

HEALTHWORKS COMMUNITY FITNESS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

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, 2015 and 2014, 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.

Management's 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, 2015 and 2014, 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.

November 7, 2016

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HEALTHWORKS COMMUNITY FITNESS, INC.

STATEMENTS OF FINANCIAL POSITION

	<u>DECEMBER 31,</u>	
	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 246,631	\$ 270,174
Contributions receivable	<u>3,828</u>	<u>24,408</u>
Total Current Assets	250,459	294,582
Property and Equipment	<u>64,663</u>	<u>81,065</u>
	<u>\$ 315,122</u>	<u>\$ 375,647</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 3,535	\$ 11,185
Accrued expenses	30,837	33,686
Deferred revenue	<u>38,019</u>	<u>-</u>
Total Current Liabilities	72,391	44,871
Net Assets:		
Unrestricted:		
Undesignated	33,196	121,262
Board designated	209,535	209,514
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
	<u>242,731</u>	<u>330,776</u>
	<u>\$ 315,122</u>	<u>\$ 375,647</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>2015</u>	<u>2014</u>
Support and Revenue:		
Contributions	\$ 64,571	\$ 96,356
Fundraising	40,760	70,017
Membership fees	132,111	152,670
Miscellaneous revenue	<u>2,146</u>	<u>2,976</u>
Total Support and Revenue	<u>239,588</u>	<u>322,019</u>
Expenses:		
Program Services:		
Fitness centers	<u>267,181</u>	<u>285,743</u>
Total Program Services	<u>267,181</u>	<u>285,743</u>
Support Services:		
Management and general	59,295	51,471
Fundraising	<u>1,157</u>	<u>1,400</u>
Total Support Services	<u>60,452</u>	<u>52,871</u>
Total Expenses	<u>327,633</u>	<u>338,614</u>
Changes in Unrestricted Net Assets	(88,045)	(16,595)
Unrestricted Net Assets, Beginning of Year	<u>330,776</u>	<u>347,371</u>
Unrestricted Net Assets, End of Year	<u>\$ 242,731</u>	<u>\$ 330,776</u>

The accompanying notes are an integral part of these financial statements

HEALTHWORKS COMMUNITY FITNESS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Program Services	Support Services		
	Fitness Centers	Management and General	Fundraising	Total
Salaries	\$ 188,628	\$ 23,264	\$ -	\$ 211,892
Payroll taxes	15,643	1,929	-	17,572
Employee benefits	6,607	815	-	7,422
Advertising	1,630	188	-	1,818
Bank fees	-	4,104	-	4,104
CAM charges	22,100	-	-	22,100
Depreciation	14,587	1,815	-	16,402
Donations and grants	-	350	-	350
Dues and subscriptions	-	1,474	-	1,474
Event expense	-	-	1,157	1,157
Insurance	-	10,936	-	10,936
Licenses and fees	590	-	-	590
Office expense	5,033	943	-	5,976
Printing	-	-	-	-
Professional fees	-	12,313	-	12,313
Repairs and maintenance	3,115	-	-	3,115
Sundry expenses	-	-	-	-
Supplies	5,666	-	-	5,666
Telephone and cable	3,582	643	-	4,225
Travel	-	521	-	521
	<u>\$ 267,181</u>	<u>\$ 59,295</u>	<u>\$ 1,157</u>	<u>\$ 327,633</u>

YEAR ENDED DECEMBER 31, 2014

Program Services	Support Services			
Fitness Centers	Management and General	Fundraising	Total	
\$ 194,134	\$ 17,042	\$ -	\$ 211,176	
18,346	1,611	-	19,957	
5,728	503	-	6,231	
1,764	80	-	1,844	
-	4,253	-	4,253	
22,445	-	-	22,445	
17,160	1,815	-	18,975	
-	1,380	-	1,380	
-	589	-	589	
-	-	1,400	1,400	
-	10,563	-	10,563	
390	-	-	390	
5,204	134	-	5,338	
345	-	-	345	
-	12,167	-	12,167	
8,665	-	-	8,665	
-	181	-	181	
8,433	-	-	8,433	
3,129	536	-	3,665	
-	617	-	617	
<u>\$ 285,743</u>	<u>\$ 51,471</u>	<u>\$ 1,400</u>	<u>\$ 338,614</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>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Cash received from support and revenue	\$ 298,187	\$ 301,755
Cash paid for program services and support services	<u>(321,730)</u>	<u>(306,067)</u>
Net Cash Used in Operating Activities	<u>(23,543)</u>	<u>(4,312)</u>
Cash Flows From Investing Activities:		
Acquisition of property and equipment	<u>-</u>	<u>(25,954)</u>
Net Cash Used in Investing Activities	<u>-</u>	<u>(25,954)</u>
Net Decrease in Cash	(23,543)	(30,266)
Cash, Beginning	<u>270,174</u>	<u>300,440</u>
Cash, Ending	<u>\$ 246,631</u>	<u>\$ 270,174</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 Used in Operating Activities

	<u>YEAR ENDED DECEMBER 31,</u>	
	<u>2015</u>	<u>2014</u>
Decrease in Net Assets	<u>\$ (88,045)</u>	<u>\$ (16,595)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	16,402	18,975
(Increase) decrease in contributions receivable	20,580	(20,264)
Increase (decrease) in accounts payable	(7,650)	5,333
Increase (decrease) in accrued expenses	(2,849)	8,239
Increase in deferred revenue	<u>38,019</u>	<u>-</u>
Total Adjustments	<u>64,502</u>	<u>12,283</u>
Net Cash Used in Operating Activities	<u>\$ (23,543)</u>	<u>\$ (4,312)</u>

The accompanying notes are an integral part of these financial statements

HEALTHWORKS COMMUNITY FITNESS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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 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 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, 2015 AND 2014

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, 2015. 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 three years.

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, 2015 AND 2014

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 2015 was \$1,818 and 2014 was \$1,844.

Note 3 - Property and Equipment

Property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 64,046	\$ 64,046
Fitness equipment	106,319	106,319
Television and audio equipment	<u>36,892</u>	<u>36,892</u>
	207,257	207,257
Less: accumulated depreciation	<u>(142,594)</u>	<u>(126,192)</u>
	<u>\$ 64,663</u>	<u>\$ 81,065</u>

Depreciation expense was \$16,402 in 2015 and \$18,975 in 2014.

Note 4 - Related Party Transactions

Healthworks Fitness Centers, Inc. collects donations for the Organization on behalf of employees and members of the fitness centers. There were receivables for these donations owed to the Organization from Healthworks Fitness Centers, Inc. of \$1,721 at December 31, 2015 and \$16,458 at December 31, 2014.

Additionally a related party made a contribution of \$7,500 during 2014 which was a receivable owed to the Organization at December 31, 2014.

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.

HEALTHWORKS COMMUNITY FITNESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2015 AND 2014

The property owner calculates and bills the Organization monthly for their respective share of common area maintenance (CAM) costs of the property. CAM charges of \$22,100 and \$22,445 were paid in 2015 and 2014, 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, November 7, 2016