

# Legacy Youth Tennis and Education, Inc.

Financial Statements  
Years ended August 31, 2017 and 2016



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# LEGACY YOUTH TENNIS AND EDUCATION, INC.

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors**  
**Legacy Youth Tennis and Education, Inc.**

We have audited the accompanying financial statements of Legacy Youth Tennis and Education, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, functional expenses 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 U.S. generally accepted accounting principles; 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 audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the 2017 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Prior Period Financial Statements***

The financial statements of Legacy Youth Tennis and Education, Inc. as of August 31, 2016, were audited by other auditors whose report, dated June 28, 2017, expressed an unmodified opinion on those statements. As discussed in Note 3, the Organization has restated its 2016 financial statements during the current year to reclassify certain net assets and to record a prepaid expense, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2016 financial statements before the restatement.

As part of our audit of the 2017 financial statements, we also audited the adjustments described in Note 3 that were applied to restate the 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2016 financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 financial statements as a whole.

*BBD, LLP*

**Philadelphia, Pennsylvania**  
**June 14, 2018**

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## STATEMENTS OF FINANCIAL POSITION

August 31, 2017 and 2016

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	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash	\$ 22,173	\$ 130,260
Accounts receivable	19,894	22,726
Contributions receivable	43,585	236,174
Prepaid expenses and other	94,479	102,496
Investments	2,417,442	2,385,947
Property and equipment, net	<u>7,862,637</u>	<u>8,153,031</u>
<b>Total assets</b>	<u>\$ 10,460,210</u>	<u>\$ 11,030,634</u>
<b>LIABILITIES</b>		
Line of credit	\$ 172,433	\$ 172,433
Accounts payable and accrued expenses	63,223	87,407
Deferred revenue	<u>43,102</u>	<u>89,293</u>
<b>Total liabilities</b>	<u>278,758</u>	<u>349,133</u>
<b>NET ASSETS</b>		
Unrestricted	9,586,564	9,875,309
Temporarily restricted	<u>594,888</u>	<u>806,192</u>
<b>Total net assets</b>	<u>10,181,452</u>	<u>10,681,501</u>
<b>Total liabilities and net assets</b>	<u>\$ 10,460,210</u>	<u>\$ 11,030,634</u>

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See accompanying notes

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## STATEMENTS OF ACTIVITIES

Years ended August 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>						
Grants and contributions	\$ 539,696	\$ 20,050	\$ 559,746	\$ 1,059,896	\$ 255,427	\$ 1,315,323
Usage fees	1,253,405	-	1,253,405	1,261,594	-	1,261,594
Special event income	577,464	-	577,464	355,826	-	355,826
Investment income	195,634	-	195,634	111,869	46,306	158,175
Other income	11,732	-	11,732	13,701	-	13,701
Net assets released from restrictions	231,354	(231,354)	-	169,431	(169,431)	-
<b>Total revenue and support</b>	<u>2,809,285</u>	<u>(211,304)</u>	<u>2,597,981</u>	<u>2,972,317</u>	<u>132,302</u>	<u>3,104,619</u>
<b>EXPENSES</b>						
Program services	1,989,915	-	1,989,915	2,110,222	-	2,110,222
Supporting services						
General and administrative	565,142	-	565,142	518,946	-	518,946
Fundraising	542,973	-	542,973	519,120	-	519,120
<b>Total expenses</b>	<u>3,098,030</u>	<u>-</u>	<u>3,098,030</u>	<u>3,148,288</u>	<u>-</u>	<u>3,148,288</u>
<b>CHANGE IN NET ASSETS</b>	<u>(288,745)</u>	<u>(211,304)</u>	<u>(500,049)</u>	<u>(175,971)</u>	<u>132,302</u>	<u>(43,669)</u>
<b>NET ASSETS</b>						
Beginning of year, as previously reported	9,875,309	806,192	10,681,501	9,698,746	943,378	10,642,124
Prior period adjustments	-	-	-	352,534	(269,488)	83,046
Beginning of year, as restated	<u>9,875,309</u>	<u>806,192</u>	<u>10,681,501</u>	<u>10,051,280</u>	<u>673,890</u>	<u>10,725,170</u>
<b>End of year</b>	<u>\$ 9,586,564</u>	<u>\$ 594,888</u>	<u>\$ 10,181,452</u>	<u>\$ 9,875,309</u>	<u>\$ 806,192</u>	<u>\$ 10,681,501</u>

See accompanying notes

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2017 with comparative totals for 2016

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>	
				<u>2017</u>	<u>2016</u>
Payroll and related expenses					
Payroll	\$ 1,226,135	\$ 404,127	\$ 183,401	\$ 1,813,663	\$ 1,838,908
Payroll taxes	95,463	31,464	14,279	141,206	151,123
Employee benefits	<u>27,003</u>	<u>8,900</u>	<u>4,039</u>	<u>39,942</u>	<u>41,956</u>
Total payroll and related expenses	1,348,601	444,491	201,719	1,994,811	2,031,987
Consulting services	-	5,963	-	5,963	7,130
Depreciation	246,606	30,826	30,826	308,258	304,770
Grants and scholarships	30,663	-	-	30,663	-
Insurance	67,533	8,441	8,442	84,416	84,430
Marketing	5,969	270	5,969	12,208	14,595
Meetings and travel	44,942	13,071	-	58,013	63,437
Professional fees	23,468	23,678	944	48,090	70,949
Special events	-	-	200,188	200,188	177,620
Special programs	588	-	-	588	7,202
Supplies	53,140	-	36,434	89,574	103,762
Telephone and office expense	46,108	22,910	16,305	85,323	110,525
Utilities and maintenance	109,307	6,831	20,494	136,632	126,888
Miscellaneous	<u>12,990</u>	<u>8,661</u>	<u>21,652</u>	<u>43,303</u>	<u>44,993</u>
<b>Total expenses</b>	<u>\$ 1,989,915</u>	<u>\$ 565,142</u>	<u>\$ 542,973</u>	<u>\$ 3,098,030</u>	<u>\$ 3,148,288</u>

See accompanying notes

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2016

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	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses				
Salaries	\$ 1,359,314	\$ 314,244	\$ 165,350	\$ 1,838,908
Payroll taxes	99,742	28,713	22,668	151,123
Employee benefits	<u>26,112</u>	<u>8,854</u>	<u>6,990</u>	<u>41,956</u>
Total salaries and related expenses	1,485,168	351,811	195,008	2,031,987
Consulting services	-	7,130	-	7,130
Depreciation	243,816	30,477	30,477	304,770
Insurance	67,544	8,443	8,443	84,430
Marketing	6,702	1,190	6,703	14,595
Meetings and travel	51,198	12,239	-	63,437
Professional fees	9,786	61,163	-	70,949
Special events	-	-	177,620	177,620
Special programs	7,202	-	-	7,202
Supplies	63,686	-	40,076	103,762
Telephone and office expense	60,111	31,151	19,263	110,525
Utilities and maintenance	101,511	6,344	19,033	126,888
Miscellaneous	<u>13,498</u>	<u>8,998</u>	<u>22,497</u>	<u>44,993</u>
<b>Total expenses</b>	<u>\$ 2,110,222</u>	<u>\$ 518,946</u>	<u>\$ 519,120</u>	<u>\$ 3,148,288</u>

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See accompanying notes



# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## STATEMENTS OF CASH FLOWS

Years ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ (500,049)	\$ (43,669)
<i>Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	308,258	304,770
Net realized and unrealized gain on investments	(156,571)	(112,520)
(Increase) decrease in		
Accounts receivable	2,832	27,409
Contributions receivable	192,589	(147,480)
Prepaid expenses and other	8,017	4,709
Increase (decrease) in		
Accounts payable and accrued expenses	(24,184)	(11,031)
Deferred revenue	(46,191)	32,051
<b>Net cash provided by (used for) operating activities</b>	<u>(215,299)</u>	<u>54,239</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net sale of investments	125,076	50,902
Purchase of property and equipment	<u>(17,864)</u>	<u>(44,000)</u>
<b>Net cash provided by investing activities</b>	<u>107,212</u>	<u>6,902</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net repayments on line of credit	<u>-</u>	<u>(837)</u>
<b>Net change in cash</b>	(108,087)	60,304
<b>CASH</b>		
Beginning of year	<u>130,260</u>	<u>69,956</u>
<b>End of year</b>	<u>\$ 22,173</u>	<u>\$ 130,260</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 10,985</u>	<u>\$ 10,151</u>

See accompanying notes

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2017 and 2016

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### (1) ORGANIZATION

Legacy Youth Tennis and Education, Inc. (the "**Organization**") is a nonprofit organization based in Philadelphia, Pennsylvania. The Organization's mission is to prepare young people for success as individuals and as active, responsible citizens through innovative tennis, education, life skills and leadership development programming. The Organization delivers programming at its flagship Legacy Youth Tennis and Education Center and in neighborhoods throughout the Philadelphia region. Legacy Youth Tennis and Education is recognized as a United States Tennis Association (USTA) National Junior Tennis and Learning (NJTL) Chapter.

### (2) SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

#### **Basis of Presentation**

The Organization reports information regarding its financial position and activities according to the following three classes of net assets:

##### ***Unrestricted net assets***

Net assets that are not subject to donor-imposed restrictions.

##### ***Temporarily restricted net assets***

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Organization and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "**net assets released from restrictions.**"

##### ***Permanently restricted net assets***

Net assets that are subject to donor-imposed restrictions that such assets be maintained indefinitely. There were no permanently restricted net assets at August 31, 2017 and 2016.

#### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

#### **Concentrations of Credit Risk**

Financial instruments which subject the Organization to concentrations of credit risk consist of cash, accounts receivable and contributions receivable. The Organization places its cash in high quality credit institutions. At times, cash balances may exceed federally-insured limits. The Organization has not experienced any losses on its deposits. Accounts receivable and contributions receivable are expected to be collected in fiscal year 2018.

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2017 and 2016

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### Fair Value Measurements of Assets and Liabilities

Accounting principles generally accepted in the United States of America ("**GAAP**") define fair value as 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. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchies categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect the Organization's own assumptions.

### Accounts Receivable

The Organization records accounts receivable representing uncollected usage fees in the year usage fee income is recognized. The Organization writes off receivables to bad debt expense as they are determined to be uncollectible. The need for an allowance for doubtful accounts is evaluated based upon the accounts receivable aging and the Organization's history of bad debts. No allowance was required at August 31, 2017 and 2016. All receivables are due within one year.

### Investments and Investment Income

Investments in debt and equity securities with readily determinable fair values are reported at fair value as determined by quoted market prices with gains and losses included in the statement of activities. Dividend and interest income is recorded as earned. Restricted investment income whose restrictions are satisfied in the same period are reported as unrestricted.

Donated investments are recorded at fair value at the date of receipt.

The Organization invests in a professionally-managed portfolio that contains various types of securities (**See Note 4**). Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

### Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated fair value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred.

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2017 and 2016

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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.

### **Grants and Contributions**

Grants and contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Donor-restricted grants and contributions whose restrictions are satisfied in the same period are reported as unrestricted support.

Unconditional grants and contributions are recognized as revenue in the period the related promise to give is received. Conditional grants and contributions are recognized when the conditions are satisfied.

One donor made contributions totaling 10% of grants and contributions in 2016.

### **Contributed Services**

The Organization receives significant amounts of time from individuals who perform various functions for the Organization without compensation. The financial statements do not reflect the value of these contributed services since the services do not meet the criteria for recognition.

### **Revenue**

Usage fees are recognized in the year the tennis courts are used. Special event income is recognized in the year the event is held. Accordingly, revenue from these sources received in advance of the applicable year is included in deferred revenue in the accompanying statements of financial position.

### **Functional Allocation of Expenses**

The costs of providing the program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited, primarily based upon the relative time spent by the Organization's employees on each function.

### **Income Tax Status**

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and no provision or liability for income taxes is included in the accompanying financial statements.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain tax positions. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Organization believes that it had no uncertain tax positions as defined in GAAP.

### **Reclassifications**

Certain items in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2017 and 2016

### (3) PRIOR PERIOD ADJUSTMENT

During 2017, the Organization made the following prior period adjustments to restate its net assets at September 1, 2015:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total Net Assets</u>
Balance at September 1, 2015, as previously reported	\$ 9,698,746	\$ 943,378	\$10,642,124
Prior period adjustments			
To reclassify net assets related to the Goodstein Junior Leaders program	269,488	(269,488)	-
To record prepaid expenses	<u>83,046</u>	<u>-</u>	<u>83,046</u>
Balance at September 1, 2015, as restated	<u>\$10,051,280</u>	<u>\$ 673,890</u>	<u>\$10,725,170</u>

The prior period adjustments had no effect on the total change in net assets for the year ended August 31, 2016. However, the prior period adjustments increased the unrestricted change in net assets by \$91,015 and decreased the temporarily restricted change in net assets by \$91,015 for the year ended August 31, 2016.

### (4) INVESTMENTS

Investments consisted of the following at August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 164,772	\$ 152,180
Common stocks	960,360	952,780
Mutual funds	865,220	816,601
Exchange-traded funds	83,947	86,554
U.S. government obligations	174,343	222,979
Corporate bonds	<u>168,800</u>	<u>154,853</u>
	<u>\$2,417,442</u>	<u>\$2,385,947</u>

Investments are held in the following separate custodial accounts at August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Goodstein Junior Leaders	\$ 820,014	\$ 745,391
Elizabeth Murdoch Family Foundation	16,352	14,570
Brassler fund	135,505	121,250
Endowment fund	1,076,534	1,041,150
Building maintenance fund	<u>369,037</u>	<u>463,586</u>
	<u>\$2,417,442</u>	<u>\$2,385,947</u>

A portion of the Goodstein Junior Leaders account is restricted for youth leadership initiatives which engage young people in the challenging work of nonprofit fund development.

The Elizabeth Murdoch Family Foundation account is restricted for the Organization's Special Serve program for special needs children.

The Brassler fund is unrestricted.

The endowment fund has not been restricted by donors; however, it has been designated by the Board of Directors to be used as an endowment with 5% of the 5-year average balance being used to support operations.

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### August 31, 2017 and 2016

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 \$300,000 and \$350,000 at August 31, 2017 and 2016, 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 2018 and 2019.

Investment income consisted of the following for the years ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 59,865	\$ 64,794
Net realized gains	51,730	25,340
Net unrealized gains	104,841	87,180
Investment management fees	<u>(20,802)</u>	<u>(19,139)</u>
	<u>\$195,634</u>	<u>\$158,175</u>

### (5) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Building and improvements	\$10,807,376	\$10,795,209
Signage	168,333	168,333
Furniture and equipment	227,955	227,955
Computers and software	193,796	188,099
Passenger vans	<u>42,540</u>	<u>42,540</u>
	11,440,000	11,422,136
Less accumulated depreciation	<u>(3,577,363)</u>	<u>(3,269,105)</u>
	<u>\$ 7,862,637</u>	<u>\$ 8,153,031</u>

### (6) LINE OF CREDIT

The Organization has a \$200,000 bank line of credit. Advances under the line are due on demand, bear interest at the bank's prime rate plus 2.50% (6.75% at August 31, 2017) and are secured by substantially all of the Organization's assets. Advances outstanding under this line were \$172,433 at August 31, 2017 and 2016. Interest expense was \$10,985 for 2017 and \$10,151 for 2016.

### (7) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose and periods:

	<u>Balance</u> <u>August 31,</u> <u>2016</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>August 31,</u> <u>2017</u>
Goodstein Jr. Leaders program	\$554,459	\$ -	\$ 18,100	\$536,359
Special Serve program	50,000	-	1,761	48,239
Chester program	55,000	-	55,000	-
Change the Game program	146,733	-	146,733	-
Excellence teams	<u>-</u>	<u>20,050</u>	<u>9,760</u>	<u>10,290</u>
	<u>\$806,192</u>	<u>\$20,050</u>	<u>\$231,354</u>	<u>\$594,888</u>

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2017 and 2016

	<u>Restated Balance August 31, 2015</u>	<u>Additions</u>	<u>Releases</u>	<u>Restated Balance August 31, 2016</u>
Goodstein Jr. Leaders program	\$556,390	\$100,000	\$101,931	\$554,459
Special Serve program	52,500	-	2,500	50,000
Computer lab and equipment	20,000	-	20,000	-
Chester program	-	55,000	-	55,000
Change the Game program	<u>45,000</u>	<u>146,733</u>	<u>45,000</u>	<u>146,733</u>
	<u>\$673,890</u>	<u>\$301,733</u>	<u>\$169,431</u>	<u>\$806,192</u>

### (8) ENDOWMENT FUND

An accounting standard was issued which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"). The Organization is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

In accordance with Pennsylvania statutes, the Organization has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of these endowment assets over the long-term. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

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.

Changes in the board-designated endowment assets for the years ended August 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Endowment assets, beginning of year	\$1,041,150	\$ 966,137
Contributions	-	4,118
Investment income	101,384	77,541
Transfer	-	47,000
Withdrawals	<u>(66,000)</u>	<u>(53,646)</u>
Endowment assets, end of year	<u>\$1,076,534</u>	<u>\$1,041,150</u>

### (9) 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, 2017 and 2016

In connection with this sublease, the Organization is required to maintain a trust account with a minimum balance of \$300,000 and \$350,000 at August 31, 2017 and 2016, respectively, with a reputable investment advisor. The required balance in this account will continue to decrease \$50,000 per year in 2018 and 2019. 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.

### 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.

### (10) ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

The following is a summary of assets measured at fair value on a recurring basis and the valuation inputs used to value them:

<u>August 31, 2017</u>	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Contributions receivable	\$ 43,585	\$ -	\$ 43,585	\$ -
Investments				
Money market funds	164,772	164,772	-	-
Common stocks	960,360	960,360	-	-
Mutual funds	865,220	865,220	-	-
Exchange traded funds	83,947	83,947	-	-
U.S. Government obligations	174,343	-	174,343	-
Corporate bonds	168,800	-	168,800	-
	<u>\$2,461,027</u>	<u>\$2,074,299</u>	<u>\$386,728</u>	<u>\$ -</u>
<u>August 31, 2016</u>	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Contributions receivable	\$ 236,174	\$ -	\$236,174	\$ -
Investments				
Money market funds	152,180	152,180	-	-
Common stocks	952,780	952,780	-	-
Mutual funds	816,601	816,601	-	-
Exchange traded funds	86,554	86,554	-	-
U.S. Government obligations	222,979	-	222,979	-
Corporate bonds	154,853	-	154,853	-
	<u>\$2,622,121</u>	<u>\$2,008,115</u>	<u>\$614,006</u>	<u>\$ -</u>



# LEGACY YOUTH TENNIS AND EDUCATION, INC.

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### (11) RETIREMENT PLAN

The Organization has a 403(b) plan which is available to substantially all employees. The employees may defer from federal income tax a percentage of their compensation. The plan does not provide for contributions from the Organization.

### (12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 14, 2018, the date on which the financial statements were available to be issued. No material subsequent events have occurred since August 31, 2017 that require recognition or disclosure in the financial statements.