

THE SPORTSMEN'S TENNIS CLUB, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

THE SPORTSMEN'S TENNIS CLUB, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Sportsmen's Tennis Club, Inc.
Dorchester, Massachusetts

We have audited the accompanying statements of financial position of The Sportsmen's Tennis Club, Inc. (a not-for-profit organization) as of June 30, 2012 and 2011 and the related statements of activities, functional expenses and cash flows 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 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 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 audit provides 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 The Sportsmen's Tennis Club, Inc. as of June 30, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in conformity with auditing standards generally accepted in the United States of America.

Stanton & Co.

Stanton & Co.
September 28, 2012

THE SPORTSMEN'S TENNIS CLUB, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,554	\$ 43,350
Grants receivable	262,000	137,000
Accounts receivable	4,760	15,947
Prepaid expenses	2,085	2,296
TOTAL CURRENT ASSETS	<u>271,399</u>	<u>198,593</u>
PROPERTY & EQUIPMENT:		
Property & equipment, net of accumulated depreciation of \$1,512,356 and \$1,441,528, respectively	<u>561,730</u>	<u>590,866</u>
OTHER ASSETS:		
Long-term grants receivable, net of discount of \$8,719	<u>91,281</u>	<u>152,700</u>
TOTAL ASSETS	<u>\$ 924,410</u>	<u>\$ 942,159</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 95,251	\$ 113,651
Deferred revenue for membership and summer camp	27,528	20,643
Accrued expenses	25,313	44,289
Note Payable, current portion	6,000	6,000
TOTAL CURRENT LIABILITIES	<u>154,092</u>	<u>184,583</u>
LONG-TERM LIABILITIES:		
Note payable, City of Boston	<u>13,932</u>	<u>19,932</u>
NET ASSETS:		
Unrestricted net assets	390,305	417,944
Temporarily restricted net assets	366,081	319,700
TOTAL NET ASSETS	<u>756,386</u>	<u>737,644</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 924,410</u>	<u>\$ 942,159</u>

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

THE SPORTSMEN'S TENNIS CLUB, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:			
Tennis programs	\$ 211,143		\$ 211,143
Grants	264,724	\$ 296,000	560,724
Enrichment programs	146,964		146,964
Court time fees	189,400		189,400
Tournament revenue	26,633		26,633
Donations	60,914	2,800	63,714
Membership dues	29,312		29,312
Fundraising events	155,763		155,763
Other income	1,200		1,200
Pro shop income and vending	21,761		21,761
Interest income	369		369
Satisfaction of program restrictions	252,419	(252,419)	-
TOTAL REVENUE	<u>1,360,602</u>	<u>46,381</u>	<u>1,406,983</u>
EXPENSES:			
Program services	1,079,723		1,079,723
Management and general	175,994		175,994
Fundraising expenses	132,524		132,524
TOTAL EXPENSES	<u>1,388,241</u>	<u>-</u>	<u>1,388,241</u>
Change in net assets	(27,639)	46,381	18,742
Net assets, beginning of year	<u>417,944</u>	<u>319,700</u>	<u>737,644</u>
Net assets, end of year	<u>\$ 390,305</u>	<u>\$ 366,081</u>	<u>\$ 756,386</u>

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

THE SPORTSMEN'S TENNIS CLUB, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:			
Tennis programs	\$ 250,718		\$ 250,718
Grants	255,393	\$ 466,700	722,093
Enrichment programs	89,400		89,400
Court time fees	200,992		200,992
Tournament revenue	106,859		106,859
Donations	46,869		46,869
Membership dues	21,598		21,598
Fundraising events	169,152		169,152
Other income	6,555		6,555
Pro shop income and vending	20,041		20,041
Interest income	326		326
Satisfaction of program restrictions	147,000	(147,000)	-
TOTAL REVENUE	<u>1,314,903</u>	<u>319,700</u>	<u>1,634,603</u>
EXPENSES:			
Program services	945,335		945,335
Management and general	268,343		268,343
Fundraising expenses	88,984		88,984
TOTAL EXPENSES	<u>1,302,662</u>	<u>-</u>	<u>1,302,662</u>
Change in net assets	12,241	319,700	331,941
Net assets, beginning of year	<u>405,703</u>	<u>-</u>	<u>405,703</u>
Net assets, end of year	<u>\$ 417,944</u>	<u>\$ 319,700</u>	<u>\$ 737,644</u>

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

THE SPORTMEN'S TENNIS CLUB, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 18,742	\$ 331,941
Non-cash items included in change in net assets-		
Net cash from operating activities:		
Depreciation and amortization	70,829	70,100
(Increase) decrease in operating assets:		
Unrestricted grants receivable	(125,000)	(117,000)
Accounts receivable	11,187	(10,577)
Prepaid expenses	211	1,315
Increase (decrease) in operating liabilities:		
Accounts payable	(18,400)	(17,142)
Deferred revenue	6,885	(44,996)
Accrued expenses	(18,976)	19,081
Grants restricted for long term purposes:		
Long-term grants receivable	61,419	(152,700)
	<u>6,897</u>	<u>80,022</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(41,693)	(46,773)
	<u>(41,693)</u>	<u>(46,773)</u>
Net cash used by investing activities		
Cash flows from financing activities:		
Payment of Note Payable	(6,000)	(8,000)
	<u>(6,000)</u>	<u>(8,000)</u>
Net cash used by financing activities		
	(40,796)	25,249
Net (decrease) increase in cash		
Cash at beginning of the year	<u>43,350</u>	<u>18,101</u>
Cash at end of year	<u>\$ 2,554</u>	<u>\$ 43,350</u>

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

THE SPORTSMEN'S TENNIS CLUB, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	Program Services	Management and General	Fundraising Expenses	Total
Compensation	\$ 594,957	\$ 120,714	\$ 60,397	\$ 776,068
Payroll taxes	60,768	12,330	6,169	79,267
Employee benefits	22,806	8,660	3,678	35,144
Fundraising consultant expense			8,000	8,000
Consultants	18,696	1,855		20,551
Materials, equipment and supplies	56,790		9,736	66,526
Accounting and audit		7,299		7,299
Advertising	4,319			4,319
Conferences and seminars	2,611	3,048		5,659
Depreciation and amortization	70,121	567	141	70,829
Insurance	22,506	4,566	2,285	29,357
Interest and finance charges		3,535		3,535
Occupancy costs	59,838	484	121	60,443
Repairs and maintenance	33,569	271	68	33,908
Office expenses	23,908	4,851	13,973	42,732
Outside services	63,841	4,351	27,932	96,124
Tournament fees	4,050			4,050
Credit card and other fees	11,432	827		12,259
Travel and meals	7,825	1,228	24	9,077
Vending and pro shop supplies	18,720			18,720
Miscellaneous expenses	2,966	1,408		4,374
TOTAL	<u>\$ 1,079,723</u>	<u>\$ 175,994</u>	<u>\$ 132,524</u>	<u>\$ 1,388,241</u>

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

THE SPORTSMEN'S TENNIS CLUB, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	Program Services	Management and General	Fundraising Expenses	Total
Compensation	\$ 423,018	\$ 190,776	\$ 12,717	\$ 626,511
Payroll taxes	46,149	19,792	1,408	67,349
Employee benefits	6,966	22,478		29,444
Fundraising consultant expense			33,500	33,500
Consultants	34,918	5,454		40,372
Materials, equipment and supplies	59,024		12,520	71,544
Tournament player and officials earnings	54,102			54,102
Accounting and audit		6,299		6,299
Legal expense		2,575		2,575
Advertising	709			709
Conferences and seminars	1,335			1,335
Depreciation and amortization	69,399	463	238	70,100
Insurance	19,669	8,436	600	28,705
Interest and finance charges		1,036		1,036
Occupancy costs	56,769	459	114	57,342
Repairs and maintenance	34,503	230	118	34,851
Office expenses	20,038	8,135	9,597	37,770
Outside services	73,804		18,172	91,976
Tournament fees	7,412			7,412
Credit card and other fees	12,064	1,184		13,248
Travel and meals	12,539			12,539
Vending and pro shop supplies	9,117			9,117
Miscellaneous expenses	3,800	1,026		4,826
TOTAL	\$ 945,335	\$ 268,343	\$ 88,984	\$ 1,302,662

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

THE SPORTSMEN'S TENNIS CLUB, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 1 - Summary of Significant Accounting Policies

Nature of Organization's Activities - The Sportsmen's Tennis Club, Inc. ("the Organization") is a not-for-profit corporation operating in Dorchester, Massachusetts. The Organization provides tennis facilities, lessons and enrichment programs principally to underprivileged youth.

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

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board for *Financial Statements of Not-for-Profit Organizations*. Under these professional standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - use of resources is not limited or restricted by donors.

Temporarily restricted net assets - use of resources is limited by donors for a specified purpose and/or time period.

Permanently restricted net assets - resources must be maintained in accordance with permanent restrictions imposed by donors.

Revenues - Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor-imposed stipulation or by law.

Functional Allocation of Expenses - The cost of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

Advertising - Advertising costs, which are principally included in operating expenses, are expensed as incurred.

THE SPORTSMEN'S TENNIS CLUB, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 1 - Summary of Significant Accounting Policies (continued)

Income Tax Status - The Organization is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and therefore has made no provisions for federal income taxes in the accompanying financial statements. There was no unrelated business income in 2012 or 2011.

The Organization has evaluated its uncertain tax positions against the criteria established by professional standards and believes there are no uncertain such positions requiring accounting recognition in the financial statements. The organization does not believe their evaluation of tax positions will significantly change within twelve months of June 30, 2012. Any changes in uncertain tax position will be recorded when the ultimate outcome becomes known. The Organization's tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2012, 2011 and 2010.

Grants Receivable – The grants receivable is stated at the amount management expects to collect from outstanding balances. The Organization maintains an allowance for potentially uncollectible grant receivables when necessary based on management's assessment of collectability. Management believes that all receivables are fully collectable; therefore, no allowance for uncollectible amounts has been recorded at June 30, 2012 and June 30, 2011.

Accounts Receivable - The allowance for doubtful accounts is based on management's estimate of uncollectible accounts receivable. Management has reviewed these receivables and believes they will be collected. No allowance account has been recorded at June 30, 2012 and June 30, 2011.

Property, Plant and Equipment - Buildings improvements and equipment are recorded at cost, less accumulated depreciation and include expenditures for new assets and items which substantially increase the useful lives of the property and equipment. Depreciation is calculated over the assets' estimated useful lives utilizing straight-line and accelerated methods. Normal repairs and maintenance are accounted for as expenditures.

Property and equipment donated to the Organization are recorded at their fair market value at the date of the donation.

THE SPORTSMEN'S TENNIS CLUB, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Contributions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are classified as unrestricted.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The organization receives donated services from individuals who volunteer their time and perform a variety of tasks that assist the organization, but these services do not meet the criteria for recognition under accounting standards.

Note 2 – Grants Receivable

At June 30, 2012, the Organization had grants receivable totaling \$353,281. Long-term grants receivable were discounted to their net present value using a discount rate of 2-3%. The discounts will be amortized ratably over the remaining life of the receivable. Grants receivable are scheduled to be collected as follows:

Due within one year	\$262,000
Due within two years	<u>100,000</u>
	362,000
Less discount	<u>(8,719)</u>
Grants Receivable	<u>\$353,281</u>

THE SPORTSMEN'S TENNIS CLUB, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 3 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 include the following grants that are restricted for time restrictions:

The Boston Foundation for general operating support	\$120,281
Tufts Medical Center for youth violence prevention	37,000
United States Tennis Association for community partnership investment	10,000
Board donations restricted to FY2013	2,800
Pepsico for general operating support	<u>196,000</u>
	<u>\$366,081</u>

Certain temporarily restricted assets were released from restriction during 2012 by satisfaction of the restricted purpose specified by the donor and were released as unrestricted net assets as follows:

Donations released by grant collections \$252,419

Note 4 - Property, Plant and Equipment

Property, plant and equipment are stated at cost at the date of the acquisition or, in the case of gifts, fair value at the date of donation. Major additions and improvements are capitalized, while ordinary repairs and maintenance are expensed as incurred.

Property, plant and equipment as of June 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Buildings and improvements	\$ 1,847,821	\$ 1,827,821
Equipment	91,590	75,233
Motor vehicles	27,862	27,862
Furnishings and fixtures	<u>106,813</u>	<u>101,478</u>
	2,074,086	2,032,394
Less: accumulated depreciation	<u>(1,512,356)</u>	<u>(1,441,528)</u>
Property, plant and equipment, net	<u>\$561,730</u>	<u>\$590,866</u>

THE SPORTSMEN'S TENNIS CLUB, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 5 - Note Payable, City of Boston

Note payable, City of Boston consists of advances on a loan from the City of Boston, Department of Neighborhood Development. Maximum borrowing under the terms of the loan is \$50,000. The note carries an interest rate of 6% and is payable in monthly installments of \$500, plus interest. The purpose of the loan is for the renovation of the Club's facilities and the loan is unsecured.

Maturities of the note are expected to be as follows:

<u>Year ending June 30,</u>	
2013	\$6,000
2014	6,000
2015	6,000
2016	<u>1,932</u>
Total	<u>\$19,932</u>

Note 6 - Supplemental Cash Flow Information

During the year ended June 30, 2012 and 2011, the Organization paid interest of \$1,322 and \$1,036, respectively.

Note 7 - Concentrations

Cash – The Organization maintains two accounts at one bank. As of June 30, 2012 the total account balances did not exceed the federally insured limit of \$250,000. Uninsured amounts could be subject to loss should the bank fail. However, the organization has not experienced any such losses and management does not believe that there is a significant risk of loss.

Contributions – For the years ended June 30, 2012 and 2011, contributions from individually significant contributors, which are contributors donating \$5,000 or more, amounted to approximately 82 % representing 23 donors in 2012 and 69% representing 25 donors in 2011. Contributions from members of the Board of Directors were \$16,925 in 2012 and \$14,733 in 2011.

During 2012 and 2011, the organization received funding from several foundations, corporate contributions and grants, and individuals. Grants and contributions received are not to be construed as recurring gifts.

THE SPORTSMEN'S TENNIS CLUB, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 8 – Employee Benefit Plan

On May 1, 2011 The Sportsmen's Tennis Club, Inc. entered into an agreement with MG Trust Company, LLC (Custodian) for a 403(b) defined contribution plan that all eligible employees may participate. The plan is administered by CPI Qualified Plan Consultants. The organization has made no matching contributions to this plan in 2012 and 2011.

Note 9 – Subsequent Events

Subsequent events were evaluated through September 28, 2012 which is the date the financial statements were available to be issued. There were no significant subsequent events which require disclosure through September 28, 2012.