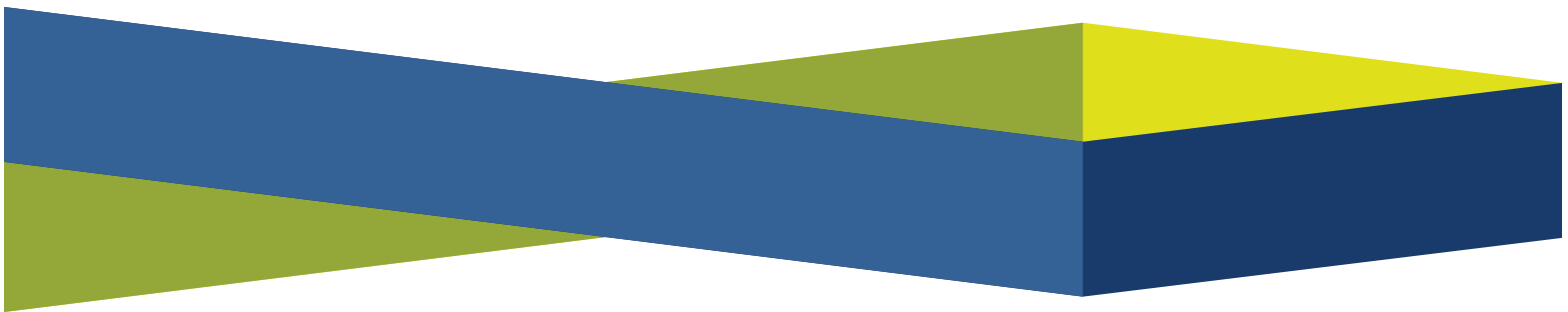


**HEALTHWORKS COMMUNITY FITNESS, INC.**

FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2016 AND 2015



**HEALTHWORKS COMMUNITY FITNESS, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

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## Independent Auditors' Report

To the Board of Directors  
**Healthworks Community Fitness, Inc.**

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, 2016 and 2015, 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 organization'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 organization'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, 2016 and 2015, 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.

### **Other Matter**

Effective January 1, 2017, Forman, Itzkowitz, Berenson & LaGreca, P.C. was acquired by and merged into DiCicco, Gulman & Company LLP. The merger had no impact on the procedures we performed for both years presented.

*DiCicco, Gulman & Company LLP*

November 13, 2017

**HEALTHWORKS COMMUNITY FITNESS, INC.**

**STATEMENTS OF FINANCIAL POSITION**

December 31,	2016	2015
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 233,244	\$ 246,631
Contributions receivable	6,180	3,828
Prepaid expenses	5,397	-
Total current assets	244,821	250,459
<b>Equipment and improvements, net</b>	<b>52,686</b>	<b>64,663</b>
<b>Total assets</b>	<b>\$ 297,507</b>	<b>\$ 315,122</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 57,143	\$ 34,372
Deferred revenue	24,501	38,019
Total current liabilities	81,644	72,391
<b>Net assets:</b>		
Unrestricted:		
Undesignated	6,307	33,196
Board designated	209,556	209,535
Total net assets	215,863	242,731
<b>Total liabilities and net assets</b>	<b>\$ 297,507</b>	<b>\$ 315,122</b>

*The accompanying notes are an integral part of the financial statements.*

HEALTHWORKS COMMUNITY FITNESS, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

<b>For the years ended December 31,</b>	<b>2016</b>	<b>2015</b>
<b>Unrestricted net assets:</b>		
Support and revenue:		
Membership fees	\$ 133,140	\$ 132,111
Contributions and grants	115,944	105,331
Miscellaneous revenue	<u>611</u>	<u>2,146</u>
Total support and revenue	<u>249,695</u>	<u>239,588</u>
<b>Functional expenses:</b>		
Program services	239,237	277,755
Support services:		
Management and general	37,229	48,721
Fundraising	<u>97</u>	<u>1,157</u>
Total expenses	<u>276,563</u>	<u>327,633</u>
<b>Changes in net assets</b>	<b>(26,868)</b>	<b>(88,045)</b>
<b>Net assets, beginning of year</b>	<b><u>242,731</u></b>	<b><u>330,776</u></b>
<b>Net assets, end of year</b>	<b><u>\$ 215,863</u></b>	<b><u>\$ 242,731</u></b>

*The accompanying notes are an integral part of the financial statements.*

HEALTHWORKS COMMUNITY FITNESS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Support Services			Total
	Program Services	Management and General	Fundraising	
Salaries	\$ 157,546	\$ 13,015	\$ -	\$ 170,561
Payroll taxes	14,023	1,158	-	15,181
Employee benefits	4,750	392	-	5,142
Advertising	1,283	177	-	1,460
Bank fees	-	5,073	-	5,073
Common area maintenance charges	22,419	-	-	22,419
Depreciation	10,163	1,814	-	11,977
Dues and subscriptions	-	931	-	931
Event expense	-	-	97	97
Insurance	11,494	333	-	11,827
Licenses and fees	390	-	-	390
Miscellaneous	-	90	-	90
Office expense	4,753	98	-	4,851
Printing	1,309	-	-	1,309
Professional fees	-	13,712	-	13,712
Repairs and maintenance	2,411	-	-	2,411
Supplies	5,468	-	-	5,468
Telephone	3,228	98	-	3,326
Travel	-	338	-	338
	<u>\$ 239,237</u>	<u>\$ 37,229</u>	<u>\$ 97</u>	<u>\$ 276,563</u>

*The accompanying notes are an integral part of the financial statements.*

HEALTHWORKS COMMUNITY FITNESS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Support Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
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
Common area maintenance 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	10,574	362	-	10,936
Licenses and fees	590	-	-	590
Office expense	5,033	943	-	5,976
Professional fees	-	12,313	-	12,313
Repairs and maintenance	3,115	-	-	3,115
Supplies	5,666	-	-	5,666
Telephone	3,582	643	-	4,225
Travel	-	521	-	521
	<u>\$ 277,755</u>	<u>\$ 48,721</u>	<u>\$ 1,157</u>	<u>\$ 327,633</u>

*The accompanying notes are an integral part of the financial statements.*

**HEALTHWORKS COMMUNITY FITNESS, INC.****STATEMENTS OF CASH FLOWS**

<b>For the years ended December 31,</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Changes in net assets	<u>\$ (26,868)</u>	<u>\$ (88,045)</u>
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	11,977	16,402
Changes in:		
Contributions receivable	(2,352)	20,580
Prepaid expenses	(5,397)	-
Accounts payable and accrued expenses	22,771	(10,499)
Deferred revenue	<u>(13,518)</u>	<u>38,019</u>
Total adjustments	<u>13,481</u>	<u>64,502</u>
Net cash used in operating activities	<u>(13,387)</u>	<u>(23,543)</u>
Net decrease in cash	(13,387)	(23,543)
Cash, beginning of year	<u>246,631</u>	<u>270,174</u>
Cash, ending	<u>\$ 233,244</u>	<u>\$ 246,631</u>

*The accompanying notes are an integral part of the financial statements.*

# HEALTHWORKS COMMUNITY FITNESS, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - Nature of Operations

#### Description of Operations

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 previously operated two fitness centers in Dorchester, Massachusetts. During 2015, one fitness center was closed.

#### Subsequent Events

The Organization has evaluated subsequent events through November 13, 2017, the date the financial statements were approved and authorized for issuance by management, and determined that, except as noted in Note 2, there have been no subsequent events that would require recognition in, or disclosure in the notes to, the financial statements.

### Note 2 - Summary of Significant Accounting Policies

#### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

#### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Contributions Receivables

Contributions receivable are recognized when the donor makes an unconditional promise to give to the Organization and are subject to discounts if applicable. Contributions may be designated by the donor for a specific purpose or given on an unrestricted basis. Amounts are recorded in the appropriate net asset category, at the time a donor makes a promise that is, in substance, unconditional. Collectability of such amounts are evaluated on a periodic basis and written off when deemed uncollectible. As necessary, the Organization establishes an allowance for doubtful accounts based on prior experience and an analysis of specific promises made. At December 31, 2016 and 2015, the Organization has determined that an allowance for contributions receivables is not required.

#### Equipment and Improvements, Net

Equipment and improvements are stated at cost, unless received as a donation, net of accumulated depreciation and amortization. Major additions and improvements are capitalized, while maintenance and repairs, which do not extend the lives of the respective assets, are expensed as incurred. Equipment is depreciated using the straight-line method over the estimated useful life of the asset. Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the lease or the useful life of the asset. When equipment is retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the statements of activities for the respective period.

# HEALTHWORKS COMMUNITY FITNESS, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 2 - Summary of Significant Accounting Policies (Continued)

#### Equipment and Improvements, Net (Continued)

Contributed equipment is recorded at estimated fair value at the date of donation. If the donor stipulates how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment are recorded as unrestricted support.

The Organization evaluates equipment and improvements for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amount to the future undiscounted cash flows the assets are expected to generate over their remaining economic lives. If such assets are considered to be impaired, the impairment to be recognized in net assets equals the amount by which the carrying value of the assets exceeds their fair market value determined by either a quoted market price, if any, or a value determined by utilizing a discounted cash flow technique. If such assets are not impaired, but their useful lives have decreased, the remaining net book value is amortized over the revised useful life. The Organization has not recognized any impairment charges on equipment and improvements as of December 31, 2016 and 2015.

#### Net Assets

The Organization reports three classes of net assets and the changes in those net assets in its financial statements. These three classes are unrestricted, temporarily restricted and permanently restricted net assets. These classifications are based on the existence or absence of donor-imposed restrictions. The three classifications are defined as follows:

##### Unrestricted Net Assets

Unrestricted net assets are neither permanently restricted, nor temporarily restricted by donor-imposed stipulation and are resources over which the Board of Directors has discretionary control. Included under unrestricted net assets are Board designated net assets that are designated by the Organization's 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. As of December 31, 2016 and 2015, there were no temporary restricted net assets.

##### Permanently Restricted Net Assets

Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Organization. As of December 31, 2016 and 2015, there were no permanently restricted net assets.

# HEALTHWORKS COMMUNITY FITNESS, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 2 - Summary of Significant Accounting Policies (Continued)

#### Revenue and Support

Contributions are recorded when made except for unconditional promises to give which are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conditional promises to give are not recognized until they become unconditional, which is at the time the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction, until the restriction lapses or is satisfied, at which time, temporarily restricted net assets are reclassified to unrestricted net assets.

Membership fees are billed in advance for periods of time that vary in length, from monthly to annually periods. Revenue is recognized over the period of time covered by each membership fee. Fees which have been billed but not recognized as revenue are reported as deferred revenue.

The Organization recognizes support from grants over the period specified in the grant. Support from grants that has been received but not recognized as revenue is reported as deferred revenue.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skill, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair market values when the donated services are provided.

#### Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In 2012, the Organization filed, with the Internal Revenue Service, a notification of intent to terminate its private foundation status under section 507(b)(1)(B) of the Internal Revenue Code and to become a public charity. The Organization however is still required to file a private foundation tax return until the completion of a 60-month advance ruling period, beginning January 1, 2012. Subsequent to year end, the Organization received an approved ruling from the Internal Revenue Service terminating the Organization's status as a private foundation and reclassifying the Organization as a public charity.

The Organization files tax returns in federal and state jurisdictions. The Organization's income tax returns are subject to examination by taxing authorities. The Organization is no longer subject to examinations by tax authorities for years prior to 2013. Currently, there are no income tax audits in process.

GAAP prescribes the threshold a tax position is required to meet before being recognized in the financial statements. The tax-exempt status of an entity is considered a tax position. An additional liability for uncertain tax positions ("UTPs") is recognized and recorded as a component of current income tax expense for differences between financial and income tax reporting positions which do not meet this threshold. Any interest and penalties related to UTPs are recorded as a component of income tax expense.

# HEALTHWORKS COMMUNITY FITNESS, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 2 - Summary of Significant Accounting Policies (Continued)

#### Income Taxes (Continued)

The Organization has reviewed its income tax positions and has not identified any material UTPs, including any tax positions that would jeopardize its tax exempt status, and thus has not recorded a liability at December 31, 2016 or 2015.

#### 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.

#### Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported net assets or change in net assets.

### Note 3 - Equipment and Improvements, Net

Equipment and improvements, net consisted of the following at December, 31:

	<u>2016</u>	<u>2015</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>
	<u>207,257</u>	207,257
Less Accumulated Depreciation	<u>154,571</u>	<u>142,594</u>
	<u>\$ 52,686</u>	<u>\$ 64,663</u>

### Note 4 - Related Party Transactions

Healthworks Fitness Centers, Inc. (a related party), collects donations for the Organization on behalf of employees and members of their fitness centers. At December 31, 2016 and 2015, included in contribution receivables is \$2,285 and \$1,721, respectively, for these donations.

The Organization's Codman Square fitness center is located at a property that is owned by a member of the Organization's Board of Directors ("Owner"). The Organization has entered into an agreement with the Owner to pay its respective share of the property's common area maintenance costs ("CAM"). For 2016 and 2015, CAM charges amounted to approximately \$22,400 and \$22,100, respectively.