

CAREER GEAR, INC.

**FINANCIAL STATEMENTS
YEAR ENDING
DECEMBER 31, 2011**

CAREER GEAR, INC.
FINANCIAL STATEMENTS
Year ending December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Career Gear, Inc.

We have audited the accompanying statement of financial position of Career Gear, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with the 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 misstatements. 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.

We did not observe the physical inventory, valued at \$43,431, taken as of December 31, 2010, since that date was prior to our initial engagement as auditors for the Organization, and the Organization's records do not permit adequate retroactive tests of inventory quantities.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary in the statements of financial position, functional expenses, and cash flows had we been able to observe the physical inventory taken as of December 31, 2010, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Career Gear, Inc. as of December 31, 2011, and the changes 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.

As described in Note 8 to the financial statements, the Organization corrected the value of inventory in the statement of financial position as of December 31, 2011.



Wayne P. Naegele, CPA
New York, NY
August 22, 2012

CAREER GEAR, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2011

| | <u>December 31, 2011</u> |
|--|--------------------------|
| <u>ASSETS</u> | |
| CURRENT ASSETS | |
| Cash and cash equivalents - unrestricted | \$ 107,550 |
| Unconditional promises to give | |
| Unrestricted | 54,300 |
| Accounts receivable | 3,733 |
| Prepaid expenses | 6,174 |
| Inventory | <u>42,060</u> |
| TOTAL CURRENT ASSETS | <u>213,817</u> |
| OTHER ASSETS | |
| Property and equipment, net | <u>6,590</u> |
| TOTAL ASSETS | <u><u>\$ 220,407</u></u> |
| <u>LIABILITIES AND NET ASSETS</u> | |
| CURRENT LIABILITIES | |
| Accounts payable and accrued expenses | \$ 14,325 |
| Payroll taxes payable | <u>11,235</u> |
| TOTAL CURRENT LIABILITIES | <u>25,560</u> |
| NET ASSETS | |
| Unrestricted | 194,847 |
| Temporarily restricted | <u>-</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 220,407</u></u> |

CAREER GEAR, INC.
STATEMENT OF ACTIVITIES
Year ending December 31, 2011

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-------------------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ 40,097 | \$ - | \$ 40,097 |
| Special events | 193,484 | - | 193,484 |
| Less: direct expenses | (18,492) | - | (18,492) |
| Donated rent, clothing and services | 233,173 | - | 233,173 |
| Program service income | 152,742 | - | 152,742 |
| Government grants | 93,938 | - | 93,938 |
| Interest income | 89 | - | 89 |
| Net assets released from restrictions: | | | |
| Satisfaction of purpose restrictions | 58,000 | (58,000) | - |
| TOTAL SUPPORT AND REVENUE | <u>753,031</u> | <u>(58,000)</u> | <u>695,031</u> |
| EXPENSES | | | |
| Program services | 636,997 | - | 636,997 |
| Management and general | 45,720 | - | 45,720 |
| Fundraising | 26,366 | - | 26,366 |
| TOTAL EXPENSES | <u>709,083</u> | <u>-</u> | <u>709,083</u> |
| CHANGE IN NET ASSETS | 43,948 | (58,000) | (14,052) |
| NET ASSETS, BEGINNING OF YEAR | <u>150,899</u> | <u>58,000</u> | <u>208,899</u> |
| NET ASSETS, END OF YEAR | <u>\$ 194,847</u> | <u>\$ -</u> | <u>\$ 194,847</u> |

CAREER GEAR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ending December 31, 2011

| | Program services | Management and general | Fundraising | Total |
|---------------------------|---------------------|---------------------------|------------------|-------------------|
| Accounting | \$ 14,038 | \$ 2,931 | \$ 1,980 | \$ 18,949 |
| Bank service charges | 4,444 | 1,366 | - | 5,810 |
| Bookkeeping | 4,066 | 1,179 | 573 | 5,818 |
| Clothing expense | 30,824 | - | - | 30,824 |
| Consultants | 1,170 | 3,330 | - | 4,500 |
| Depreciation | - | 5,192 | - | 5,192 |
| Donations | - | 1,045 | - | 1,045 |
| Dues and subscriptions | 1,170 | 389 | - | 1,559 |
| Filing fees | - | 433 | - | 433 |
| Insurance | 41,784 | 5,701 | 3,450 | 50,935 |
| Meetings and conferences | 3,117 | 993 | 337 | 4,447 |
| Miscellaneous | - | 110 | - | 110 |
| Office equipment | 86 | 24 | - | 110 |
| Office expenses | 828 | 189 | - | 1,017 |
| Outreach | 53,049 | 860 | - | 53,909 |
| Payroll expenses | 1,893 | 513 | - | 2,406 |
| Payroll taxes | 20,763 | 1,605 | 1,493 | 23,861 |
| Postage and delivery | 995 | 250 | - | 1,245 |
| Printing and reproduction | 868 | 190 | - | 1,058 |
| Professional development | 1,315 | - | - | 1,315 |
| Rent | 153,720 | - | - | 153,720 |
| Repairs and maintenance | 545 | 154 | - | 699 |
| Salaries and wages | 266,631 | 14,005 | 14,005 | 294,641 |
| Supplies | 6,927 | 1,053 | 830 | 8,810 |
| Telephone | 6,670 | 873 | 873 | 8,416 |
| Travel | 3,739 | 886 | 376 | 5,001 |
| Utilities | 18,355 | 2,449 | 2,449 | 23,253 |
| Total functional expenses | <u>\$ 636,997</u> | <u>\$ 45,720</u> | <u>\$ 26,366</u> | <u>\$ 709,083</u> |

See Independent Auditor's Report

CAREER GEAR, INC.
STATEMENT OF CASH FLOWS
Year ending December 31, 2011

| | <u>For the year ending December 31, 2011</u> |
|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Change in net assets | \$ (14,052) |
| Adjustments to reconcile change in net assets to cash provided (used) by operating activities: | |
| Depreciation and amortization | 5,192 |
| (Increase) decrease in: | |
| Unconditional promises to give | (1,948) |
| Accounts receivable | 1,183 |
| Prepaid expenses | (6,174) |
| Inventory | 1,371 |
| Increase (decrease) in: | |
| Accounts payable and accrued expenses | 4,325 |
| Payroll taxes payable | (922) |
| | <hr/> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (11,025) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Acquisition of property and equipment | <hr/> (4,056) |
| NET INCREASE (DECREASE) IN CASH | (15,081) |
| CASH - BEGINNING OF YEAR | <hr/> 122,631 |
| CASH - END OF YEAR | <hr/> <hr/> \$ 107,550 |

See Notes to Financial Statements

CAREER GEAR, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 – NATURE OF ORGANIZATION

Career Gear, Inc. (“the Organization”) is a nonprofit organization incorporated under the laws of the State of New York on November 12, 1998. The Organization provides career counseling, interview-appropriate clothing, and follow up job support to men actively seeking employment and working toward self-sufficiency.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting generally accepted in the United States of America. Accordingly, revenues are recognized when earned rather than received and expenses are recognized when incurred rather than paid.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the FASB ASC 958-205-55, Not-for-Profit Entities – Presentation of Financial Statements (formerly, SFAS No. 117, Financial Statements of Not-for-Profit Organizations). Under the codification, the Organization is required to report information regarding its financial position and activities according to three classes of net assets - unrestricted, temporarily restricted and permanently restricted net assets.

Functional Allocation of Expenses

The costs of providing program, management and general, and fundraising activities have been summarized on a function basis in the Statement of Activities. Direct expenses are charged based on specific identification and indirect expenses have been allocated based on the level of effort in the following functional expenses defined:

Program Services are the activities that result in goods and services being distributed to beneficiaries pursuant to the Organization’s mission. Supporting activities are all activities other than program services.

Management and General Services include all management and administrative functions, such as oversight, business management, general recordkeeping, budgeting and financing, but exclude direct conduct of program services and fundraising services.

Fundraising Services include solicitation of contributions from individuals, organizations and others, maintaining donor mailing lists and distributing fundraising materials.

CAREER GEAR, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies, if any, at the date of the financial statements, and the revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all short-term, highly liquid debt investments purchased with a maturity of three months or less and money market funds to be cash equivalents.

Accounts Receivable

Accounts receivable consist of funds that have not been received by the Organization. Management has determined that any amounts due the Organization for the year ending 2011 are deemed collectible. Accounts receivable as of December 31, 2011 was \$3,733. The Organization has determined that \$0 of accounts receivable to be uncollectible as of December 31, 2011.

Unconditional Promises to Give and Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Unconditional promises are due within one year.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. As of December 31, 2011, there was \$54,300 of outstanding promises to give. There is \$0 considered uncollectible.

Property and Equipment

The Organization capitalizes purchased property and equipment at cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated over the straight-line method over their estimated useful lives, which range from 3 to 10 years.

Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that the facts and circumstances indicate that the cost of long-lived assets may be impaired, an evaluation of recoverability would be performed.

CAREER GEAR, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Inventory

The Organization has a significant quantity of men's suits and other clothing on hand for the benefit of men actively seeking employment. The inventory was received as a contribution from a number of clothing wholesale and retail entities. Donated inventory is recorded in the period received at fair value. As of December 31, 2011, the inventory includes 2,630 suits, and other types of clothing, valued at \$42,060. The Organization has determined that the fair value of one year's worth of clothing donations received should be classified as inventory on the statement of financial position.

Temporarily Restricted Net Assets

Temporarily restricted net assets, if applicable, are restricted for future programs and periods.

Revenue and Expenses

Contribution revenue is recognized when it is promised by the donor. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Contributed Services

For the year ending December 31, 2011, the Organization received services from people who contribute their time. Consistent with generally accepted accounting principles for not-for-profit organizations, the value of the contributed time by unpaid volunteers is not reflected on these financial statements.

Income taxes

The Organization is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service and the State of New York. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) disclosure in the financial statements.

The Organization's Form 990, Return of Organization Exempt from Income Tax for the years 2008, 2009, 2010 and 2011 is subject to examination by the Internal Revenue Service generally three years after they are filed.

CAREER GEAR, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 3 – FIXED ASSETS

Property and equipment consists of the following:

| | <u>December 31, 2011</u> |
|--------------------------------|--------------------------|
| Office equipment | \$ 40,028 |
| Leasehold improvements | <u>16,717</u> |
| Total property and equipment | 56,745 |
| Less: Accumulated depreciation | <u>(50,155)</u> |
| Total | <u><u>\$ 6,590</u></u> |

Depreciation expense for the year ending December 31, 2011 amounted to \$5,192.

NOTE 4 – DONATED RENT, CLOTHING AND SERVICES

As of December 31, 2011, the Organization received the following donated items or services in connection with its programs:

| | <u>December 31, 2011</u> |
|------------------|--------------------------|
| Rent | \$ 153,720 |
| Clothing | 29,453 |
| Public relations | <u>50,000</u> |
| | <u><u>\$ 233,173</u></u> |

NOTE 5 – RISKS AND UNCERTAINTIES

Cash

As of December 31, 2011, the Organization did not have cash on deposit with financial institutions in excess of federally insured amounts. Management assesses the bank situations annually and does not see any risk.

CAREER GEAR, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 6 – CONTINGENCY

Government supported programs are subject to audit by the granting agency.

NOTE 7 – FAIR VALUE MEASUREMENTS

In accordance with the requirements of FASB ASC 820-10 (formally SFAS No. 157, “Fair Value Measurements,”) the Organization must disclose the fair value of its financial instruments as of December 31, 2011. The Organization’s financial instruments are included in current assets and current liabilities. The recorded values of the current assets and current liabilities approximate their fair values based on their short-term nature.

NOTE 8 – CORRECTION OF AN ERROR

Net assets at the beginning of 2011 have been restated to correct the value of inventory as of December 31, 2010. Management had not reflected the value of the inventory on the statement of financial position. The effect of the restatement was to increase unrestricted net assets by \$43,431 as of December 31, 2010.

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 22, 2012, the date of which the financial statements are available to be issued.