

# Legacy Youth Tennis and Education, Inc.

Financial Statements  
Years ended August 31, 2020 and 2019



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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, 2020 and 2019, 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, 2020 and 2019, 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  
May 13, 2021**

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## STATEMENTS OF FINANCIAL POSITION

August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 190,637	\$ 71,530
Accounts receivable	115,832	22,054
Contributions receivable	-	124,750
Prepaid expenses and other	79,705	111,817
Investments	2,371,769	2,134,413
Property and equipment, net	<u>7,024,022</u>	<u>7,325,739</u>
<b>Total assets</b>	<b><u>\$ 9,781,965</u></b>	<b><u>\$ 9,790,303</u></b>
<b>LIABILITIES</b>		
Line of credit	\$ 375,532	\$ 275,532
Accounts payable and accrued expenses	228,647	157,569
Deferred revenue	<u>112,430</u>	<u>158,192</u>
<b>Total liabilities</b>	<b><u>716,609</u></b>	<b><u>591,293</u></b>
<b>NET ASSETS</b>		
Without donor restrictions	8,489,281	8,486,795
With donor restrictions	<u>576,075</u>	<u>712,215</u>
<b>Total net assets</b>	<b><u>9,065,356</u></b>	<b><u>9,199,010</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 9,781,965</u></b>	<b><u>\$ 9,790,303</u></b>

See accompanying notes

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## STATEMENTS OF ACTIVITIES

Years ended August 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Grants and contributions	\$ 1,121,575	\$ 12,847	\$ 1,134,422	\$ 367,668	\$ 272,500	\$ 640,168
Usage fees	1,338,426	-	1,338,426	1,632,676	-	1,632,676
Special event income	233,692	-	233,692	487,310	-	487,310
Other income	7,017	-	7,017	16,518	-	16,518
Net assets released from restrictions	148,987	(148,987)	-	169,329	(169,329)	-
<b>Total revenue and support</b>	<u>2,849,697</u>	<u>(136,140)</u>	<u>2,713,557</u>	<u>2,673,501</u>	<u>103,171</u>	<u>2,776,672</u>
<b>EXPENSES</b>						
Program services	2,297,379	-	2,297,379	2,379,661	-	2,379,661
Supporting services						
General and administrative	450,037	-	450,037	502,228	-	502,228
Fundraising	322,070	-	322,070	454,633	-	454,633
<b>Total expenses</b>	<u>3,069,486</u>	<u>-</u>	<u>3,069,486</u>	<u>3,336,522</u>	<u>-</u>	<u>3,336,522</u>
<b>Change in net assets before other changes</b>	(219,789)	(136,140)	(355,929)	(663,021)	103,171	(559,850)
<b>OTHER CHANGES</b>						
Investment income	222,275	-	222,275	37,178	-	37,178
<b>CHANGE IN NET ASSETS</b>	2,486	(136,140)	(133,654)	(625,843)	103,171	(522,672)
<b>NET ASSETS</b>						
Beginning of year	8,486,795	712,215	9,199,010	9,112,638	609,044	9,721,682
<b>End of year</b>	<u>\$ 8,489,281</u>	<u>\$ 576,075</u>	<u>\$ 9,065,356</u>	<u>\$ 8,486,795</u>	<u>\$ 712,215</u>	<u>\$ 9,199,010</u>

See accompanying notes

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2020 with comparative totals for 2019

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>	
				<u>2020</u>	<u>2019</u>
Payroll and related expenses					
Payroll	\$ 1,508,720	\$ 267,160	\$ 172,477	\$ 1,948,357	\$ 2,053,631
Payroll taxes	110,666	19,597	12,651	142,914	155,064
Employee benefits	<u>33,317</u>	<u>5,900</u>	<u>3,809</u>	<u>43,026</u>	<u>37,277</u>
Total payroll and related expenses	1,652,703	292,657	188,937	2,134,297	2,245,972
Consulting services	-	32,491	-	32,491	74,871
Depreciation	254,139	31,767	31,767	317,673	312,569
Grants and scholarships	9,852	-	-	9,852	9,493
Insurance	78,257	9,782	9,782	97,821	98,020
Interest	16,563	2,071	2,071	20,705	16,244
Marketing	656	15,093	20,278	36,027	11,022
Meetings and travel	22,486	2,852	45	25,383	60,086
Professional fees	12,868	41,212	1,243	55,323	42,770
Special events	-	-	43,172	43,172	122,125
Special programs	3,917	-	-	3,917	3,449
Supplies	35,422	-	3,518	38,940	86,623
Telephone and office expense	65,518	6,717	5,048	77,283	67,570
Utilities and maintenance	105,249	13,156	13,156	131,561	146,480
Miscellaneous	<u>39,749</u>	<u>2,239</u>	<u>3,053</u>	<u>45,041</u>	<u>39,228</u>
<b>Total expenses</b>	<u>\$ 2,297,379</u>	<u>\$ 450,037</u>	<u>\$ 322,070</u>	<u>\$ 3,069,486</u>	<u>\$ 3,336,522</u>

See accompanying notes

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2019

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	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and related expenses				
Payroll	\$ 1,606,430	\$ 276,329	\$ 170,872	\$ 2,053,631
Payroll taxes	121,297	20,865	12,902	155,064
Employee benefits	<u>29,159</u>	<u>5,016</u>	<u>3,102</u>	<u>37,277</u>
Total payroll and related expenses	1,756,886	302,210	186,876	2,245,972
Consulting services	-	74,871	-	74,871
Depreciation	250,055	31,257	31,257	312,569
Grants and scholarships	9,493	-	-	9,493
Insurance	78,416	9,802	9,802	98,020
Interest	12,706	2,186	1,352	16,244
Marketing	5,511	-	5,511	11,022
Meetings and travel	30,497	29,589	-	60,086
Professional fees	22,252	19,178	1,340	42,770
Special events	-	-	122,125	122,125
Special programs	3,449	-	-	3,449
Supplies	46,312	-	40,311	86,623
Telephone and office expense	35,131	17,967	14,472	67,570
Utilities and maintenance	117,184	7,324	21,972	146,480
Miscellaneous	<u>11,769</u>	<u>7,844</u>	<u>19,615</u>	<u>39,228</u>
<b>Total expenses</b>	<u>\$ 2,379,661</u>	<u>\$ 502,228</u>	<u>\$ 454,633</u>	<u>\$ 3,336,522</u>

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See accompanying notes

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## STATEMENTS OF CASH FLOWS

Years ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$(133,654)	\$(522,672)
<b>Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities</b>		
Depreciation	317,673	312,569
Net realized and unrealized (gain) loss on investments	(186,167)	5,602
(Increase) decrease in		
Accounts receivable	(93,778)	(3,483)
Contributions receivable	124,750	(60,750)
Prepaid expenses and other	32,112	(21,515)
Increase (decrease) in		
Accounts payable and accrued expenses	71,078	30,376
Deferred revenue	(45,762)	26,044
<b>Net cash provided by (used for) operating activities</b>	<u>86,252</u>	<u>(233,829)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	345,599	488,430
Purchase of investments	(396,788)	(365,633)
Purchase of property and equipment	(15,956)	(33,909)
<b>Net cash provided by (used for) investing activities</b>	<u>(67,145)</u>	<u>88,888</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net advances on line of credit	<u>100,000</u>	<u>78,099</u>
<b>Net change in cash</b>	119,107	(66,842)
<b>CASH</b>		
Beginning of year	<u>71,530</u>	<u>138,372</u>
<b>End of year</b>	<u>\$ 190,637</u>	<u>\$ 71,530</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 19,231</u>	<u>\$ 16,244</u>

See accompanying notes



# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

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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 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.

Due to the global pandemic, the Organization experienced a complete shutdown of physical programs in March of 2020, and our largest fundraiser, the Annual LEGACY Benefit was postponed. LEGACY stayed connected to our kids and families via virtual platforms delivered by program directors. During this difficult time, funders stayed committed to our Organization. Beginning in June 2020 through August 2020, we successfully and *safely* served the LEGACY and Greater Communities utilizing CDC, City of Philadelphia, and USTA safety guidelines at the LEGACY Center, in our Out of School Time Programs, and in our Community Tennis Program sites throughout the City of Philadelphia.

### (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 statements 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.

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

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### **Concentrations of Credit Risk**

Financial instruments which subject the Organization to concentrations of credit risk consist of cash and accounts 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 are expected to be collected in fiscal year 2021.

### **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 statements 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, 2020 and 2019

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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.

Grants and contributions for 2020 include \$333,640 related to a contract with the City of Philadelphia.

### **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 and recognized as revenue in the subsequent year.

### **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 Pronouncements Adopted**

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Organization adopted ASU 2014-09 on September 1, 2019 using the modified retrospective method approach.

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

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The Organization performed an analysis of revenue streams and transactions under ASU 2014-09, including applying the portfolio approach as a practical expedient to group contracts with similar characteristics such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. The adoption of ASU 2014-09 had no impact on the amount of revenue recognized since revenue continues to be recognized as described above.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. The Organization adopted ASU 2018-08 on September 1, 2019.

### (3) INVESTMENTS

Investments consisted of the following at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 164,625	\$ 158,675
Common stocks	1,022,598	888,335
Mutual funds and exchange-traded funds		
Equity	677,973	583,513
Fixed income	262,213	259,549
U.S. government obligations	136,719	139,025
Corporate bonds	<u>107,641</u>	<u>105,316</u>
	<u>\$2,371,769</u>	<u>\$2,134,413</u>

Investments are held in the following separate custodial accounts at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Goodstein Junior Leaders	\$1,039,214	\$ 922,403
Elizabeth Murdoch Family Foundation	20,183	19,262
Brassler fund	190,485	154,127
Endowment fund	853,496	782,307
Building maintenance fund	<u>268,391</u>	<u>256,314</u>
	<u>\$2,371,769</u>	<u>\$2,134,413</u>

The income from the Goodstein Junior Leaders account is unrestricted.

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

The income from the Brassler fund is unrestricted.

The income from the endowment fund has not been restricted by donors; however, the fund 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, 2020 and 2019

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The income from 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 54,497	\$ 61,847
Net realized gains	16,792	61,740
Net unrealized gains (losses)	169,375	(67,342)
Investment management fees	<u>(18,389)</u>	<u>(19,067)</u>
	<u>\$222,275</u>	<u>\$ 37,178</u>

### (4) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Building and improvements	\$10,831,188	\$10,827,273
Signage	168,333	168,333
Furniture and equipment	234,397	227,955
Computers and software	224,750	219,151
Passenger vans	<u>79,916</u>	<u>79,916</u>
	11,538,584	11,522,628
Less accumulated depreciation	<u>(4,514,562)</u>	<u>(4,196,889)</u>
	<u>\$ 7,024,022</u>	<u>\$ 7,325,739</u>

### (5) LINE OF CREDIT

In March 2019, the Organization obtained a \$600,000 bank of credit with a financial institution that expired February 2021 and has been temporarily extended to April 2021 during its annual renewal process. Advances under the line are due on demand; bear interest at the Wall Street Journal prime rate with a floor of 5.50%; and are secured by substantially all of the Organization's assets. Advances outstanding under the line were \$375,532 at August 31, 2020 and \$275,532 at August 31, 2019.

### (6) PAYCHECK PROTECTION PROGRAM

In April 2020, the Organization received a loan of \$423,800 under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan is payable in 24 monthly installments from August 2021 to July 2023, bears interest at 1%, is unsecured, and is guaranteed by the Small Business Administration. Under the terms of the Paycheck Protection Program, the loan may be forgiven if the proceeds are used for qualifying expenses. Since the Organization incurred the qualifying expenses necessary for forgiveness prior to August 31, 2020, it has reported the loan proceeds of \$423,800 as grants and contributions in the accompanying 2020 statement of activities.

In March 2021, the Organization received notice from the Small Business Administration that the loan was forgiven.

# LEGACY YOUTH TENNIS AND EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

### (7) NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>Balance August 31, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance August 31, 2020</u>
<b><u>Purpose restrictions</u></b>				
Goodstein Jr. Leaders program	\$536,359	\$ -	\$ -	\$536,359
Special Serve program	40,751	-	(13,882)	26,869
Capital projects	25,000	-	(25,000)	-
Youth employment project	50,000	-	(50,000)	-
Excellence teams	35,105	-	(35,105)	-
Other	-	12,847	-	12,847
	687,215	12,847	(123,987)	576,075
<b><u>Time restrictions</u></b>				
Contributions receivable	25,000	-	(25,000)	-
	<u>\$712,215</u>	<u>\$12,847</u>	<u>\$(148,987)</u>	<u>\$576,075</u>
	<u>Balance August 31, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance August 31, 2019</u>
<b><u>Purpose restrictions</u></b>				
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	1,500	-	(1,500)	-
	609,044	172,500	(94,329)	687,215
<b><u>Time restrictions</u></b>				
Contributions receivable	-	100,000	(75,000)	25,000
	<u>\$609,044</u>	<u>\$272,500</u>	<u>\$(169,329)</u>	<u>\$712,215</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.

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## NOTES TO FINANCIAL STATEMENTS

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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, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Endowment assets, beginning of year	\$782,307	\$ 919,134
Deposits	16,188	28,896
Investment income	71,620	3,781
Withdrawals	<u>(16,619)</u>	<u>(169,504)</u>
Endowment assets, end of year	<u>\$853,496</u>	<u>\$ 782,307</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.

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.

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### (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, 2020</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>
Investments				
Money market funds	\$ 164,625	\$ 164,625	\$ -	\$ -
Common stocks	1,022,598	1,022,598	-	-
Mutual funds and exchange traded funds	940,186	940,186	-	-
U.S. Government obligations	136,719	-	136,719	-
Corporate bonds	<u>107,641</u>	<u>-</u>	<u>107,641</u>	<u>-</u>
	<u>\$2,371,769</u>	<u>\$2,127,409</u>	<u>\$244,360</u>	<u>\$ -</u>

  

<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 and exchange traded funds	843,062	843,062	-	-
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>

### (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) 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 \$20,462 in 2020 and \$44,681 in 2019 for services provided.



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## NOTES TO FINANCIAL STATEMENTS

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### (13) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of August 31, 2020 and 2019 and the amounts available within one year.

	<u>2020</u>	<u>2019</u>
Cash	\$ 190,637	\$ 71,530
Accounts receivable	115,832	22,054
Contributions receivable	-	124,750
Investments	<u>2,371,769</u>	<u>2,134,413</u>
Total financial assets	2,678,238	2,352,747
Less amounts with donor purpose restrictions	<u>(576,075)</u>	<u>(687,215)</u>
Financial assets available within one year	<u>\$2,102,163</u>	<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, the Organization maintains a \$600,000 line of credit.

### (14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 13, 2021, the date on which the financial statements were available to be issued. Except as disclosed in Note 6, no material events have occurred since August 31, 2020 that require recognition or disclosure in the financial statements.