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</tr>
</thead>
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<td>FINANCIAL STATEMENTS</td>
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<td>Statements of Financial Position</td>
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<td>Statements of Activities and Changes in Net Assets</td>
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</tbody>
</table>
INDEPENDENT AUDITORS' REPORT ON THE BASIC
FINANCIAL STATEMENTS

Board of Directors
Career Resources, Inc.
Bridgeport, Connecticut

We have audited the accompanying statements of financial position of Career Resources, Inc. as of June 30, 2011 and 2010 and the related statements of activities and changes in net assets and cash flows for the years 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 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Career Resources, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and in its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hamden, Connecticut
December 22, 2011
CAREER RESOURCES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 381,759</td>
<td>$ 203,394</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>428,315</td>
<td>578,961</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>135,595</td>
<td>67,329</td>
</tr>
<tr>
<td>Contribution receivable</td>
<td>34,845</td>
<td>34,850</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>61,287</td>
<td>12,814</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$1,041,801</td>
<td>$897,348</td>
</tr>
<tr>
<td>PROPERTY AND EQUIPMENT, net of accumulated depreciation of $119,557 in 2011 and $107,599 in 2010</td>
<td>19,952</td>
<td>29,231</td>
</tr>
<tr>
<td>SECURITY DEPOSIT</td>
<td>10,945</td>
<td>10,945</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$1,072,698</td>
<td>$937,524</td>
</tr>
</tbody>
</table>

LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 240,242</td>
<td>$ 190,104</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>268,946</td>
<td>185,959</td>
</tr>
<tr>
<td>Due to grantor</td>
<td>24,886</td>
<td>-</td>
</tr>
<tr>
<td>Deferred grant revenue</td>
<td>22,876</td>
<td>29,752</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>4,185</td>
<td>838</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$561,135</td>
<td>$406,653</td>
</tr>
</tbody>
</table>

NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board of Directors' designations</td>
<td>317,709</td>
<td>317,709</td>
</tr>
<tr>
<td>Equipment</td>
<td>19,952</td>
<td>29,231</td>
</tr>
<tr>
<td>Unobligated excess</td>
<td>128,426</td>
<td>120,856</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>466,087</td>
<td>467,796</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>45,476</td>
<td>63,075</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>$511,563</td>
<td>$530,871</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,072,698</td>
<td>$937,524</td>
</tr>
</tbody>
</table>

See Notes to Financial Statements.
CAREER RESOURCES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES
IN NET ASSETS
YEARS ENDED JUNE 30, 2011 AND 2010

<table>
<thead>
<tr>
<th>UNRESTRICTED NET ASSETS</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUPPORT AND REVENUE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal awards</td>
<td>$ 2,437,507</td>
<td>$ 3,052,240</td>
</tr>
<tr>
<td>State awards</td>
<td>2,124,802</td>
<td>1,853,763</td>
</tr>
<tr>
<td>Program revenue</td>
<td>1,319,442</td>
<td>286,000</td>
</tr>
<tr>
<td>Contributions</td>
<td>73,160</td>
<td>76,467</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>26,863</td>
<td>15,881</td>
</tr>
<tr>
<td>Miscellaneous revenue</td>
<td>1,407</td>
<td>8,814</td>
</tr>
<tr>
<td>Interest income</td>
<td>300</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total support and revenue</strong></td>
<td><strong>5,983,481</strong></td>
<td><strong>5,293,177</strong></td>
</tr>
<tr>
<td>EXPENSES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workforce development</td>
<td>1,899,424</td>
<td>2,776,895</td>
</tr>
<tr>
<td>Adult and youth programs</td>
<td>1,659,652</td>
<td>564,301</td>
</tr>
<tr>
<td>Alternative incarceration</td>
<td>1,456,431</td>
<td>1,269,684</td>
</tr>
<tr>
<td>STRIVE program</td>
<td>359,896</td>
<td>90,219</td>
</tr>
<tr>
<td>Supportive services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>609,787</td>
<td>575,343</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>5,985,190</strong></td>
<td><strong>5,276,442</strong></td>
</tr>
<tr>
<td>Increase (decrease) in unrestricted net assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(1,709)</strong></td>
<td><strong>16,735</strong></td>
<td></td>
</tr>
</tbody>
</table>

| TEMPORARILY RESTRICTED NET ASSETS                           |            |            |
| Contributions received for STRIVE program                   | 9,264      | 1,842      |
| Net assets released from restrictions                        | (26,863)   | (15,881)   |
| **Decrease in temporarily restricted net assets**           | **(17,599)**| **(14,039)**|
| Increase (decrease) in net assets                            |            |            |
| **(19,308)**                                                | **2,696**  |

| NET ASSETS, beginning of year                               | 530,871    | 528,175    |
| NET ASSETS, end of year                                     | **$ 511,563**| **$ 530,871**|

See Notes to Financial Statements.
CAREER RESOURCES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase (decrease) in net assets</td>
<td>$(19,308)</td>
<td>$ 2,696</td>
</tr>
<tr>
<td>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>11,958</td>
<td>11,438</td>
</tr>
<tr>
<td>(Increase) decrease in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants receivable</td>
<td>150,646</td>
<td>(89,766)</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(68,266)</td>
<td>(23,390)</td>
</tr>
<tr>
<td>Contribution receivable</td>
<td>5</td>
<td>(34,850)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(48,473)</td>
<td>(2,305)</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>50,138</td>
<td>95,139</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>82,987</td>
<td>34,902</td>
</tr>
<tr>
<td>Due to grantor</td>
<td>24,886</td>
<td>-</td>
</tr>
<tr>
<td>Deferred grant revenue</td>
<td>(6,876)</td>
<td>(10,749)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>3,347</td>
<td>838</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>181,044</td>
<td>(16,047)</td>
</tr>
</tbody>
</table>

CASH FLOWS FROM INVESTING ACTIVITIES

Investments in the purchase of property and equipment | (2,679) | (10,626) |

**Net cash used in investing activities** | (2,679) | (10,626) |

NET INCREASE (DECREASE) IN CASH

178,365 | (26,673)

CASH, beginning | 203,394 | 230,067 |

CASH, ending | $381,759 | $203,394 |

See Notes to Financial Statements.
1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Career Resources, Inc. is a not-for-profit, non-stock Connecticut corporation, exempt from federal income taxes under Internal Revenue Code 501(c)(3). The Organization provides job training, placement and support services for dislocated and economically disadvantaged individuals in Southwestern Connecticut.

In 2000, the U.S. Congress enacted the Workforce Investment Act (WIA) to replace the Job Training Partnership Act (JTPA). The WIA provides the framework for the One-Stop System, a national workforce preparation and employment system designed to meet the needs of both employers and job seekers. The WorkPlace, Inc. has been designated the Local Workforce Investment Board.

The Organization has been awarded various grants by The WorkPlace, Inc. to be the One-Stop Operator and Provider and the TANF case manager for the One-Stop System established by the WIA. Currently, the Organization is operating under a one year contract with The WorkPlace, Inc. that began July 1, 2010.

Financial Statement Presentation

The Financial Accounting Standards Board (FASB) has created the FASB Accounting Standards Codification System (ASC) which is the official source of authoritative, nongovernmental accounting principles generally accepted in the United States of America effective for reporting periods ended after September 30, 2009. In accordance with FASB ASC 958-205 Not for Profit Entities, Presentation of Financial Statements, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted – Equipment

Net assets reflect the total carrying value after depreciation of all equipment used by the Organization, less directly related liabilities.

Unrestricted – Undesignated

Unrestricted net assets represents available sources other than donor restricted contributions. Included in unrestricted net assets are grants and contracts, which may be earmarked for specific purposes.

Unrestricted – Designated

Net assets are to be used for purposes specified by the Board of Directors.

Temporarily Restricted

Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure.
Permanently Restricted

Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity. The Organization has no permanently restricted net assets.

Recognition of Support and Revenue

Grants and Contracts

Grants and contracts are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specified activities.

Entitlement to cost reimbursement grants and contracts is conditioned on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance-based grants and contracts is conditioned on the attainment of specific performance goals and, therefore, is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenues recognized are presented as deferred grant revenue.

Contributions

Contributions are defined as voluntary, non-reciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of changes in net assets as net assets released from restrictions. The Organization’s policy is to present temporarily restricted net assets received during the year whose restrictions are also met during the current year as unrestricted net assets. Contributions received with donor imposed conditions are presented as deferred support until such conditions are substantially met, at which time they are recognized as support.

The Organization’s policy is to recognize the expiration of donor restrictions for contributions of property and equipment or the use of contributions restricted for property and equipment in the year the property and equipment is placed in service.

Furniture, Equipment and Depreciation

Donated property is stated at fair market value as determined by management at the date contributed. Property purchased is recorded at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the respective assets. For the years ended June 30, 2011 and 2010, depreciation expense was $11,958 and $11,438, respectively.

Maintenance and repair costs are charged to operations as incurred; major renewals and betterments are capitalized. The costs relating to assets sold or retired are removed from the account balance at the time of the disposition and the related gains and losses are included in the change in net assets.
Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that are used.

Income Taxes

Career Resources, Inc., a not-for-profit organization operating under section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal, state and local taxes and, accordingly, no provision for income taxes is recorded in the financial statements.

The Organization adopted the provisions of FASB ASC 740, Accounting for Uncertainty in Income Taxes, on July 1, 2009. As a result of the implementation, the Organization did not recognize any liability for uncertain tax positions. The Organization has no open tax years prior to 2007. The Organization's tax returns are subject to examination, generally for three years after they are filed.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of unrestricted revenues, expenses and other changes in unrestricted net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Programs

Workforce Development

Grants passed through The WorkPlace, Inc from the U.S. Department of Labor Workforce Investment Act (WIA) and from the Connecticut Department of Labor Jobs First Employment Services program for One-Stop Operator and Provider services.

Alternative Incarceration Center and Gender Specific Program for Female Offenders

Grants from the Connecticut Office of Court Support Services Division (directly and through a subcontract with another agency), Connecticut Department of Corrections and U.S. Department of Labor.

STRIVE Program

Contributions from the general public and grants from Connecticut Department of Labor and U.S. Department of Labor.

Adult and Youth Programs

Grants passed through The WorkPlace, Inc from the U.S. Department of Labor Workforce Investment Act (WIA) and from the Connecticut Department of Labor Jobs First Employment Services program; and program revenue contracts with various organizations to perform specified activities.
Accounts Receivable

Accounts receivable are stated at the amount management expect to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. There is no allowance for doubtful accounts at June 30, 2011.

Reclassifications

Certain amounts in prior-year financial statements have been reclassified to conform to the presentation in the current-year financial statements, with no effect on net assets.

Disclosure of Subsequent Events

FASB ASC 855, Subsequent Events, establishes general standards of accounting and disclosure requirements for subsequent events, events that occur after the balance sheet date but before the financial statements are issued. In addition, certain events subsequent to the balance sheet date may require recognition in the financial statements as of the statement of financial position date under the requirements of FASB ASC 855. Management has evaluated subsequent events through December 22, 2011, the date the financial statements were available to be issued. Management is not aware of any events subsequent to the statement of financial position date which would require additional adjustment to, or disclosure in, the accompanying financial statements.

2. Concentrations of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, and grants and contracts receivable.

Cash

The Organization places its cash deposits with high credit-quality institutions and such deposits may exceed federal depository insurance limits. The Organization believes it is not exposed to any significant credit risk on cash. The Organization’s checking account is fully insured until December 31, 2012 through the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited insurance coverage of noninterest-bearing transaction accounts.

Grants and Contracts Receivable

Grants and contracts receivable are evidenced by signed contracts with a variety of state and federal governments and The WorkPlace, Inc. Based on historical experience, management believes these receivables represent negligible credit risk. Accordingly, management has not established an allowance for potential credit losses.
Support and Revenue Concentrations

The Organization receives a majority of its support and revenue from federal and state grants passed through The WorkPlace, Inc. All of these grants are subject to reduction or termination in future years. Any significant reduction in these grants could have an adverse impact on the Organization's program services.

3. Furniture and Equipment

Under the terms of a grant agreement with the State of Connecticut Office of Court Support Services (CSSD), the Organization purchases equipment whereby title rests with the CSSD. Since the Organization does not have title to the equipment, the amounts have been excluded from the accompanying statement of financial position and are expensed in the year purchased. For the year ended June 30, 2011, the Organization did not purchase equipment under a CSSD grant agreement. As of June 30, 2011, a total of $16,557 of equipment purchases has been expensed under this grant agreement with CSSD for the Gender Specific Program for Female Offenders.

4. Deferred Grant Revenue

For the year ended June 30, 2011, deferred grant revenue consisted of the following:

<table>
<thead>
<tr>
<th>Connecticut Department of Corrections Nonresidential Program</th>
<th>$21,667</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Health and Human Services Responsible Fatherhood Program</td>
<td>1,209</td>
</tr>
</tbody>
</table>

$22,876

Amounts are to be used for expenditures as approved in grant awards.

5. Line of Credit

The Organization has available a $100,000 line of credit with People’s Bank United. Amounts outstanding bear interest at The People’s United Bank Prime Rate and are secured by all business assets of the Organization. The Organization has not been advanced any amounts under this line of credit and no amounts were outstanding as of June 30, 2011.

6. Net Assets

Temporarily restricted net assets consisted of the following at June 30, 2011:

<table>
<thead>
<tr>
<th></th>
<th>Balance at June 30, 2010</th>
<th>Addition</th>
<th>Released</th>
<th>Balance at June 30, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>STRIVE program</td>
<td>$63,075</td>
<td>$9,264</td>
<td>($26,863)</td>
<td>$45,476</td>
</tr>
</tbody>
</table>
On January 14, 2000, the Organization's Board of Directors designated unrestricted net assets for various purposes. During the year ended June 30, 2011 no amounts were released from the designations. As of June 30, 2011, the Board of Directors' designations consisted of the following:

- Cash flow reserve: $222,579
- Funds to support additional capacity and personnel: 57,000
- Funds to address miscellaneous needs and expenses: 20,000
- Funds to address increased marketing needs and expenses: 9,239
- Funds to promote lifelong learning and economic self-sufficiency for graduates: 8,891

Total: $317,709

7. Retirement Plan

The Organization has established a profit sharing plan in accordance with Section 401(k) of the Internal Revenue Code. Employees are eligible for participation in the plan after six months of employment and after they reach 21 years of age. The Organization is required to match participant's contributions up to 1 5% of annual compensation. For the years ended June 30, 2011 and 2010, $25,497 and $20,711, respectively, has been recorded as an expense under the 1 5% matching requirement of this plan.

In addition, under the plan the Organization has elected to make additional contributions to the plan as a fixed percentage of compensation. The Organization has the right to change this fixed percentage in accordance with the plan documents. For the years ended June 30, 2011 and 2010, the Organization has elected to contribute 5% and 7%, respectively, of eligible employee compensation. For the years ended June 30, 2011 and 2010, $129,969 and $163,420, respectively, has been recorded as an expense under this portion of the plan.

8. Commitments

STRIVE Trademark License

The Organization has been granted a non-exclusive license from East Harlem Employment Services, Inc. ("EHES") to use the STRIVE trademark. EHES owns the STRIVE trademark and has developed a distinctive and proprietary system to help unemployed men and women find jobs and achieve financial independence. The Organization must adhere to the STRIVE guidelines which delineate basic mission, operating benchmarks and principles, outcome standards and activity standards for the program. As part of the agreement, EHES will provide the Organization with training, technical support and guidance.

350 Fairfield Avenue, Bridgeport, Connecticut

The Organization leases its corporate office space at 350 Fairfield Avenue, Bridgeport, Connecticut.

In July 2005, the Organization entered into a 5 year lease for 9,249 square feet of office space at 350 Fairfield Avenue for an annual minimum rent amount of
$131,336  The lease called for annual minimum rent to be paid in monthly installments of $10,945. In addition, the Organization was required to pay for electricity at $1.75 per square foot and, beginning in January 2006, its proportionate share of the increase in operating expenses and property taxes over the base year (calendar 2005).

The Organization was provided a Fit Up Allowance (the “Allowance”), not to exceed $92,490, to paint, re-carpet and construct demising walls. In October 2005, the Organization was notified that the unused portion the Allowance was $54,430. The landlord issued a credit of $1,814 for the period of July through October 2005 and beginning in November 2005, $454 was credited to the monthly rent.

In January 2010, the Organization entered into a lease extension for a period of 10 years commencing July 2010. The lease extension calls for annual minimum rent of $101,739 for years one through five and $112,375 for year six. For years one through five, the monthly rent will continue to be reduced by the Allowance of $454. For years seven through ten, annual minimum rent will be $112,375 increased annually by the CPI North East Factor. In addition, the Organization is required to pay for electricity at $1.75 per square foot during year 1 of the lease extension, with this amount increasing 3% annually for years two through ten. Also, the Organization is required to pay for building operating expenses at $5.25 per square foot during year one, amount to be increased for years two through ten to reflect increase in Landlord costs provided that such increase will not exceed more than 3% annually.

The Organization has an option to terminate the lease extension effective June 30, 2015 by providing written notice to the Landlord on or prior to October 1, 2014 provided that such termination option may only be exercised to the extent that (i) The WorkPlace, Inc. has exercised its similar termination option pursuant to its lease with the Landlord and (ii) the Organization begins occupying office space located in real property The WorkPlace, Inc. owns solely or by an entity in which The WorkPlace, Inc is at least a 20% partner or shareholder. If the Organization exercises this termination option, they will be required to pay $12,040 to the Landlord as a termination penalty.

For the years ended June 30, 2011 and 2010, rent expense for corporate office space, net of Allowance, amounted to approximately $161,000 and $149,000, respectively.

360 Fairfield Avenue, Bridgeport, Connecticut

The Organization has entered into a lease agreement to rent office space for the Prisoner Reentry program. The lease commenced April 1, 2010 and requires monthly rent of $1,359 for the period April 1, 2010 through March 31, 2011 and $1,401 per month for the period April 1, 2011 through March 31, 2012. In addition, the Organization is required to pay for monthly electric of $225 for the period April 1, 2010 through March 31, 2011 and $232 per month for the period April 1, 2011 through March 31, 2012. For the years ended June 30, 2011 and 2010, rent expense amounted to approximately $19,200 and $4,100, respectively.

75 Charter Oak Avenue, Hartford, Connecticut

The Organization has entered into a lease agreement to rent office space for the Employment Practice Improvement Collaborative program. The lease commenced July 1, 2010 and requires monthly rent of $1,710 for the period July 1, 2010 through June 30, 2011 and $1,853 per month for the period July 1, 2011 through December 31, 2011. For the year ended June 30, 2011, rent expense amounted to approximately $20,500.
20-28 Sargent Street, Hartford, Connecticut

The Organization has entered into a lease agreement to rent office space for the STRIVE program in Hartford. The lease commenced January 1, 2011 and requires monthly rent of $1,350 for the period January 1, 2011 through February 29, 2012. In November 2011, the lease was extended until June 30, 2012 at the same terms. For the year ended June 30, 2011, rent expense amounted to approximately $6,600.

Future minimum lease payments as of June 30, 2011 are as follows:

<table>
<thead>
<tr>
<th>Year ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30</td>
<td>$135,296</td>
</tr>
<tr>
<td>2012</td>
<td>96,296</td>
</tr>
<tr>
<td>2013</td>
<td>96,296</td>
</tr>
<tr>
<td>2014</td>
<td>96,296</td>
</tr>
<tr>
<td>2015</td>
<td>112,375</td>
</tr>
<tr>
<td>Thereafter</td>
<td>482,241</td>
</tr>
</tbody>
</table>

$1,018,800

9. Subsequent Events

Plans are currently underway to create a Statewide STRIVE Program by including STRIVE New Haven.

Recently, Career Resources, Inc. was approved as a training provider for the Bureau of Rehabilitation Services (BRS). In this capacity the Organization plans to expand training operations in the Greater Hartford Region by offering a Nationally Certified Retail Trade Training program to BRS consumers.

As a result of State budget issues, Court Support Services Division (CSSD) has decided that the STARS Gender Specific program would no longer be funded. This change took effect on November 1, 2011.

The Department of Mental Health and Addiction Services approved a six-month no-cost extension for the EPIC program through June 30, 2012.
INDEPENDENT AUDITORS' REPORT ON
THE SUPPLEMENTARY INFORMATION

Board of Directors
Career Resources, Inc.
Bridgeport, Connecticut

We have audited the financial statements of Career Resources, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated December 22, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Carter, Hayes + Associates, P.C.
Hamden, Connecticut
December 22, 2011
CAREER RESOURCES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

(with comparative totals for 2010)

<table>
<thead>
<tr>
<th></th>
<th>Workforce Development</th>
<th>Alternative Incarceration</th>
<th>STRIVE</th>
<th>Adult and Youth Programs</th>
<th>General and Administrative</th>
<th>Total 2011</th>
<th>Total 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$1,264,696</td>
<td>$814,378</td>
<td>$196,491</td>
<td>$732,455</td>
<td>$432,265</td>
<td>$3,440,285</td>
<td>$3,076,822</td>
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<tr>
<td>Payroll taxes and fringe benefits</td>
<td>398,054</td>
<td>268,852</td>
<td>51,040</td>
<td>208,675</td>
<td>111,525</td>
<td></td>
<td>1,038,146</td>
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<tr>
<td>Program service contracts</td>
<td>17,018</td>
<td>168,240</td>
<td>27,058</td>
<td>474,596</td>
<td>-</td>
<td>686,912</td>
<td>368,733</td>
</tr>
<tr>
<td>Occupancy</td>
<td>65,662</td>
<td>63,978</td>
<td>15,111</td>
<td>58,786</td>
<td>28,178</td>
<td>228,715</td>
<td>188,201</td>
</tr>
<tr>
<td>Office supplies and expenses</td>
<td>65,390</td>
<td>31,595</td>
<td>32,588</td>
<td>81,519</td>
<td>149</td>
<td>211,241</td>
<td>193,226</td>
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<tr>
<td>Professional fees</td>
<td>42,076</td>
<td>39,158</td>
<td>8,429</td>
<td>28,503</td>
<td>16,356</td>
<td>134,522</td>
<td>128,398</td>
</tr>
<tr>
<td>Travel</td>
<td>10,104</td>
<td>15,740</td>
<td>1,917</td>
<td>17,730</td>
<td>-</td>
<td>45,491</td>
<td>25,531</td>
</tr>
<tr>
<td>Conferences and meetings</td>
<td>6,390</td>
<td>3,198</td>
<td>4,921</td>
<td>25,333</td>
<td>4,003</td>
<td>43,845</td>
<td>17,673</td>
</tr>
<tr>
<td>Participant support and</td>
<td>1,533</td>
<td>25,165</td>
<td>1,866</td>
<td>7,664</td>
<td>513</td>
<td>36,741</td>
<td>37,815</td>
</tr>
<tr>
<td>program supplies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment maintenance and</td>
<td>16,000</td>
<td>9,543</td>
<td>2,207</td>
<td>8,784</td>
<td>-</td>
<td>36,534</td>
<td>26,042</td>
</tr>
<tr>
<td>leases</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing</td>
<td>3,809</td>
<td>6,862</td>
<td>4,981</td>
<td>4,897</td>
<td>4,150</td>
<td>24,699</td>
<td>21,197</td>
</tr>
<tr>
<td>Insurance</td>
<td>2,032</td>
<td>4,553</td>
<td>2,138</td>
<td>5,144</td>
<td>-</td>
<td>13,867</td>
<td>12,286</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,958</td>
<td>11,958</td>
<td>11,438</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>2,878</td>
<td>4,351</td>
<td>-</td>
<td>3,136</td>
<td>690</td>
<td>11,055</td>
<td>5,039</td>
</tr>
<tr>
<td>Staff training</td>
<td>900</td>
<td>-</td>
<td>2,100</td>
<td>-</td>
<td>3,000</td>
<td>14,615</td>
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</tr>
<tr>
<td>Equipment purchases</td>
<td>2,882</td>
<td>818</td>
<td>11,149</td>
<td>3,330</td>
<td>-</td>
<td>18,179</td>
<td>79,101</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$1,899,424</strong></td>
<td><strong>$1,456,431</strong></td>
<td><strong>$359,896</strong></td>
<td><strong>$1,659,652</strong></td>
<td><strong>$609,787</strong></td>
<td><strong>$5,985,190</strong></td>
<td><strong>$5,276,442</strong></td>
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</tbody>
</table>