

CVE Training Businesses

PARENT AGENCY: COMMUNITY VOCATIONAL ENTERPRISES, INC. (CVE)

BUSINESS SUMMARY: CVE provides employment and training to individuals with psychiatric disabilities. CVE's Training Businesses include CVE Cafés, CVE Clerical Services, and CVE Driver/Messenger.

1999		INDEX OF RETURN
Enterprise Value	\$921,087	2.04
Social Purpose Value	\$18,455,192	40.82
Blended Value	\$19,376,279	42.86
Investment to date	\$452,129	
Number of Target Employees	48	
Percentage of Target Employees	98%	
Hourly Wage Range	\$5.75-\$8.00	

Employment Risk Assessment (ERA)	
Homeless or at-risk of homelessness  57%	Public assistance  93%
Convicted of a crime  33%	Not a high school graduate  10%
Mental health issues  100%	With dependent children  20%

OVERVIEW

- Profitable training businesses
- Low operating expenses
- Specialize in supported employment for people with psychiatric disabilities
- Emphasis placed on teaching transferable skills
- Provide training for 6 to 18 months at minimum wage or higher

TARGET EMPLOYEE STATISTICS

AVERAGE TIME WITH CVE TRAINING

12 months for CVE clients

AGE

- 10% 22-29 years old
- 20% 30-39 years old
- 43% 40-49 years old
- 27% 50-62 years old

RACE/ETHNICITY

- 67% White
- 10% African-American
- 10% Asian/Pacific Islander
- 7% Latino/a
- 3% Multi-ethnic
- 3% Other

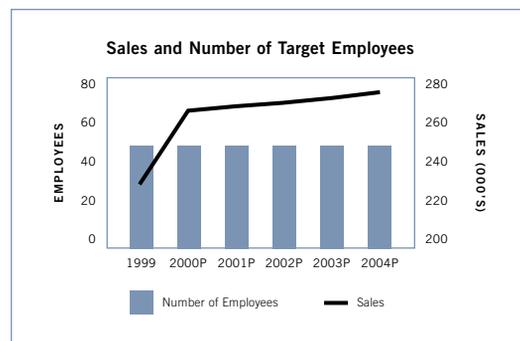
GENDER

- 57% female
- 43% male

EMPLOYEE HIGHLIGHT

"I got sick ten years ago, and I have been in and out of hospitals since then... they finally diagnosed me as bipolar/manic depressive. Until CVE, I didn't really have any activities, and I spent most of my time in bed, sleeping. Now I have something to wake up for and look forward to. At first, I was kind of shy, but once I got to know my bosses and coworkers, I got more confidence. I know that later on, when I finish my training and look for a job, I will be ready. CVE has opened a lot of doors for me."
— Café worker, CVE client for seven months

"Before CVE, I was pretty isolated. I didn't really do anything except stay in my apartment and watch television. I went to the Clerical Certificate Program, and that gave me skills and confidence I needed to get a part-time job. Now I work 15 hours a week. I feel much less isolated, and I really like my job."
— Clerical worker, CVE client for three months



CVE Mission Statement

CVE's mission is to create employment opportunities for people with psychiatric disabilities and other underserved individuals through innovative practices and distinct choices.

PHILOSOPHY

At CVE, we go beyond diagnosis and labels to see our clients as people with potential who are entitled to recognize and realize possibilities. The simple concept of trusting people to make choices about their lives lays the groundwork for a relationship of mutual respect and a working partnership.

CVE CLERICAL SERVICES MISSION STATEMENT

The mission of the CVE clerical training and placement agency is to place qualified individuals in work sites that match the needs and goals of both the employer and the employees. To accomplish this mission, we provide exceptional training and support to our employees and assist them in achieving their fullest potential both as employees and as valuable members of their communities.

CVE CAFÉ MISSION STATEMENT

The mission of the CVE cafés is to provide high quality, customer oriented food and beverage services to the customers of our two coffee site locations. To accomplish this mission, we provide exceptional training and support to our employees and assist them in achieving their fullest potential both as employees and as valuable members of their communities.

CVE DRIVER/MESSENGER PROGRAM MISSION STATEMENT

The mission of the CVE Driver/Messenger program is to provide high quality delivery services to our City and County customers, and to be a productive, effective partner with Baker Places, our partner in this enterprise. To accomplish this mission, we provide exceptional training and support to our employees and assist them in achieving their fullest potential both as employees and as valuable members of their communities.

MANAGEMENT TEAM

JOHN BRAUER, EXECUTIVE DIRECTOR

Mr. Brauer began as the Director of Administrative Services for CVE in 1989. He developed the program from a \$90,000 to \$2 million budget with a total staff of 33. Mr. Brauer holds a Bachelor's degree in liberal arts and a Master's degree in clinical psychology from John F. Kennedy University in Orinda, CA.

JOJO SANCHEZ, DIRECTOR OF BUSINESS ENTERPRISES

Ms. Sanchez came to CVE with over six years experience in coaching small businesses, entrepreneurs and individuals. Ms. Sanchez began working at CVE with Industrial Maintenance Engineers (IME) in 1998. Since then, IME has consistently exceeded projections and is expected to do so this fiscal year by \$90,000. She graduated from Golden Gate University with a degree in Business Management.

GEORGE PLUCK, CAFÉ TRAINING SUPERVISOR

Mr. Pluck was hired April 2000 to oversee the operations of the coffee bars/cafés. Mr. Pluck has extensive food service and food handling experience. Most recently, he was the lead chef at Nordstrom's Pub where he supervised staff and operations.

PATRICK REGAN, CLERICAL TRAINING SUPERVISOR AND DRIVER/MESSENGER SUPERVISOR

Hired in April 2000, Mr. Reagan will lead the expansion and development of the clerical business. He has previously worked with various groups to teach computer skills and volunteered to help people build clerical and sales skills.

BUSINESS DESCRIPTION

CVE provides employment and training to individuals with psychiatric disabilities. CVE's Training Businesses includes CVE Cafés, CVE Clerical Services, and CVE Driver/Messenger. CVE owns and operates two coffee bars/cafés located in downtown San Francisco locations. CVE Clerical Services provides clerical placements and one-time only temporary services at

a variety of sites throughout San Francisco. CVE Driver/ Messenger Service teams up with Baker Places, another Bay Area nonprofit, to provide mail delivery for the City and County of San Francisco. All three businesses have been operating for more than eight years.

BUSINESS PROFILE

The City and County of San Francisco are the primary customers for the CVE Training Businesses' services. As a result, there is minimal volatility in the revenues.

STRENGTHS AND CHALLENGES

STRENGTHS

- Secured revenue source by the City and County of San Francisco
- All businesses are profitable and self-sustaining

CHALLENGES

- CVE Cafés are located in buildings with a limited number of customers
- Difficulty in recruiting more drivers for CVE Driver/Messengers, since clients need to own a car and have a clean DMV record

NEW INITIATIVES

CVE Cafés have a marketing plan to upgrade their image. The business plan calls for a possible expansion to include lunch at one or both of the sites. They are currently reviewing the option of expanding the catering services at those locations. Additionally, all Café clients will be trained in ServSafe courses that provide training in safety and sanitation.

CVE Clerical Services is working on a strategic alliance with for-profit companies such as the Gap and Esprit to do a hybrid for-profit and nonprofit temporary employment model. Prior to starting work in a for-profit business, CVE's employees can have more "real world" interaction while simultaneously training in a safe environment.

CVE is currently working on the feasibility of growth opportunities and planning for the eventual separation of the three businesses.

SROI Analysis — Training Businesses

SOCIAL PURPOSE RESULTS

CVE provides employment and training to individuals with psychiatric disabilities. In 1999, CVE Training Businesses saved \$25,478 per target employee in public dollars and generated \$1,206 per target employee in new taxes. On average, each target employee was able to increase his or her wages from work by \$8039. After including taxes and the reduction of public assistance, each target employee improved their overall financial situation by \$3,744. CVE Training Businesses' social purpose value is over \$18 million with excess returns of over 40 times of what was invested into the enterprise.

ENTERPRISE FINANCIALS

The enterprise value for the CVE Training Businesses is estimated to be almost \$925,000, which is two times the initial investment. The three businesses combined have grown to be profitable. In 1999, IME was spun off and, as a result, lowered CVE's Training Businesses' sales by \$130,000 but improved their gross margin by over 15%. CVE's Training Businesses have considerable social operating expenses compared with IME as a result of employing such high risk populations. This has lowered the net margin.

SOCIAL PURPOSE ENTERPRISE INDICATORS

After IME was spun off in 1999, CVE's Training Businesses' total employee population was reduced by over 70 employees. In 2000, social operating expenses per employee are projected to be more than double what they were in 1998 since the remaining target population is mostly isolated to those with mental disabilities. Including projected social savings and new taxes, the total social savings and new taxes for the CVE Training Businesses is almost \$20 million while costing the enterprise \$1.5 million in social operating expenses. CVE's Training Businesses will be able to contribute more than \$200,000 to the parent agency.

REVENUES AND EXPENSES

The proportion of grants CVE's Training Businesses receive to the overall revenue decreases each year. In 1999, as a result of the IME spin off, the proportion of social operating expense to the overall expenses increased. In 2000, this proportion is projected to decrease as the Training Businesses develop greater efficiency as they adjust to the new structure. Starting in 2000, CVE's Training Businesses are expected to cover all social purpose and enterprise related expenses.

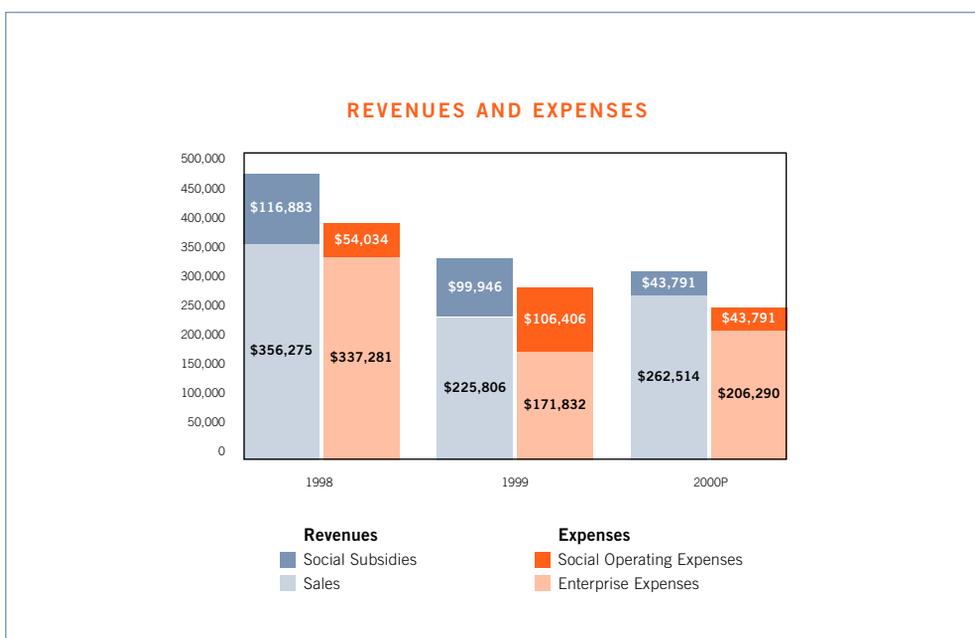
SOCIAL PURPOSE RESULTS (PER TARGET EMPLOYEE)		1999
PUBLIC SAVINGS		\$25,478
NEW TAXES		\$1,206
WAGE IMPROVEMENT		\$8,039
FINANCIAL IMPROVEMENT		\$3,744

ENTERPRISE FINANCIALS	1998	1999	2000P
SALES	\$356,275	\$225,806	\$262,514
GROSS MARGIN	31%	46%	47%
NET MARGIN (BEFORE S&S) ¹	5%	24%	21%
NET MARGIN (AFTER S&S)	23%	21%	21%

SOCIAL PURPOSE ENTERPRISE INDICATORS	1998	1999	2000P
TOTAL EMPLOYEES / TOTAL TARGET EMPLOYEES	123/122	49/48	53/52
FTE EMPLOYEES / FTE TARGET EMPLOYEES	16/15	8/7	8/7
SOCIAL OPERATING EXPENSES PER TARGET EMPLOYEE	\$443	\$2,217	\$842

TOTAL PROJECTED INVESTMENT	\$0
TOTAL PROJECTED SOCIAL SAVINGS AND NEW TAXES	\$19,882,135
TOTAL PROJECTED SOCIAL OPERATING EXPENSES	\$1,426,943
TOTAL PROJECTED CONTRIBUTION TO PARENT	\$202,788

¹S&S: Subsidies and Social Operating Expenses



KEY SOCIAL IMPACT FINDINGS

Select Results from the Community Vocational Enterprises, Inc. Employee Survey

Enterprise employees participated in face-to-face interviews at the time of hire (baseline) and six months later (follow-up) to assess their experience of change in the areas of employment, income, housing stability, use of public assistance, use of social services, criminal justice involvement, and other barriers to employment. For each outcome area, the employees' experience six months before hire (baseline) is compared with their experience six months before follow-up. The results below reflect key findings on the social impacts based on the responses of CVE's employees interviewed from both IME and the Training Businesses. Only statistically significant changes and changes reflecting an impact among more than 20% of the interviewed employees are included.

EMPLOYMENT

85% of respondents experienced a real increase in monthly income from work from their time of hire to their time of follow-up. The average amount of increase was \$287.

BARRIERS TO EMPLOYMENT

While 80% of respondents identified mental health as an employment barrier at baseline, only 44% identified this as a barrier at follow-up.

HOUSING

12% of respondents experienced an increase in the stability of their housing situation while 32% remained in a stable home and 48% stayed at risk for homelessness.

PUBLIC ASSISTANCE AND SERVICE UTILIZATION

Even though a majority of CVE employees continued to receive public assistance at both baseline and follow-up (primarily SSI), there

is a very significant increase (46%) in the proportion of monthly income accounted for by work sources. On average, at baseline, work sources accounted for 5% of respondents' total monthly income, as compared to 51% from work sources at follow-up.

Because health insurance is so important to these CVE employees who have serious mental health diagnoses, it is important that 81% of respondents remained on Medi-Cal from baseline to follow-up and only 8% were uninsured at follow-up.

PSYCHO-SOCIAL CHARACTERISTICS

From baseline to follow-up, 26% of respondents' level of self-esteem increased.

SATISFACTION WITH CVE PROGRAMS

93% of CVE employees interviewed said they would recommend CVE programs to a friend or family member seeking vocational services.

“It provided me an opportunity to be in the workplace and increase my self-esteem. It gave me a boost of confidence. They made it easy... I've recommended CVE to a lot of friends.” – CVE EMPLOYEE