

LEGACY YOUTH TENNIS AND EDUCATION, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2012 AND 2011
with
INDEPENDENT AUDITORS' REPORT

LEGACY YOUTH TENNIS AND EDUCATION, INC.

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FEGLEY & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Legacy Youth Tennis and Education, Inc. (a Pennsylvania not for profit corporation) as of August 31, 2012 and 2011 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 Legacy Youth Tennis and Education, Inc. as of August 31, 2012 and 2011, 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

December 13, 2012

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash - checking	\$ 82,968	\$ 85,478
Cash - money market	16,842	5,822
Cash - certificate of deposit	-	24,890
Cash - restricted	167,157	177,189
Accounts receivable	58,849	20,705
Prepaid expenses	16,904	13,333
Investments - endowment	856,295	825,460
Investments - Goodstein Junior Leaders	471,299	543,948
Investments - maintenance fund	468,239	477,039
	<hr/>	<hr/>
Total current assets	2,138,553	2,173,864
Property and equipment	9,269,646	9,555,440
	<hr/>	<hr/>
Total assets	\$ <u>11,408,199</u>	\$ <u>11,729,304</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 60,214	\$ 57,862
Accrued expense	17,886	50,044
Unearned income	55,156	36,498
Payroll withholding liabilities	2,318	120
Bank line of credit	47,500	100,000
	<hr/>	<hr/>
Total liabilities	183,074	244,524
 Net assets:		
Unrestricted	(372,608)	(465,013)
Temporarily restricted	702,668	744,287
Permanently restricted	10,895,065	11,205,506
	<hr/>	<hr/>
Total net assets	11,225,125	11,484,780
	<hr/>	<hr/>
Total liabilities and net assets	\$ <u>11,408,199</u>	\$ <u>11,729,304</u>

See accompanying notes to financial statements

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF ACTIVITIES

Years ended August 31, 2012 and 2011

Unrestricted net assets:	2012	2011
Public, support, revenues and reclassifications:		
Benefit contributions	\$ 630,598	\$ 671,004
Usage fees	875,585	758,400
Annual giving	66,295	75,391
United Way	11,590	18,224
Other income	165,287	18,389
Grants	156,247	78,719
Interest and dividends	146	216
Total unrestricted revenues	<u>1,905,748</u>	<u>1,620,343</u>
Net assets released from restriction:		
Transfer of funds from endowment	174,756	187,000
Transfer of funds from maintenance fund	25,000	4,000
Transfer of funds from Goodstein fund	75,000	75,000
Transfer of funds to endowment	(42,540)	(97,486)
Net assets released from restrictions	<u>407,500</u>	<u>316,550</u>
Total unrestricted revenues	<u>2,545,464</u>	<u>2,105,407</u>
Expenses:		
Program	1,620,075	1,418,259
Administrative	258,726	250,230
Fund raising	574,258	556,380
Total expenses	<u>2,453,059</u>	<u>2,224,869</u>
Net change in unrestricted assets	<u>92,405</u>	<u>(119,462)</u>
Temporarily restricted assets:		
Special grants	407,500	406,550
Interest and dividends	17,287	13,363
Gain on sale of investments	20,337	49,940
Investment advisory fees	(4,243)	(3,072)
Net assets released from restrictions	<u>(482,500)</u>	<u>(391,550)</u>
Net change in temporarily restricted net assets	<u>(41,619)</u>	<u>75,231</u>
Permanently restricted net assets:		
Interest and dividends	41,423	37,666
Gain (loss) on sale of investments	142,012	110,174
Investment advisory fees	(8,276)	(6,760)
Fixed asset additions	42,540	97,486
Depreciation	(328,384)	(343,580)
Transfer of funds from maintenance fund	(25,000)	(4,000)
Transfer of funds to (from) endowment	<u>(174,756)</u>	<u>(187,000)</u>
Net change in permanently restricted assets	<u>(310,441)</u>	<u>(296,014)</u>
Net change in net assets	(259,655)	(340,245)
Net assets at beginning of year	<u>11,484,780</u>	<u>11,825,025</u>
Net assets at end of year	<u>\$ 11,225,125</u>	<u>\$ 11,484,780</u>

See accompanying notes to financial statements

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF CASH FLOWS

Years Ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Decrease in net assets	\$ (259,655)	\$ (340,245)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation and amortization	328,384	343,580
(Gain) on sale of investments	(162,349)	(160,114)
(Increase) decrease in operating assets:		
Accounts receivable	(38,144)	(6,206)
Prepaid expense	(3,571)	(3,098)
Increase (decrease) in operating liabilities		
Accounts payable	(2,352)	(18,719)
Accrued expenses	11,302	(6,478)
Net cash (used) provided by operating activities	<u>(126,385)</u>	<u>(191,280)</u>
Cash Flows from Investing Activities:		
Proceeds from sales of investments	1,778,175	1,351,202
Fixed asset additions	(42,540)	(97,486)
Purchase of investments	<u>(1,583,162)</u>	<u>(1,122,251)</u>
Net cash provided provided by investing activities	<u>152,473</u>	<u>131,465</u>
Cash Flows from Financing Activities:		
Proceeds from Bank loan	-	100,000
Repayments of loan payable	<u>(52,500)</u>	<u>-</u>
Net cash (used) provided by financing activities	<u>(52,500)</u>	<u>100,000</u>
Net change in cash and cash equivalents	(26,412)	40,185
Cash and Cash Equivalents at beginning of year	<u>293,379</u>	<u>253,194</u>
Cash and Cash Equivalents at end of year	<u>\$ 266,967</u>	<u>\$ 293,379</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Program expenses:		
Program director	\$ 25,247	\$ 18,269
Part-time pros and pro-staff	871,627	791,245
Executive director	76,684	76,208
Clerical	82,832	62,700
Insurance	63,143	49,290
Cleaning and maintenance	84,841	83,467
Utilities	58,236	57,632
Payroll taxes and benefits	135,492	113,216
Supplies	66,877	53,021
Professional fees	17,864	304
Telephone and office expense	88,496	95,986
Special programs	40,810	15,821
Grants and scholarships	7,926	1,100
	<u>\$ 1,620,075</u>	<u>\$ 1,418,259</u>
Administrative expenses:		
Clerical payroll	\$ 85,737	\$ 78,164
Executive director	50,365	38,104
Payroll taxes and benefits	24,397	30,261
Utilities and maintenance	26,732	35,125
Insurance	17,846	13,412
Professional fees	24,344	27,986
Miscellaneous	2,888	2,261
Telephone and office expense	24,372	24,733
Interest	2,045	184
	<u>\$ 258,726</u>	<u>\$ 250,230</u>
Fund raising expenses:		
Special events	\$ 152,743	\$ 155,874
Payroll	267,684	251,675
Payroll taxes and benefits	27,469	17,598
Professional fees	36,072	39,996
Office expense and postage	90,290	91,237
	<u>\$ 574,258</u>	<u>\$ 556,380</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2012 AND 2011

1. Significant accounting policies

Business organization and purpose

Legacy Youth Tennis and Education, Inc. (formerly Arthur Ashe Youth Tennis and Education, Inc.) a 501(c)(3) corporation (the Organization), owns and operates the Legacy Youth Tennis Center (LYT), 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 Legacy 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-

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2012 AND 2011

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, 2012 and 2011.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2012 AND 2011

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>2012</u>	<u>2011</u>
Maintenance Fund	\$ 22,165	\$ 19,703
Endowment Fund	71,887	120,945
Goodstein Junior	66,634	36,541
Brassler Fund	<u>6,471</u>	<u>-</u>
	<u>\$167,157</u>	<u>\$177,189</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2012 AND 2011

2. Cash - restricted (continued)

The 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 funds were transferred from Davidson Trust Company to Merrill Lynch on May 31, 2012.

The 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 funds were transferred from Davidson Trust Company to Merrill Lynch on May 31, 2012.

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.

	<u>August 31, 2012</u>		<u>August 31, 2011</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Corporate Stocks	\$479,558	\$520,416	\$825,460	\$946,930
Government Bonds	194,500	195,493	-	-
Corporate Bonds	89,681	91,253	-	-
Mutual Funds	92,556	95,849	-	-
	<u>\$856,295</u>	<u>\$903,011</u>	<u>\$825,460</u>	<u>\$946,930</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2012 AND 2011

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	\$ 856,295	\$ 903,011	\$ 46,716
Balance at beginning of year	\$ 825,460	\$ 946,930	121,470
Decrease in unrealized appreciation			(74,754)
Realized gain for the year			142,012
Total net gain for the year			<u>\$ 67,258</u>

The average annual yield from earnings exclusive of realized gains was 2% for the year ended August 31, 2012.

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, 2012</u>		<u>August 31, 2011</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Corporate Bonds	\$149,652	\$151,342	\$ 97,625	\$104,121
Fixed Income Fund	-	-	211,985	213,190
Corporate Stock	139,990	145,240	167,429	156,170
Government Bonds	178,597	179,973	-	-
	<u>\$468,239</u>	<u>\$476,555</u>	<u>\$477,039</u>	<u>\$473,481</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2012 AND 2011

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>\$468,239</u>	<u>\$476,555</u>	\$ 8,316
Balance at beginning of year	<u>\$477,039</u>	<u>\$473,481</u>	<u>(3,558)</u>
Increase in unrealized appreciation			4,758
Realized gain for the year			<u>5,751</u>
Total net gain for the year			<u>\$ 10,509</u>

The average annual yield from earnings exclusive of realized gains was 2.4% for the year ended August 31, 2012.

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, 2012</u>		<u>August 31, 2011</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Corporate Stocks	\$259,134	\$387,270	\$362,836	\$469,600
Mutual Funds	<u>212,165</u>	<u>229,712</u>	<u>181,112</u>	<u>187,148</u>
	<u>\$471,299</u>	<u>\$616,982</u>	<u>\$543,948</u>	<u>\$656,748</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2012 AND 2011

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>\$471,299</u>	<u>\$616,982</u>	\$145,683
Balance at beginning of year	<u>\$543,948</u>	<u>\$656,748</u>	<u>112,800</u>
Increase in unrealized appreciation			32,883
Realized gain for the year			<u>14,586</u>
Total net gain for the year			<u>\$ 47,469</u>

The average annual yield from earnings exclusive of realized gains was 2% for the year ended August 31, 2012.

6. Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three board levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2012 AND 2011

6. Fair Value Measurements (continued)

they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs were not available.

Investments in corporate stocks and bonds, mutual funds and government securities are classified as Level 1 as they are traded in an active market for which daily closing prices are available.

7. Property and equipment

Property and equipment consists of the following:

	<u>2012</u>	<u>2011</u>
New Center Complex	\$10,604,914	\$10,604,914
Building improvements	99,295	99,295
Furniture and equipment	702,353	702,353
Vehicles	<u>42,540</u>	<u>-</u>
	11,449,102	11,406,562
Accumulated depreciation	<u>(2,179,456)</u>	<u>(1,851,122)</u>
Net carrying value	<u>\$ 9,269,646</u>	<u>\$ 9,555,440</u>

Purchased assets are recorded at cost and donated assets are recorded at fair market value as of the date of the contribution. Depreciation expense was \$328,384 and \$343,580 for the years ended August 31, 2012 and 2011, respectively.

8. 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, 2013. The line of credit is collateralized by all assets of the Organization with the exception of the securities held at Merrill Lynch and Fidelity.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2012 AND 2011

8. Line of Credit (continued)

Interest is payable monthly at the bank's prime rate which was 3.25% at August 31, 2012. Advances were \$47,500 and \$100,000 and interest expense was \$2,045 and \$184 for the years ended August 31, 2012 and 2011, respectively.

9. 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.

10. 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.

11. 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:

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2012 AND 2011

11. Restrictions on net assets (continued)

	<u>2012</u>	<u>2011</u>
Merrill Lynch - restricted cash	\$ 94,052	\$ 140,646
Merrill Lynch - restricted investments	1,327,594	1,302,499
Unrestricted funds	203,773	206,921
Ridge Avenue Center	<u>9,269,646</u>	<u>9,555,440</u>
	<u>\$10,895,065</u>	<u>\$11,205,506</u>

Temporarily restricted assets represent special purpose funds received for the youth leadership initiatives which would actively engage young people in the challenging work of non-profit fund development.

	<u>2012</u>	<u>2011</u>
Goodstein Junior Leaders	<u>\$ 702,668</u>	<u>\$ 744,287</u>

12. Letter of Credit

The organization had a \$21,558 letter of credit with PNC Bank as collateral for underground gas usage with PGW. The organization was required to maintain equivalent funds in a certificate of deposit at PNC Bank. The certificate of deposit matured on March 21, 2012 and funds transferred to operations.

13. Supplementary disclosure of non-cash flow activity

Interest expense of \$2,045 and \$184 was paid during the years ended August 31, 2012 and 2011, respectively.

No income taxes were paid for the years ended August 31, 2012 and 2011.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2012 AND 2011

14. Commitments and Contingencies

On December 15, 2004, the Organization signed a sublease with the Philadelphia Authority for Industrial Development (PAID) to sublease approximately 7 acres of land located in Fairmont Park to construct a new tennis facility and replace the adjacent recreation building. Upon completion of construction of the Gusting recreation building, the land serving this building ceased to be a part of the sublease agreement.

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 years ended August 31, 2011 and 2012. 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. 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 term shall commence on August 18, 2011 and terminate on August 18, 2023 with one five year renewal option. In conjunction with

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2012 AND 2011

14. Commitments and Contingencies (continued)

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.

15. Subsequent Events

Subsequent events were evaluated through December 13, 2012 which is the date the financial statements were available to be issued.