

**HEALTHWORKS
COMMUNITY
FITNESS, INC.**

(FORMERLY "THE HEALTHWORKS FOUNDATION, INC.")

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Healthworks Community Fitness, Inc.
Boston, Massachusetts

We have audited the accompanying statements of financial position of Healthworks Community Fitness, Inc. (a nonprofit organization) (formerly "The Healthworks Foundation, Inc.") as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses, 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Healthworks Community Fitness, Inc. (formerly "The Healthworks Foundation, Inc.") as of December 31, 2010 and 2009, and the changes in its net assets and its functional expenses and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Forman, Itzkowitz, Berenson & Lagreca, P.C.

October 17, 2011

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HEALTHWORKS COMMUNITY FITNESS, INC.
(FORMERLY "THE HEALTHWORKS FOUNDATION, INC.")

STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
	2010	2009
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 271,201	\$ 326,892
Contributions receivable	14,557	8,448
Prepaid expense	1,083	-
	286,841	335,340
Property and Equipment	118,593	125,531
	\$ 405,434	\$ 460,871
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 3,322	\$ 1,539
Accrued expenses	33,850	23,662
Deferred revenue	14,700	-
	51,872	25,201
Net Assets:		
Unrestricted:		
Undesignated	159,160	248,577
Board designated	194,402	187,093
	353,562	435,670
	\$ 405,434	\$ 460,871

The accompanying notes are an integral part of these financial statements

HEALTHWORKS COMMUNITY FITNESS, INC.
(FORMERLY "THE HEALTHWORKS FOUNDATION, INC.")

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	YEAR ENDED DECEMBER 31,	
	2010	2009
Support and Revenue:		
Contributions	\$ 83,690	\$ 141,080
Fundraising	13,742	24,645
Membership fees	115,555	111,389
Interest income	51	66
Miscellaneous revenue	1,540	570
Total Support and Revenue	214,578	277,750
Expenses:		
Program Services:		
Fitness centers	224,945	243,325
Total Program Services	224,945	243,325
Support Services:		
Management and general	71,741	56,118
Fundraising	-	3,707
Total Support Services	71,741	59,825
Total Expenses	296,686	303,150
Changes in Unrestricted Net Assets	(82,108)	(25,400)
Unrestricted Net Assets, Beginning of Year	435,670	461,070
Unrestricted Net Assets, End of Year	\$ 353,562	\$ 435,670

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HEALTHWORKS COMMUNITY FITNESS, INC.
(FORMERLY "THE HEALTHWORKS FOUNDATION, INC.")

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010

	Program Services	Support Services		Total
	Fitness Centers	Management and General	Fundraising	
Salaries	\$ 133,359	\$ 14,663	\$ -	\$ 148,022
Payroll taxes	17,073	1,877	-	18,950
Employee benefits	4,216	463	-	4,679
Advertising	374	125	-	499
Bank fees	-	2,935	-	2,935
CAM charges	35,424	-	-	35,424
Depreciation	14,175	1,494	-	15,669
Donations and grants	-	20,803	-	20,803
Insurance	-	12,129	-	12,129
Licenses and fees	750	-	-	750
Meetings and seminars	-	354	-	354
Office expense	4,024	382	-	4,406
Printing	2,180	-	-	2,180
Professional fees	-	13,308	-	13,308
Repairs and maintenance	6,439	-	-	6,439
Sundry expenses	-	125	-	125
Supplies	4,405	-	-	4,405
Telephone and cable	2,526	3,083	-	5,609
	<u>\$ 224,945</u>	<u>\$ 71,741</u>	<u>\$ -</u>	<u>\$ 296,686</u>

YEAR ENDED DECEMBER 31, 2009

Program Services	Support Services			
Fitness Centers	Management and General	Fundraising	Total	
\$ 158,299	\$ 14,756	\$ -	\$ 173,055	
13,663	1,269	-	14,932	
2,937	273	-	3,210	
1,744	-	-	1,744	
-	2,707	-	2,707	
33,810	-	-	33,810	
12,183	1,494	-	13,677	
-	3,325	-	3,325	
-	8,614	-	8,614	
150	-	-	150	
-	-	-	-	
4,597	-	-	4,597	
1,887	-	-	1,887	
-	18,095	-	18,095	
6,442	-	-	6,442	
-	2,344	3,707	6,051	
4,764	-	-	4,764	
2,849	3,241	-	6,090	
<u>\$ 243,325</u>	<u>\$ 56,118</u>	<u>\$ 3,707</u>	<u>\$ 303,150</u>	

The accompanying notes are an integral part of these financial statements

HEALTHWORKS COMMUNITY FITNESS, INC.
(FORMERLY "THE HEALTHWORKS FOUNDATION, INC.")

STATEMENTS OF CASH FLOWS

	<u>YEAR ENDED DECEMBER 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from support and revenue	\$ 223,119	\$ 289,731
Cash paid for program services and support services	(270,130)	(310,248)
Interest income received	51	66
Net Cash Used in Operating Activities	<u>(46,960)</u>	<u>(20,451)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(8,731)</u>	<u>(32,908)</u>
Net Cash Used in Investing Activities	<u>(8,731)</u>	<u>(32,908)</u>
Net Decrease in Cash	(55,691)	(53,359)
Cash, Beginning	<u>326,892</u>	<u>380,251</u>
Cash, Ending	<u>\$ 271,201</u>	<u>\$ 326,892</u>

The accompanying notes are an integral part of these financial statements

HEALTHWORKS COMMUNITY FITNESS, INC.
(FORMERLY "THE HEALTHWORKS FOUNDATION, INC.")

STATEMENTS OF CASH FLOWS (Continued)

Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities

	<u>YEAR ENDED DECEMBER 31,</u>	
	<u>2010</u>	<u>2009</u>
Change in Net Assets	\$ (82,108)	\$ (25,400)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	15,669	13,677
(Increase) decrease in contributions receivable	(6,109)	12,047
Increase in prepaid expenses	(1,083)	-
Increase (decrease) in accounts payable	1,783	(18,281)
Increase (decrease) in accrued expenses	10,188	(2,494)
Increase in deferred revenue	14,700	-
Total Adjustments	<u>35,148</u>	<u>4,949</u>
Net Cash Used in Operating Activities	<u>\$ (46,960)</u>	<u>\$ (20,451)</u>

The accompanying notes are an integral part of these financial statements

HEALTHWORKS COMMUNITY FITNESS, INC.
(FORMERLY "THE HEALTHWORKS FOUNDATION, INC.")

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

Note 1 - Description of Operations

The Healthworks Community Fitness, Inc. (formerly "The Healthworks Foundation, Inc.") is a non-profit organization dedicated to promoting the health and well-being of women and their children from all cultural and economic backgrounds, and to empowering women to realize their personal potential through strength, determination, and education. The Foundation operates two fitness centers in Dorchester, Massachusetts.

Note 2 - Summary of Significant Accounting Policies

a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. These principles require that net assets, support and revenues and expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Board Designated Assets - Net assets that are designated by the Board of Directors to be used for future expansion.

b) Contributions

Contributions, are recorded when made except unconditional promises to give are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All contributions and unconditional pledges are available for unrestricted use unless specifically restricted by the donor.

c) Income Taxes

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Internal Revenue Code imposes an excise tax of 2% (reduced to 1% if certain requirements are met) on net investment income of the Foundation.

HEALTHWORKS COMMUNITY FITNESS, INC.
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NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2010 AND 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

c) Income Taxes (Continued)

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months of December 31, 2010. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Foundation's information returns are subject to examination by taxing authorities generally for the years ended December 31, 2007, 2008, 2009 and 2010.

d) Use of Estimates and Assumptions in the Preparation of Financial Statements

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 and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e) Contributions Receivable

The Foundation considers all contributions receivable to be fully collectible; accordingly, no allowance for doubtful collections is considered necessary. All receivables are expected to be collected within one year.

f) Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using accelerated and straight-line methods over the estimated useful lives of the respective assets.

g) Functional Allocation of Expenses

The cost of providing the Foundation's program and supporting services have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

HEALTHWORKS COMMUNITY FITNESS, INC.
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NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2010 AND 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

h) Advertising Costs

The Foundation expenses advertising costs as they are incurred. Total advertising expenses for 2010 was \$499 and 2009 was \$1,744.

Note 3 - Property and Equipment

Property and equipment consist of the following:

	2010	2009
Leasehold improvements	\$ 58,247	\$ 58,247
Fitness equipment	80,365	80,365
Television and audio equipment	36,892	28,161
	175,504	166,773
Less: accumulated depreciation	(56,911)	(41,242)
	\$ 118,593	\$ 125,531

Depreciation expense was \$15,669 in 2010 and \$13,677 in 2009.

Note 4 - Related Party Transactions

Healthworks Community Fitness, Inc. receives contributions monthly from the Healthworks Fitness Centers, Inc., a related party. The Healthworks Fitness Centers, Inc. contributes funds at their discretion based on varying percentage rates of net membership fees from each of their five fitness center locations. During 2010 and 2009, the rates varied from 0.5% to 1.25%. The contribution from the Healthworks Fitness Centers, Inc. was \$66,984 for the year ended December 31, 2010 and \$128,080 for the year ended December 31, 2009. A contribution receivable was due the Foundation of \$5,402 at December 31, 2010 and \$5,597 at December 31, 2009.

The Foundation received 31.2% in 2010 and 46.1% in 2009 of its support and revenue from the Healthworks Fitness Centers, Inc. Contributions will occur only if the Board of Directors continues their financial commitment to the Foundation. There is no assurance that future contributions will occur, and any failure to commit funds may have a material adverse effect on the ability of the Foundation to support its programs.

Note 5 - Deferred Revenue

Deferred revenue of \$14,700 and \$0 at December 31, 2010 and 2009, respectively represents the portion of grants received from corporate sponsors that was not expended during the year.

HEALTHWORKS COMMUNITY FITNESS, INC.
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NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2010 AND 2009

Note 6 - CAM Agreement

Healthworks Community Fitness, Inc. has entered into an agreement with the owner of the property at their Codman Square fitness center to pay the Foundation's allocated share of costs for the operation of the property.

The property owner will calculate and bill the Foundation monthly for their respective share of common area maintenance (CAM) costs of the property. CAM charges of \$35,424 and \$33,810 were paid in 2010 and 2009, respectively.

Note 7 - Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, contributions receivable, accounts payable and accrued expenses approximate their fair market value due to the short term maturities of these instruments.

Note 8 - Subsequent Events

In May 2009, standards related to "Subsequent Events," effective for financial periods ending after June 15, 2009, were issued. These standards state that an entity is required to evaluate subsequent events through the date the financial statements are issued or are available to be issued. The Foundation has evaluated subsequent events through the date the report was available for issuance, October 17, 2011.