

Legacy Youth Tennis and Education, Inc.

Financial Statements
Years ended August 31, 2021 and 2020



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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, 2021 and 2020, 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, 2021 and 2020, 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 30, 2022**

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 117,050	\$ 190,637
Accounts receivable	251,510	115,832
Contributions receivable	8,345	-
Prepaid expenses and other	100,010	79,705
Investments	2,910,621	2,371,769
Property and equipment, net	<u>6,753,693</u>	<u>7,024,022</u>
Total assets	<u>\$ 10,141,229</u>	<u>\$ 9,781,965</u>
LIABILITIES		
Line of credit	\$ 200,532	\$ 375,532
Accounts payable and accrued expenses	245,459	228,647
Deferred revenue	<u>76,850</u>	<u>112,430</u>
Total liabilities	<u>522,841</u>	<u>716,609</u>
NET ASSETS		
Without donor restrictions	9,009,344	8,489,281
With donor restrictions	<u>609,044</u>	<u>576,075</u>
Total net assets	<u>9,618,388</u>	<u>9,065,356</u>
Total liabilities and net assets	<u>\$ 10,141,229</u>	<u>\$ 9,781,965</u>

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF ACTIVITIES

Years ended August 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Grants and contributions	\$ 1,754,067	\$ 50,500	\$ 1,804,567	\$ 1,121,575	\$ 12,847	\$ 1,134,422
Usage fees	1,363,787	-	1,363,787	1,338,426	-	1,338,426
Special event income	196,277	-	196,277	233,692	-	233,692
Other income	13,337	-	13,337	7,017	-	7,017
Net assets released from restrictions	17,531	(17,531)	-	148,987	(148,987)	-
Total revenue and support	3,344,999	32,969	3,377,968	2,849,697	(136,140)	2,713,557
EXPENSES						
Program services	2,780,959	-	2,780,959	2,297,379	-	2,297,379
Supporting services						
General and administrative	348,612	-	348,612	450,037	-	450,037
Fundraising	251,074	-	251,074	322,070	-	322,070
Total expenses	3,380,645	-	3,380,645	3,069,486	-	3,069,486
Change in net assets before other changes	(35,646)	32,969	(2,677)	(219,789)	(136,140)	(355,929)
OTHER CHANGES						
Investment income	555,709	-	555,709	222,275	-	222,275
CHANGE IN NET ASSETS	520,063	32,969	553,032	2,486	(136,140)	(133,654)
NET ASSETS						
Beginning of year	8,489,281	576,075	9,065,356	8,486,795	712,215	9,199,010
End of year	\$ 9,009,344	\$ 609,044	\$ 9,618,388	\$ 8,489,281	\$ 576,075	\$ 9,065,356

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2021 with comparative totals for 2020

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>	
				<u>2021</u>	<u>2020</u>
Payroll and related expenses					
Payroll	\$ 1,942,637	\$ 231,749	\$ 117,533	\$ 2,291,919	\$ 1,948,357
Payroll taxes	128,124	15,285	7,752	151,161	142,914
Employee benefits	<u>30,451</u>	<u>3,633</u>	<u>1,842</u>	<u>35,926</u>	<u>43,026</u>
Total payroll and related expenses	2,101,212	250,667	127,127	2,479,006	2,134,297
Consulting services	-	-	-	-	32,491
Depreciation	252,676	31,585	31,585	315,846	317,673
Grants and scholarships	16,781	-	-	16,781	9,852
Insurance	75,862	9,482	9,482	94,826	97,821
Interest	16,068	2,009	2,009	20,086	20,705
Marketing	-	-	8,576	8,576	36,027
Meetings and travel	5,624	409	-	6,033	25,383
Professional fees	18,361	29,526	926	48,813	55,323
Special events	-	-	28,267	28,267	43,172
Special programs	29,121	-	-	29,121	3,917
Supplies	55,942	103	12,658	68,703	38,940
Telephone and office expense	56,393	6,727	3,412	66,532	77,283
Utilities and maintenance	110,160	13,770	13,770	137,700	131,561
Miscellaneous	<u>42,759</u>	<u>4,334</u>	<u>13,262</u>	<u>60,355</u>	<u>45,041</u>
Total expenses	<u>\$ 2,780,959</u>	<u>\$ 348,612</u>	<u>\$ 251,074</u>	<u>\$ 3,380,645</u>	<u>\$ 3,069,486</u>

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2020

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and related expenses				
Payroll	\$ 1,508,720	\$ 267,160	\$ 172,477	\$ 1,948,357
Payroll taxes	110,666	19,597	12,651	142,914
Employee benefits	<u>33,317</u>	<u>5,900</u>	<u>3,809</u>	<u>43,026</u>
Total payroll and related expenses	1,652,703	292,657	188,937	2,134,297
Consulting services	-	32,491	-	32,491
Depreciation	254,139	31,767	31,767	317,673
Grants and scholarships	9,852	-	-	9,852
Insurance	78,257	9,782	9,782	97,821
Interest	16,563	2,071	2,071	20,705
Marketing	656	15,093	20,278	36,027
Meetings and travel	22,486	2,852	45	25,383
Professional fees	12,868	41,212	1,243	55,323
Special events	-	-	43,172	43,172
Special programs	3,917	-	-	3,917
Supplies	35,422	-	3,518	38,940
Telephone and office expense	65,518	6,717	5,048	77,283
Utilities and maintenance	105,249	13,156	13,156	131,561
Miscellaneous	<u>39,749</u>	<u>2,239</u>	<u>3,053</u>	<u>45,041</u>
Total expenses	<u>\$ 2,297,379</u>	<u>\$ 450,037</u>	<u>\$ 322,070</u>	<u>\$ 3,069,486</u>

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF CASH FLOWS

Years ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 553,032	\$ (133,654)
<i>Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	315,846	317,673
Net realized and unrealized gain on investments	(518,626)	(186,167)
(Increase) decrease in		
Accounts receivable	(135,678)	(93,778)
Contributions receivable	(8,345)	124,750
Prepaid expenses and other	(20,305)	32,112
Increase (decrease) in		
Accounts payable and accrued expenses	16,812	71,078
Deferred revenue	(35,580)	(45,762)
Net cash provided by operating activities	<u>167,156</u>	<u>86,252</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	412,294	345,599
Purchase of investments	(432,520)	(396,788)
Purchase of property and equipment	(45,517)	(15,956)
Net cash used for investing activities	<u>(65,743)</u>	<u>(67,145)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances (repayments) on line of credit	(175,000)	100,000
Net change in cash	(73,587)	119,107
CASH		
Beginning of year	<u>190,637</u>	<u>71,530</u>
End of year	<u>\$ 117,050</u>	<u>\$ 190,637</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 21,560</u>	<u>\$ 19,231</u>

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

(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 ongoing global pandemic, the Organization experienced a shutdown of physical programs from November 2020 to January 2021, and the Organization's largest fundraiser, the Annual LEGACY Benefit, was held virtually. During the shutdown, the Organization stayed connected to our kids and families via virtual platforms delivered by program directors, and funders stayed committed to the Organization. Beginning in January of 2021 through August 2021, the Organization successfully and safely provided its services utilizing CDC, City of Philadelphia and USTA safety guidelines at the Organization's facility, in its Out of School Time programs, and in its 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.

Concentrations of Credit Risk

Financial instruments which subject the Organization to concentrations of credit risk consist of cash and accounts 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 and contributions receivable are expected to be collected in fiscal year 2022.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

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

Accounts receivable are stated at the amount management expects to collect from outstanding balances. 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.

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.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

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 include \$1,081,977 in 2021 and \$333,640 in 2020 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.

(3) INVESTMENTS

Investments consisted of the following at August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 215,445	\$ 164,625
Common stocks	1,308,357	1,022,598
Mutual funds and exchange-traded funds		
Equity	854,570	677,973
Fixed income	269,917	262,213
U.S. government obligations	163,116	136,719
Corporate bonds	99,216	107,641
	<u>\$ 2,910,621</u>	<u>\$ 2,371,769</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

Investments are held in the following separate custodial accounts at August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Goodstein Junior Leaders	\$ 1,343,297	\$ 1,039,214
Elizabeth Murdoch Family Foundation	25,440	20,183
Brassler fund	238,796	190,485
Endowment fund	1,033,246	853,496
Building maintenance fund	<u>269,842</u>	<u>268,391</u>
	<u>\$ 2,910,621</u>	<u>\$ 2,371,769</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.

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 54,408	\$ 54,497
Net realized gains	60,020	16,792
Net unrealized gains	458,606	169,375
Investment management fees	<u>(17,325)</u>	<u>(18,389)</u>
	<u>\$ 555,709</u>	<u>\$ 222,275</u>

(4) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Building and improvements	\$ 10,857,188	\$ 10,831,188
Signage	168,333	168,333
Furniture and equipment	234,397	234,397
Computers and software	244,267	224,750
Passenger vans	<u>79,915</u>	<u>79,915</u>
	11,584,100	11,538,583
Less: accumulated depreciation	<u>(4,830,407)</u>	<u>(4,514,561)</u>
	<u>\$ 6,753,693</u>	<u>\$ 7,024,022</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

(5) LINE OF CREDIT

The Organization has a \$600,000 line of credit with a financial institution that expires May 2023. Advances under the line are due on demand; bear interest at the Wall Street Journal prime rate with a floor of 4%; and are secured by substantially all of the Organization's assets. Advances outstanding under the line were \$200,532 at August 31, 2021 and \$375,532 at August 31, 2020.

(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 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.

In March 2021, the Organization received a second loan of \$423,845 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 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, 2021, it has reported the loan proceeds of \$423,845 as grants and contributions in the accompanying 2021 statement of activities. In October 2021, the Organization received notice from the Small Business Administration that the loan was forgiven.

(7) NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>Balance</u> <u>August 31, 2020</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>August 31, 2021</u>
<u>Purpose restrictions</u>				
Goodstein Jr. Leaders program	\$ 536,359	\$ -	\$ -	\$ 536,359
Special Serve program	26,869	-	-	26,869
Excellence teams	-	25,000	(2,902)	22,098
Other	12,847	25,500	(14,629)	23,718
	<u>\$ 576,075</u>	<u>\$ 50,500</u>	<u>\$ (17,531)</u>	<u>\$ 609,044</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

	<u>Balance</u> <u>August 31, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>August 31, 2020</u>
<u>Purpose restrictions</u>				
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
<u>Time restrictions</u>				
Contributions receivable	25,000	-	(25,000)	-
	<u>\$ 712,215</u>	<u>\$ 12,847</u>	<u>\$ (148,987)</u>	<u>\$ 576,075</u>

(8) ENDOWMENT FUND

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

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

Annual distributions to support the Organization's operations equal to 5% of the average balance for the endowment portfolio's twenty preceding quarters are available to be made annually. The executive officers of the board of directors have discretion to adjust the annual distribution when necessary.

Changes in the board-designated endowment assets for the years ended August 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Endowment assets, beginning of year	\$ 853,496	\$ 782,307
Deposits	-	16,188
Investment income	179,750	71,620
Withdrawals	-	(16,619)
Endowment assets, end of year	<u>\$ 1,033,246</u>	<u>\$ 853,496</u>

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

(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.

(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, 2021</u>	<u>Total</u>	<u>Quoted prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Input (Level 2)</u>	<u>Significant Unobservable Input (Level 3)</u>
Money market funds	\$ 215,445	\$ 215,445	\$ -	\$ -
Common stocks	1,308,357	1,308,357	-	-
Mutual funds and exchange- traded funds	1,124,487	1,124,487	-	-
U.S. government obligations	163,116	-	163,116	-
Corporate bonds	99,216	-	99,216	-
	<u>\$ 2,910,621</u>	<u>\$ 2,648,289</u>	<u>\$ 262,332</u>	<u>\$ -</u>

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<u>August 31, 2020</u>	<u>Total</u>	<u>Quoted prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Input (Level 2)</u>	<u>Significant Unobservable Input (Level 3)</u>
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	107,641	-	107,641	-
	<u>\$ 2,371,769</u>	<u>\$ 2,127,409</u>	<u>\$ 244,360</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 for services provided in 2020.

(13) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of August 31, 2021 and 2020 and the amounts available within one year.

	<u>2021</u>	<u>2020</u>
Cash	\$ 117,050	\$ 190,637
Accounts receivable	251,510	115,832
Contribution receivable	8,345	-
Investments	<u>2,910,621</u>	<u>2,371,769</u>
Total financial assets	3,287,526	2,678,238
Less amounts with donor restrictions	<u>(609,044)</u>	<u>(576,075)</u>
Financial assets available within one year	<u>\$ 2,678,482</u>	<u>\$ 2,102,163</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.

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(14) LEGAL MATTERS

In April 2021, the Organization reached a settlement agreement with a former employee who had previously filed a lawsuit in federal court against the Organization alleging racial and gender discrimination. The Organization denied the allegations and any liability; however, its insurance carrier agreed to a settlement with the former employee, which was paid by the insurance carrier.

In July 2021, the Harvey Goodstein Charitable Foundation (the "**Foundation**") filed a petition with the Court of Common Pleas of Philadelphia County, Orphan's Court Division, demanding that the Organization (1) pay the entire principal and all accrued but undistributed income of the Goodstein Junior Leaders endowment account to the Foundation, the value of which was \$1,343,297 at August 31, 2021, alleging that the Organization has not used the funds for their intended purpose, and (2) return \$81,667 of a \$100,000 contribution made by the Foundation to the Organization in 2016, alleging that the Organization failed to raise the required matching contributions. In addition, in response to a request by the Foundation, in December 2021 the custodian of the Goodstein Junior Leaders endowment account placed a temporary restriction on the account such that the Organization is currently unable to access the account.

In March 2022, the Organization filed its response to the Foundation's petition denying any liability. The Organization claimed that (1) it was using the Goodstein Junior Leaders funds for their intended purpose, and (2) it had met the matching requirements for the \$100,000 contribution made by the Foundation in 2016.

In March 2022, the Organization also filed a petition with the Court of Common Pleas of Philadelphia County Orphan's Court Division demanding that (1) the Foundation pay the Organization the remaining \$500,000 that it had previously promised, (2) the Foundation pay the Organization for damages resulting from the Foundation's intentional interference with the Organization's relationship with the custodian of the Goodstein Junior Leaders endowment account, and (3) the custodian pay the Organization for damages in placing a temporary restriction on the Goodstein Junior Leaders endowment account.

The outcome of this matter is uncertain at this time. Nevertheless, management believes that the Organization will not be required to pay the principal and all accrued but undistributed income of the Goodstein Junior Leaders endowment account to the Foundation, nor will it be required to return \$81,667 to the Foundation. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 30, 2022, the date on which the financial statements were available to be issued. Except as disclosed in Notes 6 and 14, no material events have occurred since August 31, 2021 that require recognition or disclosure in the financial statements.