

Legacy Youth Tennis and Education, Inc.

Financial Statements
Years ended August 31, 2019 and 2018



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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, 2019 and 2018, 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, 2019 and 2018, 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
January 24, 2020

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 71,530	\$ 138,372
Accounts receivable	22,054	18,571
Contributions receivable	124,750	64,000
Prepaid expenses and other	111,817	90,302
Investments	2,134,413	2,262,812
Property and equipment, net	<u>7,325,739</u>	<u>7,604,399</u>
Total assets	<u>\$ 9,790,303</u>	<u>\$ 10,178,456</u>
LIABILITIES		
Line of credit	\$ 275,532	\$ 197,433
Accounts payable and accrued expenses	157,569	127,193
Deferred revenue	<u>158,192</u>	<u>132,148</u>
Total liabilities	<u>591,293</u>	<u>456,774</u>
NET ASSETS		
Without donor restrictions	8,486,795	9,112,638
With donor restrictions	<u>712,215</u>	<u>609,044</u>
Total net assets	<u>9,199,010</u>	<u>9,721,682</u>
Total liabilities and net assets	<u>\$ 9,790,303</u>	<u>\$ 10,178,456</u>

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF ACTIVITIES

Years ended August 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Grants and contributions	\$ 367,668	\$ 272,500	\$ 640,168	\$ 534,909	\$ 26,500	\$ 561,409
Usage fees	1,632,676	-	1,632,676	1,048,617	-	1,048,617
Special event income	487,310	-	487,310	401,057	-	401,057
Other income	16,518	-	16,518	38,294	-	38,294
Net assets released from restrictions	169,329	(169,329)	-	12,344	(12,344)	-
Total revenue and support	<u>2,673,501</u>	<u>103,171</u>	<u>2,776,672</u>	<u>2,035,221</u>	<u>14,156</u>	<u>2,049,377</u>
EXPENSES						
Program services	2,379,661	-	2,379,661	1,735,130	-	1,735,130
Supporting services						
General and administrative	502,228	-	502,228	558,557	-	558,557
Fundraising	454,633	-	454,633	435,478	-	435,478
Total expenses	<u>3,336,522</u>	<u>-</u>	<u>3,336,522</u>	<u>2,729,165</u>	<u>-</u>	<u>2,729,165</u>
Change in net assets before other changes	(663,021)	103,171	(559,850)	(693,944)	14,156	(679,788)
OTHER CHANGES						
Investment income	37,178	-	37,178	220,018	-	220,018
CHANGE IN NET ASSETS	(625,843)	103,171	(522,672)	(473,926)	14,156	(459,770)
NET ASSETS						
Beginning of year	9,112,638	609,044	9,721,682	9,586,564	594,888	10,181,452
End of year	<u>\$ 8,486,795</u>	<u>\$ 712,215</u>	<u>\$ 9,199,010</u>	<u>\$ 9,112,638</u>	<u>\$ 609,044</u>	<u>\$ 9,721,682</u>

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2019 with comparative totals for 2018

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>	
				<u>2019</u>	<u>2018</u>
Payroll and related expenses					
Payroll	\$ 1,606,430	\$ 276,329	\$ 170,872	\$ 2,053,631	\$ 1,556,461
Payroll taxes	121,297	20,865	12,902	155,064	108,054
Employee benefits	<u>29,159</u>	<u>5,016</u>	<u>3,102</u>	<u>37,277</u>	<u>39,456</u>
Total payroll and related expenses	1,756,886	302,210	186,876	2,245,972	1,703,971
Consulting services	-	74,871	-	74,871	27,512
Depreciation	250,055	31,257	31,257	312,569	306,957
Grants and scholarships	9,493	-	-	9,493	9,628
Insurance	78,416	9,802	9,802	98,020	89,540
Marketing	5,511	-	5,511	11,022	13,353
Meetings and travel	30,497	29,589	-	60,086	68,076
Professional fees	22,252	19,178	1,340	42,770	48,346
Special events	-	-	122,125	122,125	149,912
Special programs	3,449	-	-	3,449	2,010
Supplies	46,312	-	40,311	86,623	62,803
Telephone and office expense	35,131	17,967	14,472	67,570	71,198
Utilities and maintenance	117,184	7,324	21,972	146,480	130,938
Miscellaneous	<u>24,475</u>	<u>10,030</u>	<u>20,967</u>	<u>55,472</u>	<u>44,921</u>
Total expenses	<u>\$ 2,379,661</u>	<u>\$ 502,228</u>	<u>\$ 454,633</u>	<u>\$ 3,336,522</u>	<u>\$ 2,729,165</u>

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2018

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

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF CASH FLOWS

Years ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (522,672)	\$ (459,770)
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities		
Depreciation	312,569	306,957
Net realized and unrealized losses (gains) on investments	5,602	(175,478)
(Increase) decrease in		
Accounts receivable	(3,483)	1,323
Contributions receivable	(60,750)	(20,415)
Prepaid expenses and other	(21,515)	4,177
Increase (decrease) in		
Accounts payable and accrued expenses	30,376	63,970
Deferred revenue	<u>26,044</u>	<u>89,046</u>
Net cash used for operating activities	<u>(233,829)</u>	<u>(190,190)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale of investments	122,797	330,108
Purchase of property and equipment	<u>(33,909)</u>	<u>(48,719)</u>
Net cash provided by investing activities	<u>88,888</u>	<u>281,389</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances on line of credit	<u>78,099</u>	<u>25,000</u>
Net change in cash	(66,842)	116,199
CASH		
Beginning of year	<u>138,372</u>	<u>22,173</u>
End of year	<u>\$ 71,530</u>	<u>\$ 138,372</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 16,244</u>	<u>\$ 13,310</u>

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

(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 classes of net assets:

Without donor restrictions

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

With donor restrictions

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as "**net assets released from restrictions**". Contributions and investment income that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

This category also includes net assets that are subject to donor-imposed restrictions that neither expire by passage of time nor can be satisfied by actions of the Organization.

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 2020.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

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. 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, 2019 and 2018

Donations of property and equipment are reported as without donor restrictions 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 with donor restrictions. 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.

Grants and Contributions

Grants and contributions received are recorded as net assets without or with donor restrictions 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 net assets without donor restrictions.

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. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include personnel expenses which are allocated based on estimates of time and effort.

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.

Accounting Pronouncement Adopted

In August 2016, the Financial Accounting Standards Board ("**FASB**") issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retroactively to the comparative period presented. The new standard changes the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

- The financial statements include a new disclosure about liquidity and availability of resources (**Note 12**).

(3) INVESTMENTS

Investments consisted of the following at August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 158,675	\$ 128,296
Common stocks	888,335	965,308
Mutual funds		
Equity	460,952	525,487
Fixed income	259,549	265,306
Exchange-traded funds - equity	122,561	114,924
U.S. government obligations	139,025	140,002
Corporate bonds	<u>105,316</u>	<u>123,489</u>
	<u>\$2,134,413</u>	<u>\$2,262,812</u>

Investments are held in the following separate custodial accounts at August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Goodstein Junior Leaders	\$ 922,403	\$ 908,812
Elizabeth Murdoch Family Foundation	19,262	17,462
Brassler fund	154,127	152,160
Endowment fund	782,307	919,134
Building maintenance fund	<u>256,314</u>	<u>265,244</u>
	<u>\$2,134,413</u>	<u>\$2,262,812</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, the income of which is to be used for building maintenance.

Investment income consisted of the following for the years ended August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 61,847	\$ 66,051
Net realized gains	61,740	89,373
Net unrealized gains (losses)	(67,342)	86,105
Investment management fees	<u>(19,067)</u>	<u>(21,511)</u>
	<u>\$ 37,178</u>	<u>\$220,018</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

(4) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Building and improvements	\$10,827,273	\$10,807,376
Signage	168,333	168,333
Furniture and equipment	227,955	227,955
Computers and software	219,151	205,139
Passenger vans	<u>79,916</u>	<u>79,916</u>
	11,522,628	11,488,719
Less accumulated depreciation	<u>(4,196,889)</u>	<u>(3,884,320)</u>
	<u>\$ 7,325,739</u>	<u>\$ 7,604,399</u>

(5) LINE OF CREDIT

The Organization had a \$200,000 bank line of credit. Advances under the line were due on demand, incurred interest at the bank's prime rate plus 2.50% (6.2% at August 31, 2018) and were secured by substantially all of the Organization's assets. Advances outstanding under this line were \$197,433 at August 31, 2018. Interest expense was \$13,033 for 2019 and \$13,310 for 2018. 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. Advances outstanding under this line were \$275,532 at August 31, 2019. Interest expense was \$3,211 for 2019.

(6) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes and periods:

	<u>Balance August 31, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance August 31, 2019</u>
<u>Purpose restrictions</u>				
Goodstein Jr. Leaders program	\$536,359	\$ -	\$ -	\$536,359
Special Serve program	44,517	-	3,766	40,751
Capital projects	-	50,000	25,000	25,000
Youth employment project	-	100,000	50,000	50,000
Excellence teams	26,668	22,500	14,063	35,105
Munchkin Reading program	<u>1,500</u>	<u>-</u>	<u>1,500</u>	<u>-</u>
	609,044	172,500	94,329	687,215
<u>Time restrictions</u>				
Contributions receivable	<u>-</u>	<u>100,000</u>	<u>75,000</u>	<u>25,000</u>
	<u>\$609,044</u>	<u>\$272,500</u>	<u>\$169,329</u>	<u>\$712,215</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

	<u>Balance August 31, 2017</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance August 31, 2018</u>
<u>Purpose restrictions</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	-	<u>1,500</u>	<u>-</u>	<u>1,500</u>
	<u>\$594,888</u>	<u>\$26,500</u>	<u>\$12,344</u>	<u>\$609,044</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.

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, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Endowment assets, beginning of year	\$ 919,134	\$1,076,534
Contributions	28,896	28,335
Investment income	3,781	89,034
Withdrawals	<u>(169,504)</u>	<u>(274,769)</u>
Endowment assets, end of year	<u>\$ 782,307</u>	<u>\$ 919,134</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.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

In connection with this sublease, the Organization is required to maintain a trust account with a minimum balance of \$250,000 with a reputable investment advisor. The income from this fund is to be used to maintain, repair and replace the Organization's facilities. If the market value of this account drops below 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.

(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, 2019</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	\$ 124,750	\$ -	\$124,750	\$ -
Investments				
Money market funds	158,675	158,675	-	-
Common stocks	888,335	888,335	-	-
Mutual funds	720,501	720,501	-	-
Exchange traded funds	122,561	122,561	-	-
U.S. Government obligations	139,025	-	139,025	-
Corporate bonds	<u>105,316</u>	<u>-</u>	<u>105,316</u>	<u>-</u>
	<u>\$2,259,163</u>	<u>\$1,890,072</u>	<u>\$369,091</u>	<u>\$ -</u>

<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	<u>123,489</u>	<u>-</u>	<u>123,489</u>	<u>-</u>
	<u>\$2,326,812</u>	<u>\$1,999,321</u>	<u>\$327,491</u>	<u>\$ -</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

(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

The Organization was contracted to deliver services for a project in which an officer's spouse was requested to lead due to a prior relationship. The Organization sub-contracted the officer's spouse and incurred consulting expenses of \$44,681 in 2019 and \$10,857 in 2018 for services provided. The Organization realized a net gain of approximately \$5,000 per project in 2019 and 2018.

(12) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of August 31, 2019 and the amounts available within one year.

Cash	\$ 71,530
Accounts receivable	22,054
Contributions receivable	124,750
Investments	<u>2,134,413</u>
Total financial assets	2,352,747
Less amounts with donor purpose restrictions	<u>(687,215)</u>
Financial assets available within one year	<u>\$ 1,665,532</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Organization invests cash in excess of its requirements in a money market fund.. In order to manage any liquidity deficiencies or unanticipated liquidity needs, Legacy maintains a \$600,000 line of credit.

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 24, 2020, the date on which the financial statements were available to be issued. No material events have occurred since August 31, 2019 that require recognition or disclosure in the financial statements.