

CAREER GEAR, INC.

**FINANCIAL STATEMENTS
YEARS ENDING
DECEMBER 31, 2012 AND 2011**

CAREER GEAR, INC.
FINANCIAL STATEMENTS
Years ending December 31, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Career Gear, Inc.

We have audited the accompanying financial statements of Career Gear, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ending December 31, 2012, 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 the entity'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 the entity'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 Career Gear, Inc. as of December 31, 2012 and 2011, 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.



Wayne P. Naegele, CPA
New York, New York
March 22, 2013

CAREER GEAR, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 141,043	\$ 107,550
Unconditional promises to give		
Unrestricted	50,000	54,300
Contributions receivable	30,042	3,733
Prepaid expenses	7,808	6,174
Inventory	<u>75,182</u>	<u>42,060</u>
TOTAL CURRENT ASSETS	304,075	213,817
OTHER ASSETS		
Property and equipment, net	<u>5,681</u>	<u>6,590</u>
TOTAL ASSETS	<u>\$ 309,756</u>	<u>\$ 220,407</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 36,474	\$ 14,325
Payroll taxes payable	4,408	11,235
Deferred revenue	<u>30,000</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	70,882	25,560
NET ASSETS		
Unrestricted	<u>238,874</u>	<u>194,847</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 309,756</u>	<u>\$ 220,407</u>

CAREER GEAR, INC.
STATEMENTS OF ACTIVITIES
Years ending December 31, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions	\$ 257,686	\$ -	\$ 257,686	\$ 40,097	\$ -	\$ 40,097
Special events	207,487	-	207,487	193,484	-	193,484
Less: direct expenses	(10,982)	-	(10,982)	(18,492)	-	(18,492)
Donated rent, clothing and services	264,952	-	264,952	233,173	-	233,173
Program service income	89,802	-	89,802	152,742	-	152,742
Government grants	-	-	-	93,938	-	93,938
Interest income	91	-	91	89	-	89
Net assets released from restrictions:						
Satisfaction of purpose restrictions	-	-	-	58,000	(58,000)	-
TOTAL SUPPORT AND REVENUE	809,036	-	809,036	753,031	(58,000)	695,031
EXPENSES						
Program services	660,768	-	660,768	636,997	-	636,997
Management and general	69,384	-	69,384	45,720	-	45,720
Fundraising	34,857	-	34,857	26,366	-	26,366
TOTAL EXPENSES	765,009	-	765,009	709,083	-	709,083
INCREASE (DECREASE) IN NET ASSETS	44,027	-	44,027	43,948	(58,000)	(14,052)
NET ASSETS, BEGINNING OF YEAR	194,847		194,847	150,899	58,000	208,899
NET ASSETS, END OF YEAR	\$ 238,874	\$ -	\$ 238,874	\$ 194,847	\$ -	\$ 194,847

CAREER GEAR, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ending December 31, 2012 with comparative totals for the year ending December 31, 2011

	2012			Total All Activities	
	Program Services	Management and General	Fundraising	2012	2011
Accounting	\$ 14,637	\$ 1,682	\$ -	\$ 16,319	\$ 18,949
Bank service charges	3,544	784	-	4,328	5,810
Bookkeeping	11,381	-	-	11,381	5,818
Clothing expense	30,355	-	-	30,355	30,824
Consultants	5,312	368	-	5,680	4,500
Depreciation	-	3,612	-	3,612	5,192
Donations	21	240	-	261	1,045
Dues and subscriptions	570	2,092	-	2,662	1,559
Filing fees	342	676	-	1,018	433
Insurance	46,151	12,358	479	58,988	50,935
Meetings and conferences	4,049	476	-	4,525	4,447
Miscellaneous	88	12	-	100	110
Office equipment	4,655	662	-	5,317	110
Office expenses	628	534	30	1,192	1,017
Outreach	5,327	69	-	5,396	53,909
Payroll expenses	150	2,285	8	2,443	2,406
Payroll taxes	27,894	5,336	587	33,817	23,861
Postage and delivery	2,429	319	21	2,769	1,245
Printing and reproduction	389	-	-	389	1,058
Professional development	52,346	198	11	52,555	1,315
Rent	153,725	-	-	153,725	153,720
Repairs and maintenance	724	30	-	754	699
Salaries and wages	255,692	32,150	33,154	320,996	294,641
Supplies	8,234	3,304	62	11,600	8,810
Telephone	11,129	1,350	247	12,726	8,416
Travel	9,438	124	258	9,820	5,001
Utilities	11,558	634	-	12,192	23,253
Website	-	89	-	89	-
Total functional expenses	\$ 660,768	\$ 69,384	\$ 34,857	\$ 765,009	\$ 709,083

See Notes to Financial Statements

CAREER GEAR, INC.
STATEMENTS OF CASH FLOWS
Years ending December 31, 2012 and 2011

	Year ending December 31, 2012	Year ending December 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 44,027	\$ (14,052)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation and amortization	3,612	5,192
(Increase) decrease in:		
Unconditional promises to give	4,300	(1,948)
Contributions receivable	(26,309)	1,183
Prepaid expenses	(1,634)	(6,174)
Inventory	(33,122)	1,371
Increase (decrease) in:		
Accounts payable and accrued expenses	22,149	4,325
Payroll taxes payable	(6,827)	(922)
Deferred revenue	30,000	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	36,196	(11,025)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(2,703)	(4,056)
NET INCREASE (DECREASE) IN CASH	33,493	(15,081)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	107,550	122,631
CASH AND CASH EQUIVALENTS- END OF YEAR	\$ 141,043	\$ 107,550

See Notes to Financial Statements

CAREER GEAR, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 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. 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 functional 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.

Management and General includes 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 includes solicitation of contributions from individuals, organizations and others, maintaining donor mailing lists and distributing fundraising materials.

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.

CAREER GEAR, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Prior-Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted account principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Contributions Receivable

Contributions receivable consist of funds that have not been received by the Organization. Management has determined that any amounts due the Organization for the years ending 2012 and 2011 are deemed collectible. Contributions receivable as of December 31, 2012 and 2011 were \$30,042 and \$3,733, respectively. The Organization has determined that \$0 of contributions receivable were uncollectible as of December 31, 2012 and 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 to give 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, 2012 and 2011, there were \$50,000 and \$54,300 of outstanding promises to give, respectively. 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, 2012 and 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Transactions for property and equipment are capitalized at cost. There is no minimum value to capitalize fixed assets.

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, 2012, the inventory includes suits, shirts, pants and other types of clothing, valued at \$75,182. The Organization has determined that the fair value of the current year's donations received less outflows of clothing used in program activities should be classified as inventory on the statement of financial position. Any inventory remaining from the prior year is expensed.

Temporarily Restricted Net Assets

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

Contribution Revenue

Contribution revenue is recognized when it is promised by the donor.

Program Service Income

The Organization earns income from the following programs:

The Work Readiness Program provides low-income men seeking employment with interview coaching, resume building, mock interviews, image consulting and a full-range of business attire. A participant is referred through one of 65 New York City partner programs.

The Professional Development Series Program is a nine-month program which offers classes in four development categories; Employment, Financial Stability, Parenting & Family and Work/Life Balance.

The Mast Mentoring Program is a six-month program which focuses on further developing an individual's skills for stability and responsibility while identifying challenges and obstacles the individuals continue to face. Mentors work one-on-one with young men to address and overcome various barriers to stability and self-sufficiency.

Contributed Services

For the years ending December 31, 2012 and 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.

CAREER GEAR, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

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, 2012 and 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 2009, 2010, and 2011 is subject to examination by the Internal Revenue Service generally up to three years after they are filed.

NOTE 3 – FIXED ASSETS

Property and equipment consists of the following:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Office equipment	\$ 42,731	\$ 40,028
Leasehold improvements	16,717	16,717
Total property and equipment	59,448	56,745
Less: Accumulated depreciation	<u>(53,767)</u>	<u>(50,155)</u>
Total	<u>\$ 5,681</u>	<u>\$ 6,590</u>

Depreciation expense for the years ending December 31, 2012 and 2011 amounted to \$3,612 and \$5,192, respectively.

CAREER GEAR, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 4 – DONATED RENT, CLOTHING AND SERVICES

As of December 31, 2012 and 2011, the Organization received the following donated items or services in connection with its programs:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Rent	\$ 153,725	\$ 153,720
Clothing	61,227	29,453
Public relations	80,000	50,000
	<u>\$ 294,952</u>	<u>\$ 233,173</u>

NOTE 5 – RISKS AND UNCERTAINTIES

Cash

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization evaluates the financial strength and stability of the financial institutions and it believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 6 – CONTINGENCY

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

NOTE 7 – COMMITMENT

Copy machine

The Organization committed to a non-cancellable lease for its copy machine. The lease term began on July 25, 2012. The lease expires in August, 2015. Monthly payments amount to \$185. The future minimum lease payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2013	\$ 2,220
2014	2,220
2015	1,295
	<u>\$ 5,735</u>

CAREER GEAR, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 8 – 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, 2012 and 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 9 – RETIREMENT PLAN

Effective January 1, 2012, the Organization entered into a tax deferred 403(b) retirement plan, (the “Plan”). The Plan covers all employees over 21 years of age who are employed with the Organization for a minimum of one year. Employees make voluntary contributions to the Plan based upon the limits established under the Internal Revenue Code. In addition, the Organization makes a discretionary matching contribution. For the year ending December 31, 2012, the Organization did not make a matching contribution. There is no balance due to the Plan as of December 31, 2012.

NOTE 10 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 22, 2013, the date of which the financial statements are available to be issued.