

HEALTHCORPS INC.
(A Not-for-Profit Corporation)
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
JUNE 30, 2010

GRUBER PALUMBERI RAFFAELE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HEALTHCORPS INC.
(A Not-for-Profit Corporation)

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Independent Auditors' Report

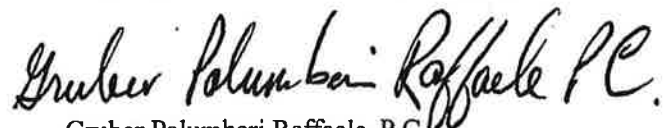
To the Board of Directors
Healthcorps Inc.
(A Not-for-Profit Corporation)
New York, NY

We have audited the accompanying Statement of Financial Position of Healthcorps, Inc, (the "Organization") as of June 30, 2010, and the related Statement of Activities, 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.

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, 2010, 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 May 16, 2011 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 compliances 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.


Gruber Palumberi Raffaele, P.C.

May 16, 2011
New York, NY

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, 2010

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$250,661	
Accounts receivable	1,408,788	
Prepaid expenses	<u>71,654</u>	
Total current assets		1,731,103
Property and equipment (at cost, net of accumulated depreciation)		28,816
Other assets		<u>10,264</u>
Total assets		<u><u>\$1,770,183</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	<u>274,532</u>	
Total current liabilities		<u>274,532</u>
Total Liabilities		\$274,532

NET ASSETS

Net assets - Unrestricted		<u>1,495,651</u>
Total Liabilities and Net Assets		<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 CHANGE IN NET ASSETS
JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
SUPPORT AND REVENUE:			
Grant income	\$ 2,003,593	-	\$ 2,003,593
Fundraising	1,636,990	-	1,636,990
Donations	325,362	-	325,362
Rental income & other income	34,207	-	34,207
Interest income	1,726	-	1,726
	<u>4,001,878</u>	<u>-</u>	<u>4,001,878</u>
Total Support and Revenue			
	<u>4,001,878</u>	<u>-</u>	<u>4,001,878</u>
FUNCTIONAL EXPENSES:			
Program services	3,851,956	-	3,851,956
General and administrative	666,501	-	666,501
Fundraising	151,503	-	151,503
	<u>4,669,960</u>	<u>-</u>	<u>4,669,960</u>
Total Functional Expenses			
	<u>4,669,960</u>	<u>-</u>	<u>4,669,960</u>
 Change in Net Assets	 (668,082)	 -	 (668,082)
 Net Assets - beginning of year	 <u>2,163,733</u>	 <u>-</u>	 <u>2,163,733</u>
 Net Assets - end of year	 <u>\$ 1,495,651</u>	 <u>\$ -</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 CASHFLOWS
FOR THE YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:

Change in net assets	\$ (668,082)
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**Adjustments to reconcile change in net assets to
net cash used in operating activities:**

Depreciation	12,262
Decrease in accounts receivable	729,998
Decrease in prepaid expenses	25,581
Decrease in accounts payable and accrued expenses	(85,299)
Increase other assets	(10,264)
(Decrease) in deferred income	(300,000)
	(295,804)
Net cash (used in) operating activities	(295,804)

Investing activities

Purchase of equipment	(5,290)
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Cash and cash equivalents-beginning of year	551,755
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Cash and cash equivalents-end of year	\$ 250,661
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Supplemental disclosure of cash flow information:

Interest paid	\$ -
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The accompanying notes are an integral part of these statements

HEALTHCORPS, INC.
(a Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
Payroll, payroll taxes & benefits	\$ 2,706,049	\$ 2,380,418	\$ 232,144	\$ 93,487
Professional fees	80,609	-	80,609	-
Marketing & promotion	6,741	-	3,371	3,370
Rent, parking and utilities	88,657	48,762	31,030	8,865
Office	194,709	113,370	68,946	12,393
Telephone	30,650	16,857	10,728	3,065
Technical support	112,141	39,249	61,678	11,214
Insurance	7,673	4,067	2,609	997
Postage	9,075	4,213	4,863	-
Depreciation	12,262	6,131	6,131	-
Curriculum & educational material	704,416	704,416	-	-
Travel	103,028	39,543	63,485	-
Donation	1,300	-	1,300	-
School equipment & other program expense	93,421	93,421	-	-
Outside service contracts	181,107	63,389	99,607	18,111
Special events	338,122	338,122	-	-
Total Expenses	<u>\$ 4,669,960</u>	<u>\$ 3,851,956</u>	<u>\$ 666,501</u>	<u>\$ 151,503</u>

The accompanying notes are an integral part of these statements

HEALTHCORPS INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
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 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, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted or temporary restricted net assets at June 30, 2010.

New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162*. SFAS No. 168 was codified as Accounting Standards Codification (ASC) Topic 105-10 and replaced SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, to establish the FASB ASC as the primary source of authoritative, non-governmental GAAP. As the ASC was not intended to change or alter existing GAAP, it did not have any impact on the Organization's financial statements.

In December 2008, the FASB issued an accounting standard that delayed the effective date for the accounting for uncertainty in income taxes until fiscal years beginning after December 31, 2008. The accounting standard clarifies the accounting for income taxes by prescribing the minimum standard a tax position is required to meet before being recognized in the financial statements. The Organization does not believe that the effect of adoption of the above mentioned accounting standards as of June 30, 2010 has a material impact on its financial statements.

Cash in bank

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

HEALTHCORPS INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (Statement 157). Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. On July 1, 2009, the Organization adopted FAS 157 for its financial statements. The adoption of this accounting standard did not have an impact on the amounts recorded in the Organization's financial statements.

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. There was no provision for doubtful promises, based on management's evaluation of the collection of promises, at June 30, 2010. All promises to give are expected to be collected within one year.

Accounts receivable

Accounts receivables are comprised primarily of amounts due the Organization from grantor agencies. All amounts are considered collectible at year end.

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.

HEALTHCORPS INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

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 incurred for the purposes specified under the grant restrictions. These funds are reported as refundable advances. There were no refundable advances at June 30, 2010.

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 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.

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

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

Income Taxes

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.

Note 2 – CONTRIBUTION RECEIVABLE

Unconditional promises to give (contribution receivable) are recognized as revenues in the period the pledge is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on management's analysis of specific promises made. There was no allowance for uncollectible promises to give as of June 30, 2010.

Note 3 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, such investments may be in excess of the FDIC limit. As of June 30, 2010, the Organization maintained a cash balance \$139,607 in excess of the FDIC limit.

Note 4 – PROPERTY AND EQUIPEMENT

As of June 30, 2010, property and equipment are comprised of the following:

Furniture and fixtures	28,701
Equipment	<u>35,948</u>
	64,649
Less: accumulated depreciation	<u>(35,833)</u>
Net fixed assets	<u>\$ 28,816</u>

For the year ended June 30, 2010, depreciation expense amounted to \$12,262.

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

Note 5 – RESEARCH GRANTS

Requests for grants are made by various entities, mostly other not-for-profits, such as universities and other research facilities. The Board and the Executive Director carefully review all grant requests and make the grants that best further the 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 two 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 6 – PROFESSIONAL EMPLOYER ORGANIZATION

In July 2009, 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. Fees for services under this agreement were \$154,036 during the year ended June 30, 2010.

Note 7 – COMMITMENT

The Organization leases office space under a non cancelable lease dated August 7, 2007 for three years beginning September 1, 2007. Rent is \$4,300 per month for the entire lease term.

Lease payments payable through expiration dates for all leases are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2011	52,644

In addition the Organization has also leased excess office space at a fixed monthly rental of \$2,200. The lease term is from August 15, 2008 through August 31, 2010.

Note 8 – RELATED PARTY TRANSACTION

The Organization received contributions in the amount of \$520,143 from its board of directors as of June 30, 2010. The contributions are included in the in the statement of activities and change in net assets.

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

Note 9 – SUBSEQUENT EVENT

Subsequent events have been evaluated through the date these financial statements were available to be issued – May 16, 2011.

The Organization's office rental lease has been extended through June 30, 2011.