

HEALTHCORPS, INC.
(A Not-for-Profit Corporation)
FINANCIAL STATEMENTS

JUNE 30, 2011
(With comparative Totals for June 30, 2010)
(With Independent Auditors' Report Thereon)

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(With Comparative Totals for June 30, 2010)

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Independent Auditors' Report

To the Board of Directors
HealthCorps, Inc.
(A Not-for-Profit Corporation)
New York, NY

We have audited the accompanying statement of financial position of HealthCorps, Inc., (the "Organization") as of June 30, 2011, and the related statement of activities and changes in net assets, functional expenses, and statement of cash flows for the year then ended. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from HealthCorps, Inc. 2010 financial statements and, in our report dated May 16, 2011, we expressed an unqualified opinion on those financial statements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides 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, HealthCorps, Inc as of June 30, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 21, 2012 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

February 21, 2012
New York, NY

Gruber Palumberi Raffaele, P.C.

THE FIRM OF LORENTZ AND GRUBER SINCE 1945

MEMBERS NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

HEALTHCORPS, INC.
(a Not-for-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011
(With comparative totals as of June 30, 2010)

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash in bank	\$ 292,164	\$ 250,661
Accounts receivable (net of allowance for doubtful accounts)	1,757,919	1,408,788
Prepaid expenses	<u>76,330</u>	<u>71,654</u>
Total current assets	2,126,413	1,731,103
Property and equipment, net	22,509	28,816
Other assets	<u>25,737</u>	<u>10,264</u>
Total assets	<u><u>\$ 2,174,659</u></u>	<u><u>\$ 1,770,183</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES :		
Accounts payable and accrued expenses	\$ 141,560	\$ 167,080
Grants payable	82,452	107,452
Refundable grant advance	<u>158,963</u>	<u>-</u>
Total Liabilities	382,975	274,532
NET ASSETS		
Net assets - Unrestricted	1,439,728	1,495,651
Net assets - Temporarily restricted	<u>351,956</u>	<u>-</u>
Total Net Assets	1,791,684	1,495,651
Total Liabilities and Net Assets	<u><u>\$ 2,174,659</u></u>	<u><u>\$ 1,770,183</u></u>

The accompanying notes are an integral part of these statements

HEALTHCORPS, INC.
(a Not-for-Profit Corporation)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011
(With comparative totals for the year ended June 30, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Totals</u>	<u>2010 Totals</u>
SUPPORT AND REVENUE:				
Grant income	\$ 1,498,066	\$ 211,956	\$ 1,710,022	\$ 2,003,593
Fundraising	1,751,003	-	1,751,003	1,636,990
Donations	814,877	140,000	954,877	325,362
Rental income & other income	31,036	-	31,036	34,207
Interest income	661	-	661	1,726
	<u>4,095,643</u>	<u>351,956</u>	<u>4,447,599</u>	<u>4,001,878</u>
FUNCTIONAL EXPENSES:				
Program services	3,331,390	-	3,331,390	3,851,956
General and administrative	678,877	-	678,877	666,501
Fundraising	141,299	-	141,299	151,503
Total Functional Expenses	<u>4,151,566</u>	<u>-</u>	<u>4,151,566</u>	<u>4,669,960</u>
 Change in Net Assets	 (55,923)	 351,956	 296,033	 (668,082)
Net Assets - beginning of year	<u>1,495,651</u>	<u>-</u>	<u>1,495,651</u>	<u>2,163,733</u>
Net Assets - end of year	<u>\$ 1,439,728</u>	<u>\$ 351,956</u>	<u>\$ 1,791,684</u>	<u>\$ 1,495,651</u>

The accompanying notes are an integral part of these statements

HEALTHCORPS, INC.
(a Not-for-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
(With comparative totals for the year ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 296,033	\$ (668,082)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	8,944	12,262
Bad debt	65,000	-
Change in operating assets and liabilities		
Accounts receivable	(414,131)	729,998
Prepaid expenses	(4,676)	25,581
Other assets	(15,473)	(10,264)
Accounts payable and accrued expenses	(25,520)	(80,299)
Grants payable	(25,000)	(5,000)
Refundable advance	158,963	(300,000)
Net cash from operating activities	44,140	(295,804)
Investing activities:		
Purchase of equipment	(2,637)	(5,290)
Net cash from investing activities	(2,637)	(5,290)
Net change in cash	41,503	(301,094)
Cash in bank-beginning of year	250,661	551,755
Cash in bank-end of year	<u>\$ 292,164</u>	<u>\$ 250,661</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements

HEALTHCORPS, INC.
(a Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011
(With comparative total for the year ended June 30, 2010)

	Program Services	General and Administrative	Fundraising	2011 Total	2010 Total
Payroll, payroll taxes & benefits	\$ 2,137,969	\$ 208,500	\$ 83,965	\$ 2,430,434	2,706,049
Professional fees	-	51,710	-	51,710	80,609
Marketing & promotion	-	3,676	3,675	7,351	6,741
Rent, parking and utilities	50,653	32,234	9,209	92,096	88,657
Office	100,325	61,014	10,967	172,306	194,709
Telephone	13,727	8,736	2,496	24,959	30,650
Technical support	29,337	46,102	8,382	83,821	112,141
Bad debt	-	65,000	-	65,000	-
Insurance	3,982	2,554	976	7,512	7,673
Postage	8,683	10,022	-	18,705	9,075
Depreciation	4,472	4,472	-	8,944	12,262
Curriculum & educational material	432,461	-	-	432,461	704,416
Travel	39,936	64,116	-	104,052	103,028
Donation	-	1,785	-	1,785	1,300
School equipment & other program expense	34,612	-	-	34,612	93,421
Outside service contracts	75,703	118,956	21,629	216,288	181,107
Special events	399,530	-	-	399,530	338,122
Total Expenses	\$ 3,331,390	\$ 678,877	\$ 141,299	\$ 4,151,566	\$ 4,669,960

The accompanying notes are an integral part of these statements

HEALTHCORPS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(With Comparative Totals for June 30, 2010)

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

HealthCorps, Inc. (the Organization) is a not-for-profit organization formed in New York in August of 2008. The Organization is a proactive health movement which is fighting the obesity and mental resilience crises by empowering American students and their families to become health agents of change for their communities. HealthCorps, Inc. is helping the country reach the tipping point towards wellness now and for the future of our children.

Basis of presentation

The Organization follows the Not-for-Profit Topic of the FASB Accounting Standards Codification (the Codification). Under this topic, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Unrestricted net assets may otherwise be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets – Net assets whose use by the Organization is subject to donor imposed stipulations that may or will be met either by actions of the Organization, pursuant to those stipulations and/or that expire by the passage of time. Temporarily restricted net assets at June 30, 2011 and 2010 amounted to \$351,956, and \$0 respectively.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the resources be maintained permanently by the Organization. Generally, the donors permit the Organization to use or expend all or part of the income earned on those assets to support current operations and accordingly, income is recorded as unrestricted. The organization had no permanently restricted net assets as June 30, 2011 and 2010, respectively.

New Accounting Pronouncements

On January 21, 2010, the FASB issued ASU 2010-06, which amends ASC 820 to add new requirements for disclosures by requiring more information about the valuation techniques and inputs for recurring and nonrecurring measurements that fall in a certain levels of the fair value hierarchy and when recurring measurements move between certain levels of the value hierarchy. The ASU also clarifies that disclosure should be made for

HEALTHCORPS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(With Comparative Totals for June 30, 2010)

Note 1 - Summary of Significant Accounting Policies (Cont'd)

New Accounting Pronouncements

FASB ASC applies. These disclosures are effective for reporting periods beginning after December 15, 2009. For reporting periods beginning after December 15, 2010, ASU No. 201-06 also requires that certain information about activities for recurring measurements that use significant unobservable inputs be disaggregated in disclosures.

In June 2010, the FASB issued an exposure draft of a proposed Accounting Standards Update, *Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The proposed standard would change the wording and clarify the application of existing fair value measurement and disclosure requirements and, in some cases, change those requirements. Under the proposal, requirements for measuring the fair value of instruments managed within a portfolio, applying blockage factors and other premiums and discounts when measuring fair value, and disclosures would change. The exposure draft establishes an effective date for interim and annual periods beginning after December 15, 2011.

Cash in bank

Cash in bank on the statement of financial position consists of amounts held at a local financial institution.

Use of Estimates

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

Financial statement presentation and contributions

Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are carried at fair value less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible.

HEALTHCORPS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(With Comparative Totals for June 30, 2010)

Note 1 - Summary of Significant Accounting Policies (Cont'd)

Accounts receivable

Accounts receivables are comprised primarily of amounts due to the Organization from grantor agencies. At June 30, 2011 and 2010, accounts receivable are net of an allowance for doubtful accounts of \$65,000 and \$0, respectively, determined based on historical experience and analysis of specific accounts. Uncollectible accounts are written off in the year they are deemed to be worthless.

Property and equipment

Property and equipment are carried at cost or, if donated, at fair value on the date received. Property and equipment are depreciated on the straight-line and accelerated method over the estimated useful lives of the assets, which range three to ten years.

Refundable Grant Advances

Refundable advances consist primarily of deposits made in advance by an endowment grant for new school programs.

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform with the 2011 presentation with no effect on previously reported change in net assets.

Support and revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization receives grants from state agencies and others for various purposes. Grant awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. The Organization defers grant revenues received under approved awards to the extent they exceed expenses

HEALTHCORPS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(With Comparative Totals for June 30, 2010)

Note 1 – SUMMARY OF SIGNIFICANT POLICIES (CONT'D)

incurred for the purposes specified under the grant restrictions. These funds are reported as refundable advances. At June 30, 2011, refundable advances amounted to \$158,963.

Revenue and Expense Recognition

All unconditional contributions are recorded as revenue when received at their fair value. Revenue and expenses are recognized in the period to which they apply. Advance receipts for fees and payments for expenses relating to specific events are deferred until the period to which they apply.

Expense allocation

Program and supporting services have been presented on a functional basis in the statement of activities and changes in net assets. Certain overhead costs have been allocated among the programs, management and general, and fundraising.

Income Taxes

The Organization has received a determination letter during May 2008 from the Internal Revenue Service that it is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions.

The Organization accounts for income taxes in accordance with income tax accounting guidance in FASB ASC Topic 740, "Income Taxes." The Organization has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position.

Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guideline.

Comparative Total Column

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's

HEALTHCORPS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
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Note 4 – RESEARCH GRANTS (Cont'd)

goals of the Organization. All grants require final reports and an accounting as all unused funds are to be returned to the Organization. Grants may be for a term of up to four years. The Organization expenses the grant in full in the year that the grant is made and there are no estimates made for possible refund of unused dollars.

Note 5 – PROFESSIONAL EMPLOYER ORGANIZATION

In March 2011, the Organization entered into an agreement with a professional employer organization to provide off-site human resource services. All employees of the Organization are employed by the professional employer organization. The professional employer organization administers payroll, employee benefits and other related expenses and assists in personnel and related compliance requirements. For the year ended June 30, 2011 and 2010, the fees for services under this agreement were \$112,381 and \$154,036, respectively.

Note 6 – COMMITMENT

During August 2010, the Organization's rental lease agreement was extended through June 30, 2011. The total base rental expense amounted to \$78,000 for both the office lease and the excess leased space.

On June 17, 2011, the Organization entered into a new operating rental lease agreement at a new location starting on July 1, 2011 through June 30, 2014.

Minimum Lease payments payable through expiration dates are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$61,950
2013	63,808
2014	65,723

Note 7 – CONTINGENCIES

The Organization operates programs funded by state grants that are renewed annually depending on the availability of funds and the Organization's compliance with requirements of the contracts and grants. Therefore, annual funding under these grants is not guaranteed.