

# NONPROFIT INVESTOR

## INDEPENDENT RESEARCH FOR PHILANTHROPY

### The Cara Program

Nonprofit Investor Rating:

**BUY**

#### Mission Statement

The Cara Program prepares and inspires motivated individuals to break the cycle of homelessness, transform their lives, strengthen our communities, and forge paths to real and lasting success.

#### Financial Overview

*\$ in MM, Fiscal Year Ended December 31*

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenue and Support	\$4.5	\$5.3	\$9.1
Expenses	\$3.9	\$5.1	\$5.6
% of Total:			
Program Expenses	81.2%	81.5%	78.3%
G&A	10.3%	10.5%	14.3%
Fundraising	8.5%	8.0%	7.4%

**Year Founded:** 1991

#### Contact Details

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#### SUMMARY

The Cara Program ("TCP"), founded by Tom Owens in 1991, is a leading job training and placement provider for homeless and at-risk individuals in the Chicago area.

#### STRENGTHS

▲ **Extensive program offerings.** Through its many programs, TCP offers a wealth of resources and continuous support to its students and graduates, even after a permanent job placement has been found.

▲ **Proven track record since inception.** TCP has successfully placed 2,800 individuals affected by homelessness and poverty into full-time, permanent jobs in the Chicago area with an average of 75% retention rate during first year of employment.

▲ **A strong network of sponsors.** TCP is supported by many major donors, including founder Tom Owens' the Owens Foundation.

▲ **Detailed and frequent performance updates.** TCP consistently provides quarterly updates on its overall program performance.

#### CAUTIONS

● **Unclear data tracking methods.** While TCP offers many data points, the methodology in which the data is derived is yet unclear. Additionally, there seems to be inconsistency in the way revenue and expenses were presented in 2009 annual report versus audited financial report of the same period.

● **Limited funding sources.** As TCP is operating close to full capacity (expenses were 94% of revenue in 2009) and a substantial portion of its funding comes from four donors, TCP may benefit from diversifying its funding sources.

#### RECOMMENDATION: BUY

TCP has proven to be effective in helping break the cycle of poverty and homelessness in the Chicago Area through its job training and retention services, social enterprises, community centers and its partnerships with other organizations. NPI highly recommends making a monetary donation, volunteering for one of TCP's programs, and/or hiring TCP graduates.

## OVERVIEW OF THE CARA PROGRAM'S ACTIVITIES

The Cara Program, founded by Tom Owens in 1991, is a leading job training and placement provider for homeless and at-risk individuals in the Chicago area. Since its inception, the organization has placed over 2,800 individuals into quality, permanent employment. TCP partners with more than 100 community organizations to identify and enroll suitable candidates for its job training program. Some of the referral partners include Mercy Housing Lakefront, Catholic Charities, Salvation Army, Haymarket Center, and St. Martin de Porres.

To be admitted into the program, referred candidates must complete a phone screening, attend a one-on-one interview, pass a drug test, and be motivated, mentally stable and able to work. With its experiential learning approach, TCP offers classes in professionalism, customer satisfaction, basic computer skills and interviewing competency. Aside from these job-related trainings, TCP emphasizes on the importance of gaining critical life skills. The five key transformation concepts an individual develops throughout the program, according to the organization's website, are "change your behavior, look with new eyes, think outside the box, don't relax, and know the deepest truth of who you are."

Unlike most other workforce development programs, TCP provides continuous support to its graduates during the first year of their employment through TCP's retention services. These services include one-on-one meetings, development of long term goals, financial literacy training, and the organization's unique matched savings program, which TCP matches \$500 or \$1,000 in the form of a savings bond if the individual meets all specified qualifications.

Over the years, TCP has expanded beyond its traditional job placement and retention services (see below):

### Social Enterprise: Cleanslate Chicago

Cleanslate is the social enterprise of TCP. Cleanslate is a neighborhood beautification business providing on-the-job training and transitional support services for students in the Cara Program who face significant obstacles to employment. As of June 30th, 2011, Cleanslate serves 32 community customers in 19 Chicago neighborhoods and has placed Cara students in 1,208 transitional jobs since its inception in 2005. Its positive impact on local community includes collecting 2,960 tons of garbage and 1,394 tons of recycled materials since 2005.

### Quad Communities Center for Working Families

In July 2008, The Cara Program assumed management of the Quad Communities Center for Working Families (CWF). CWF now serves both as a site for direct service to the community (providing career and employment counseling, financial literacy training and referrals), while also acting as a "feeder site" for TCP's traditional training program.

### Career Pathways Initiative

The Career Pathways Resource Center (CPRC) was launched in October 2007 in partnership with the University of Chicago, the University of Chicago Medical Center (UCMC), the Department of Family and Support Services, Mayor Daley's WorkNet Chicago, and Illinois WorkNet. CPRC has placed 300+ local residents into quality jobs since inception.

## PROGRAM RESULTS AND EFFECTIVENESS

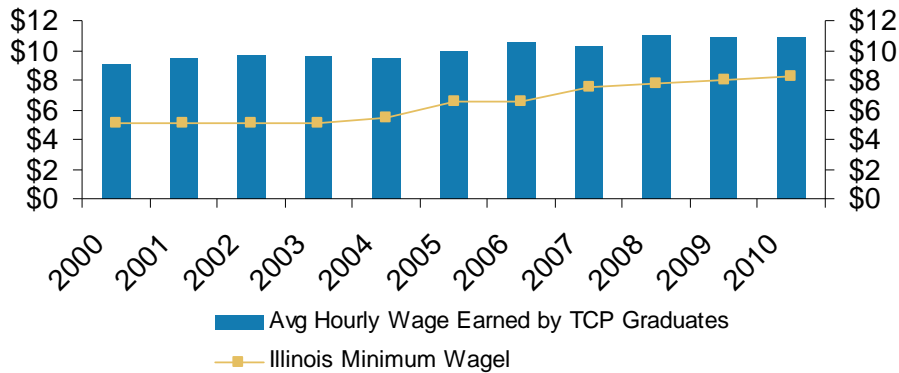
TCP's website provides detailed information on its performance through several key indicators (see chart below). There is also a separate website for each of its programs. In its annual report, the organization presents success stories of individuals who had graduated from the Cara Program and been placed into permanent job positions.

## Performance Indicators

<i>Fiscal Year Ended December 31</i>	2006	2007	2008	2009	2010
Job Placements	170	205	236	233	277
Average Hourly Wage	\$10.57	\$10.26	\$11.00	\$10.92	\$10.88
One-Year Job Retention Rates	67%	72%	73%	72%	75%

Along with the launch of Cleanslate and other additional programs, TCP has provided noteworthy social benefits to its local community. The number of permanent job placements has grown moderately over the years. First year job retention rate has increased from 52% at TCP's inception to 75% in 2010. One achievement to highlight is that the average hourly wage earned by TCP graduates has been consistently above both federal and the state of Illinois' minimum wage requirements.

## Average Hourly Wage



While TCP provides periodic updates on its program performance, it is not very clear how many individuals are admitted into the program each year and what percentage of students successfully graduate from the program. Thus, it is not possible to calculate the graduation rate. Additionally, in 2010 TCP began to report the number of transitional job placements; however, no detail was given on whether these individuals would eventually be placed into full-time, permanent job positions. Furthermore, while TCP tracks closely the retention rates of its graduates during year one, it does not provide or track the retention rates after the first year. To help better evaluate TCP's program efficiency in providing sustainable, long lasting job placement solutions, NPI would like to see more data points in these areas.

Lastly, TCP calculates its Social Return on Investment based on projecting current one-year social impact to be constant for each of the following four years. A better approach could be to gather the actual value of social impact for each year over the five-year period, as it is unclear whether first year social impact can be sustained over the next four years (due to possible decline in retention rate).

## TRANSPARENCY

TCP provides annual reports from 2005 through 2009 on its website. Its 2009 audited financial report is also available online; for all other years, audited reports are available upon request. The organization files Form 990 with the IRS on an annual basis. TCP also provides periodic performance updates on its website.

## FINANCIAL OVERVIEW

## REVENUE

A majority of TCP's revenue comes from private donations and government grants. Revenue mix has remained fairly consistent over the past three years. The organization has a strong network of sponsors including the Owens Foundation, Harry & Jeanette Weinburg Foundation, Eleanor Foundation, and Pierce and Associates. In 2009, the organization received \$2.0 million in capital campaign and \$1.1 million other extraordinary revenue items mainly from pledges and in-kind donations, which explains the lofty revenue growth of 71% (32% excluding the \$2 million capital campaign).

According to TCP's audited financial report, the organization received 47% of its overall funding (including contributions from special projects) in 2009 from three sources – the Chicago Department of Community Development and Department of Family and Supportive Services, the Owens Foundation, and the law firm of Pierce & Associates. While these contributors have consistently provided sizeable donations over the years, NPI recommends that TCP diversify its funding sources.

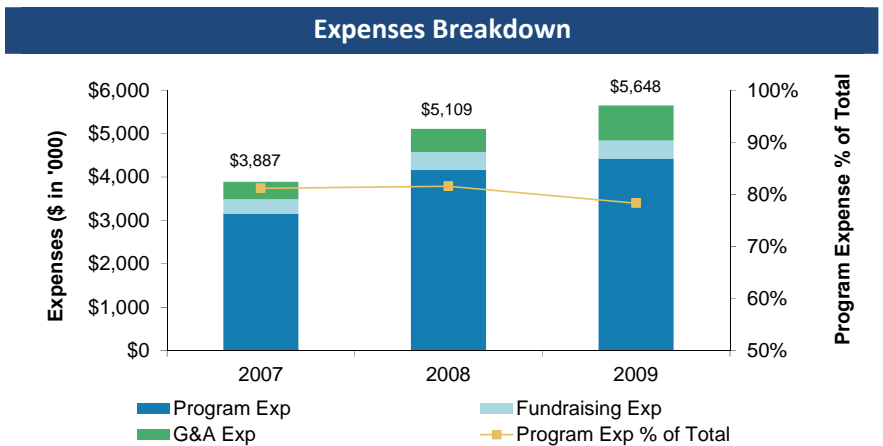
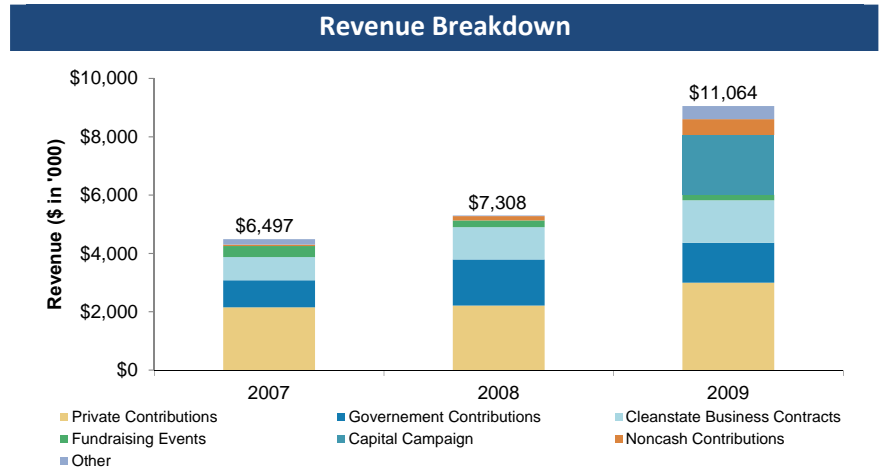
## EXPENSES

Roughly 80% of TCP's total expenses were spent on programs over the past years. While program expenses as a % of total operating expenses decreased slightly, management and general expenses as a % of total operating expenses increased from 10% in 2008 to 14% in 2009, due to added salary and wage expenses. The additional salary and wage expenses could be due to an increase in total number of employees from 76 people in 2008 to 98 people in 2009.

Approximately 45% of TCP's total program expenses in 2009 were incurred by TCP's social enterprise, Cleanslate Chicago. Cleanslate's program expenses increased 10% from \$1.7 million in 2008 to \$1.9 million in 2009. This increase is within expectation as the corresponding revenue generated by Cleanslate business contracts saw a similar growth.

Based on the expenses as a percentage of revenue metric, TCP was operating at its full capacity – total expenses were approximately 94% of total revenue in 2009. However, the organization managed to maintain a high cash balance at the end of 2009, attributable to the \$2 million additional revenue generated by capital campaign.

According to TCP's annual reports, cost per permanent job in 2009 was \$7,036, compared to \$7,698 in 2008; cost per transitional job was \$9,884, compared to \$7,058 in 2008. While a decline in unit cost could indicate higher efficiency, it is



not clear how these figures were derived. Furthermore, the increase in cost per transitional job could be very much due to inconsistent calculation methodologies.

There were a few related party transactions in 2009. One of which was \$91,000 (5% of Cleanslate program expenses in 2009) paid to Michael Owens, son of Mr. Thomas Owens (Chairman of the Board), for consulting services performed for Cleanslate. However, detailed information on the scope of the work, the compensation structure, and the selection process of Michael Owens' services is not readily available.

### Detailed Financial Information

<i>Fiscal Year Ended December 31</i>	2007	2008	2009 *	<i>Source:</i>
<b>Revenue and Expenses (GAAP Accounting Basis)</b>				
Revenue and Other Support:				
Private Contributions	\$2,156,639	\$2,214,407	\$3,000,188	<i>Annual Report and 2009 Audited Report</i>
Government Contributions	924,418	1,577,216	1,360,374	<i>Annual Report and 2009 Audited Report</i>
Cleanstate Business Contracts	794,911	1,108,700	1,462,180	<i>Annual Report and 2009 Audited Report</i>
Fundraising Events	375,632	234,520	180,193	<i>Annual Report and 2009 Audited Report</i>
Capital Campaign			2,052,406	<i>Annual Report and 2009 Audited Report</i>
Noncash Contributions	54,620	146,721	542,500	<i>Annual Report and 2009 Audited Report</i>
Other	183,943	17,936	457,653	<i>Annual Report and 2009 Audited Report</i>
<b>Total Support and Revenues</b>	<b>\$4,490,163</b>	<b>\$5,299,500</b>	<b>\$9,055,494</b>	
<i>% Growth</i>		18.0%	70.9%	
<i>% Growth, Excluding Capital Campaign</i>		18.0%	32.1%	
Expenses:				
Program Expense	\$3,154,547	\$4,166,508	\$4,423,270	<i>Annual Report and 2009 Audited Report</i>
Management and General	400,593	534,501	809,334	<i>Annual Report and 2009 Audited Report</i>
Fundraising Expenses	331,701	408,301	415,804	<i>Annual Report and 2009 Audited Report</i>
<b>Total Expenses:</b>	<b>\$3,886,841</b>	<b>\$5,109,310</b>	<b>\$5,648,408</b>	<i>Annual Report and 2009 Audited Report</i>
<i>% of Revenue, Excluding capital campaign, noncash contributions and other</i>	91.4%	99.5%	94.1%	
<b>Revenue Less Expenses</b>	<b>\$603,322</b>	<b>\$190,190</b>	<b>\$3,407,086</b>	
<b>Program Costs as a % of Total Expenses</b>	<b>81.2%</b>	<b>81.5%</b>	<b>78.3%</b>	<i>Annual Report and 2009 Audited Report</i>
<b>G&amp;A as a % of Total Expenses</b>	<b>10.3%</b>	<b>10.5%</b>	<b>14.3%</b>	<i>Annual Report and 2009 Audited Report</i>
<b>Fundraising as a % of Total Expenses</b>	<b>8.5%</b>	<b>8.0%</b>	<b>7.4%</b>	<i>Annual Report and 2009 Audited Report</i>
<b>Program Expenses Mix</b>				
Traditional Job Training and Placement		<b>29.6%</b>	<b>21.8%</b>	<i>Annual Report</i>
Retention		<b>17.4%</b>	<b>13.9%</b>	<i>Annual Report</i>
Social Enterprises		<b>41.5%</b>	<b>44.6%</b>	<i>Annual Report</i>
Community Resource Centers		<b>11.5%</b>	<b>19.5%</b>	<i>Annual Report</i>
Cost per quality, permanent job placement:		\$7,698	\$7,036	<i>Annual Report</i>
Cost per transitional job:		\$7,056	\$9,884	<i>Annual Report</i>

\* There is an offsetting discrepancy of \$205,455 in the total revenue and the total expenses between TCP's 2009 annual report and its 2009 audited report. NPI sourced the 2009 figures from TCP's audited financial statements for our analysis.

## THIRD PARTY RATINGS

**Charity Navigator** rates the organization 4 out of 4 stars. CN indicates that TCP's Form 990 does not provide information on the process for determining CEO compensation.

However, based on TCP's 2010 Form 990, Eric Weinheimer is TCP's President and CEO. In Schedule J - Compensation Information, the box for "approval by the board or compensation committee" is checked. In Schedule O - Supplement information, it states "the finance committee of the Board of Directors reviews and approves the salary of the President of the Organization and compares it to other Chicago area not-for-profit organizations.

## GET INVOLVED

- Donate: <http://www.thecaraprogram.org/what-you-can-do/donate>
- Volunteer: <http://www.thecaraprogram.org/volunteer>
- Referral: <http://www.thecaraprogram.org/refer>
- Hire a graduate from the Cara Program: <http://www.thecaraprogram.org/hire>

## DISCLOSURES

Annie does not have any affiliation with the Cara Program 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. All information presented in this report is sourced from TCP's annual reports, 990 Forms and organization websites, unless noted otherwise.

NPI has not reached out to the Cara Program for comment on this report but will plan to do so in Q1 of 2012.