

2013  
Audit  

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# HEALTHWORKS COMMUNITY FITNESS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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**FORMAN, ITZKOWITZ, BERENSON & LAGRECA, P.C.**  
CPAs and Business Advisors  
INDEPENDENT AUDITORS' REPORT

*2013  
Audit  
C-38079*

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

We have audited the accompanying financial statements of Healthworks Community Fitness, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, 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 auditors' 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, 2013 and 2012, 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.*

October 20, 2014

404 Wyman Street, Suite 275, Waltham, MA 02451-1264  
Tel: (781) 487-9200 • Fax: (781) 487-9204 • www.fibl.com



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## HEALTHWORKS COMMUNITY FITNESS, INC.

## STATEMENTS OF FINANCIAL POSITION

	<u>DECEMBER 31,</u>	
	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 300,440	\$ 276,333
Contributions receivable	<u>4,144</u>	<u>19,266</u>
Total Current Assets	304,584	295,599
Property and Equipment	<u>74,086</u>	<u>88,801</u>
	<u>\$ 378,670</u>	<u>\$ 384,400</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 5,852	\$ 4,768
Accrued expenses	<u>25,447</u>	<u>24,077</u>
Total Current Liabilities	<u>31,299</u>	<u>28,845</u>
Net Assets:		
Unrestricted:		
Undesignated	137,878	148,195
Board designated	209,493	207,360
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
	<u>347,371</u>	<u>355,555</u>
	<u>\$ 378,670</u>	<u>\$ 384,400</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>2013</u>	<u>2012</u>
Support and Revenue:		
Contributions	\$ 62,828	\$ 109,776
Fundraising	56,009	38,640
Membership fees	161,433	152,057
Interest income	-	20
Miscellaneous revenue	5,732	7,220
Total Support and Revenue	<u>286,002</u>	<u>307,713</u>
Expenses:		
Program Services:		
Fitness centers	<u>247,291</u>	<u>252,894</u>
Total Program Services	<u>247,291</u>	<u>252,894</u>
Support Services:		
Management and general	45,358	52,374
Fundraising	<u>1,537</u>	<u>7,339</u>
Total Support Services	<u>46,895</u>	<u>59,713</u>
Total Expenses	<u>294,186</u>	<u>312,607</u>
Changes in Unrestricted Net Assets	(8,184)	(4,894)
Unrestricted Net Assets, Beginning of Year	<u>355,555</u>	<u>360,449</u>
Unrestricted Net Assets, End of Year	<u>\$ 347,371</u>	<u>\$ 355,555</u>

The accompanying notes are an integral part of these financial statements

## HEALTHWORKS COMMUNITY FITNESS, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013

	Program Services	Support Services		
	Fitness Centers	Management and General	Fundraising	Total
Salaries	\$ 155,431	\$ 10,736	\$ -	\$ 166,167
Payroll taxes	17,805	1,136	-	18,941
Employee benefits	3,584	229	-	3,813
Advertising	393	165	-	558
Bank fees	-	3,971	-	3,971
CAM charges	31,408	-	-	31,408
Depreciation	15,306	1,654	-	16,960
Donations and grants	-	-	-	-
Dues and subscriptions	-	499	-	499
Event expense	-	-	1,537	1,537
Insurance	-	10,301	-	10,301
Licenses and fees	390	-	-	390
Office expense	6,536	261	-	6,797
Printing	1,326	-	-	1,326
Professional fees	-	12,714	-	12,714
Repairs and maintenance	4,526	-	-	4,526
Sundry expenses	-	402	-	402
Supplies	6,928	-	-	6,928
Telephone and cable	3,658	3,290	-	6,948
	<u>\$ 247,291</u>	<u>\$ 45,358</u>	<u>\$ 1,537</u>	<u>\$ 294,186</u>

YEAR ENDED DECEMBER 31, 2012

Program Services	<u>Support Services</u>		
<u>Fitness Centers</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 138,947	\$ 13,750	\$ 4,875	\$ 157,572
19,645	2,183	-	21,828
5,522	614	-	6,136
4,241	-	-	4,241
-	3,679	-	3,679
32,366	-	-	32,366
15,306	1,494	-	16,800
14,496	-	-	14,496
-	1,691	-	1,691
-	-	2,464	2,464
-	10,887	-	10,887
790	-	-	790
3,451	135	-	3,586
2,123	-	-	2,123
-	14,423	-	14,423
6,284	-	-	6,284
-	127	-	127
7,593	-	-	7,593
2,130	3,391	-	5,521
<u>\$ 252,894</u>	<u>\$ 52,374</u>	<u>\$ 7,339</u>	<u>\$ 312,607</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>2013</u>	<u>2012</u>
Cash Flows From Operating Activities:		
Cash received from support and revenue	\$ 301,124	\$ 305,168
Cash paid for program services and support services	(274,772)	(303,156)
Interest income received	-	20
	<u>26,352</u>	<u>2,032</u>
Net Cash Provided by Operating Activities		
Cash Flows From Investing Activities:		
Acquisition of property and equipment	<u>(2,245)</u>	<u>-</u>
	<u>(2,245)</u>	<u>-</u>
Net Cash Used in Investing Activities		
Net Increase in Cash	24,107	2,032
Cash, Beginning	<u>276,333</u>	<u>274,301</u>
Cash, Ending	<u>\$ 300,440</u>	<u>\$ 276,333</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>2013</u>	<u>2012</u>
Decrease in Net Assets	<u>\$ (8,184)</u>	<u>\$ (4,894)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	16,960	16,800
(Increase) decrease in contributions receivable	15,122	(2,525)
Decrease in prepaid expenses	-	3,250
Increase (decrease) in accounts payable	1,084	(13,728)
Increase in accrued expenses	<u>1,370</u>	<u>3,129</u>
Total Adjustments	<u>34,536</u>	<u>6,926</u>
Net Cash Provided by Operating Activities	<u>\$ 26,352</u>	<u>\$ 2,032</u>

The accompanying notes are an integral part of these financial statements

## HEALTHWORKS COMMUNITY FITNESS, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 1 - Description of Operations

The Healthworks Community Fitness, Inc., the "Organization" 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 empower women to realize their personal potential through strength, determination, and education. The Organization operates two fitness centers in Dorchester, Massachusetts.

Note 2 - Summary of Significant Accounting Policiesa) 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 Organization 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 Organization 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 Organization.

b) Contributions

Contributions are recorded when made except unconditional promises to give are recognized when the donor makes a promise to give to the Organization 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, 2013 AND 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

c) Income Taxes

The Organization 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 Organization. The Organization 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 Organization 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, 2013. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Organization's information returns are subject to examination by taxing authorities generally for the years ended December 31, 2010, 2011, 2012 and 2013.

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 Organization 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, 2013 AND 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

g) Functional Allocation of Expenses

The cost of providing the Organization'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 Organization expenses advertising costs as they are incurred. Total advertising expenses for 2013 was \$558 and 2012 was \$4,241.

Note 3 - Property and Equipment

Property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Leasehold improvements	\$ 64,046	\$ 61,801
Fitness equipment	80,365	80,365
Television and audio equipment	<u>36,892</u>	<u>36,892</u>
	181,303	179,058
Less: accumulated depreciation	<u>(107,217)</u>	<u>(90,257)</u>
	<u>\$ 74,086</u>	<u>\$ 88,801</u>

Depreciation expense was \$16,960 in 2013 and \$16,800 in 2012.

Note 4 - Related Party Transactions

Healthworks Community Fitness, Inc. received 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 2013 and 2012, the rate was 0.5%. The contribution from the Healthworks Fitness Centers, Inc. was \$21,130 for the year ended December 31, 2013 and was \$63,794 for the year ended December 31, 2012. A contribution receivable was due to the Organization of \$0 at December 31, 2013 and \$5,243 at December 31, 2012.

The Organization received 7.4% in 2013 and 20.7% in 2012 of its support and revenue from the Healthworks Fitness Centers, Inc. Healthworks Fitness Centers, Inc. ceased making contributions to the Organization as of June, 2013.

HEALTHWORKS COMMUNITY FITNESS, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2013 AND 2012

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 Organization's allocated share of costs for the operation of the property.

The property owner will calculate and bill the Organization monthly for their respective share of common area maintenance (CAM) costs of the property. CAM charges of \$31,408 and \$32,366 were paid in 2013 and 2012, respectively.

Note 6 - Subsequent Events

Professional 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 Organization has evaluated subsequent events through the date the report was available for issuance, October 20, 2014.