

HEALTHWORKS COMMUNITY FITNESS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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FORMAN, ITZKOWITZ, BERENSON & LAGRECA, P.C.

CPAs and Business Advisors

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of Healthworks Community Fitness, 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 changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Managements 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.

Auditors' 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 from 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 judgement, 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 Healthworks Community Fitness, 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.

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

September 10, 2013

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HEALTHWORKS COMMUNITY FITNESS, INC.

STATEMENTS OF FINANCIAL POSITION

	<u>DECEMBER 31,</u>	
	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 276,333	\$ 274,301
Contributions receivable	19,266	16,741
Prepaid expense	-	3,250
	<u>295,599</u>	<u>294,292</u>
Property and Equipment	<u>88,801</u>	<u>105,601</u>
	<u>\$ 384,400</u>	<u>\$ 399,893</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 4,768	\$ 18,496
Accrued expenses	24,077	20,948
	<u>28,845</u>	<u>39,444</u>
Net Assets:		
Unrestricted:		
Undesignated	148,195	161,653
Board designated	207,360	198,796
Temporarily restricted	-	-
Permanently restricted	-	-
	<u>355,555</u>	<u>360,449</u>
	<u>\$ 384,400</u>	<u>\$ 399,893</u>

The accompanying notes are an integral part of these financial statements

HEALTHWORKS COMMUNITY FITNESS, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	<u>YEAR ENDED DECEMBER 31,</u>	
	<u>2012</u>	<u>2011</u>
Support and Revenue:		
Contributions	\$ 109,776	\$ 120,595
Fundraising	38,640	28,025
Membership fees	152,057	138,622
Interest income	20	20
Miscellaneous revenue	<u>7,220</u>	<u>6,056</u>
Total Support and Revenue	<u>307,713</u>	<u>293,318</u>
Expenses:		
Program Services:		
Fitness centers	<u>252,894</u>	<u>228,624</u>
Total Program Services	<u>252,894</u>	<u>228,624</u>
Support Services:		
Management and general	52,374	57,482
Fundraising	<u>7,339</u>	<u>325</u>
Total Support Services	<u>59,713</u>	<u>57,807</u>
Total Expenses	<u>312,607</u>	<u>286,431</u>
Changes in Unrestricted Net Assets	(4,894)	6,887
Unrestricted Net Assets, Beginning of Year	<u>360,449</u>	<u>353,562</u>
Unrestricted Net Assets, End of Year	<u>\$ 355,555</u>	<u>\$ 360,449</u>

The accompanying notes are an integral part of these financial statements

HEALTHWORKS COMMUNITY FITNESS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012

	Program Services	Support Services		Total
	Fitness Centers	Management and General	Fundraising	
Salaries	\$ 138,947	\$ 13,750	\$ 4,875	\$ 157,572
Payroll taxes	19,645	2,183	-	21,828
Employee benefits	5,522	614	-	6,136
Advertising	4,241	-	-	4,241
Bank fees	-	3,679	-	3,679
CAM charges	32,366	-	-	32,366
Depreciation	15,306	1,494	-	16,800
Donations and grants	14,496	-	-	14,496
Dues and subscriptions	-	1,691	-	1,691
Event expense	-	-	2,464	2,464
Insurance	-	10,887	-	10,887
Licenses and fees	790	-	-	790
Office expense	3,451	135	-	3,586
Printing	2,123	-	-	2,123
Professional fees	-	14,423	-	14,423
Repairs and maintenance	6,284	-	-	6,284
Sundry expenses	-	127	-	127
Supplies	7,593	-	-	7,593
Telephone and cable	2,130	3,391	-	5,521
	<u>\$ 252,894</u>	<u>\$ 52,374</u>	<u>\$ 7,339</u>	<u>\$ 312,607</u>

YEAR ENDED DECEMBER 31, 2011

Program Services	Support Services			
Fitness Centers	Management and General	Fundraising	Total	
\$ 138,224	\$ 15,000	\$ -	\$ 153,224	
22,270	2,474	-	24,744	
3,737	415	-	4,152	
-	-	-	-	
-	2,365	-	2,365	
30,933	-	-	30,933	
15,052	1,494	-	16,546	
-	1,375	-	1,375	
-	50	-	50	
-	-	325	325	
-	8,512	-	8,512	
190	-	-	190	
4,135	44	-	4,179	
2,888	-	-	2,888	
-	22,167	-	22,167	
4,687	-	-	4,687	
-	126	-	126	
4,421	-	-	4,421	
2,087	3,460	-	5,547	
<u>\$ 228,624</u>	<u>\$ 57,482</u>	<u>\$ 325</u>	<u>\$ 286,431</u>	

The accompanying notes are an integral part of these financial statements

HEALTHWORKS COMMUNITY FITNESS, INC.

STATEMENTS OF CASH FLOWS

	<u>YEAR ENDED DECEMBER 31,</u>	
	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities:		
Cash received from support and revenue	\$ 305,168	\$ 276,626
Cash paid for program services and support services	(303,156)	(269,780)
Interest income received	20	20
	<u>2,032</u>	<u>6,866</u>
Net Cash Provided by Operating Activities		
Cash Flows From Investing Activities:		
Net activity on donated investment	-	(212)
Acquisition of property and equipment	-	(3,554)
	<u>-</u>	<u>(3,766)</u>
Net Cash Used in Investing Activities		
Net Increase in Cash	2,032	3,100
Cash, Beginning	<u>274,301</u>	<u>271,201</u>
Cash, Ending	<u>\$ 276,333</u>	<u>\$ 274,301</u>

The accompanying notes are an integral part of these financial statements

HEALTHWORKS COMMUNITY FITNESS, INC.

STATEMENTS OF CASH FLOWS (Continued)

Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities

	<u>YEAR ENDED DECEMBER 31,</u>	
	<u>2012</u>	<u>2011</u>
Increase (decrease) in Net Assets	\$ (4,894)	\$ 6,887
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	16,800	16,546
Realized loss on sale of investment	-	212
Increase in contributions receivable	(2,525)	(2,184)
(Increase) decrease in prepaid expenses	3,250	(2,167)
Increase (decrease) in accounts payable	(13,728)	15,174
Increase (decrease) in accrued expenses	3,129	(12,902)
Decrease in deferred revenue	-	(14,700)
Total Adjustments	<u>6,926</u>	<u>(21)</u>
Net Cash Provided by Operating Activities	<u>\$ 2,032</u>	<u>\$ 6,866</u>

The accompanying notes are an integral part of these financial statements

HEALTHWORKS COMMUNITY FITNESS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 1 - Description of Operations

The Healthworks Community Fitness, Inc., the "Foundation" 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, gains 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.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

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.

HEALTHWORKS COMMUNITY FITNESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2012 AND 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

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. The Foundation filed with the Internal Revenue Service in 2012 a notification of intent to terminate its private foundation status under section 507(b)(1)(B) of the Internal Revenue Code during a 60 month period beginning January 1, 2012. The Foundation however is still required to file a private foundation tax return until completion of the 60 month period and is classified as a public charity.

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, 2012. 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, 2009, 2010, 2011 and 2012.

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 the straight-line method over the estimated useful lives of the respective assets ranging from seven years to thirty nine years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

HEALTHWORKS COMMUNITY FITNESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2012 AND 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

h) Advertising Costs

The Foundation expenses advertising costs as they are incurred. Total advertising expenses for 2012 was \$4,241 and 2011 was \$0.

Note 3 - Property and Equipment

Property and equipment consist of the following:

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 61,801	\$ 61,801
Fitness equipment	80,365	80,365
Television and audio equipment	<u>36,892</u>	<u>36,892</u>
	179,058	179,058
Less: accumulated depreciation	<u>(90,257)</u>	<u>(73,457)</u>
	<u>\$ 88,801</u>	<u>\$ 105,601</u>

Depreciation expense was \$16,800 in 2012 and \$16,546 in 2011.

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 2012 and 2011, the rate was 0.5%. The contribution from the Healthworks Fitness Centers, Inc. was \$63,794 for the year ended December 31, 2012 and was \$65,376 for the year ended December 31, 2011. A contribution receivable was due to the Foundation of \$5,243 at December 31, 2012 and \$5,251 at December 31, 2011.

The Foundation received 20.7% in 2012 and 22.3% in 2011 of its support and revenue from the Healthworks Fitness Centers, Inc. Healthworks Fitness Centers, Inc. ceased making contributions to the Foundation as of June, 2013.

HEALTHWORKS COMMUNITY FITNESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2012 AND 2011

Note 5 - 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 \$32,366 and \$30,933 were paid in 2012 and 2011, respectively.

Note 6 - Subsequent Events

The Foundation has evaluated subsequent events through the date the report was available for issuance, September 10, 2013.

Healthworks Fitness Centers Inc., a related party ceased making contributions to the Foundation as of June, 2013.