

**TENACITY, INC.**

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FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2018 AND 2017

**TENACITY, INC.**

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Dorothy F. Di Pesa, CPA  
John F. Oteri, CPA

Board of Directors  
Tenacity, Inc.  
38 Everett Street  
Boston, MA 02134

Re: Independent Auditor's Report

Ladies and Gentlemen:

Report on Financial Statements

We have audited the accompanying financial statements of Tenacity, Inc. (a Massachusetts nonprofit organization), which comprise the statements of financial position as of August 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity'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 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 Tenacity, Inc. at August 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

DI PESA AND COMPANY

***Di Pesa & Company***

Certified Public Accountants  
Quincy, Massachusetts  
November 14, 2018

TENACITY, INC.

**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2018 AND 2017**

**ASSETS**

	<b><u>2018</u></b>	<b><u>2017</u></b>
<b><u>CURRENT ASSETS</u></b>		
Cash and Cash Equivalents	\$ 980,400	\$ 1,385,067
Grant and Other Receivables	35,400	44,800
Investments	1,307,255	813,586
Unconditional Promises to Give, Net	<u>815,776</u>	<u>892,464</u>
<b><u>TOTAL CURRENT ASSETS</u></b>	<b><u>3,138,831</u></b>	<b><u>3,135,917</u></b>
<b><u>OTHER ASSETS</u></b>		
Property and Equipment, at Cost	88,918	88,918
Less: Accumulated Depreciation	<u>( 88,918)</u>	<u>( 88,918)</u>
Net Property and Equipment	-	-
Unconditional Promises to Give - Non-Current, Net	<u>-</u>	<u>513,785</u>
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>-</u></b>	<b><u>513,785</u></b>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 3,138,831</u></b>	<b><u>\$ 3,649,702</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts Payable and Accrued Expenses	<u>\$ 59,654</u>	<u>\$ 43,674</u>
<b><u>TOTAL CURRENT LIABILITIES</u></b>	<b><u>59,654</u></b>	<b><u>43,674</u></b>
<b><u>NET ASSETS</u></b>		
Unrestricted	1,201,997	1,328,637
Temporarily Restricted	<u>1,877,180</u>	<u>2,277,391</u>
<b><u>TOTAL NET ASSETS</u></b>	<b><u>3,079,177</u></b>	<b><u>3,606,028</u></b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 3,138,831</u></b>	<b><u>\$ 3,649,702</u></b>

See accompanying notes to financial statements.

TENACITY, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2018

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total Net Assets</u>
<b><u>SUPPORT AND REVENUE</u></b>			
Contributions, Gifts and Grants	\$ 2,156,165	\$ 577,305	\$ 2,733,470
Donated Services	159,253	-	159,253
Special Events - Income	1,039,825	-	1,039,825
- Expenses	( 359,282)	-	( 359,282)
Investment Income	24,728	-	24,728
Net Assets Released from Restrictions			
Satisfaction of Donor Restrictions	<u>977,516</u>	<u>( 977,516)</u>	<u>-</u>
<b><u>TOTAL SUPPORT AND REVENUE</u></b>	<b><u>3,998,205</u></b>	<b><u>(400,211)</u></b>	<b><u>3,597,994</u></b>
<b><u>FUNCTIONAL EXPENSES</u></b>			
Program Services	2,869,910	-	2,869,910
Fundraising	595,219	-	595,219
Management and General	<u>659,716</u>	<u>-</u>	<u>659,716</u>
<b><u>TOTAL FUNCTIONAL EXPENSES</u></b>	<b><u>4,124,845</u></b>	<b><u>-</u></b>	<b><u>4,124,845</u></b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b><u>( 126,640)</u></b>	<b><u>( 400,211)</u></b>	<b><u>( 526,851)</u></b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b><u>1,328,637</u></b>	<b><u>2,277,391</u></b>	<b><u>3,606,028</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ 1,201,997</u></b>	<b><u>\$ 1,877,180</u></b>	<b><u>\$ 3,079,177</u></b>

See accompanying notes to financial statements.

TENACITY, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2017**

	<b><u>Unrestricted Net Assets</u></b>	<b><u>Temporarily Restricted Net Assets</u></b>	<b><u>Total Net Assets</u></b>
<b><u>SUPPORT AND REVENUE</u></b>			
Contributions, Gifts and Grants	\$ 3,117,418	\$ 1,767,537	\$ 4,884,955
Donated Services	683	-	683
Special Events - Income	656,986	-	656,986
- Expenses	( 287,359)	-	( 287,359)
Investment Income	1,923	-	1,923
Net Assets Released from Restrictions			
Satisfaction of Donor Restrictions	<u>595,820</u>	<u>( 595,820)</u>	<u>-</u>
<b><u>TOTAL SUPPORT AND REVENUE</u></b>	<u>4,085,471</u>	<u>1,171,717</u>	<u>5,257,188</u>
<b><u>FUNCTIONAL EXPENSES</u></b>			
Program Services	3,179,686	-	3,179,686
Fundraising	616,982	-	616,982
Management and General	<u>523,474</u>	<u>-</u>	<u>523,474</u>
<b><u>TOTAL FUNCTIONAL EXPENSES</u></b>	<u>4,320,142</u>	<u>-</u>	<u>4,320,142</u>
<b><u>CHANGE IN NET ASSETS</u></b>	( 234,671)	1,171,717	937,046
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<u>1,563,308</u>	<u>1,105,674</u>	<u>2,668,982</u>
<b><u>NET ASSETS - END OF YEAR</u></b>	<u>\$ 1,328,637</u>	<u>\$ 2,277,391</u>	<u>\$ 3,606,028</u>

See accompanying notes to financial statements.

TENACITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2018

	Program Services							Fundraising	Management and General	Total	
	Middle School Academy	Summer Tennis and Reading		College Prep	Post Secondary	Scholarship	Other				Total
		Worcester	Boston								
<b>EXPENSES</b>											
Payroll	\$ 1,327,479	\$ 112,033	\$ 97,476	\$ 387,805	\$ 36,894	\$ -	\$ -	\$ 1,961,687	\$ 394,814	\$ 249,209	\$ 2,605,710
Program and Other Expenses	214,298	5,549	184,678	12,223	3,286	61,263	-	481,297	-	-	481,297
Professional Services & Fees	8,950	-	2,100	-	-	-	-	11,050	123,825	146,362	281,237
Payroll Taxes	102,572	9,109	7,347	28,227	2,807	-	-	150,062	25,009	8,670	183,741
Office Equipment & Supplies	356	209	-	-	-	-	-	565	816	17,634	19,015
Equipment Rental & Maintenance	150	-	-	-	-	-	-	150	66	22,818	23,034
Employee Benefits	44,720	2,605	2,691	5,935	556	-	-	56,507	8,916	184,884	250,307
Promotions, Advertising, Marketing	-	93	49	-	-	-	-	142	16,725	943	17,810
Staff Related Expenses	65,230	1,738	2,930	4,887	2,564	-	-	77,349	4,979	10,251	92,579
Travel	134	-	239	379	731	-	-	1,483	1,880	112	3,475
Occupancy Expense	56,728	-	7,440	16,739	1,860	-	-	82,767	4,650	6,330	93,747
Telephone	4,164	495	3,204	3,402	513	-	-	11,778	1,025	1,024	13,827
Postage and Shipping	827	9	49	-	7	-	-	892	3,175	1,942	6,009
Insurance	21,618	-	6,125	5,405	721	-	-	33,869	1,441	721	36,031
Dues and Subscriptions	64	-	-	-	-	-	-	64	1,766	2,427	4,257
Financial Fees	-	-	-	-	-	-	-	-	-	74	74
Printing	-	147	-	16	-	-	-	163	6,132	-	6,295
Other Expenses	85	-	-	-	-	-	-	85	-	6,315	6,400
<b>TOTAL EXPENSES</b>	<b>\$ 1,847,375</b>	<b>\$ 131,987</b>	<b>\$ 314,328</b>	<b>\$ 465,018</b>	<b>\$ 49,939</b>	<b>\$ 61,263</b>	<b>\$ -</b>	<b>\$ 2,869,910</b>	<b>\$ 595,219</b>	<b>\$ 659,716</b>	<b>\$ 4,124,845</b>

See accompanying notes to financial statements.

TENACITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2017

	Program Services						Fundraising	Management and General	Total	
	Middle School Academy	Summer Tennis and Reading		College Prep	Post Secondary	Scholarship				Total
		Worcester	Boston							
<b>EXPENSES</b>										
Payroll	\$ 1,503,231	\$ 104,959	\$ 97,029	\$ 368,204	\$ 41,313	\$ -	\$ 2,205,244	\$ 467,476	\$ 134,559	\$ 2,807,279
Program and Other Expenses	243,287	4,252	179,293	13,141	3,278	72,590	515,841	-	-	515,841
Professional Services & Fees	9,825	1,500	-	-	-	-	11,325	20,315	145,024	176,664
Payroll Taxes	117,013	8,514	7,619	27,985	3,211	-	167,842	33,287	11,480	212,609
Office Equipment & Supplies	347	56	-	17	-	-	420	240	15,541	16,201
Equipment Rental & Maintenance	-	364	6,838	-	-	-	7,202	55	13,025	20,282
Employee Benefits	53,535	1,780	1,837	3,648	780	-	68,296	11,726	170,094	250,116
Promotions, Advertising, Marketing	-	-	-	-	-	-	-	24,110	1,137	25,247
Staff Related Expenses	54,986	1,270	3,343	6,399	1,440	-	67,438	28,182	16,952	112,572
Travel	-	-	116	-	-	-	116	57	1,630	1,803
Occupancy Expense	60,627	-	8,221	20,551	2,055	-	91,454	5,138	-	96,592
Telephone	5,036	180	4,197	4,215	671	-	14,299	1,550	938	16,787
Postage and Shipping	761	14	49	-	-	-	824	3,909	2,913	7,646
Insurance	18,015	-	5,104	4,504	601	-	28,224	1,201	6,766	36,191
Dues and Subscriptions	-	-	-	820	-	-	820	3,608	645	5,073
Printing	-	300	-	-	-	-	300	11,724	328	12,352
Other Expenses	-	41	-	-	-	-	41	4,404	-	4,445
Depreciation	-	-	-	-	-	-	-	-	2,442	2,442
<b>TOTAL EXPENSES</b>	<b>\$ 2,066,663</b>	<b>\$ 123,230</b>	<b>\$ 313,646</b>	<b>\$ 449,484</b>	<b>\$ 53,349</b>	<b>\$ 72,590</b>	<b>\$ 3,179,686</b>	<b>\$ 616,982</b>	<b>\$ 523,474</b>	<b>\$ 4,320,142</b>

See accompanying notes to financial statements.



TENACITY, INC.

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</u></b>		
Change in Net Assets	\$ (526,851)	\$ 937,046
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) By Operating Activities		
Depreciation	-	2,442
Investment income reinvested	(12,845)	(1,923)
(Increase) Decrease in Assets:		
Grant and Other Receivables	9,400	(44,800)
Unconditional Promises to Give	590,473	(657,754)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	<u>15,980</u>	<u>(48,940)</u>
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<u>76,157</u>	<u>186,071</u>
<b><u>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u></b>		
Purchase of Investments	(2,100,000)	
Sale of Investments	<u>1,619,176</u>	-
<b><u>NET CASH USED BY INVESTING ACTIVITIES</u></b>	<u>(480,824)</u>	-
<b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>	(404,667)	186,071
<b><u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u></b>	<u>1,385,067</u>	<u>1,198,996</u>
<b><u>CASH AND CASH EQUIVALENTS - END OF YEAR</u></b>	<u>\$ 980,400</u>	<u>\$ 1,385,067</u>

See accompanying notes to financial statements

**NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018 AND 2017**

**1. NATURE OF OPERATION**

Tenacity, Inc. (the "Organization") was formed in 1999 to provide programs for youth in the City of Boston to improve physical, mental, and emotional well-being through intensive tennis instruction, competition and the integration of academic and life-skill development activities. The Organization is enthused by the response of the youth and the many contributions during the fiscal years ended August 31, 2018 and 2017 and looks forward with optimism to the continued growth of this program.

Since 1999, the Organization has served over 30,000 students build a foundation for lifelong achievement through in-school, after-school and summer programs that provide tools for excellence in school, career and life. This has been accomplished by direct cash contributions, pledges, and grants by organizations and individuals as well as donated services and supplies.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Statement Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

**B. Contributions and Donor Restrictions**

The Organization reports use-restricted contributions as restricted support, if received with donor stipulations that limit, specify or otherwise restrict the use of such contributions. Either temporarily or permanently restricted net assets are increased, as appropriate. When donor restrictions expire, either by funds for the specified purpose or by expiration of time restrictions, temporarily restricted net assets are reclassified as unrestricted and reported in the statement of activities as net assets released from restrictions. The donors of permanently restricted net assets may permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

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**NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018 AND 2017**

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Pledges and Grant and Other Receivables**

Pledges and grant and other receivables are carried at an amount equal to uncollected revenue less an allowance for doubtful accounts. Management provides for losses on uncollectible pledges receivable determined principally on the basis of past collection experience applied to ongoing evaluations of receivables and the risks of repayment. Management has determined that all receivables are collectible. The grant receivable does not bear interest.

D. **Investments**

Investments in securities with readily determinable fair values are valued at their fair values in the statements of financial position.

E. **Fair Value Measurements**

Certain expanded disclosures are required regarding the sources of how the fair value of certain financial assets and liabilities are measured by establishing a fair value hierarchy that prioritizes inputs used to measure fair value. Such assets consist of items carried at fair value on a recurring basis and consist primarily of investments and financial instruments which are valued based upon quoted prices in active or brokered markets for identical or similar assets or liabilities.

The fair value measurement hierarchy is as follows:

- Level 1 – Quoted market prices for identical assets
- Level 2 – Significant other observable inputs
- Level 3 – Significant unobservable inputs

All of the Organization's inputs for investments are Level 1 inputs.

F. **Statements of Cash Flows**

For the purpose of the statements of cash flows, cash is considered to be the cash balance used in operations and shown on the statements of financial position and may include cash equivalents purchased with original maturities of three months or less.

G. **Property and Equipment**

Property and equipment is stated at cost. Amounts of \$1,000 or more are capitalized. Depreciation is computed using the straight-line method over the assets' useful lives.

**NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018 AND 2017**

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. **Income Taxes**

The Organization is a not-for-profit charitable organization and is exempt from Federal and state income taxes under the Internal Revenue Service Code Section 501(c)(3).

I. **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the reporting period. Actual results may differ from those estimates.

J. **Management's Review of Subsequent Events**

Management has reviewed and evaluated transactions and events ("subsequent events") after the statement of financial position date, August 31, 2018, and up to and including November 14, 2018, the date the financial statements were available to be issued. The objective of this review was to determine if any events occurred subsequent to August 31, 2018 which provided additional evidence of events which may have required recognition or disclosure in the accompanying financial statements. In management's opinion, no events have occurred which require recognition or disclosure in the financial statements.

K. **Recent Accounting Pronouncement**

The Financial Accounting Standards Board has issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities that will be effective for the Organization's fiscal year ending August 31, 2019. The statement changes the presentation of net assets and requires additional disclosures for expenses by nature and function and for the liquidity and availability of financial resources.

**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

**3. PROMISES TO GIVE**

Pledges receivable are unconditional promises to give, and consist of the following:

	<u>2018</u>	<u>2017</u>
Gross Pledges Receivable	\$ 815,776	\$1,437,537
Less: Unamortized Discount	(       -)	( 31,288)
Net Pledges Receivable	<u>\$ 815,776</u>	<u>\$1,406,249</u>
Amounts due in:		
Less Than One Year	\$ 815,776	\$ 892,464
One to Four Years	-	<u>513,785</u>
	<u>\$ 815,776</u>	<u>\$1,406,249</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3.0%.

**4. INVESTMENTS**

Investments are stated at fair market value, the quoted market price, and consist of money market mutual funds. The market value and cost of investments are the same and amounted to \$1,307,255 and \$813,586 at August 31, 2018 and 2017, respectively.

The composition of investment income is as follows:

	<u>2018</u>	<u>2017</u>
Dividend and Interest Income	\$24,728	\$1,923

**5. DONATED SERVICES AND CONTRIBUTIONS**

Donated services are included as Support and Revenue and Expenses in the statements of activities and changes in net assets at the fair value of those services. These amounts are detailed below:

<b><u>Donated Services</u></b>	<u>2018</u>	<u>2017</u>
Donations of professional services by established legal, advertising, marketing, communications, and printing firms	\$ -	\$ 683

**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

**5. DONATED SERVICES AND CONTRIBUTIONS** (Continued)

These amounts are included in Support and Revenue in Contributions, Gifts and Grants and included in Expenses in Program and Other Expenses in the statements of activities and changes in net assets.

<u>Contributions</u>	<u>2018</u>	<u>2017</u>
Contributions from the City of Boston through a public partnership for youth staff salaries and tennis court time at various locations	<b>\$159,253</b>	\$144,413

The Organization receives a significant amount of additional donated services from unpaid volunteers who contribute time and energy to the organization. No amounts have been recognized for these additional donated services in the statements of activities and changes in net assets because the criteria for recognition regarding contributions have not been satisfied.

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at August 31, 2018 and 2017 consist of multi-year annual support pledges and other net assets restricted for certain programs.

Temporarily restricted net assets consisted of the following:

	<u>2018</u>	<u>2017</u>
Annual Support Pledges – time restricted	\$ 815,776	\$1,241,955
Program Related:		
Summer Tennis & Reading/Post Secondary	250,000	250,000
Scholarships	775,783	703,318
Worcester Programs	30,621	82,118
Womens' Sports Foundation	5,000	-
	<u>1,061,404</u>	<u>1,035,436</u>
	<u>\$ 1,877,180</u>	<u>\$2,277,391</u>

**7. RETIREMENT PLAN**

The Organization sponsors a 403(b) Retirement Savings Plan for all eligible employees. The Organization's contribution to the plan for the years ended August 31, 2018 and 2017 was \$23,834 and \$34,675, respectively.

**8. FACILITIES LEASE**

The Organization has a lease for office space that has been extended through June 30, 2021.

Rent expense was \$85,164 and \$94,659 for the years ended August 31, 2018 and 2017, respectively.

**NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018 AND 2017**

8. **FACILITIES LEASE** (Continued)

Future minimum lease payments are as follows:

<b><u>Year Ending</u></b>	<b><u>Amount</u></b>
2019	98,631
2020	104,445
2021	<u>91,074</u>
Total	<u>\$294,150</u>