

THE CENTER FOR MIND-BODY MEDICINE, INC.

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SALTI & ASSOCIATES, LLC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Center for Mind-Body Medicine, Inc.
Washington, D.C.

I have audited the accompanying financial statement of The Center for Mind-Body Medicine, Inc. (CMBM), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities cash flows for the year 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 estimated made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Center for Mind-Body Medicine, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited The Center for Mind-Body Medicine's 2011 financial statements, and my report dated April 9, 2012, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

N. Elm S.D.G.

Washington, DC

August 13, 2013

THE CENTER FOR MIND-BODY MEDICINE, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

ASSETS		Total 2012	Total 2011
CURRENT ASSETS			
Cash and cash equivalents (note 2 and 3)	\$	332,949	\$ 242,812
Accounts and other receivable (note 4)		46,543	22
Grants receivable (note 5)		800,000	2,690,816
Prepaid expense and employee advances		9,000	545
		<u>1,188,492</u>	<u>2,934,195</u>
PROPERTY AND EQUIPMENT-AT COST			
Furniture & equipment		98,310	98,310
Library		6,037	6,037
Website development		56,293	56,293
Less: accumulated depreciation		(140,164)	(135,450)
		<u>20,476</u>	<u>25,190</u>
OTHER ASSETS			
Security deposits		2,600	2,600
Registered logo		7,112	7,112
		<u>9,712</u>	<u>9,712</u>
TOTAL ASSETS		<u><u>\$ 1,218,680</u></u>	<u><u>\$ 2,969,097</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	5,488	\$ 16,095
Accrued vacation (note 6)		8,616	6,684
Payroll tax liability		4,287	-
Deferred revenue (note7)		7,945	71,574
		<u>26,336</u>	<u>94,353</u>
NET ASSETS			
Unrestricted (notes 11 and 14)		39,024	12,905
Temporarily restricted (note 9)		1,153,320	2,861,839
		<u>1,192,344</u>	<u>2,874,744</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 1,218,680</u></u>	<u><u>\$ 2,969,097</u></u>

See Accompanying Notes to Financial Statements

THE CENTER FOR MIND-BODY MEDICINE, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	Unrestricted	Temporarily Restricted	Total 2012	Total 2011
REVENUE				
Contributions and grants	\$ 99,950	\$ 109,942	\$ 209,892	\$ 1,675,000
Individual and corporate contributions	101,602	-	101,602	65,050
Governments grants	60,799	-	60,799	119,328
Registration and training fees	534,625	-	534,625	524,489
Speaking income	14,000	-	14,000	-
Sale of books, tapes and t-shirts	12,667	-	12,667	15,359
Contract Revenue	106,028	-	106,028	39,783
Services income	-	-	-	42,900
Certification and supervision	118,126	-	118,126	124,689
Other income	2,129	-	2,129	1,490
Interest and dividends	60	-	60	529
Net assets released from restrictions	1,818,461	(1,818,461)	-	-
TOTAL REVENUE	2,868,447	(1,708,519)	1,159,928	2,608,617
EXPENSES				
Program Expenses:				
Certification Program	63,419	-	63,419	56,735
Cancer Guides	248,823	-	248,823	18,702
Community Education	11,164	-	11,164	24,085
Global Trauma Relief	1,495,500	-	1,495,500	1,785,567
Educating Health Professionals	740,178	-	740,178	740,096
Total Program Expenses	2,559,084	-	2,559,084	2,625,185
Support Expenses:				
Fundraising and Development	137,288	-	137,288	133,875
Management and General	145,956	-	145,956	50,301
Total Support Expenses	283,244	-	283,244	184,176
TOTAL EXPENSES	2,842,328	-	2,842,328	2,809,361
CHANGE IN NET ASSETS	26,119	(1,708,519)	(1,682,400)	(200,744)
Net Assets, Beginning of year	12,905	2,861,839	2,874,744	3,075,488
NET ASSETS, END OF YEAR	\$ 39,024	\$ 1,153,320	\$ 1,192,344	\$ 2,874,744

See Accompanying Notes to Financial Statements

THE CENTER FOR MIND-BODY MEDICINE, INC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	Certification Program	Cancer Guides	Community Education	Global Trauma Relief	Educating Health Professionals	Total Program	Fundraising & Development	Management and General	Total 2012	Total 2011
Salaries	\$ 456	\$ 54,773	\$ 5,468	\$ 141,225	\$ 189,617	391,539	\$ 94,426	\$ 264,444	\$ 750,409	\$ 652,664
Employee benefits and payroll taxes	63	7,900	903	23,958	24,998	57,822	10,766	43,488	112,076	116,769
Accounting and auditing	-	-	-	1,145	-	1,145	-	13,925	15,070	9,000
Advertising and promotion	-	-	-	-	1,185	1,185	175	130	1,490	775
Bad debt expense	-	-	-	-	-	-	-	-	-	7,050
Bank fees and license	2,291	569	7	1,324	9,657	13,848	-	6,480	20,328	24,537
Computer expense	-	-	-	2,513	501	3,014	831	2,869	6,714	19,684
Consulting and translation fees	54,625	40,353	-	592,199	34,082	721,259	4,210	73,115	798,584	668,525
Continuing education credits	-	-	-	-	15,420	15,420	-	-	15,420	11,582
Depreciation and amortization	-	-	-	-	-	-	-	4,714	4,714	3,576
Entertainment and meals	-	18	-	10,796	512	11,326	1,197	3,300	15,823	13,907
Equipment rental	-	-	-	-	1,300	1,300	-	8,872	10,172	9,139
Honorarium	-	26,000	-	70,500	96,400	192,900	500	-	193,400	229,136
Insurance	-	-	-	-	-	-	-	6,357	6,357	6,078
Legal fees	-	-	-	176	1,604	1,780	-	181	1,961	2,405
Janitorial and cleaning expense	-	-	-	5,484	-	5,484	-	5,990	11,474	9,450
Marketing	-	6,820	-	47,932	8,355	63,107	18,852	62,934	144,893	13,981
Merchandise and books	-	-	-	-	-	-	-	-	-	676
Meeting expense	-	43,829	-	101,358	184,533	329,720	-	270	329,990	430,876
Occupancy	-	-	-	19,971	-	19,971	-	44,803	64,774	78,248
Other expenses	-	1,000	450	4,529	-	5,979	772	1,115	7,866	14,287
Participant stipends	-	-	-	12,000	-	12,000	-	-	12,000	11,250
Per diem	-	-	-	6,305	7,584	13,889	-	-	13,889	13,097
Postage and mail service	16	644	163	2,981	582	4,386	1,008	977	6,371	5,279
Printing and reproduction	-	-	-	1,436	6,415	7,851	3,810	259	11,920	25,955
Promotion/Marketing	-	-	-	-	-	-	-	-	-	10,844
Public relations	-	-	-	5,016	-	5,016	807	-	5,823	10,755
Registration	102	-	-	-	2,583	2,685	-	-	2,685	2,875
Research	-	-	-	3,619	-	3,619	-	-	3,619	990
Scholarships	-	-	-	2,500	1,645	4,145	-	-	4,145	1,500
Subscriptions, publications and dues	-	-	199	100	788	1,087	2,530	1,046	4,663	2,286
Supplies and stationery	125	-	10	21,115	9,438	30,688	2,122	7,193	40,003	48,987
Telecommunications	43	1,586	-	25,028	2,559	29,216	724	5,125	35,065	33,546
Travel and transportation	-	31,431	3,145	86,801	39,846	161,223	14,738	4,661	180,622	319,127
Website Maintenance/Updates	-	-	-	6,120	-	6,120	-	3,888	10,008.00	525
G&A Allocation	5,698	33,900	819	299,369	100,574	440,360	(20,180)	(420,180)	-	-
Total	\$ 63,419	\$ 248,823	\$ 11,164	\$ 1,495,500	\$ 740,178	\$ 2,559,084	\$ 137,288	\$ 145,956	\$ 2,842,328	\$ 2,809,361

See Accompanying Notes to Financial Statements



THE CENTER FOR MIND-BODY MEDICINE, INC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	<u>Total 2012</u>	<u>Total 2011</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Cash received from contributions and registration fees	\$ 2,940,534	\$ 2,887,938
Interest received	60	529
Cash paid for operating activities	<u>(2,850,457)</u>	<u>(2,856,679)</u>
Net cash provided by operating activities	<u>90,137</u>	<u>31,788</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, equipment and software	<u>-</u>	<u>(20,000)</u>
Net cash flows used by investing activities	<u>-</u>	<u>(20,000)</u>
Net increase in cash	90,137	11,788
Cash and cash equivalents at beginning of year	<u>242,812</u>	<u>231,024</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 332,949</u>	<u>\$ 242,812</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,682,400)	\$ (200,744)
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	4,714	3,576
(Increase) decrease in assets:		
Accounts receivable	(46,521)	126,852
Grants receivable	1,890,816	221,020
Prepaid expense and employee advances	(8,455)	5,414
Increase (decrease) in liabilities:		
Accounts payable	(10,607)	(62,792)
Payroll liabilities	4,287	-
Accrued vacation	1,932	6,684
Deferred revenue	(63,629)	(68,022)
Accrued expenses	<u>-</u>	<u>(200)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 90,137</u>	<u>\$ 31,788</u>

See Accompanying Notes to Financial Statements

THE CENTER FOR MIND-BODY MEDICINE, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. ORGANIZATION

The Center for Mind-Body Medicine, Inc. is a non-profit corporation, organized under the laws of the District of Columbia dedicated to reviving the spirit and transforming the practice of medicine. The Center is working to create a more effective, comprehensive and compassionate model of healthcare and education. The Center's model combines the precision of modern science with the wisdom of the world's healing traditions, to help health professionals heal themselves, their patients and clients, and their communities.

This model is based on self-awareness and relies on self-care as its core. The Center believes that all of us have a great and largely untapped capacity to improve our own health and well-being through mind-body approaches, nutrition, exercise and group support. The Center has worked with the National Institutes of Health, the National Cancer Institute, and the World Health Organization, as well as many medical schools, to educate healthcare professionals and the public in the US and around the world. Our programs include:

Mind-Body Medicine is the most comprehensive mind-body training program in the United States. It combines large group didactic training with our unique, small-group model, making it possible for healthcare professionals to integrate the best of mind-body medicine into clinical practice and teaching. This is the Center's core program. We have been teaching it around the world since 1994, providing over 2500 practitioners with the tools they need to become more effective healers and to find more meaning in their work. Both experiential and science-based, this program is rewarding and transformative. **Advanced Mind-Body Medicine** training and an individual, in-depth **Mind-Body Medicine Certification Program** are also available for those who wish to take this work to the highest level.

Cancer Guides is the most comprehensive 5-day training for integrative oncology in the United States, training health professionals to work with people with cancer to create safe, effective, individualized programs of integrative care. CMB's unique small-group model provides an intimate and emotionally powerful experience that leads group members through each step of the cancer journey. Many graduates have expressed feeling "transformed" by the week's events, as they return to their work with newfound perspective and inspiration, along with the latest scientific research.

Food as Medicine provides the best introduction to medical nutrition therapy in the U.S. This annual professional training program offers participants the latest in science-based nutrition education together with the knowledge, confidence and compassion required to successfully guide patients towards life-giving, health nutrition. After eating colorful, healthy, whole-foods meals during the four-day training, our participants are often inspired to transform their and their families' diets, and to authentically recommend healthy transformations for their patients.

THE CENTER FOR MIND-BODY MEDICINE, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. ORGANIZATION (continued)

Global Trauma Relief is the CMBM's groundbreaking international program, offering training to health and mental health professionals and community leaders to assist the healing of psychological trauma in war-torn and disaster-afflicted areas of the world. Our published research shows remarkable results. Areas of work have included Bosnia, Kosovo, Macedonia, Israel and Gaza, and here in the United States with NYC firefighter's post-9/11, in post-Katrina New Orleans, with the military and veterans, and now in Haiti.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for Profit Organizations." Under SFAS No. 117, The Center for Mind-Body Medicine, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, The Center for Mind-Body Medicine, Inc. is required to present a statement of cash flows.

Basis of Accounting

The financial statements of The Center for Mind-Body Medicine, Inc. have been prepared on the accrual basis. Under the accrual basis of accounting, income is recognized in the period it is earned, and expenses are recognized when incurred.

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.

Statement of Cash Flows

Cash consists of monies held in demand deposit accounts and petty cash. Cash equivalents are highly-liquid investments with initial maturities of three months or less. As of December 31, 2012, the Center held no equivalents.

Uncertain Tax Position

The Financial Accounting Standards Board (FASB) released FASB ASC740-10, Income Taxes, that provide guidance for reporting uncertainty in income taxes. For the year ended December 31, 2012, CMBM has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax provisions qualify for either recognition or disclosure in the financial statements.

THE CENTER FOR MIND-BODY MEDICINE, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets Classifications

There are three classes of net assets. They can each be defined as follows:

Unrestricted Net Assets – These are net assets whose use is not restricted by the donors. The organization itself has complete control and discretion over how they can be used.

Temporarily Restricted Net Assets– This represents net assets that have restrictions stipulated by donors – either regarding the time period in which they can be used for the purpose to which they can be put (e.g., a grant specifically intended to cover the salary of a person to be hired for a specified purpose). Expenses do not get recorded in this category; grants that are to be used for a specific purpose are initially recorded as “Temporarily Restricted”, and when the restrictions are met, they are reported in the statement of activities as net assets released from restrictions, and are reclassified as “Unrestricted.”

Permanently Restricted Net Assets – This represents net assets which the organization must maintain in perpetuity. The Center for Mind-Body Medicine, Inc. does not have any such assets.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Property and Equipment

Fixed assets consist of office furniture and equipment and are recorded at cost when purchased or, if donated, at fair market value at date of donation. Depreciation is calculated over estimated useful lives of 3-10 years using the straight-line method.

Contributed Services

Contributed services, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt.

THE CENTER FOR MIND-BODY MEDICINE, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Center for Mind-Body Medicine has qualified as a non-profit organization under Internal Revenue Code Section 501 (c)(3) and consequently pays no taxes on its exempt function income. However, the Center would be liable for taxes on any unrelated business income. There is no history of unrelated business income in the Center.

Functional Expenses

Costs are charged to program services and management and general functions based on direct expenditures incurred. Expenses not directly chargeable to these functional categories are allocated based on direct personnel costs.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011 from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, CMBM has evaluated events and transactions for potential recognition or disclosure through June 3, 2013, the date the financial statements were issued.

3. CONCENTRATION OF CREDIT RISK

At times during the year, the Center maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

4. ACCOUNTS RECEIVABLE

Accounts receivable in the amount of \$46,543 are collectible in 2013.

THE CENTER FOR MIND-BODY MEDICINE, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

5. GRANTS RECEIVABLE

Grants receivable in the amount of \$800,000 at December 31, 2012 are due in 2013.

The Atlantic Philanthropies committed \$2,196,836 over a period of 24 months. In 2011, CMBM received its pledge of \$1,106,020. The remaining balance of \$1,090,816 was received in 2012 and 2013.

CMBM received a two-year commitment from de Laski Family Foundation of \$1,600,000 for 2012 and 2013 for the purpose of Global Trauma relief work in Haiti along with general operating costs. CMBM received its first year commitment of \$800,000 in January 2012 and the last payment was received in 2013 subsequent to the balance sheet date.

The Center does not record an allowance for uncollectible promises receivable as accounts are written off when they are determined uncollectible.

6. ACCRUED VACATION

CMBM accrues a liability for earned vacations to which employees are entitled depending on their length of service and other factors. The accompanying financial statements include vacation benefits of \$8,616 for the year ended December 31, 2012.

7. DEFERRED REVENUE

Deferred revenue in 2012 consists of funding received in 2012 for 2013 programs as follows:

ATP 2013 Registration Fees	\$ 2,210
Food as Medicine 2013	4,185
PTP 2013 Registration Fees	<u>1,550</u>
Total	<u>\$7,945</u>

8. NET ASSETS RELEASED FROM RESTRICTIONS

The following is a summary of net assets which were released from donor restrictions by incurring expenses which satisfied the donor specified restrictions:

Global Trauma Relief	\$1,783,461
Educating Health Professional	<u>35,000</u>
Total	<u>\$1,818,461</u>

THE CENTER FOR MIND-BODY MEDICINE, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

9. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2012 the temporarily restricted net assets balance consists of the following:

Global Trauma Relief	\$1,083,320
Educating Health Professionals	<u>\$ 70,000</u>
Total	<u>\$1,153,320</u>

10. CONTRIBUTED GOODS AND SERVICES

The Center receives non-cash contributions from certain members of its board of directors and other sources. When the value of these contributions is not susceptible to objective - measurement or valuation, such contributions are not reflected in these financial statements.

11. RELATED PARTY

The Center provided technical and financial support to establish “Training Center for Mind-Body Skills” a nonprofit organization in Israel referred to as “Amuta”. Amuta is established in the model of “Center for Mind-Body Medicine” whose mission is to provide training to professionals in treatments according to mind-body skills models.

The President of the Board of The Center for Medicine, previously the Dean of the Center for Mind-Body Medicine Program at Saybrook Graduate School signed two separate agreements with Saybrook on September 1, 2012.

The first agreement stipulates that CMBM will provide educational training to Saybrook students enrolled in their master and doctoral programs in MBM through assessing fees for participants in CMBM’s training programs. This agreement expires on August 31, 2014 unless earlier extended by mutual written agreement.

THE CENTER FOR MIND-BODY MEDICINE, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

11. RELATED PARTY (continued)

The second agreement constitutes whereby Saybrook and CMBM jointly agree that they will work together on various research, educational or informational activities during the period of September 1, 2012 through August 31, 2014.

12. LINE OF CREDIT

On February 6, 2012 CMBM obtained a line of credit with Wells Fargo Bank in the amount of \$200,000. The purpose of the line of credit is to provide working capital. The terms of the line of credit carries interest at the bank's prime rate plus 2%. The accrued interest shall be due and payable in consecutive monthly payments. The principal is due and payable in full on demand. As of December 31, 2012 the loan balance was \$0.

13. COMMITMENTS AND CONTINGENCIES

As of December 31, 2012, there were no significant outstanding legal actions or claims against the Organization. CMBM maintains various forms of insurance that its management believes are adequate to reduce the exposure to these risks to an acceptable level.