

Legacy Youth Tennis and Education, Inc.

Financial Statements
Years ended August 31, 2018 and 2017



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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 statements of financial position as of August 31, 2018 and 2017, and the related statements of activities, 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 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 audits. We conducted our audits 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 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

BBD, LLP

Philadelphia, Pennsylvania
June 19, 2019

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 138,372	\$ 22,173
Accounts receivable	18,571	19,894
Contributions receivable	64,000	43,585
Prepaid expenses and other	90,302	94,479
Investments	2,262,812	2,417,442
Property and equipment, net	<u>7,604,399</u>	<u>7,862,637</u>
Total assets	<u>\$ 10,178,456</u>	<u>\$ 10,460,210</u>
LIABILITIES		
Line of credit	\$ 197,433	\$ 172,433
Accounts payable and accrued expenses	127,193	63,223
Deferred revenue	<u>132,148</u>	<u>43,102</u>
Total liabilities	<u>456,774</u>	<u>278,758</u>
NET ASSETS		
Unrestricted	9,112,638	9,586,564
Temporarily restricted	<u>609,044</u>	<u>594,888</u>
Total net assets	<u>9,721,682</u>	<u>10,181,452</u>
Total liabilities and net assets	<u>\$ 10,178,456</u>	<u>\$ 10,460,210</u>

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF ACTIVITIES

Years ended August 31, 2018 and 2017

	2018		2017		
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT					
Grants and contributions	\$ 534,909	\$ 26,500	\$ 561,409	\$ 20,050	\$ 559,746
Usage fees	1,048,617	-	1,048,617	-	1,253,405
Special event income	401,057	-	401,057	-	577,464
Investment income	220,018	-	220,018	-	195,634
Other income	38,294	-	38,294	-	11,732
Net assets released from restrictions	12,344	(12,344)	-	(231,354)	-
Total revenue and support	<u>2,255,239</u>	<u>14,156</u>	<u>2,269,395</u>	<u>(211,304)</u>	<u>2,597,981</u>
EXPENSES					
Program services	1,735,130	-	1,735,130	-	1,989,915
Supporting services					
General and administrative	558,557	-	558,557	-	565,142
Fundraising	435,478	-	435,478	-	542,973
Total expenses	<u>2,729,165</u>	<u>-</u>	<u>2,729,165</u>	<u>-</u>	<u>3,098,030</u>
CHANGE IN NET ASSETS	<u>(473,926)</u>	<u>14,156</u>	<u>(459,770)</u>	<u>(211,304)</u>	<u>(500,049)</u>
NET ASSETS					
Beginning of year	<u>9,586,564</u>	<u>594,888</u>	<u>10,181,452</u>	<u>806,192</u>	<u>10,681,501</u>
End of year	<u>\$ 9,112,638</u>	<u>\$ 609,044</u>	<u>\$ 9,721,682</u>	<u>\$ 594,888</u>	<u>\$ 10,181,452</u>

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2018 with comparative totals for 2017

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>	
				<u>2018</u>	<u>2017</u>
Payroll and related expenses					
Payroll	\$ 1,059,731	\$ 354,605	\$ 142,125	\$ 1,556,461	\$ 1,813,663
Payroll taxes	73,569	24,618	9,867	108,054	141,206
Employee benefits	<u>26,864</u>	<u>8,989</u>	<u>3,603</u>	<u>39,456</u>	<u>39,942</u>
Total payroll and related expenses	1,160,164	388,212	155,595	1,703,971	1,994,811
Consulting services	17,143	10,369	-	27,512	5,963
Depreciation	245,565	30,696	30,696	306,957	308,258
Grants and scholarships	9,628	-	-	9,628	30,663
Insurance	71,632	8,954	8,954	89,540	84,416
Marketing	6,347	659	6,347	13,353	12,208
Meetings and travel	23,963	44,113	-	68,076	58,013
Professional fees	7,419	40,927	-	48,346	48,090
Special events	-	-	149,912	149,912	200,188
Special programs	2,010	-	-	2,010	588
Supplies	36,194	-	26,609	62,803	89,574
Telephone and office expense	36,837	19,097	15,264	71,198	85,323
Utilities and maintenance	104,751	6,547	19,640	130,938	136,632
Miscellaneous	<u>13,477</u>	<u>8,983</u>	<u>22,461</u>	<u>44,921</u>	<u>43,303</u>
Total expenses	<u>\$ 1,735,130</u>	<u>\$ 558,557</u>	<u>\$ 435,478</u>	<u>\$ 2,729,165</u>	<u>\$ 3,098,030</u>

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2017

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

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF CASH FLOWS

Years ended August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (459,770)	\$ (500,049)
<i>Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	306,957	308,258
Net realized and unrealized gain on investments	(175,478)	(156,571)
(Increase) decrease in		
Accounts receivable	1,323	2,832
Contributions receivable	(20,415)	192,589
Prepaid expenses and other	4,177	8,017
Increase (decrease) in		
Accounts payable and accrued expenses	63,970	(24,184)
Deferred revenue	<u>89,046</u>	<u>(46,191)</u>
Net cash used for operating activities	<u>(190,190)</u>	<u>(215,299)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale of investments	330,108	125,076
Purchase of property and equipment	<u>(48,719)</u>	<u>(17,864)</u>
Net cash provided by investing activities	<u>281,389</u>	<u>107,212</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances on line of credit	<u>25,000</u>	<u>-</u>
Net change in cash	116,199	(108,087)
CASH		
Beginning of year	<u>22,173</u>	<u>130,260</u>
End of year	<u>\$ 138,372</u>	<u>\$ 22,173</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 13,310</u>	<u>\$ 10,985</u>

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2018 and 2017

(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 youth for success through our inclusive community using tennis, education, and character 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, 2018 and 2017.

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 2019.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2018 and 2017

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 are 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, 2018 and 2017. 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 3**). 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, 2018 and 2017

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. 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.

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.

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.

(3) INVESTMENTS

Investments consisted of the following at August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 128,296	\$ 164,772
Common stocks	965,308	960,360
Mutual funds	790,793	865,220
Exchange-traded funds	114,924	83,947
U.S. government obligations	140,002	174,343
Corporate bonds	<u>123,489</u>	<u>168,800</u>
	<u>\$2,262,812</u>	<u>\$2,417,442</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2018 and 2017

Investments are held in the following separate custodial accounts at August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Goodstein Junior Leaders	\$ 908,812	\$ 820,014
Elizabeth Murdoch Family Foundation	17,462	16,352
Brassler fund	152,160	135,505
Endowment fund	919,134	1,076,534
Building maintenance fund	<u>265,244</u>	<u>369,037</u>
	<u>\$2,262,812</u>	<u>\$2,417,442</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.

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 \$250,000 and \$300,000 at August 31, 2018 and 2017, respectively, the income of which is to be used for building maintenance. The required balance in this account will decrease by \$50,000 in 2019.

Investment income consisted of the following for the years ended August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 66,051	\$ 59,865
Net realized gains	89,373	51,730
Net unrealized gains	86,105	104,841
Investment management fees	<u>(21,511)</u>	<u>(20,802)</u>
	<u>\$220,018</u>	<u>\$195,634</u>

(4) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$10,807,376	\$10,807,376
Signage	168,333	168,333
Furniture and equipment	227,955	227,955
Computers and software	205,139	193,796
Passenger vans	<u>79,916</u>	<u>42,540</u>
	11,488,719	11,440,000
Less accumulated depreciation	<u>(3,884,320)</u>	<u>(3,577,363)</u>
	<u>\$ 7,604,399</u>	<u>\$ 7,862,637</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2018 and 2017

(5) LINE OF CREDIT

The Organization had 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% (6.2% at August 31, 2018 and 6.75% at August 31, 2017) and were secured by substantially all of the Organization's assets. Advances outstanding under this line were \$197,433 and \$172,433, respectively, at August 31, 2018 and 2017. Interest expense was \$13,310 for 2018 and \$10,985 for 2017. In March 2019, the line of credit was repaid in full using proceeds from the new line of credit described in the next paragraph.

In March 2019, the Organization obtained a \$600,000 line of credit with a different financial institution that expires February 2021. Advances under the line are due on demand, bear interest at the Wall Street Journal prime rate less 1.00% with a floor of 4.50% for the first six months and at the Wall Street Journal prime rate with a floor of 5.50% thereafter. The line is secured by substantially all of the Organization's assets.

(6) TEMPORARILY RESTRICTED NET ASSETS

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

	<u>Balance August 31, 2017</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance August 31, 2018</u>
Goodstein Jr. Leaders program	\$536,359	\$ -	\$ -	\$536,359
Special Serve program	48,239	-	3,722	44,517
Excellence teams	10,290	25,000	8,622	26,668
Munchkin Reading program	-	1,500	-	1,500
	<u>\$594,888</u>	<u>\$26,500</u>	<u>\$12,344</u>	<u>\$609,044</u>
	<u>Balance August 31, 2016</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance August 31, 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	-	20,050	9,760	10,290
	<u>\$806,192</u>	<u>\$20,050</u>	<u>\$231,354</u>	<u>\$594,888</u>

(7) 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.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2018 and 2017

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, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Endowment assets, beginning of year	\$1,076,534	\$1,041,150
Contributions	28,335	-
Investment income	89,034	101,384
Withdrawals	<u>(274,769)</u>	<u>(66,000)</u>
Endowment assets, end of year	<u>\$ 919,134</u>	<u>\$1,076,534</u>

(8) COMMITMENTS

Land Lease

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

In connection with this sublease, the Organization is required to maintain a trust account with a minimum balance of \$250,000 and \$300,000 at August 31, 2018 and 2017, respectively, with a reputable investment advisor. The required balance in this account will decrease by \$50,000 in 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.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2018 and 2017

(9) 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, 2018</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	\$ 64,000	\$ -	\$ 64,000	\$ -
Investments				
Money market funds	128,296	128,296	-	-
Common stocks	965,308	965,308	-	-
Mutual funds	790,793	790,793	-	-
Exchange traded funds	114,924	114,924	-	-
U.S. Government obligations	140,002	-	140,002	-
Corporate bonds	123,489	-	123,489	-
	<u>\$2,326,812</u>	<u>\$1,999,321</u>	<u>\$327,491</u>	<u>\$ -</u>

<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>

(10) 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.

(11) RELATED PARTY TRANSACTIONS

During 2018, the Organization incurred consulting expenses of \$10,857 for services provided by an officer's spouse.

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 19, 2019, the date on which the financial statements were available to be issued. Except as disclosed in Note 5, no material events have occurred since August 31, 2018 that require recognition or disclosure in the financial statements.