

LEGACY YOUTH TENNIS AND EDUCATION, INC.



August 31, 2015 and 2014

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
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August 31, 2015 and 2014

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# MORRIS J. COHEN & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Legacy Youth Tennis and Education, Inc.

We have audited the accompanying financial statements of Legacy Youth Tennis and Education, Inc. which comprise the statements of financial position as of August 31, 2015 and 2014, and the statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legacy Youth Tennis and Education, Inc. as of August 31, 2015 and 2014 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Morris J. Cohen & Co., P.C.*

May 19, 2016

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
August 31, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
Cash	\$ 69,956	\$ 141,397
Accounts receivable	50,135	24,936
Contributions receivable	88,694	133,071
Prepaid expenses and other assets	24,159	18,319
Investments	2,324,329	2,469,222
Property and equipment, net	8,413,801	8,663,153
Total assets	\$ 10,971,074	\$ 11,450,098
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Bank line of credit	\$ 173,270	\$ 62,500
Accounts payable	78,246	31,754
Accrued expenses	20,192	84,866
Refundable advances		19,324
Unearned income	57,242	41,219
Total liabilities	328,950	239,663
 <b>Commitments (Note 10)</b>		
<b>Net assets</b>		
Unrestricted	9,698,746	10,169,345
Temporarily restricted	943,378	1,041,090
	10,642,124	11,210,435
Total liabilities and net assets	\$ 10,971,074	\$ 11,450,098

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

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
STATEMENT OF ACTIVITIES  
Year Ended August 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue, gains, and other support			
Special event income	\$ 240,705		\$ 240,705
Usage fees	1,069,682		1,069,682
Grants and contributions	1,198,059	\$ 65,000	1,263,059
Investment income	(23,492)	(3,409)	(26,901)
Other income	30,282		30,282
	2,515,236	61,591	2,576,827
Net assets released from restrictions	159,303	(159,303)	-0-
Total revenue, gains and other support	2,674,539	(97,712)	2,576,827
Expenses			
Program	2,049,839		2,049,839
General and administrative	534,620		534,620
Fundraising	560,679		560,679
Total expenses	3,145,138		3,145,138
Change in net assets	(470,599)	(97,712)	(568,311)
Net assets, August 31, 2014	10,169,345	1,041,090	11,210,435
Net assets, August 31, 2015	\$ 9,698,746	\$ 943,378	\$ 10,642,124

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

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
STATEMENT OF ACTIVITIES  
Year Ended August 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains, and other support			
Special event income	\$ 217,982		\$ 217,982
Usage fees	1,065,719		1,065,719
Grants and contributions	1,450,424	\$ 162,930	1,613,354
Investment income	174,066	120,988	295,054
Other income	12,857		12,857
	<u>2,921,048</u>	<u>283,918</u>	<u>3,204,966</u>
Net assets released from restrictions	<u>118,223</u>	<u>(118,223)</u>	<u>-0-</u>
Total revenue, gains and other support	<u>3,039,271</u>	<u>165,695</u>	<u>3,204,966</u>
Expenses			
Program	1,913,678		1,913,678
General and administrative	518,985		518,985
Fundraising	532,538		532,538
Total expenses	<u>2,965,201</u>		<u>2,965,201</u>
Change in net assets	74,070	165,695	239,765
Net assets, August 31, 2013	<u>10,095,275</u>	<u>875,395</u>	<u>10,970,670</u>
Net assets, August 31, 2014	<u><u>\$ 10,169,345</u></u>	<u><u>\$ 1,041,090</u></u>	<u><u>\$ 11,210,435</u></u>

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

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
STATEMENTS OF CASH FLOWS  
Years Ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ (568,311)	\$ 239,765
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	296,352	298,323
Realized and unrealized losses (gains) on investments	72,151	(259,319)
Net changes in operating assets and liabilities		
Accounts receivable	(25,199)	(11,879)
Contributions receivable	44,377	2,613
Prepaid expenses and other assets	(5,840)	(2,455)
Accounts payable	46,492	(19,048)
Accrued expenses	(64,674)	59,621
Refundable advances	(19,324)	(127,930)
Unearned income	16,023	15,054
	<u>360,358</u>	<u>(45,020)</u>
Net cash provided by (used in) operating activities	<u>(207,953)</u>	<u>194,745</u>
Cash flows from investing activities		
Proceeds on sale of investments	997,104	591,522
Purchase of investments	(924,362)	(611,211)
Purchases of property and equipment	(47,000)	(21,390)
Net cash provided by (used in) investing activities	<u>25,742</u>	<u>(41,079)</u>
Cash flows from financing activities		
Net borrowings (repayments) on bank line of credit	<u>110,770</u>	<u>(100,000)</u>
Net cash provided by (used in) financing activities	<u>110,770</u>	<u>(100,000)</u>
Net increase (decrease) in cash	(71,441)	53,666
Cash at beginning of year	<u>141,397</u>	<u>87,731</u>
Cash at end of year	<u>\$ 69,956</u>	<u>\$ 141,397</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	<u>\$ 2,665</u>	<u>\$ 3,042</u>

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

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2015 and 2014

**1. Summary of significant accounting policies**

***Organization***

Legacy Youth Tennis and Education, Inc. (the Organization) is a not-for-profit organization based in Philadelphia, Pennsylvania. 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 helps achieve these goals through innovative tennis instruction, education, life skills, and leadership development programming in neighborhoods throughout the Philadelphia region. Many of these activities are based at the Legacy Youth Tennis and Education Center, an indoor tennis facility for the exclusive use of junior players.

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

***Income taxes***

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Organization is classified as a publicly supported organization which is not a private foundation as defined by Section 509(a) of the Code.

ASC Topic 740 *Accounting for Uncertainty in Income Taxes* clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The guidance also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure.

The Organization's policy is to account for interest and penalties related to unrecognized tax benefits as a component of income tax expense.

***Basis of presentation***

The financial statements have been prepared on the accrual basis of accounting. The financial statement presentation is in accordance with ASC Topic 958, *Not-for-Profit Entities*. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2015 and 2014

**1. Summary of significant accounting policies (Continued)**

*Accounting estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Concentrations of credit risk*

Financial instruments which subject the Organization to concentrations of credit risk consist of cash and investments. The Organization places its cash in high quality credit institutions. At times, cash balances may be in excess of the FDIC insurance limit. Investments contain the risk that changes in the market price may make such financial instruments less valuable. The total fair value of investments subject to market risk at August 31, 2015 was \$2,324,329. The Organization reduces its credit risk by following an investment policy that requires diversification and prohibits certain types of investments that it has determined to be high risk.

*Cash equivalents*

The Organization considers short-term deposits with initial maturities of three months or less to be cash equivalents. Cash and equivalents exclude cash designated or restricted for certain purposes.

*Grants and contributions*

Unconditional promises to give, less an allowance for uncollectible balances, are recorded as receivables in the year made by the donor. Promises for current operations are included as unrestricted support. Contributions for future operations are recorded as temporarily restricted. Conditional promises to give are recorded upon receipt of the contribution or when substantially all conditions are met.

*Functional expenses*

Expenses are classified according to the categories for which they were incurred and are summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2015 and 2014

**1. Summary of significant accounting policies (Continued)**

***Property and equipment***

Property and equipment are stated at cost. Depreciation and amortization are provided by the straight-line method over the estimated useful lives of the respective assets. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are expensed as incurred.

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

***Investment valuation***

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 7 for discussion of fair value measurements.

***Restricted and unrestricted revenue and support***

The Organization's contributions are reflected in accordance with ASC Topic 958, Not-for-Profit Entities. In accordance with ASC Topic 958, grants and contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the grantor or contributor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Restrictions on gifts of fixed assets or cash for the purchase of fixed assets expire when the asset is placed in service.

***Donated services***

Numerous individuals volunteer their services to the Organization for various program and administrative services. As none of these services meet the criteria for recognition as contributions under ASC Topic 958, *Not-for-Profit Entities*, they are not reflected in the accompanying financial statements. The Organization receives pro-bono legal services from an attorney who is an officer of its board of directors. These services, valued at \$20,000 in 2015 and \$15,000 in 2014, are included in income and expenses in the accompanying financial statements.

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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**2. Grants, contributions and fund raising receivable**

Receivables at August 31 are due as follows:

	<u>2015</u>	<u>2014</u>
Due within one year	\$ 61,694	\$106,071
Due in 1 to 5 years	<u>27,000</u>	<u>27,000</u>
	<u>\$ 88,694</u>	<u>\$133,071</u>

**3. Investments**

Investments, stated at market value, consist of the following at August 31:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Goodstein Junior Leaders, temporarily restricted	\$ 505,228	\$ 744,210	\$ 456,531	\$ 792,621
Elizabeth Murdoch Family Foundation Fund, temporarily restricted	8,747	8,747	8,747	8,747
Brassler Fund-unrestricted	114,099	113,467		
Endowment Fund	932,044	966,137	998,111	1,159,938
Building Maintenance Fund	<u>468,449</u>	<u>491,768</u>	<u>465,504</u>	<u>507,916</u>
	<u>\$2,028,567</u>	<u>\$2,324,329</u>	<u>\$1,928,893</u>	<u>\$2,469,222</u>

Endowment funds have not been restricted by donors; however, they have been restricted by the board of directors to be used as an endowment with 5% of the 5-year average balance being used to support operations. The building maintenance fund is not donor-restricted; however, in connection with the lease on the land on which the Organization's building is located, the Organization is required to maintain a separate investment account with a balance of \$400,000 and \$500,000 at August 31, 2015 and 2014, respectively, the income of which is to be used for building maintenance. The required balance in this account will continue to decrease \$50,000 per year in 2016, 2017 and 2018.

Investments are composed of the following at August 31:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money market funds and temporary cash investments	\$ 118,856	\$ 118,856	\$ 228,734	\$ 228,734
Common stocks	599,055	872,431	693,860	1,144,441
Mutual funds	915,807	931,947	533,384	616,189
Government obligations-bonds and securities	225,673	228,791	254,704	257,272
Corporate bonds	<u>169,176</u>	<u>172,304</u>	<u>218,211</u>	<u>222,586</u>
	<u>\$2,028,567</u>	<u>\$2,324,329</u>	<u>\$1,928,893</u>	<u>\$2,469,222</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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**4. Investments (Continued)**

*Investment returns*

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Year ended August 31, 2015:			
Interest and dividends	\$ 48,569	\$ 18,016	\$ 66,585
Net realized gains	88,048	83,747	171,795
Unrealized losses	(148,755)	(95,191)	(243,946)
Investment management fees	<u>(11,354)</u>	<u>(9,981)</u>	<u>(21,335)</u>
Return on investments	<u>\$ (23,492)</u>	<u>\$ (3,409)</u>	<u>\$ (26,901)</u>
Year ended August 31, 2014:			
Interest and dividends	\$ 41,345	\$ 14,035	\$ 55,380
Net realized gains	47,329	4,674	52,003
Unrealized gains	95,765	111,551	207,316
Investment management fees	<u>(10,373)</u>	<u>(9,272)</u>	<u>(19,645)</u>
Return on investments	<u>\$ 174,066</u>	<u>\$120,988</u>	<u>\$ 295,054</u>

**5. Net assets**

The Organization's board of directors has designated funds to be used as an endowment to support the Organization's operations (See Note 4).

The Organization also has a maintenance fund, the income of which is used for maintenance of its facilities, as required under the ground lease for its facilities (See Notes 4 and 10).

Net assets of the Goodstein Jr. Leaders program are restricted for youth leadership initiatives which engage young people in the challenging work of not-for-profit fund development.

Net assets of the Elizabeth Murdoch Family Foundation program are restricted for the Organization's Special Serve program for special needs children.

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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**5. Net assets (Continued)**

Net assets consist of the following at August 31:

	<u>2015</u>	<u>2014</u>
Unrestricted:		
Designated Funds:		
Endowment	\$ 966,137	\$ 1,046,844
Maintenance Fund	<u>491,768</u>	<u>507,916</u>
Total designated funds	1,457,905	1,554,760
Undesignated funds	<u>8,240,841</u>	<u>8,614,585</u>
Total unrestricted net assets	<u>\$9,698,746</u>	<u>\$10,169,345</u>
Temporarily restricted		
Goodstein Jr. Leaders program	\$ 825,878	\$ 951,090
Special Serve program	52,500	55,000
Computer lab and equipment	20,000	
Resurfacing tennis courts		25,000
Changing the Game program	<u>45,000</u>	<u>10,000</u>
Total temporarily restricted net assets	<u>\$ 943,378</u>	<u>\$ 1,041,090</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes for programs that took place in the year ended August 31, as follows:

	<u>2015</u>	<u>2014</u>
Goodstein Jr. Leaders program	\$ 121,803	\$ 113,723
Special Serve program	2,500	2,500
Resurfacing tennis courts	25,000	
Other	<u>10,000</u>	<u>2,000</u>
	<u>\$ 159,303</u>	<u>\$ 118,223</u>

**6. Endowment activity**

The mission of the Organization's endowment fund is to support current operations through a total return investment strategy and a spending policy set to maintain, and ideally increase, the purchasing power of the endowment, without putting the principal value of these funds at imprudent risk. Annual distributions to support the Organization's operations equal to 5% of the average balance for the endowment portfolio's twenty preceding quarters are available to be made annually. The executive officers of the board of directors have discretion to adjust the annual distribution when necessary. In 2015, an additional \$45,000 was distributed for a feasibility study on a future fundraising campaign.

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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**6. Endowment activity (Continued)**

A summary of the endowment activity by net asset class for the years ended August 31, 2015 and 2014 is as follows:

	2015	2014
Endowment assets, beginning of year	<u>\$1,046,844</u>	<u>\$ 975,215</u>
Investment return:		
Interest and dividends	32,887	27,341
Net realized and unrealized gains (losses)	(49,633)	104,265
Investment management fees	<u>(6,111)</u>	<u>(6,524)</u>
Total investment return	<u>(22,857)</u>	<u>125,082</u>
Contributions	38,000	-0-
Distributions of endowment income	<u>(95,850)</u>	<u>(53,453)</u>
Endowment assets, end of year	<u><u>\$ 966,137</u></u>	<u><u>\$1,046,844</u></u>

**7. Fair value of financial instruments**

Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring, reporting and disclosing fair value under generally accepted accounting principles. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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**7. Fair value of financial instruments (Continued)**

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Common stocks* – Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds* – Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

*Corporate bonds* – Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*U.S. government securities* – Valued using pricing models maximizing the use of observable inputs for similar securities.

The Organization is responsible for the determination of fair value. Accordingly, they perform periodic analysis on the prices received from the pricing services used to determine whether the prices are reasonable estimates of fair value. As a result of these reviews, the Organization has not historically adjusted the prices obtained from the pricing services.

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
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**7. Fair value of financial instruments (Continued)**

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of August 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds and temporary cash investments	\$ 118,856			\$ 118,856
Common stocks	872,431			872,431
Mutual funds				
Blended funds	257,365			257,365
Domestic growth funds	96,471			96,471
Income funds	437,221			437,221
International funds	133,029			133,029
Other funds	7,861			7,861
Government obligations		\$228,791		228,791
Corporate bonds	<u>                    </u>	<u>172,304</u>		<u>172,304</u>
	<u>\$1,923,234</u>	<u>\$401,095</u>		<u>\$2,324,329</u>

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of August 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds and temporary cash investments	\$ 228,734			\$ 228,734
Common stocks	1,144,441			1,144,441
Mutual funds				
Blended funds	105,448			105,448
Domestic growth funds	153,218			153,218
Income funds	209,945			209,945
International funds	147,578			147,578
Government obligations		\$257,272		257,272
Corporate bonds	<u>                    </u>	<u>222,586</u>		<u>222,586</u>
	<u>\$1,989,364</u>	<u>\$479,858</u>		<u>\$2,469,222</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
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**8. Property and equipment, net**

Property and equipment at August 31 consist of the following:

	2015	2014
Building and improvements	\$10,751,209	\$10,704,209
Signage	168,333	168,333
Furniture and equipment	227,955	227,955
Computers and software	188,099	188,099
Passenger vans	42,540	42,540
	11,378,136	11,331,136
Less accumulated depreciation	2,964,335	2,667,983
	\$ 8,413,801	\$ 8,663,153

**9. Line of credit**

In 2015, the Organization obtained a \$200,000 line of credit, due on demand. The line is collateralized by substantially all assets of the Organization. Borrowings bear interest at the bank's prime rate plus 2.5% (5.75% at August 31, 2015). At August 31, 2015, advances outstanding against this line totaled \$173,270.

The Organization maintains a \$200,000 line of credit that expires in February 2016. The line is collateralized by substantially all assets of the Organization. Borrowings bear interest at the bank's prime rate (3.25% at August 31, 2015). At August 31, 2014, advances outstanding against this line totaled \$62,500. There were no borrowings against this line at August 31, 2015.

Interest expense for the years ended August 31, 2015 and 2014 totaled \$2,665 and \$3,042, respectively.

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
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**10. Commitments**

*Land lease*

The Organization is party to a master lease with the Philadelphia Authority for Industrial Development, which is leasing the land on which the Organization's operating facilities are located from the City of Philadelphia Fairmount Park Commission (the City) and subleasing this land to the Organization. The initial term of this agreement expires in December 2044. After the initial term, there are four successive ten-year automatic extensions. Annual rents due under this agreement are \$1. The value of this land lease is not included as income or expense in the accompanying financial statements, as the Organization is unable to estimate the amount. Under this agreement, the Organization is responsible for exterior maintenance and repairs of the facility including landscaping, snow removal, trash removal, and maintenance of picnic facilities. At the end of this lease, ownership of the Organization's facilities and land improvements will be transferred to the City.

In connection with this sublease, the Organization is required to maintain a trust account with a minimum balance of \$400,000 and \$500,000 at August 31, 2015 and 2014, respectively, with a reputable investment advisor. The required balance in this account will continue to decrease \$50,000 per year in 2016, 2017 and 2018. The income from this fund is to be used to maintain, repair and replace the Organization's facilities. If the market value of this account drops below the required threshold, the Organization has ninety days to bring the account balance back to this threshold. Under certain circumstances, the principal from this account can be used for unanticipated capital repair and replacement costs; however, these funds must be returned to the trust account within three years of any such expenditure (See Notes 4 and 5).

*Solar facilities lease*

The Organization entered into an agreement with UGI Development Company (UGI). Under this agreement, UGI subleases, at no cost to UGI, a portion of the roof at the Organization's facilities, for the installation, operation and maintenance of a solar electric generating system. The initial term of this agreement expires in August 2023 with one five-year renewal option. In conjunction with this agreement, the Organization signed a separate agreement requiring the Organization to purchase, from an affiliate of UGI, the electricity generated by the solar panels on the roof of the facility at 11 cents per kWh plus all applicable taxes through October 31, 2023.

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2015 and 2014

**10. Commitments (Continued)**

*Equipment leases*

The Organization leases office equipment under noncancellable operating leases. Future minimum lease payments are as follows:

<u>Year Ending August 30</u>	<u>Amount</u>
2016	\$ 9,249
2017	9,249
2018	9,249
2019	9,249
2020	<u>3,084</u>
	<u>\$40,080</u>

Rent expense in connection with equipment leases totaled approximately \$9,369 and \$4,693 for the years ended August 31, 2015 and 2014, respectively.

**11. Retirement plan**

The Organization has a 403(b) savings plan which is available to substantially all employees. The Organization may elect to make a matching or discretionary contribution each plan year. No contributions were made for the years ended August 31, 2015 and 2014.

**12. Restatement of financial statements**

In 2015, the Organization identified the receipt of a donated security in August 2014 that was recorded as investment income in error during 2014. The Organization has restated its 2014 financial statements to reflect an increase in grants and contributions and a decrease in investment income of approximately \$113,000.

**13. Subsequent events**

Subsequent events were evaluated through May 19, 2016 which is the date the financial statements were available to be issued.



**MORRIS J. COHEN & Co., P.C.**  
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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULES

Board of Directors  
Legacy Youth Tennis and Education, Inc.

We have audited the financial statements of Legacy Youth Tennis and Education, Inc. as of and for the years ended August 31, 2015 and 2014, and have issued our report thereon dated May 19, 2016, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Morris J. Cohen & Co., P.C.*

May 19, 2016

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES  
Year Ended August 31, 2015

	<u>Program</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Payroll	\$ 1,217,397	\$ 314,734	\$ 186,497	\$ 1,718,628
Payroll taxes	88,835	25,574	20,190	134,599
Employee benefits	33,402	9,616	7,592	50,610
Consulting services	1,625	17,705		19,330
Depreciation	237,082	29,635	29,635	296,352
Grants and scholarships	7,418			7,418
Insurance	66,882	8,360	8,360	83,602
Marketing	7,326	80	7,326	14,732
Meetings and travel	81,345	17,785		99,130
Professional fees	42,546	55,491	45,964	144,001
Special events			157,287	157,287
Special programs	48,953			48,953
Supplies	55,681		36,100	91,781
Telephone and office expense	38,709	41,984	24,067	104,760
Utilities and maintenance	112,722	7,046	21,135	140,903
Miscellaneous	9,916	6,610	16,526	33,052
	<u>\$ 2,049,839</u>	<u>\$ 534,620</u>	<u>\$ 560,679</u>	<u>\$ 3,145,138</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.  
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES  
Year Ended August 31, 2014

	<u>Program</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Payroll	\$ 1,088,177	\$ 307,810	\$ 239,821	\$ 1,635,808
Payroll taxes	97,480	28,062	22,155	147,697
Employee benefits	30,388	8,748	6,906	46,042
Consulting services	26,287	12,586	10,097	48,970
Depreciation	238,658	29,833	29,832	298,323
Grants and scholarships	5,473			5,473
Insurance	78,318	9,789	9,790	97,897
Marketing	14,883		10,432	25,315
Meetings and travel	74,001	15,152		89,153
Professional fees	21,573	46,718		68,291
Special events			130,533	130,533
Special programs	23,111			23,111
Supplies	53,473		32,517	85,990
Telephone and office expense	52,898	26,433	20,049	99,380
Utilities and maintenance	108,958	6,802	20,406	136,166
Miscellaneous		27,052		27,052
	<u>\$ 1,913,678</u>	<u>\$ 518,985</u>	<u>\$ 532,538</u>	<u>\$ 2,965,201</u>