

LEGACY YOUTH TENNIS AND EDUCATION, INC.

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August 31, 2013

LEGACY YOUTH TENNIS AND EDUCATION, INC.
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MORRIS J. COHEN & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

1601 Market Street

Suite 2525

Philadelphia, PA 19103-2301

215-567-3000

New York: 212-233-7400

FAX: 215-567-5288

www.mjcco.com

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 statement of financial position as of August 31 2013, and the statements of activities and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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, 2013 and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

March 13, 2014

LEGACY YOUTH TENNIS AND EDUCATION, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2013

ASSETS

Cash	\$ 87,731
Accounts receivable	13,057
Contributions receivable	135,684
Prepaid expenses and other assets	15,864
Investments	2,190,214
Property and equipment, net	<u>8,940,086</u>
Total assets	<u><u>\$ 11,382,636</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Bank line of credit	\$ 162,500
Accounts payable	50,802
Accrued expenses	23,047
Refundable advances	147,254
Unearned income	26,165
Payroll withholding liabilities	<u>2,198</u>

Total liabilities	<u>411,966</u>
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Commitments and contingencies (Note 10)

Net assets

Unrestricted	10,095,275
Temporarily restricted	<u>875,395</u>
	<u>10,970,670</u>

Total liabilities and net assets	<u><u>\$ 11,382,636</u></u>
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The accompanying notes are an integral part of these financial statements.

LEGACY YOUTH TENNIS AND EDUCATION, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support				
Special event income	\$ 729,473			\$ 729,473
Usage fees	973,345			973,345
Grants and contributions	646,297	\$ 75,832		722,129
Investment Income	85,403	86,650		172,053
Other income	13,896			13,896
	<u>2,448,414</u>	<u>162,482</u>		<u>2,610,896</u>
Net assets released from restrictions	<u>124,662</u>	<u>(124,662)</u>		<u>-0-</u>
Total revenue, gains and other support	<u>2,573,076</u>	<u>37,820</u>		<u>2,610,896</u>
Expenses				
Program	1,932,843			1,932,843
General and administrative	618,180			618,180
Fundraising	578,884			578,884
Total expenses	<u>3,129,907</u>			<u>3,129,907</u>
Change in net assets	<u>\$ (556,831)</u>	<u>\$ 37,820</u>		<u>\$ (519,011)</u>
Net assets (deficit), August 31, 2012, as previously reported	\$ (372,608)	\$ 702,668	\$ 10,895,065	\$ 11,225,125
Prior period adjustments (Note 2)	<u>11,024,714</u>	<u>134,907</u>	<u>(10,895,065)</u>	<u>264,556</u>
Net assets, August 31, 2012, as restated	10,652,106	837,575	-0-	11,489,681
Change in net assets	<u>(556,831)</u>	<u>37,820</u>	<u>-0-</u>	<u>(519,011)</u>
Net assets, end of the year	<u>\$ 10,095,275</u>	<u>\$ 875,395</u>	<u>\$ -0-</u>	<u>\$ 10,970,670</u>

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

LEGACY YOUTH TENNIS AND EDUCATION, INC.
STATEMENT OF CASH FLOWS
Year Ended August 31, 2013

Cash flows from operating activities	
Change in net assets	<u>\$ (519,011)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	329,510
Loss on abandonment of fixed assets	50
Realized and unrealized gains on investments	(134,711)
Net changes in operating assets and liabilities	
Accounts receivable	(13,057)
Contributions receivable	(16,835)
Prepaid expenses and other assets	1,040
Accounts payable	(9,412)
Accrued expenses	19,871
Refundable advances	132,168
Unearned income	(28,991)
Payroll withholding liabilities	<u>(120)</u>
	<u>279,513</u>
Net cash used in operating activities	<u>(239,498)</u>
Cash flows from investing activities	
Proceeds on sale of investments	459,802
Purchase of investments	<u>(354,154)</u>
Net cash provided by investing activities	<u>105,648</u>
Cash flows from financing activities	
Net borrowings on bank line of credit	<u>115,000</u>
Net cash provided by financing activities	<u>115,000</u>
Net decrease in cash	(18,850)
Cash at beginning of year	<u>106,581</u>
Cash at end of year	<u><u>\$ 87,731</u></u>
Supplemental disclosures of cash flow information	
Cash paid during the year for interest	<u><u>\$ 1,550</u></u>

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

LEGACY YOUTH TENNIS AND EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2013

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. The Organization is not subject to examination by federal taxing authorities for years prior to August 31, 2009.

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, 2013

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, 2013 was \$2,190,214. 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, 2013

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.

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.

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 does receive pro-bono legal services from an attorney who is an officer of its board of directors. These services, valued at \$15,000, are included in income and expenses in the accompanying financial statements.

LEGACY YOUTH TENNIS AND EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2013

2. Prior period adjustments

In 2013, the Organization identified errors in its previously issued financial statements. The cumulative effect of corrections of these errors was recorded as an adjustment to net assets at August 31, 2012, as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Adjustment to reflect investments at market value. Previously, the Organization recorded its investments at their cost basis, which is not allowed under accounting principles generally accepted in the United States (U.S. GAAP)	\$ 59,249	\$145,683		\$204,932
Adjustment to reclassify property and equipment acquired by the Organization as unrestricted net assets	9,269,646		\$ (9,269,646)	
Adjustment to reclassify board designated endowment funds as unrestricted net assets	1,625,419		(1,625,419)	
To record a contribution receivable		60,000		60,000
Adjustment to reverse expense accruals not allowable under U.S. GAAP.	14,710			14,710
To record refundable advances for conditional contribution, as condition had not been met	(15,086)			(15,086)
To release restrictions on temporarily restricted contributions whose restrictions had been met	70,776	(70,776)		
Total prior period adjustment	<u>\$11,024,714</u>	<u>\$134,907</u>	<u>\$(10,895,065)</u>	<u>\$264,556</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2013

3. Grants, contributions and fund raising receivable

Receivables at August 31, 2013 are due as follows:

Due within one year	\$ 99,684
Due in 1 to 5 years	<u>36,000</u>
	<u>\$135,684</u>

4. Investments

Investments, stated at market value, are as follows:

	<u>Cost</u>	<u>Market</u>
Goodstein Junior Leaders, temporarily restricted	\$ 495,426	\$ 719,967
Elizabeth Murdoch Family Foundation Fund, temporarily restricted	3,000	3,000
Endowment fund	875,269	975,215
Building maintenance fund	<u>480,621</u>	<u>492,032</u>
	<u>\$1,854,316</u>	<u>\$2,190,214</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 \$500,000 balance, the income of which is to be used for building maintenance.

Investments are composed of the following:

	<u>Cost</u>	<u>Market</u>
Money market funds and temporary cash investments	\$ 123,203	\$ 127,191
Common stocks	825,614	1,132,223
Mutual funds	300,213	340,998
Government obligations- bonds and securities	354,153	342,023
Corporate bonds	<u>251,133</u>	<u>247,779</u>
	<u>\$1,854,316</u>	<u>\$2,190,214</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2013

4. Investments (Continued)

Investment returns

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 39,945	\$16,112	\$ 56,057
Net realized gains	12,393	1,763	14,156
Unrealized gains	43,850	76,705	120,555
Investment management fees	<u>(10,785)</u>	<u>(7,930)</u>	<u>(18,715)</u>
Return on investments	<u>\$ 85,403</u>	<u>\$86,650</u>	<u>\$172,053</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.

Net assets consist of the following at August 31, 2013:

Unrestricted:

Designated Funds:

Endowment	\$ 975,215
Maintenance Fund	<u>492,033</u>

Total designated funds	1,467,248
Undesignated funds	<u>8,628,027</u>

Total unrestricted net assets \$10,095,275

Temporarily restricted

Goodstein Jr. Leaders program	\$ 815,895
Special Serve program	57,500
Other	<u>2,000</u>

Total temporarily restricted net assets \$ 875,395

LEGACY YOUTH TENNIS AND EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2013

5. Net assets (Continued)

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, 2013, as follows:

Goodstein Jr. Leaders program	\$121,162
Special Serve program	2,500
Other	<u>1,000</u>
	<u>\$124,662</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 2013, distributions totaling \$80,953 were made from the endowment fund.

A summary of the endowment activity by net asset class for the year ended August 31, 2013 is as follows:

Endowment assets, beginning of year, as adjusted (Note 2)	<u>\$976,333</u>
Investment return:	
Interest and dividends	24,755
Net realized and unrealized losses	57,677
Investment management fees	<u>(6,832)</u>
Total investment return	<u>75,600</u>
Contributions	4,235
Distributions of endowment income	<u>80,953</u>
Endowment assets, end of year	<u>\$975,215</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2013

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

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.

LEGACY YOUTH TENNIS AND EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2013

7. Fair value of financial instruments (Continued)

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.

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, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds and temporary cash investments	\$ 127,191			\$ 127,191
Common stocks	1,132,223			1,132,223
Mutual funds				
Blended funds	98,284			98,284
Domestic growth funds	53,241			53,241
Income funds	109,132			109,132
International funds	80,341			80,341
Government obligations		\$342,023		342,023
Corporate bonds		<u>247,779</u>		<u>247,779</u>
	<u>\$1,600,412</u>	<u>\$589,802</u>		<u>\$2,190,214</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2013

8. Property and equipment, net

Property and equipment at August 31, 2013 consist of the following:

Building and improvements	\$10,704,209
Signage	156,103
Furniture and equipment	218,795
Computers and software	188,099
Passenger vans	<u>42,540</u>
	11,309,746
Less accumulated depreciation	<u>2,369,660</u>
	<u>\$ 8,940,086</u>

9. Line of credit

The Organization maintains a \$200,000 line of credit that renewed on February 18, 2014. 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, 2013). At August 31, 2013, advances outstanding against this line totaled \$162,500. Interest expense for the year ended August 31, 2013 totaled \$1,551.

10. Commitments and contingencies

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.

LEGACY YOUTH TENNIS AND EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2013

10. Commitments and contingencies(Continued)

Commitments (Continued)

Land lease (Continued)

In connection with this sublease, the Organization is required to maintain a trust account with at least \$500,000 with a reputable investment advisor. 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 \$500,000, 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.

Equipment leases

The Organization leases office equipment under noncancellable operating leases requiring monthly payments aggregating \$391 per month through May, 2015. Future minimum lease payments under these leases are as follows:

Year ending August 31,	
2014	\$4,693
2015	<u>3,203</u>
	<u>\$7,896</u>

Rent expense in connection with equipment leases totaled approximately \$4,700 for the year ended August 31, 2013.

LEGACY YOUTH TENNIS AND EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2013

10. Commitments and contingencies (Continued)

Contingencies

Litigation

The Organization has contingent liabilities resulting from claims incident to the ordinary course of operations. Management does not believe that the outcome of any pending matters will have a material effect on the Organization's financial position or results of operations.

11. Retirement plan

The Organization has a defined contribution savings plan which is available to essentially all employees. The Organization does not contribute to this plan. At August 31, 2013, the Organization had not yet formalized this plan's documents. The Organization is in the process of evaluating necessary corrective actions.

12. Subsequent events

Subsequent events were evaluated through March 13, 2014 which is the date the financial statements were available to be issued.



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

CERTIFIED PUBLIC ACCOUNTANTS

1601 Market Street
Suite 2525
Philadelphia, PA 19103-2301
215-567-8000
New York: 212-283-7400
FAX: 215-567-5233
www.mjeco.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULE

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 year ended August 31, 2013, and have issued our report thereon dated March 13, 2014, 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 schedule of functional expenses is presented for purposes of additional analysis and is 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.

March 13, 2014

LEGACY YOUTH TENNIS AND EDUCATION, INC.
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended August 31, 2013

	Program	General and Administrative	Fund Raising	Total
Payroll	\$ 1,050,702	\$ 404,053	\$ 248,335	\$ 1,703,090
Payroll taxes	108,778	15,540	31,079	155,397
Employee benefits	40,400	5,771	11,543	57,714
Consulting services	12,661	8,540	14,158	35,359
Depreciation	263,608	32,951	32,951	329,510
Grants and scholarships	2,583			2,583
Insurance	84,089	10,511	10,511	105,111
Marketing	25,262	4,978		30,240
Meetings and travel	57,466	16,818		74,284
Professional fees	19,122	51,484		70,606
Special events			166,310	166,310
Special programs	44,196			44,196
Supplies	72,452		34,321	106,773
Telephone and office expense	37,501	21,917	15,423	74,841
Utilities and maintenance	114,023	14,253	14,253	142,529
Miscellaneous		31,364		31,364
	<u>\$ 1,932,843</u>	<u>\$ 618,180</u>	<u>\$ 578,884</u>	<u>\$ 3,129,907</u>