

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2011 AND 2010
with
INDEPENDENT AUDITORS' REPORT

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

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FEGLEY & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Arthur Ashe Youth Tennis and Education, Inc.
Philadelphia, Pennsylvania

We have audited the accompanying statements of financial position of Arthur Ashe Youth Tennis and Education, Inc. (a Pennsylvania not for profit corporation) as of August 31, 2011 and 2010 and the related statements of activities, cash flows and functional expenses 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. 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 Arthur Ashe Youth Tennis and Education, Inc. as of August 31, 2011 and 2010, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Fegley & Associates

January 9, 2012

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash - checking	\$ 85,478	\$ -
Cash - money market	5,822	55,821
Cash - certificate of deposit	24,890	24,704
Cash - restricted	177,189	172,669
Accounts receivable	20,705	14,499
Prepaid expenses	13,333	10,235
Investments - endowment	825,460	873,633
Investments - Goodstein Junior Leaders	543,948	593,481
Investments - maintenance fund	477,039	448,168
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Total current assets	2,173,864	2,193,210
Property and equipment	9,555,440	9,801,534
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Total assets	\$ <u>11,729,304</u>	\$ <u>11,994,744</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 57,862	\$ 76,581
Accrued expense	50,044	70,224
Unearned income	36,498	22,810
Payroll withholding liabilities	120	104
Bank line of credit	100,000	-
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Total liabilities	244,524	169,719
 Net assets:		
Unrestricted	(465,013)	(345,551)
Temporarily restricted	744,287	669,056
Permanently restricted	11,205,506	11,501,520
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Total net assets	11,484,780	11,825,025
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Total liabilities and net assets	\$ <u>11,729,304</u>	\$ <u>11,994,744</u>

See accompanying notes to financial statements

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF ACTIVITIES -

Years ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted net assets:		
Public, support, revenues and reclassifications:		
Benefit contributions	\$ 671,004	\$ 869,426
Usage fees	758,400	694,934
Annual giving	75,391	63,671
United Way	18,224	16,996
Other income	18,389	62,489
Grants	78,719	38,150
Interest and dividends	216	451
	<hr/>	<hr/>
Total unrestricted revenues	1,620,343	1,746,117
Net assets released from restriction:		
Transfer of funds (to) from endowment	187,000	(70,000)
Transfer of funds from maintenance fund	4,000	14,875
Transfer of funds from Goodstein fund	75,000	58,000
Transfer of funds to endowment	(97,486)	(9,045)
Net assets released from restrictions	316,550	253,995
	<hr/>	<hr/>
Total unrestricted revenues	2,105,407	1,993,942
Expenses:		
Program	1,418,259	1,335,157
Administrative	250,230	265,482
Fund raising	556,380	553,508
	<hr/>	<hr/>
Total expenses	2,224,869	2,154,147
Net change in unrestricted assets	<hr/>	<hr/>
	(119,462)	(160,205)
Temporarily restricted assets:		
Special grants	406,550	328,995
Interest and dividends	13,363	13,841
Gain (loss) on sale of investments	49,940	5,145
Investment advisory fees	(3,072)	(3,159)
Net assets released from restrictions	(391,550)	(311,995)
	<hr/>	<hr/>
Net change in temporarily restricted net assets	75,231	32,827
Permanently restricted net assets:		
Interest and dividends	37,666	28,905
Gain (loss) on sale of investments	110,174	28,321
Investment advisory fees	(6,760)	(6,878)
Fixed asset additions	97,486	9,045
Depreciation	(343,580)	(340,025)
Transfer of funds from maintenance fund	(4,000)	(14,875)
Transfer of funds to (from) endowment	(187,000)	70,000
	<hr/>	<hr/>
Net change in permanently restricted assets	(296,014)	(225,507)
Net change in net assets	(340,245)	(352,885)
Net assets at beginning of year	11,825,025	12,177,910
Net assets at end of year	<u>\$ 11,484,780</u>	<u>\$ 11,825,025</u>

See accompanying notes to financial statements

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF CASH FLOWS

Years Ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Decrease in net assets	\$ (340,245)	\$ (352,885)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	343,580	340,025
(Gain) Loss on sale of investments	(160,114)	(33,466)
(Increase) decrease in operating assets:		
Accounts receivable	(6,206)	45,463
Unconditional promises to give	-	27,290
Prepaid expense	(3,098)	625
Increase (decrease) in operating liabilities		
Accounts payable	(18,719)	59,038
Accrued expenses	(6,478)	25,727
Net cash (used) provided by operating activities	<u>(191,280)</u>	<u>111,817</u>
Cash Flows from Investing Activities:		
Proceeds from sales of investments	1,351,202	414,062
Fixed asset additions	(97,486)	(9,045)
Purchase of investments	<u>(1,122,251)</u>	<u>(828,419)</u>
Net cash provided (used) by investing activities	<u>131,465</u>	<u>(423,402)</u>
Cash Flows from Financing Activities:		
Proceeds from Bank loan	100,000	-
Repayments of loan payable	<u>-</u>	<u>(120,000)</u>
Net cash provided (used) by financing activities	<u>100,000</u>	<u>(120,000)</u>
Net change in cash and cash equivalents	40,185	(431,585)
Cash and Cash Equivalents at beginning of year	<u>253,194</u>	<u>684,779</u>
Cash and Cash Equivalents at end of year	<u>\$ 293,379</u>	<u>\$ 253,194</u>

See accompanying notes to financial statements

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Program expenses:		
Program director	\$ 18,269	\$ 43,146
Part-time pros and pro-staff	791,245	694,046
Executive director	76,208	79,002
Clerical	62,700	44,333
Insurance	49,290	42,386
Cleaning and maintenance	83,467	93,608
Utilities	57,632	72,733
Payroll taxes and benefits	113,216	69,401
Supplies	53,021	60,178
Professional fees	304	15,722
Telephone and office expense	95,986	77,952
Special programs	15,821	41,650
Grants and scholarships	1,100	1,000
	<u>\$ 1,418,259</u>	<u>\$ 1,335,157</u>
Administrative expenses:		
Clerical payroll	\$ 78,164	\$ 80,359
Executive director	38,104	23,700
Payroll taxes and benefits	30,261	43,528
Utilities and maintenance	35,125	20,793
Insurance	13,412	16,108
Professional fees	27,986	27,041
Miscellaneous	2,261	15,513
Telephone and office expense	24,733	36,430
Interest	184	2,010
	<u>\$ 250,230</u>	<u>\$ 265,482</u>
Fund raising expenses:		
Special events	\$ 155,874	\$ 132,203
Payroll	251,675	202,959
Payroll taxes and benefits	17,598	21,401
Professional fees	39,996	97,823
Office expense and postage	91,237	99,122
	<u>\$ 556,380</u>	<u>\$ 553,508</u>

See accompanying notes to financial statements

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

1. Significant accounting policies

Business organization and purpose

Philadelphia Youth Tennis, a 501(c)(3) corporation (the Organization), owns and operates the Arthur Ashe Youth Tennis Center (AAYTC), an indoor facility in Philadelphia, Pennsylvania for the exclusive use of junior players. The Organization's mission is to create opportunities for a diverse cross-section of young people, especially those from low-income families and communities, to make positive choices in their lives, remain in and succeed in school, reject violence and other risky behaviors, and grow into active, responsible and productive citizens. The Organization strives to achieve these goals through innovative tennis instruction, education, life skills, and leadership development programming in neighborhoods throughout the Philadelphia area and at the Arthur Ashe Youth Tennis and Education Center.

The Organization also runs the National Junior Tennis League which provides an outdoor seven week summer program for disadvantaged youths. Programs are designed to provide a regional training center for intermediate, advanced, and tournament level players. The Organization has also provided financial assistance to small grassroots youth tennis programs and to deserving junior tournament players who need support.

Support and expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restric-

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

1. Significant accounting policies (continued)

Support and expenses (continued)

tions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Depreciation policy

The building is being depreciated using the straight-line method over 40 years. Building improvements are being depreciated using the straight-line method over lives which range from 15 - 39 years. Furniture, fixtures and equipment are stated at cost and are depreciated over 5 - 7 years using the straight-line method.

Cash and cash equivalents

Cash and cash equivalents are highly liquid debt instruments purchased with a maturity of three months or less. There were no cash equivalents as of August 31, 2011 and 2010.

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

1. Significant accounting policies (continued)

Concentration of credit risk

The Organization places its cash with credit worthy, high-quality financial institutions and holds bonds issued by the U.S. Government and actively traded domestic stocks. By policy, these investments are kept within limits designed to prevent risks caused by concentration. The Organization currently maintains cash funds in excess of federally insured limits.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Use of estimates

Management utilizes estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual amounts could differ from estimates.

2. Cash - restricted

Restricted cash is composed of funds segregated into separate accounts as follows:

	<u>2011</u>	<u>2010</u>
Davidson Trust - maintenance fund	\$ 19,703	\$ 37,635
Davidson Trust - endowment fund	120,945	133,630
Davidson Trust - Goodstein junior leaders	<u>36,541</u>	<u>1,404</u>
	<u>\$177,189</u>	<u>\$172,669</u>

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

2. Cash - restricted (continued)

The Davidson Trust Co. - maintenance fund is permanently restricted to investments in perpetuity. The income is restricted to major building repairs on the complex on Ridge Avenue in Manayunk.

The Davidson Trust Co. - endowment fund is permanently restricted to investments in perpetuity. Annual distributions from the endowment fund equal to 5% of the portfolio's average ending market value for the 20 calendar quarters preceding the first year end is expendable to support the program activities.

The executive officers have discretion to adjust distributions from the endowment fund to cover any current year operating deficit.

3. Investments - endowment

Endowment investments are permanently restricted to investments in perpetuity, the income from which is expendable to support the program activities. The Board of Directors may elect to remove such restriction. A portion of investments represents unrestricted donations the Board of Directors has elected to invest with endowment in lieu of segregated accounts. These funds may be withdrawn at the Board's discretion. Investments are carried at cost and consist primarily of stocks, bonds and U.S. Government Securities. The following is a summary of cost and market value:

	<u>August 31, 2011</u>		<u>August 31, 2010</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Corporate Stocks	<u>\$825,460</u>	<u>\$946,930</u>	<u>\$873,633</u>	<u>\$982,334</u>

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

3. Investments - endowment (continued)

The following tabulation summarizes the relationship between cost and market values of investment assets:

	<u>Cost</u>	<u>Market Value</u>	<u>Excess Cost Over Market</u>
Balance at end of year	\$ <u>825,460</u>	\$ <u>946,930</u>	\$ 121,470
Balance at beginning of year	\$ <u>873,633</u>	\$ <u>982,334</u>	<u>108,701</u>
Increase in unrealized appreciation			12,769
Realized gain for the year			<u>110,590</u>
Total net gain for the year			<u>\$ 123,359</u>

The average annual yield from earnings exclusive of realized gains was 2% for the year ended August 31, 2011.

4. Investments - Building Maintenance Fund

As a condition of the Ground Lease with the City of Philadelphia, the Organization was required to set aside \$500,000 to fund a building maintenance account.

Investments are carried at cost and consist primarily of stocks, bonds and U.S. Government Securities. The following is a summary of cost and market value:

	<u>August 31, 2011</u>		<u>August 31, 2010</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Corporate Bonds	\$ 97,625	\$104,121	\$ 97,625	\$108,084
Fixed Income Fund	211,985	213,190	300,000	303,261
Corporate Stock	<u>167,429</u>	<u>156,170</u>	<u>50,543</u>	<u>50,838</u>
	<u>\$477,039</u>	<u>\$473,481</u>	<u>\$448,168</u>	<u>\$462,183</u>

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

4. Investments - Building Maintenance Fund (continued)

The following tabulation summarizes the relationship between cost and market values of investment assets:

	<u>Cost</u>	<u>Market Value</u>	<u>Excess Market Over Cost</u>
Balance at end of year	<u>\$477,039</u>	<u>\$473,481</u>	\$ (3,558)
Balance at beginning of year	<u>\$448,168</u>	<u>\$462,183</u>	<u>14,015</u>
Decrease in unrealized appreciation			(17,573)
Realized loss for the year			<u>(416)</u>
Total net loss for the year			<u>\$(17,989)</u>

The average annual yield from earnings exclusive of realized gains was 3.25% for the year ended August 31, 2011.

5. Investments - Goodstein Junior Leaders

Investments are carried at cost and consist primarily of stocks, bonds and U.S. Government Securities. The following is a summary of cost and market value:

	<u>August 31, 2011</u>		<u>August 31, 2010</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Corporate Stocks	\$362,836	\$469,600	\$438,083	\$515,535
Fixed Income Fund	181,112	187,148	155,398	166,622
	<u>\$543,948</u>	<u>\$656,748</u>	<u>\$593,481</u>	<u>\$682,157</u>

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

5. Investments - Goodstein Junior Leaders (continued)

The following tabulation summarizes the relationship between cost and market values of investment assets:

	<u>Cost</u>	<u>Market Value</u>	<u>Excess Cost Over Market</u>
Balance at end of year	<u>\$543,948</u>	<u>\$656,748</u>	\$112,800
Balance at beginning of year	<u>\$593,481</u>	<u>\$682,157</u>	<u>88,676</u>
Increase in unrealized appreciation			24,124
Realized gain for the year			<u>49,940</u>
Total net gain for the year			<u>\$ 74,064</u>

The average annual yield from earnings exclusive of realized gains was 1.8% for the year ended August 31, 2011.

6. Property and equipment

Property and equipment consists of the following:

	<u>2011</u>	<u>2010</u>
New Center Complex	\$10,604,914	\$10,604,914
Building improvements	99,295	18,835
Furniture and equipment	<u>702,353</u>	<u>685,255</u>
	11,406,562	11,309,004
Accumulated depreciation	<u>(1,851,122)</u>	<u>(1,507,470)</u>
Net carrying value	<u>\$ 9,555,440</u>	<u>\$ 9,801,534</u>

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

6. Property and equipment (continued)

Purchased assets are recorded at cost and donated assets are recorded at fair market value as of the date of the contribution. The line of credit is collateralized by all assets of the Organization with the exception of the securities held at Davidson Trust Company. Depreciation expense was \$343,580 and \$340,025 for the years ended August 31, 2011 and 2010, respectively.

7. Line of Credit

On February 18, 2009, the Organization entered into a revolving line of credit in the maximum allowable advance of \$200,000 through February 18, 2012. Interest is payable monthly at the bank's prime rate which was 3.25% at August 31, 2011. Advances were \$100,000 and \$0 and interest expense was \$184 and \$2,010 for the years ended August 31, 2011 and 2010, respectively.

8. Tax exempt status

The Organization has been determined to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Effective September 1, 2009, management adopted the accounting standard, "Accounting for Uncertainty in Income Taxes". The standard clarifies the accounting and reporting for uncertainties in income tax positions taken or expected to be taken, in filings with taxing jurisdictions, using minimum recognition and measurement thresholds. Management has determined that the organization has no uncertain tax positions that would require financial statement recognition.

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

9. Functional allocation of expenses

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefitted.

10. Restrictions on net assets

Permanently restricted assets are restricted to investments in perpetuity, the income from which is expendable to support the program activities. The Board of Directors may elect to remove such restriction. The following is a summary of permanently restricted assets:

	<u>2011</u>	<u>2010</u>
Davidson Trust - restricted cash \$	140,646	\$ 171,264
Davidson Trust - restricted investments	1,302,499	1,321,801
Unrestricted funds	206,921	206,921
Ridge Avenue Center	<u>9,555,440</u>	<u>9,801,534</u>
	<u>\$11,205,506</u>	<u>\$11,501,520</u>

Temporarily restricted assets represent grant funds and special purpose funds received for the following programs which are expected to be expended within the next two fiscal periods:

	<u>2011</u>	<u>2010</u>
Goodstein Junior Leaders	<u>\$ 744,287</u>	<u>\$ 669,056</u>

11. Letter of Credit

The organization has a \$21,558 letter of credit with PNC Bank as collateral for underground gas usage with PGW. The organization is required to maintain equivalent funds in a certificate of deposit at PNC Bank. There were no draws on the letter of credit at August 31, 2011.

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

12. Supplementary disclosure of non-cash flow activity

Interest expense of \$184 and \$2,010 was paid during the years ended August 31, 2011 and 2010, respectively.

No income taxes were paid for the years ended August 31, 2011 and 2010.

13. Commitments and Contingencies

The initial term of this sublease shall commence on building construction date and shall expire at the end of the fortieth year subject to four 10 year renewal options. Rent shall be payable \$1 annually in advance. This sublease shall automatically renew for up to four successive ten year periods upon the same terms and conditions as set forth in the initial term. As additional rent, the Organization shall be responsible for exterior maintenance and repairs of the facility including landscaping, snow removal, trash removal, and maintenance of picnic facilities.

On March 14, 2006, the Executive Committee approved a \$500,000 advance from the unrestricted portion of the Organization's endowment fund to reduce borrowing expenses associated with drawing down the Organization's line of credit. The Organization received a repayment of \$177,000 during the year ended August 31, 2007 and a repayment of \$70,000 during the year ended August 31, 2010. There were no repayments during the year ended August 31, 2011. The Organization expects the balance of \$253,000 to be fully paid from future pledges.

On August 18, 2011 the Organization signed a Solar Facilities Sub-Sublease with UGI Development Company whereby UGI Development shall sublease a portion of the roof at the facility located on 4842 Ridge Avenue, Philadelphia, Pennsylvania at no cost to UGI Development Company to install, operate and maintain a 310.96 kw (AC) solar electric generating system. The lease

ARTHUR ASHE YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

13. Commitments and Contingencies (continued)

term shall commence on August 18, 2011 and terminate on August 18, 2023 with one five year renewal option. In conjunction with the Sub-Sublease agreement, the Organization signed a Retail Electricity Agreement requiring the Organization to purchase from UGI Energy Services, Inc. (An affiliate of UGI Development Company) the electricity generated by the solar panels on the roof of the facility at 11 cents per kwh plus all applicable taxes commencing on November 1, 2011 through October 31, 2023.

14. Subsequent Events

Subsequent events were evaluated through January 9, 2012 which is the date the financial statements were available to be issued.