

# **The Wellness Community - National**

Financial Statements

June 30, 2009 and 2008

(with Independent Auditors' Report)

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
The Wellness Community – National:

We have audited the accompanying statements of financial position of The Wellness Community - National (a not-for-profit Organization) as of June 30, 2009 and 2008 and the related statements of activities, 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 audits 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 The Wellness Community - National as of June 30, 2009 and 2008 and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
September 9, 2009

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The Wellness Community - National  
Statements of Financial Position  
June 30, 2009 and 2008

	2009	2008
<b>Assets</b>		
Cash and cash equivalents	\$ 6,183,274	5,269,482
Grants receivable	-	46,200
Accounts receivable	124,952	44,368
Contributions receivable	234,386	378,277
Prepaid expenses	26,282	40,240
Inventory	5,081	4,696
Property and equipment - net	177,897	260,657
Deposits	9,040	3,049
Total assets	\$ 6,760,912	6,046,969
 <b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 219,578	186,411
Accrued expenses	66,311	30,013
Total liabilities	285,889	216,424
 <b>Net assets:</b>		
Unrestricted	1,142,091	1,870,629
Temporarily restricted	5,322,932	3,934,916
Permanently restricted	10,000	25,000
Total net assets	6,475,023	5,830,545
Total liabilities and net assets	\$ 6,760,912	6,046,969

See accompanying notes to the financial statements

The Wellness Community - National  
Statements of Activities  
Years Ended June 30, 2009 and 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:								
Contributions	\$ 266,105	7,770	(15,000)	258,875	264,702	545,459	-	810,161
Grants	731,274	2,938,071	-	3,669,345	98,560	2,531,543	-	2,630,103
Fee-for-service contracts	258,654	-	-	258,654	184,346	-	-	184,346
Dividend and interest income	48,460	-	-	48,460	143,956	-	-	143,956
Facility fees	132,280	-	-	132,280	126,810	-	-	126,810
Special events	216,475	-	-	216,475	353,246	-	-	353,246
Less direct expenses	(89,146)	-	-	(89,146)	(167,090)	-	-	(167,090)
In-kind revenue	385,368	-	-	385,368	91,953	-	-	91,953
Other	180	-	-	180	5,785	-	-	5,785
Net assets released from restriction	<u>1,557,825</u>	<u>(1,557,825)</u>	<u>-</u>	<u>-</u>	<u>2,518,658</u>	<u>(2,518,658)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>3,507,475</u>	<u>1,388,016</u>	<u>(15,000)</u>	<u>4,880,491</u>	<u>3,620,926</u>	<u>558,344</u>	<u>-</u>	<u>4,179,270</u>
Expenses and losses:								
Program services	3,302,576	-	-	3,302,576	3,117,206	-	-	3,117,206
Management and general	712,325	-	-	712,325	267,860	-	-	267,860
Fundraising	221,112	-	-	221,112	769,052	-	-	769,052
Loss on disposal of property and equipment	-	-	-	-	304	-	-	304
Total expenses and losses	<u>4,236,013</u>	<u>-</u>	<u>-</u>	<u>4,236,013</u>	<u>4,154,422</u>	<u>-</u>	<u>-</u>	<u>4,154,422</u>
Change in net assets	(728,538)	1,388,016	(15,000)	644,478	(533,496)	558,344	-	24,848
Net assets at beginning of year	<u>1,870,629</u>	<u>3,934,916</u>	<u>25,000</u>	<u>5,830,545</u>	<u>2,404,125</u>	<u>3,376,572</u>	<u>25,000</u>	<u>5,805,697</u>
Net assets at end of year	\$ <u>1,142,091</u>	<u>5,322,932</u>	<u>10,000</u>	<u>6,475,023</u>	<u>1,870,629</u>	<u>3,934,916</u>	<u>25,000</u>	<u>5,830,545</u>

See accompanying notes to the financial statements

The Wellness Community - National  
Statement of Functional Expenses  
Year Ended June 30, 2009

	Program Services	<u>Supporting Services</u>		
		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses:				
Salaries	\$ 986,717	139,691	111,409	1,237,817
Payroll taxes and employee benefits	<u>170,263</u>	<u>22,329</u>	<u>24,501</u>	<u>217,093</u>
Total salaries and related expenses	<u>1,156,980</u>	<u>162,020</u>	<u>135,910</u>	<u>1,454,910</u>
Other expenses:				
Administration	70,788	24,226	11,160	106,174
Grant expenses	1,279,074	6,367	-	1,285,441
Conferences and meetings	15,760	2,068	-	17,828
Consulting	28,768	15,311	7,858	51,937
Research and development	324,265	-	-	324,265
Dues and subscriptions	1,269	167	-	1,436
Equipment rental	4,059	2,213	1,108	7,380
Liability insurance	7,719	4,212	2,104	14,035
Travel	61,818	4,487	3,489	69,794
Marketing and recruiting	36,998	5,285	10,573	52,856
Postage and delivery	13,539	5,186	2,517	21,242
Printing and publications	1,288	388	238	1,914
Professional fees	13,354	7,284	3,642	24,280
Occupancy	115,269	49,119	24,330	188,718
Miscellaneous	12,456	5,276	2,946	20,678
In-kind expenses	3,733	381,635	-	385,368
TWC on-line	<u>93,301</u>	<u>10,602</u>	<u>2,121</u>	<u>106,024</u>
Total other expenses	<u>2,083,458</u>	<u>523,826</u>	<u>72,086</u>	<u>2,679,370</u>
Total expenses before depreciation	3,240,438	685,846	207,996	4,134,280
Depreciation	<u>62,138</u>	<u>26,479</u>	<u>13,116</u>	<u>101,733</u>
Total expenses	\$ <u>3,302,576</u>	<u>712,325</u>	<u>221,112</u>	<u>4,236,013</u>

See accompanying notes to the financial statements

The Wellness Community - National  
Statement of Functional Expenses  
Year Ended June 30, 2008

	Program Services	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Salaries and related expenses:				
Salaries	\$ 772,329	110,052	100,226	982,607
Payroll taxes and employee benefits	<u>143,264</u>	<u>20,414</u>	<u>18,592</u>	<u>182,270</u>
Total salaries and related expenses	<u>915,593</u>	<u>130,466</u>	<u>118,818</u>	<u>1,164,877</u>
Other expenses:				
Administration	44,684	15,292	7,045	67,021
Grant expenses	1,657,025	8,248	-	1,665,273
Conferences and meetings	60,249	7,906	-	68,155
Consulting	26,129	13,907	7,137	47,173
Research and development	100,289	-	-	100,289
Dues and subscriptions	3,888	510	-	4,398
Equipment rental	2,435	1,328	665	4,428
Liability insurance	3,784	2,065	1,032	6,881
Travel	105,724	7,208	7,209	120,141
Marketing and recruiting	15,572	2,224	4,451	22,247
Postage and delivery	12,971	4,968	2,412	20,351
Printing and publications	3,983	1,202	736	5,921
Professional fees	14,117	7,700	3,851	25,668
Occupancy	103,201	43,977	21,781	168,959
Miscellaneous	3,611	1,530	854	5,995
In-kind expenses	891	980	90,082	91,953
Capital campaign costs	-	-	<u>493,889</u>	<u>493,889</u>
Total other expenses	<u>2,158,553</u>	<u>119,045</u>	<u>641,144</u>	<u>2,918,742</u>
Total expenses before depreciation	3,074,146	249,511	759,962	4,083,619
Depreciation	<u>43,060</u>	<u>18,349</u>	<u>9,090</u>	<u>70,499</u>
Total expenses	\$ <u><u>3,117,206</u></u>	<u><u>267,860</u></u>	<u><u>769,052</u></u>	<u><u>4,154,118</u></u>

See accompanying notes to the financial statements

The Wellness Community - National  
Statements of Cash Flows  
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 644,478	24,848
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Uncollectible contribution receivable written off	15,000	140
Depreciation	101,733	70,499
Loss on disposal of property and equipment	-	304
Effects of change in operating assets and liabilities:		
Grants receivable	46,200	75,760
Accounts receivable	(80,584)	(6,339)
Contributions receivable	128,891	(76,234)
Prepaid expenses	13,958	899
Inventory	(385)	3,028
Deposits	(5,991)	-
Accounts payable	33,167	(307,431)
Accrued expenses	36,298	(13,071)
Due to affiliates	-	(4,031)
Net cash provided (used) by operating activities	<u>932,765</u>	<u>(231,628)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(18,973)</u>	<u>(190,733)</u>
Change in cash and cash equivalents	913,792	(422,361)
Cash and cash equivalents - beginning of year	<u>5,269,482</u>	<u>5,691,843</u>
Cash and cash equivalents - end of year	\$ <u>6,183,274</u>	<u>5,269,482</u>

See accompanying notes to the financial statements



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of the Organization are set forth to facilitate the understanding of data presented in the financial statements.

### **Nature of operations**

The Wellness Community (TWC) is an international not-for-profit organization that provides support, education and hope to people with cancer and those who care for them. By offering free professionally-led support groups, educational workshops, nutrition and exercise programs, and stress-reduction classes, The Wellness Community empowers individuals affected by cancer through the learning of vital skills that enable them to regain control, reduce isolation and enhance quality of life. The Wellness Community also collaborates with academic and health care partners to conduct evidence-based research and provide training in the field of psychosocial oncology with the goal of improving outcomes and quality of life for cancer patients, cancer survivors, and the individuals who care for them. The Wellness Community assists people affected by cancer at nearly 100 locations worldwide including 24 U.S. based and 2 international centers with 73 satellite and off-site programs and online at [www.thewellnesscommunity.org](http://www.thewellnesscommunity.org). In addition, there are six locations in development.

TWC represents the voice of The Wellness Community system in national and international forums, congresses and meetings, and builds collaborations with national patient groups and professional organizations to broaden the reach and increase the visibility of The Wellness Community service delivery model.

The Wellness Community issues a charter to each local Wellness Community affiliate allowing for the use of The Wellness Community brand, standardized programs, training and operational principles. TWC also provides support to the local affiliates through activities that include public relations and marketing, clinical program oversight, standardized educational materials and programs, and fundraising. In addition, TWC coordinates and operates professionally-facilitated online support groups on its website and provides resources such as educational materials, audio cassettes, CDs and brochures for people affected by cancer.

Individual gifts, corporate and foundation contributions, and educational grants are the major sources of support for The Wellness Community.

### **Use of estimates**

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

### **Financial statement presentation**

The Organization reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets which have no donor-imposed restrictions; temporarily restricted net assets which have donor-imposed restrictions that will expire in the future; and permanently restricted net assets which have donor-imposed restrictions which do not expire.

**Contributions**

Contributions of cash and other assets without donor stipulations concerning the use of such assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used in accordance with donor stipulations are reported as revenues of the temporarily or permanently restricted net asset classes.

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

**Fair value measures**

The Financial Accounting Standards Board ("FASB") has issued guidance, which establishes a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The guidance delays the effective date for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, to fiscal years beginning after November 15, 2008. As a result, the Organization has only partially adopted the guidance during 2009.

**Income taxes**

For Federal tax purposes, the Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The FASB has issued guidance which clarifies generally acceptable accounting principles for recognition, measurement, presentation and disclosure relating to uncertain tax positions. The guidance applies to business enterprises, not-for-profit entities, and pass-through entities, such as S corporations and limited liability companies. As permitted, the Organization has elected to defer the application of this guidance until issuance of its June 30, 2010 financial statements. For financial statements covering periods prior to fiscal year 2010, the Organization evaluates uncertain tax positions in accordance with existing generally accepted accounting principles and makes such accruals and disclosures as might be required thereunder.

**Cash and cash equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash.

**Allowance for doubtful accounts**

The Organization carries its contributions and grants receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an

allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. No allowance for doubtful accounts is deemed necessary as of June 30, 2009 and 2008.

**Inventory**

Inventory is stated at lower of cost or market with cost determined on an average cost basis. Inventory consists primarily of education materials.

**Property and equipment**

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over three, five and seven year lives.

**In-kind contributions**

The Organization records in-kind services as revenue in the financial statements at their estimated value. In-kind services are not recorded if no objective basis is available to measure the value received by the Organization.

**Functional allocation of expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Subsequent Events**

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through September 9, 2009.

**Reclassifications**

Certain amounts from 2008 have been reclassified to conform to the current year presentation.

**2. CONTRIBUTIONS RECEIVABLE:**

The Organization received unconditional promises to give which have been recorded at their net present value using a discount rate of 4.92%. The following summarizes these contributions receivable at June 30:

Amounts due in:	<u>2009</u>	<u>2008</u>
Less than one year	\$ 86,854	132,411
One to five years	<u>156,967</u>	<u>266,567</u>
Total	243,821	398,978
Unamortized discount	<u>9,435</u>	<u>20,701</u>
Contributions receivable - net	\$ <u>234,386</u>	<u>378,277</u>

### 3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
Office furniture and equipment	\$ 87,711	72,810
Software	342,789	272,484
Contracts-in-progress	<u>18,217</u>	<u>84,450</u>
	448,717	429,744
Less accumulated depreciation	<u>270,820</u>	<u>169,087</u>
	<u>\$ 177,897</u>	<u>260,657</u>

### 4. LINE OF CREDIT:

The Organization has established a line of credit with a bank for \$100,000, secured by a certificate of deposit pledged to the bank. Interest is payable at the prime rate (3.25% at June 30, 2009). No amounts were drawn against this line as of June 30, 2009 and 2008.

### 5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for periods after June 30 for the following purposes:

	<u>2009</u>	<u>2008</u>
Hispanic Outreach Program	\$ 44,407	76,534
Colorectal Cancer Program	140,549	193,964
The Virtual Wellness Community	253,982	207,126
Lung Cancer Programs	93,819	174,022
Ovarian Cancer Programs	26,800	20,800
Communication Program	180,791	-
National Leadership Conference	106,780	5,000
Group Loop: Teens with Cancer	15,000	21,185
Breast Cancer Index Fund – NPT	801,032	-
Lymphoma Patient Education Program	1,000	2,000
New Discoveries in Cancer Program	108,605	400,121
Patient Education Initiative	13,565	6,329
Breast Cancer Programs	142,068	385,648
FSA Cancer Treatment	435,630	193,565
Leukemia/Lymphoma Project	13,652	37,753
FSAC Liver	77,617	-
Lance Armstrong Foundation	53,262	393,355
Cancer Transitions – Sanofi	87,011	-
FSAC Coping with Cost of Care	55,365	-

Demonstration Project – Genentech	168,000	-
International Network	5,039	116,705
Oral Therapy Education Program	30,699	50,497
Star Campaign	-	27,684
Survivorship	22,404	18,550
Caregivers	773,164	577,900
Melanoma	186,013	141,755
Education	542,545	202,429
Research and development	754,890	488,167
Public relations	45,422	11,777
Future periods	<u>143,821</u>	<u>182,050</u>
	<u>\$ 5,322,932</u>	<u>3,934,916</u>

During 2009 and 2008, net assets released from restrictions were \$1,557,825 and \$2,518,658, respectively.

**6. PERMANENTLY RESTRICTED NET ASSETS:**

Permanently restricted net assets as of June 30, 2009 and 2008 consist of \$10,000 and \$25,000 for the Organization's future growth. During 2009, the Organization wrote off a \$15,000 pledge which had been reported as permanently restricted net assets but was deemed to be uncollectible.

**7. RELATED PARTIES:**

The Organization received fees from local affiliates in the amount of \$132,280 and \$126,810 during years ended June 30, 2009 and 2008, respectively.

The Organization paid \$212,215 and \$287,625 to local affiliates during the years ended June 30, 2009 and 2008, respectively.

**8. LEASES:**

TWC leases office space under a non-cancelable operating lease that expires in August 2010. There are no renewal options under this lease. The future minimum lease payments at June 30, 2009 are as follows:

2010	\$ 111,970
2011	<u>18,738</u>
	<u>\$ 130,708</u>

TWC leases office equipment under non-cancelable operating leases that expire in various years through 2013. Future minimum lease payments under these agreements at June 30, 2009 are as follows:

2010	\$ 1,730
2011	1,404
2012	1,404
2013	<u>351</u>
	<u>\$ 4,889</u>

Total rent expense was \$140,735 and \$117,985 for the years ended June 30, 2009 and 2008, respectively.

**9. SUBSEQUENT EVENT:**

In August 2009, the Organization became the sole member of a not-for-profit organization with a similar mission to its own. As part of this arrangement a service agreement has been entered into whereby the Organization will provide management services to the member organization. The Organization will also license the intellectual property of the member organization.