement services.

STRENGTHS

▲ **Majority of revenue is generated by program service contracts rather than through donations.** State, City and Federal contracts provide ~75% of support and revenue. These contracts are likely sustainable given benefit to employers receiving cost effective maintenance / cleaning and contract growth in recent years.

▲ **Low cost per beneficiary.** With an average of 2,000 participants, CEO's annual cost per participant is approximately \$8,000. If program revenues are deducted, the cost is reduced to ~\$1,700.

▲ **Compelling immediate impact.** Dramatic increase in employment over first year in the program coupled with significant reductions in criminal activity.

▲ **Proven leadership team.** 30 year history, with a 15 year track record as an independent nonprofit. Current Chief Executive Officer, Mindy Tarlow, has been in the organization since 1994.

CAUTIONS

● **Low % of program expenses directly attributable to participants.** Only 23% of program expenses are directly attributable to wages, benefits and taxes for transitional job participants.

▼ **Lack of demonstrated effect on long-term employment.** Rates of employment are consistent with control groups after three years.

▼ **High G&A expenses.** Nearly 20% of expenses are related to G&A.

RECOMMENDATION: HOLD

CEO has exhibited strength in support and revenue growth but maintains a large exposure to government sources. Further, high G&A expense and low wages for direct participants relative to program expenses put increased pressure on demonstrating program effectiveness. Decreases in criminal activity are encouraging; however, CEO has not been able to exhibit consistent improvements in long-term employment rates for participants.

OVERVIEW OF CENTER FOR EMPLOYMENT OPPORTUNITIES' ACTIVITIES

CEO began its mission over 30 years ago as a project of the Vera Institute of Justice. CEO worked within Vera until 1996, when it spun-off to become an independent nonprofit organization. Mindy Tarlow, the current Chief Executive Officer / Executive Director of CEO, has been with the organization since 1994 when she managed the successful spin-off. Over the last decade, this continuity in mission and leadership has allowed the organization to make more than 10,000 job placements for formerly incarcerated persons into full-time employment.

Transitional Jobs

CEO operates a network of work crews, providing maintenance, janitorial and grounds keeping services to public institutions. CEO participants work on these crews, while supervised by CEO staff who teach participants how to adapt to working life. CEO is the employer of record and at the end of the shift gives a paycheck to each participant. These daily paychecks provide participants with steady employment and cash as they transition from prison to the community, further reinforcing the results of hard work.

Along with their paycheck, CEO's "Site Supervisors" also evaluate participants on a scale from 1–5 to provide participants with constructive feedback on cooperation with supervisor, effort at work, punctuality, cooperation with co-workers and personal presentation.

Vocational Services

To supplement the transitional employment, participants work with CEO on their permanent job search. All enrollees receive one-on-one job coaching with CEO staff to address any gaps in job readiness (commitment, interviewing skills, management of personal life issues, resume development, etc.). Once job ready, participants meet with CEO's "Job Developers", who serve as no-fee employment agents. Job Developers match skills, interests and abilities of program participants with specific needs of employers who are open to hiring CEO graduates. Job Developers keep in constant contact with receptive employers to understand their human resource needs and the progress displayed by program participants.

CEO provides post-placement support through "Retention Specialists", who provide work-related counseling, crisis management, and help with long-term career planning. Retention Specialists use an incentive-based work retention program, "Rapid Rewards", which rewards participants who demonstrate employment using their pay stubs and in return receive incentives for one year after placement into full-time employment.

CEO Academy

The CEO Academy is a trade preparation program that assists participants through trade school by preparing them for entrance, supporting them throughout training, and helping them find jobs in their trade. Participants in the academy will receive their hands-on training and certificates upon completion at Hostos Community College (plumbing and electricity) or at LaGuardia Community College (carpentry).

FINANCIAL OVERVIEW

Approximately 75% of CEO's support and revenues is sourced through public program service contracts, with the remaining ~25% related to contributions. The majority of public sources come from New York State contracts, which withstood state budget cuts during the economic downturn in 2008-09. While NYC contracts and private contributions fell by ~\$2.5M in 2008, they have rebounded strongly in 2009-2010. To help during downturns, CEO currently has a positive liquidity profile, with a cash balance of \$0.7M, net working capital of \$1.4M, non-fixed restricted assets of \$1.5M and only \$0.5M in debt. Overall, CEO exhibited strong growth in public support and revenue in 2009-2010; however, they struggled to lessen their dependency on government sources. Going forward, growth in public support

(especially given the opening of U.S. Federal funding for the program) could be best supplemented by private employment programs to simultaneously grow support & revenue while also providing experience for participants in the non-government job market, where presumably they will find employment long-term.

Detailed Financial Statement (GAAP basis)⁽¹⁾

Fiscal Year Ended June 30

	2007	2008	2009	2010
Public Support & Revenue				
Program Service Contracts				
United States Direct Federal	\$0	\$0	\$0	\$173,882
New York State	7,346,608	8,180,860	7,945,410	9,923,475
New York City	3,557,255	1,936,242	2,802,439	2,402,405
Other	160,778	181,706	84,756	29,046
Subtotal	\$11,064,641	\$10,298,808	\$10,832,605	\$12,528,808
Unrestricted Contributions	\$3,115,345	\$2,106,365	\$2,166,311	\$2,940,310
Disposal of Fixed Assets	0	(20,139)	0	0
Interest and Other Income	50,535	14,842	35,621	34,205
Net Assets Released from Restrictions	718,872	823,763	998,988	842,044
Total Public Support & Revenue	\$14,949,393	\$13,223,639	\$14,033,525	\$16,345,367
<i>% Growth</i>		(12%)	6%	16%
Public Support & Revenue Sources				
<i>Federal Contract</i>	0%	0%	0%	1%
<i>NY State Contract</i>	49%	62%	57%	61%
<i>NYC Contract</i>	24%	15%	20%	15%
<i>Contributions</i>	26%	22%	23%	23%
<i>Other</i>	1%	1%	1%	0%
Expenses				
Program Services	\$11,481,608	\$11,002,961	\$10,763,401	\$12,924,837
General & Administrative	2,894,852	2,821,956	2,537,977	2,675,673
Fund Raising	136,075	259,896	428,736	399,597
Total Expenses	\$14,512,535	\$14,084,813	\$13,730,114	\$16,000,107
<i>% of Support & Revenue</i>	97%	107%	98%	98%
Expense Allocation (% of Total)				
<i>Program Services</i>	79%	78%	78%	81%
<i>General & Administrative</i>	20%	20%	18%	17%
<i>Fund Raising</i>	1%	2%	3%	2%
Public Support & Revenue Less Expenses	\$436,858	(\$861,174)	\$303,411	\$345,260
Restricted Contributions	540,000	914,000	940,000	830,000
Net Assets Released from Restrictions	(718,872)	(823,763)	(998,988)	(842,044)
Change in Net Assets	\$257,986	(\$770,937)	\$244,423	\$333,216
Average Individuals in the Program ⁽²⁾	2,000	2,000	2,000	2,000
<i>Total Expenses per Individual</i>	\$7,256	\$7,042	\$6,865	\$8,000
<i>Total Expenses (excluding Program Revenue) per Individual</i>	1,724	1,893	1,449	1,736

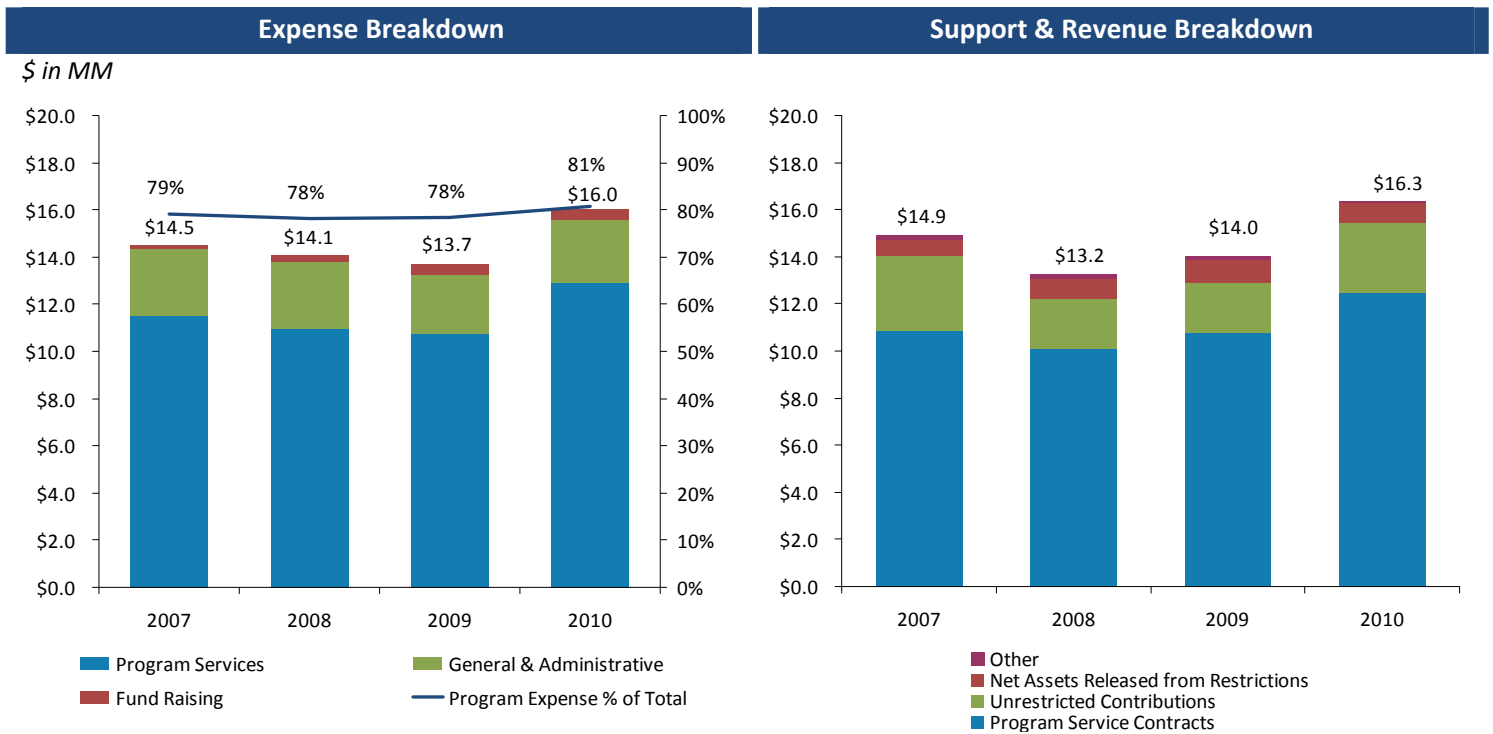
Source: Audited Financial Statements (prepared on GAAP basis), MDRC report "Transitional Jobs: Background, Program Models, and Evaluation Evidence" (Feb 2010)

(1) According to financial statements (prepared on GAAP basis) as audited by Schall & Ashenfarb, LLC

(2) According to MDRC report (Feb 2010)

CEO has consistently spent ~20% of total expenses through General & Administrative costs. In 2009-2010 this percentage declined slightly, and further decline in subsequent years will be paramount to push increased expenditure

focus on program services. Furthermore, a breakout of 2010 functional expenses shows that of the ~\$12.9M spent on program services, \$3.3M was spent on non-personnel charges, \$0.6M was spent on payroll taxes and an additional \$6.2M went to staff wages and benefits, leaving only ~\$2.8M to be spent on wages and benefits for participants in CEO's transitional jobs.



2010 Functional Expenses (GAAP Basis)

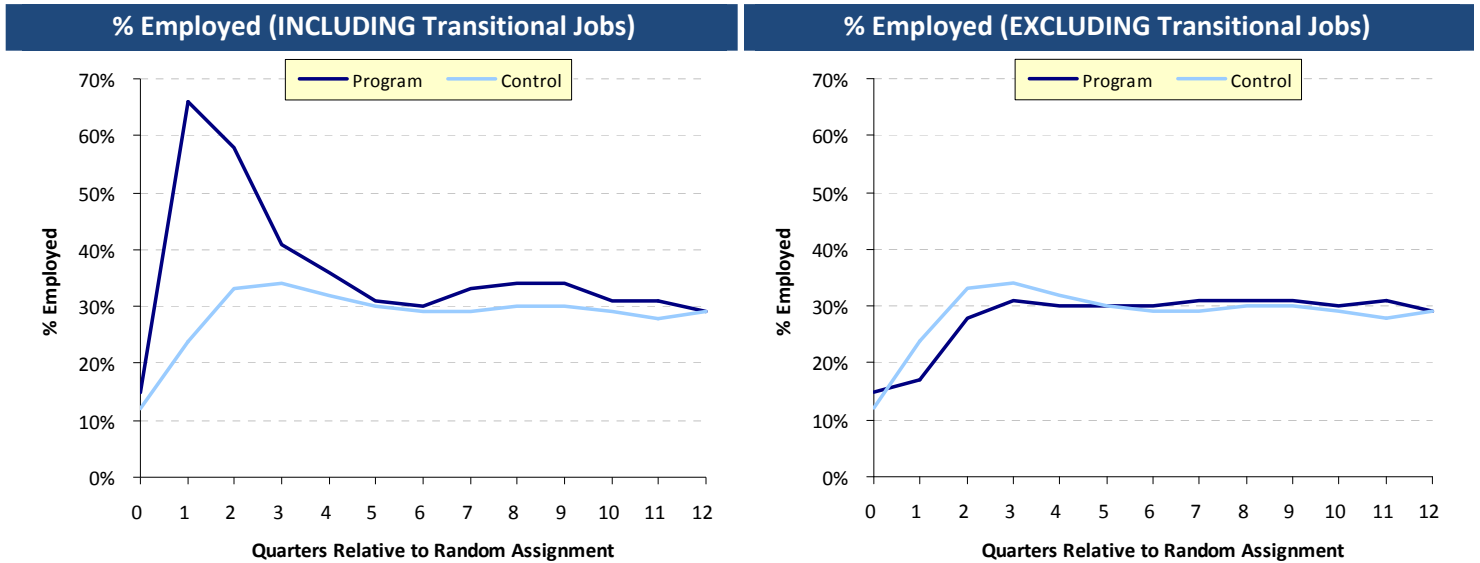
	Program Services				Supporting Services		2010 Total
	Transitional Jobs	Vocational Services	CEO Academy	Subtotal	G&A	Fund Raising	
Personnel							
<i>Wages & Benefits</i>							
Staff	\$2,443,765	\$3,114,350	\$615,168	\$6,173,283	\$1,662,642	\$228,389	\$8,064,314
Participants	2,785,172	0	0	2,785,172	0	0	2,785,172
<i>Payroll Taxes</i>							
Staff	162,091	213,137	43,599	418,827	112,883	14,445	546,155
Participants	203,541	0	0	203,541	0	0	203,541
Total Personnel	\$5,594,569	\$3,327,487	\$658,767	\$9,580,823	\$1,775,525	\$242,834	\$11,599,182
<i>Non-Personnel</i>							
Depreciation	\$911,950	\$1,850,346	\$462,886	\$3,225,182	\$878,452	\$156,763	\$4,260,397
	66,936	26,700	25,196	118,832	21,696	0	140,528
Total Expenses	\$6,573,455	\$5,204,533	\$1,146,849	\$12,924,837	\$2,675,673	\$399,597	\$16,000,107

<i>Personnel (Staff)</i>	40%	64%	57%	51%	66%	61%	54%
<i>Personnel (Participants)</i>	45%	0%	0%	23%	0%	0%	19%
<i>Non-Personnel</i>	14%	36%	40%	25%	33%	39%	27%
<i>Depreciation</i>	1%	1%	2%	1%	1%	0%	1%

High levels of spending on G&A, fundraising and non-participant program services expenditures, puts increased focus on the effectiveness of CEO's ability to increase employment and to reduce recidivism amongst its participants.

PROGRAM RESULTS AND EFFECTIVENESS

CEO does not publicly release data on their programs' effectiveness on increasing employment rates and reducing recidivism amongst its participants. Instead, this report relies on the analysis performed by the MDRC, an independent organization that performs evaluations of policies and programs targeted to low-income people. In February 2010, the MDRC prepared a paper titled "Transitional Jobs: Background, Program Models, and Evaluation Evidence" directed towards the Administration for Children and Families and the Office of the Assistant Secretary for Planning and Evaluation. As part of this paper, MDRC evaluated CEO's transitional jobs and vocational services programs. In 2004-2005, nearly 1,000 parolees were randomly assigned to a "Program Group" eligible for CEO's transitional jobs program or to a "Control Group" only eligible for CEO's basic job search assistance. Program and Control participants were tracked over a three year period for employment rates and criminal activity.



When accounting for total sources of employment, CEO's programs produce a dramatically increased employment rate for the first year that over time converges back to the levels experience in the control group. Furthermore, when adjusting to exclude transitional jobs, the program group performs worse than the control group over the first year (indicating that if not for transitional jobs, some participants would have found employment on their own) and comparable to the control group over the last two years. One area where CEO's impact is undisputed is its ability to reduce criminal activity amongst participants. Arrests, convictions and incarceration all decreased significantly for participants, especially those of whom were recently released from prison.

Three-Year Impacts on Recidivism

Outcome	Total			Recently Released from Prison		
	Program	Control	Difference	Program	Control	Difference
Arrested	48.2%	53.0%	(4.8%)	49.1%	59.1%	(10.0%)
Convicted of a Crime	43.1%	48.8%	(5.7%)	44.0%	56.7%	(12.7%)
Felony	10.0%	11.7%	(1.7%)	NA	NA	NA
Misdemeanor	34.0%	39.3%	(5.3%)	NA	NA	NA
Violent Crime	7.0%	9.5%	(2.5%)	5.4%	14.3%	(8.9%)
Incarcerated	58.4%	65.3%	(6.9%)	60.2%	71.3%	(11.1%)
For New Crime	22.3%	26.1%	(3.8%)	NA	NA	NA
For Technical Parole Violation	37.1%	35.6%	1.5%	NA	NA	NA
Total Days	172	186	(14)	NA	NA	NA
Arrested, Convicted or Incarcerated	65.2%	70.9%	(5.7%)	NA	NA	NA
Sample Size (Total: 977)	568	409		225	160	

TRANSPARENCY

CEO's website provides information about the organization's programs, leadership and financial situation. Program services expenses are well documented in their audited financial statements, with detailed breakout of personnel costs (staff vs. participants) and non-personnel expenditures. However, CEO provides limited analysis of the results of their efforts and efficacy of their programs, forcing potential donors to rely on third-party analysis.

CEO files its Form 990 with the IRS each year and its financial statements are regularly audited by the accounting firm Schall & Ashenfarb, LLC.

OTHER THIRD PARTY RATINGS

- **GiveWell** states that CEO “does not currently qualify for our highest ratings”, but GiveWell does not mention what rating it ascribes to CEO. Similar to NPI’s findings, GiveWell struggled with CEO’s lack of demonstrated increases in employment rates amongst participants.
- **Philanthropedia’s** expert network rated CEO a “2010 Top Non-Profit” with 18 experts viewing CEO as the nonprofit with the most impact in its field, while 6 experts disagreed with that assessment.
 - *Strengths* include:
 - Compelling increase in employment and reduction of criminal activity for immediate period out of prison.
 - Operational strength in marketing, finance and data tracking / management.
 - Strong, consistent leadership under Mindy Tarlow and her team.
 - *Areas for Improvement* include:
 - Programs to increase long-term retention and employment.
 - Personal / social services related to relationship counseling and child support.
 - Increasing communication to the public and employers on / program results / lessons learned.

GET INVOLVED

- Be an employer: <http://ceoworks.org/services/who-we-serve/employers/>
- Donate: <http://ceoworks.org/support-us/donate/>
- Stay in touch: <http://ceoworks.org/stayintouch/>

DISCLOSURES

RJ does not have any affiliation with Center for Employment Opportunities and has never made a donation to the organization. NPI analysts and NPI as an organization do not receive any form of compensation from reviewed charities.