

2011
AUDIT

038079

HEALTHWORKS COMMUNITY FITNESS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

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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) as of December 31, 2011 and 2010, 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 present fairly, in all material respects, the financial position of Healthworks Community Fitness, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its 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.

September 11, 2012

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HEALTHWORKS COMMUNITY FITNESS, INC.

STATEMENTS OF FINANCIAL POSITION

	<u>DECEMBER 31,</u>	
	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 274,301	\$ 271,201
Contributions receivable	16,741	14,557
Prepaid expense	<u>3,250</u>	<u>1,083</u>
Total Current Assets	294,292	286,841
Property and Equipment	<u>105,601</u>	<u>118,593</u>
	<u>\$ 399,893</u>	<u>\$ 405,434</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 18,496	\$ 3,322
Accrued expenses	20,948	33,850
Deferred revenue	<u>-</u>	<u>14,700</u>
Total Current Liabilities	<u>39,444</u>	<u>51,872</u>
Net Assets:		
Unrestricted:		
Undesignated	161,653	159,160
Board designated	<u>198,796</u>	<u>194,402</u>
	<u>360,449</u>	<u>353,562</u>
	<u>\$ 399,893</u>	<u>\$ 405,434</u>

The accompanying notes are an integral part of these financial statements

HEALTHWORKS COMMUNITY FITNESS, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	YEAR ENDED DECEMBER 31,	
	2011	2010
Support and Revenue:		
Contributions	\$ 120,595	\$ 83,690
Fundraising	28,025	13,742
Membership fees	138,622	115,555
Interest income	20	51
Miscellaneous revenue	6,056	1,540
Total Support and Revenue	<u>293,318</u>	<u>214,578</u>
Expenses:		
Program Services:		
Fitness centers	<u>228,624</u>	<u>224,945</u>
Total Program Services	<u>228,624</u>	<u>224,945</u>
Support Services:		
Management and general	57,482	71,741
Fundraising	<u>325</u>	<u>-</u>
Total Support Services	<u>57,807</u>	<u>71,741</u>
Total Expenses	<u>286,431</u>	<u>296,686</u>
Changes in Unrestricted Net Assets	6,887	(82,108)
Unrestricted Net Assets, Beginning of Year	<u>353,562</u>	<u>435,670</u>
Unrestricted Net Assets, End of Year	<u>\$ 360,449</u>	<u>\$ 353,562</u>

The accompanying notes are an integral part of these financial statements

YEAR ENDED DECEMBER 31, 2010

Program Services	Support Services		
Fitness Centers	Management and General	Fundraising	Total
\$ 133,359	\$ 14,663	\$ -	\$ 148,022
17,073	1,877	-	18,950
4,216	463	-	4,679
374	125	-	499
-	2,935	-	2,935
35,424	-	-	35,424
14,175	1,494	-	15,669
-	20,803	-	20,803
-	-	-	-
-	12,129	-	12,129
750	-	-	750
-	354	-	354
4,024	382	-	4,406
2,180	-	-	2,180
-	13,308	-	13,308
6,439	-	-	6,439
-	125	-	125
4,405	-	-	4,405
2,526	3,083	-	5,609
<u>\$ 224,945</u>	<u>\$ 71,741</u>	<u>\$ -</u>	<u>\$ 296,686</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>2011</u>	<u>2010</u>
Cash Flows From Operating Activities:		
Cash received from support and revenue	\$ 276,626	\$ 223,119
Cash paid for program services and support services	(269,780)	(270,130)
Interest income received	<u>20</u>	<u>51</u>
Net Cash Provided by (Used in) Operating Activities	<u>6,866</u>	<u>(46,960)</u>
Cash Flows From Investing Activities:		
Net activity on donated investment	(212)	-
Acquisition of property and equipment	<u>(3,554)</u>	<u>(8,731)</u>
Net Cash Used in Investing Activities	<u>(3,766)</u>	<u>(8,731)</u>
Net Increase (Decrease) in Cash	3,100	(55,691)
Cash, Beginning	<u>271,201</u>	<u>326,892</u>
Cash, Ending	<u>\$ 274,301</u>	<u>\$ 271,201</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 (Used in) Operating Activities

	<u>YEAR ENDED DECEMBER 31,</u>	
	<u>2011</u>	<u>2010</u>
Change in Net Assets	\$ 6,887	\$ (82,108)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	16,546	15,669
Realized loss on sale of investment	212	-
Increase in contributions receivable	(2,184)	(6,109)
Increase in prepaid expenses	(2,167)	(1,083)
Increase in accounts payable	15,174	1,783
Increase (decrease) in accrued expenses	(12,902)	10,188
Increase (decrease) in deferred revenue	(14,700)	14,700
Total Adjustments	<u>(21)</u>	<u>35,148</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 6,866</u>	<u>\$ (46,960)</u>

The accompanying notes are an integral part of these financial statements

HEALTHWORKS COMMUNITY FITNESS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

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 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011 AND 2010

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, 2011. 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, 2008, 2009, 2010 and 2011.

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. 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.

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.
NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011 AND 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

h) Advertising Costs

The Foundation expenses advertising costs as they are incurred. Total advertising expenses for 2011 was \$0 and 2010 was \$499.

Note 3 - Property and Equipment

Property and equipment consist of the following:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 61,801	\$ 58,247
Fitness equipment	80,365	80,365
Television and audio equipment	<u>36,892</u>	<u>36,892</u>
	179,058	175,504
Less: accumulated depreciation	<u>(73,457)</u>	<u>(56,911)</u>
	<u>\$ 105,601</u>	<u>\$ 118,593</u>

Depreciation expense was \$16,546 in 2011 and \$15,669 in 2010.

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 2011 and 2010, the rate was 0.5%. The contribution from the Healthworks Fitness Centers, Inc. was \$65,376 for the year ended December 31, 2011 and \$66,984 for the year ended December 31, 2010. A contribution receivable was due to the Foundation of \$5,251 at December 31, 2011 and \$5,402 at December 31, 2010.

The Foundation received 22.3% in 2011 and 31.2% in 2010 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 \$0 and \$14,700 at December 31, 2011 and 2010, respectively represents the portion of grants received from corporate sponsors that was not expended during the year.

HEALTHWORKS COMMUNITY FITNESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011 AND 2010

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 \$30,933 and \$35,424 were paid in 2011 and 2010, 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

The Foundation has evaluated subsequent events through the date the report was available for issuance, September 11, 2012.

The Foundation terminated its private foundation status and will be treated as a public charity for an advanced ruling period of 60 months beginning January 1, 2012. The Foundation will continue to be treated as a private foundation for tax purposes until the completion of the sixty month period and will be classified as a Section 509(a)(2) organization during this period.

FOR MA EXTENSION PURPOSE & MA AG # 038079

Form **8868**

Application for Extension of Time To File an Exempt Organization Return

OMB No. 1545-1709

(Rev. January 2012)

Department of the Treasury
Internal Revenue Service

▶ File a separate application for each return.

- If you are filing for an Automatic 3-Month Extension, complete only Part I and check this box
 - If you are filing for an Additional (Not Automatic) 3-Month Extension, complete only Part II (on page 2 of this form).
- Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.

Electronic filing (e-file). You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time. You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit www.irs.gov/efile and click on e-file for Charities & Nonprofits.

Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed).

A corporation required to file Form 990-T and requesting an automatic 6-month extension—check this box and complete Part I only

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

COPY

Enter filer's identifying number, see instructions

Type or print File by the due date for filing your return. See instructions.	Name of exempt organization or other filer, see instructions. <u>The Healthworks Foundation, Inc</u>	Employer identification number (EIN) or <input type="checkbox"/> <u>04-3431534</u>
	Number, street, and room or suite no. If a P.O. box, see instructions. <u>137 Newbury St. Floor 5</u>	Social security number (SSN) <input type="checkbox"/>
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. <u>Boston, MA 02116</u>	

Enter the Return code for the return that this application is for (file a separate application for each return) 04

Application Is For	Return Code	Application Is For	Return Code
Form 990	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	01	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

- The books are in the care of ▶ Mark Harrington
- Telephone No. ▶ 617-854-8700 FAX No. ▶ 617-859-5821
- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____ . If this is for the whole group, check this box . If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension is for.

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until Aug 15, 2012, to file the exempt organization return for the organization named above. The extension is for the organization's return for:
▶ calendar year 2011 or

▶ tax year beginning _____, 20____, and ending _____, 20_____.

2 If the tax year entered in line 1 is for less than 12 months, check reason: Initial return Final return
 Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	\$	<u>101</u>
b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	\$	<u>101</u>
c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	\$	<u>0</u>

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

For MA purposes # 038079

- If you are filing for an Additional (Not Automatic) 3-Month Extension, complete only Part II and check this box
- Note. Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.
- If you are filing for an Automatic 3-Month Extension, complete only Part I (on page 1).

Part II Additional (Not Automatic) 3-Month Extension of Time. Only file the original (no copies needed).

Enter filer's identifying number, see instructions

Type or print	Name of exempt organization or other filer, see instructions. <u>Healthworks Community Fitness, Inc</u>	Employer identification number (EIN) or <input checked="" type="checkbox"/> <u>04-3431534</u>
	Number, street, and room or suite no. If a P.O. box, see instructions. <u>137 Newbury Street, 5th FL</u>	Social security number (SSN) <input type="checkbox"/>
File by the due date for filing your return. See instructions.	City, town or post office, state, and ZIP code. For a foreign address, see instructions. <u>Boston, MA 02116</u>	

Enter the Return code for the return that this application is for (file a separate application for each return) 04

Application Is For	Return Code	Application Is For	Return Code
Form 990	01	Form 990	01
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	01	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in the care of Mark Harrington
Telephone No. 617-859-8700 FAX No. 617-859-5821
- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____ . If this is for the whole group, check this box . If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension is for.

- I request an additional 3-month extension of time until NOV 15, 2012.
- For calendar year 11, or other tax year beginning _____, 20____, and ending _____, 20____.
- If the tax year entered in line 5 is for less than 12 months, check reason: Initial return Final return
 Change in accounting period
- State in detail why you need the extension additional time is needed to gather the information necessary to file a complete and accurate return.

8a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	8a	\$	0
b	If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	8b	\$	0
c	Balance due. Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	8c	\$	0

Signature and Verification must be completed for Part II only.

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature Jacqui Braun Title CPA Date 8/6/12