

Legacy Youth Tennis and Education, Inc.

Financial Statements
Years ended August 31, 2023 and 2022



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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.**

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Legacy Youth Tennis and Education, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Legacy Youth Tennis and Education, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of Legacy Youth Tennis and Education, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Legacy Youth Tennis and Education, Inc.'s ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

BBD LLP

Philadelphia, Pennsylvania
March 29, 2024

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash | \$ 563,529 | \$ 219,498 |
| Accounts receivable | 314,803 | 235,945 |
| Contributions receivable | - | 22,500 |
| Prepaid expenses and other | 68,848 | 137,294 |
| Investments | 2,157,286 | 2,530,077 |
| Property and equipment, net | <u>6,342,045</u> | <u>6,558,434</u> |
| Total assets | <u>\$ 9,446,511</u> | <u>\$ 9,703,748</u> |
| | | |
| LIABILITIES | | |
| Line of credit | \$ - | \$ 250,531 |
| Accounts payable and accrued expenses | 89,968 | 266,255 |
| Deferred revenue | <u>296,551</u> | <u>386,192</u> |
| Total liabilities | <u>386,519</u> | <u>902,978</u> |
| | | |
| NET ASSETS | | |
| Without donor restrictions | 8,811,723 | 7,838,521 |
| With donor restrictions | <u>248,269</u> | <u>962,249</u> |
| Total net assets | <u>9,059,992</u> | <u>8,800,770</u> |
| | | |
| Total liabilities and net assets | <u>\$ 9,446,511</u> | <u>\$ 9,703,748</u> |

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF ACTIVITIES

Years ended August 31, 2023 and 2022

| | 2023 | | | 2022 | | |
|--|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE AND SUPPORT | | | | | | |
| Grants and contributions | \$ 2,311,250 | \$ 86,068 | \$ 2,397,318 | \$ 1,251,500 | \$ 81,430 | \$ 1,332,930 |
| Usage fees | 2,283,162 | - | 2,283,162 | 1,694,680 | - | 1,694,680 |
| Special event income | 702,213 | 139,951 | 842,164 | 44,358 | 350,421 | 394,779 |
| Other income | 8,819 | - | 8,819 | 9,406 | - | 9,406 |
| Net assets released from restrictions | 939,999 | (939,999) | - | 78,646 | (78,646) | - |
| Total revenue and support | <u>6,245,443</u> | <u>(713,980)</u> | <u>5,531,463</u> | <u>3,078,590</u> | <u>353,205</u> | <u>3,431,795</u> |
| EXPENSES | | | | | | |
| Program services | 3,510,405 | - | 3,510,405 | 3,117,733 | - | 3,117,733 |
| Supporting services | | | | | | |
| General and administrative | 948,045 | - | 948,045 | 555,947 | - | 555,947 |
| Fundraising | 441,234 | - | 441,234 | 194,650 | - | 194,650 |
| Total expenses | <u>4,899,684</u> | <u>-</u> | <u>4,899,684</u> | <u>3,868,330</u> | <u>-</u> | <u>3,868,330</u> |
| Change in net assets before other changes | 1,345,759 | (713,980) | 631,779 | (789,740) | 353,205 | (436,535) |
| OTHER CHANGES | | | | | | |
| Refund on legal settlement | (545,478) | - | (545,478) | - | - | - |
| Investment income (loss) | 172,921 | - | 172,921 | (381,083) | - | (381,083) |
| | <u>(372,557)</u> | <u>-</u> | <u>(372,557)</u> | <u>(381,083)</u> | <u>-</u> | <u>(381,083)</u> |
| CHANGE IN NET ASSETS | 973,202 | (713,980) | 259,222 | (1,170,823) | 353,205 | (817,618) |
| NET ASSETS | | | | | | |
| Beginning of year | 7,838,521 | 962,249 | 8,800,770 | 9,009,344 | 609,044 | 9,618,388 |
| End of year | <u>\$ 8,811,723</u> | <u>\$ 248,269</u> | <u>\$ 9,059,992</u> | <u>\$ 7,838,521</u> | <u>\$ 962,249</u> | <u>\$ 8,800,770</u> |

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2023 with comparative totals for 2022

| | <u>Program</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Totals</u> | |
|---|---------------------|---------------------------------------|--------------------|---------------------|---------------------|
| | | | | <u>2023</u> | <u>2022</u> |
| Payroll and related expenses | | | | | |
| Payroll | \$ 2,539,164 | \$ 504,602 | \$ 201,233 | \$ 3,244,999 | \$ 2,553,865 |
| Payroll taxes | 105,941 | 155,233 | 5,254 | 266,428 | 211,533 |
| Employee benefits | <u>12,885</u> | <u>16,690</u> | <u>663</u> | <u>30,238</u> | <u>44,836</u> |
| Total payroll and related expenses | 2,657,990 | 676,525 | 207,150 | 3,541,665 | 2,810,234 |
| Consulting services | 24,083 | 4,786 | 1,909 | 30,778 | 11,125 |
| Depreciation | 264,127 | 33,016 | 33,016 | 330,159 | 315,059 |
| Grants and scholarships | 33,190 | - | - | 33,190 | 27,729 |
| Insurance | 26,400 | 82,002 | - | 108,402 | 115,552 |
| Interest | 3,179 | 397 | 397 | 3,973 | 8,437 |
| Marketing | 7,806 | 1,500 | 4,700 | 14,006 | 15,158 |
| Meetings and travel | 39,672 | 39,909 | 771 | 80,352 | 44,235 |
| Professional fees | 19,806 | 69,515 | - | 89,321 | 71,046 |
| Special events | 1,106 | 774 | 171,668 | 173,548 | 11,811 |
| Special programs | 36,320 | - | - | 36,320 | 42,197 |
| Supplies | 66,853 | 2,370 | 8,240 | 77,463 | 66,398 |
| Telephone and office expense | 78,056 | 8,586 | 5,009 | 91,651 | 83,326 |
| Bad debt expense | - | 20,000 | - | 20,000 | - |
| Utilities and maintenance | 152,384 | 2,563 | - | 154,947 | 161,477 |
| Miscellaneous | <u>99,433</u> | <u>6,102</u> | <u>8,374</u> | <u>113,909</u> | <u>84,546</u> |
| Total expenses | <u>\$ 3,510,405</u> | <u>\$ 948,045</u> | <u>\$ 441,234</u> | <u>\$ 4,899,684</u> | <u>\$ 3,868,330</u> |

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2022

| | <u>Program</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|---|---------------------|---------------------------------------|--------------------|---------------------|
| Payroll and related expenses | | | | |
| Payroll | \$ 2,079,510 | \$ 382,531 | \$ 91,824 | \$ 2,553,865 |
| Payroll taxes | 172,243 | 31,684 | 7,606 | 211,533 |
| Employee benefits | <u>36,508</u> | <u>6,716</u> | <u>1,612</u> | <u>44,836</u> |
| Total payroll and related expenses | 2,288,261 | 420,931 | 101,042 | 2,810,234 |
| Consulting services | 8,968 | 1,711 | 446 | 11,125 |
| Depreciation | 252,047 | 31,506 | 31,506 | 315,059 |
| Grants and scholarships | 27,729 | - | - | 27,729 |
| Insurance | 92,442 | 11,555 | 11,555 | 115,552 |
| Interest | 6,749 | 844 | 844 | 8,437 |
| Marketing | 6,214 | - | 8,944 | 15,158 |
| Meetings and travel | 40,073 | 4,162 | - | 44,235 |
| Professional fees | 17,366 | 52,946 | 734 | 71,046 |
| Special events | - | - | 11,811 | 11,811 |
| Special programs | 42,197 | - | - | 42,197 |
| Supplies | 66,398 | - | - | 66,398 |
| Telephone and office expense | 67,849 | 12,481 | 2,996 | 83,326 |
| Utilities and maintenance | 129,181 | 16,148 | 16,148 | 161,477 |
| Miscellaneous | <u>72,259</u> | <u>3,663</u> | <u>8,624</u> | <u>84,546</u> |
| Total expenses | <u>\$ 3,117,733</u> | <u>\$ 555,947</u> | <u>\$ 194,650</u> | <u>\$ 3,868,330</u> |

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

STATEMENTS OF CASH FLOWS

Years ended August 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| <i>Change in net assets</i> | \$ 259,222 | \$ (817,618) |
| <i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i> | | |
| Depreciation | 330,159 | 315,059 |
| Bad debt expense | 20,000 | - |
| Net realized and unrealized (gain) loss on investments | (138,820) | 413,904 |
| (Increase) decrease in | | |
| Accounts receivable | (78,858) | 15,565 |
| Contributions receivable | 2,500 | (14,155) |
| Prepaid expenses and other | 68,446 | (37,284) |
| Increase (decrease) in | | |
| Accounts payable and accrued expenses | (176,287) | 20,796 |
| Deferred revenue | (89,641) | 309,342 |
| Net cash provided by operating activities | <u>196,721</u> | <u>205,609</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 682,312 | 298,974 |
| Purchase of investments | (170,701) | (332,334) |
| Purchase of property and equipment | (113,770) | (119,800) |
| Net cash provided by (used for) investing activities | <u>397,841</u> | <u>(153,160)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net advances (repayments) on line of credit | (250,531) | 49,999 |
| Net change in cash | 344,031 | 102,448 |
| CASH | | |
| Beginning of year | <u>219,498</u> | <u>117,050</u> |
| End of year | <u>\$ 563,529</u> | <u>\$ 219,498</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | <u>\$ 3,973</u> | <u>\$ 8,437</u> |

See accompanying notes

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 and 2022

(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 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, 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 2024.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 and 2022

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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

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.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 and 2022

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 include \$1,295,711 in 2023 and \$867,323 in 2022 related to contracts 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.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, Leases (Topic 842) and subsequent amendments to the initial guidance ("**the lease standard**"). Under the new guidance, lessees are required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. This guidance was effective for the Organization in fiscal year 2023. The Organization adopted this standard using the modified retrospective approach.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 and 2022

The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification. The Organization has also elected the practical expedient to not separate lease components from non-lease components. The adoption of this standard did not have a material impact on the financial statements of the Organization.

(3) INVESTMENTS

Investments consisted of the following at August 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Money market funds | \$ 186,346 | \$ 209,407 |
| Certificates of deposit | 40,000 | - |
| Common stocks | 910,600 | 1,110,835 |
| Mutual funds and exchange-traded funds | | |
| Equity | 517,509 | 716,725 |
| Fixed income | 234,929 | 249,128 |
| U.S. government obligations | 175,466 | 177,061 |
| Corporate bonds | 92,436 | 66,921 |
| | <u>\$ 2,157,286</u> | <u>\$ 2,530,077</u> |

Investments are held in the following separate custodial accounts at August 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------|---------------------|---------------------|
| Goodstein Junior Leaders | \$ - | \$ 1,164,302 |
| Other investments | 688,575 | - |
| Elizabeth Murdoch Family Foundation | 25,373 | 23,082 |
| Brassler fund | 238,540 | 210,480 |
| Endowment fund | 951,384 | 884,223 |
| Building maintenance fund | 253,414 | 247,990 |
| | <u>\$ 2,157,286</u> | <u>\$ 2,530,077</u> |

The income from the Goodstein Junior Leaders account is unrestricted. During the year ended August 31, 2023, the Organization entered into a settlement agreement resulting in the dissolution and repayment back of a portion of the Goodstein Junior Leaders Account (**See Note 13**).

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.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 and 2022

Investment income (loss) consisted of the following for the years ended August 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|----------------------------|-------------------|---------------------|
| Interest and dividends | \$ 50,248 | \$ 57,705 |
| Net realized gains | 40,348 | 40,960 |
| Net unrealized gains | 98,472 | (454,864) |
| Investment management fees | <u>(16,147)</u> | <u>(24,884)</u> |
| | <u>\$ 172,921</u> | <u>\$ (381,083)</u> |

(4) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------|---------------------|---------------------|
| Building and improvements | \$ 11,090,758 | \$ 10,976,988 |
| Signage | 168,333 | 168,333 |
| Furniture and equipment | 234,397 | 234,397 |
| Computers and software | 244,267 | 244,267 |
| Passenger vans | <u>79,915</u> | <u>79,915</u> |
| | 11,817,670 | 11,703,900 |
| Less: accumulated depreciation | <u>(5,475,625)</u> | <u>(5,145,466)</u> |
| | <u>\$ 6,342,045</u> | <u>\$ 6,558,434</u> |

(5) LINE OF CREDIT

The Organization has a \$600,000 line of credit with a financial institution that expires May 2024. Advances under the line are due on demand; bear interest at the Wall Street Journal prime rate with a floor of 4% (8.50% at August 31, 2023, and are secured by substantially all of the Organization's assets. Advances outstanding under the line were \$- at August 31, 2023 and \$250,531 at August 31, 2022.

(6) PAYCHECK PROTECTION PROGRAM

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 was charged interest at 1%, was unsecured, and was guaranteed by the Small Business Administration. Under the terms of the Paycheck Protection Program, the loan could be forgiven if the proceeds were 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 2021 financial statements. 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:

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 and 2022

| | <u>Balance</u> <u>August 31, 2022</u> | <u>Additions</u> | <u>Releases</u> | <u>Balance</u> <u>August 31, 2023</u> |
|------------------------------------|--|-------------------|---------------------|--|
| <u>Purpose restrictions</u> | | | | |
| Goodstein Jr. Leaders program | \$ 536,359 | \$ - | \$ (536,359) | \$ - |
| Excellence teams | 36,252 | 25,000 | (19,201) | 42,051 |
| Annual benefit event | 350,421 | 139,951 | (350,421) | 139,951 |
| Other | 39,217 | 61,068 | (34,018) | 66,267 |
| | <u>\$ 962,249</u> | <u>\$ 226,019</u> | <u>\$ (939,999)</u> | <u>\$ 248,269</u> |
| | | | | |
| | <u>Balance</u> <u>August 31, 2021</u> | <u>Additions</u> | <u>Releases</u> | <u>Balance</u> <u>August 31, 2022</u> |
| <u>Purpose restrictions</u> | | | | |
| Goodstein Jr. Leaders program | \$ 536,359 | \$ - | \$ - | \$ 536,359 |
| Special Serve program | 26,869 | - | (26,869) | - |
| Excellence teams | 22,098 | 26,000 | (11,846) | 36,252 |
| Annual benefit event | - | 350,421 | - | 350,421 |
| Other | 23,718 | 55,430 | (39,931) | 39,217 |
| | <u>\$ 609,044</u> | <u>\$ 431,851</u> | <u>\$ (78,646)</u> | <u>\$ 962,249</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, 2023 and 2022 were as follows:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------|-------------------|-------------------|
| Endowment assets, beginning of year | \$ 884,223 | \$ 1,033,246 |
| Deposits | - | 233 |
| Investment income (loss) | <u>67,161</u> | <u>(149,256)</u> |
| Endowment assets, end of year | <u>\$ 951,384</u> | <u>\$ 884,223</u> |

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

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(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 and Power Purchase Agreement

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 expired in November 2023 with one five-year renewal option. Subsequent to the year ended August 31, 2023, UGI exercised the 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.

(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, 2023</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 | \$ 186,346 | \$ 186,346 | \$ - | \$ - |
| Certificates of deposit | 40,000 | - | 40,000 | - |
| Common stocks | 910,600 | 910,600 | - | - |
| Mutual funds and exchange- traded funds | 752,438 | 752,438 | - | - |
| U.S. government obligations | 175,466 | - | 175,466 | - |
| Corporate bonds | 92,436 | - | 92,436 | - |
| | <u>\$ 2,157,286</u> | <u>\$ 1,849,384</u> | <u>\$ 307,902</u> | <u>\$ -</u> |

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 and 2022

| <u>August 31, 2022</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 | \$ 209,407 | \$ 209,407 | \$ - | \$ - |
| Common stocks | 1,110,835 | 1,110,835 | - | - |
| Mutual funds and exchange- traded funds | 965,853 | 965,853 | - | - |
| U.S. government obligations | 177,061 | - | 177,061 | - |
| Corporate bonds | 66,921 | - | 66,921 | - |
| | <u>\$ 2,530,077</u> | <u>\$ 2,286,095</u> | <u>\$ 243,982</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) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of August 31, 2023 and 2022 and the amounts available within one year.

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Cash | \$ 563,529 | \$ 219,498 |
| Accounts receivable | 314,803 | 235,945 |
| Contributions receivable | - | 22,500 |
| Investments | <u>2,157,286</u> | <u>2,530,077</u> |
| Total financial assets | 3,035,618 | 3,008,020 |
| Less amounts with donor restrictions | <u>(248,269)</u> | <u>(962,249)</u> |
| Financial assets available within one year | <u>\$ 2,787,349</u> | <u>\$ 2,045,771</u> |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available for use 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.

(13) LEGAL MATTERS

In December 2022, the Organization reached an agreement with the Harvey Goodstein Charitable Foundation (the "**Foundation**") to settle claims and counter-claims between the Foundation and the Organization regarding the Organization's use of the funds in the Goodstein Junior Leaders investment account, the Organization's requirement to match certain contributions related to the program, and the Foundation's requirement to continue to provide funding to the Organization. The settlement agreement provided for the Organization and Foundation to split evenly the funds existing in the Goodstein Junior Leaders investment account as of the date the funds became available. As a result, in January 2023, the Organization refunded \$595,478 to the Foundation and retained \$595,478, which was designated in the settlement agreement to be available to the Organization for its general purposes at its discretion.

LEGACY YOUTH TENNIS AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 and 2022

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 29, 2024, the date on which the financial statements were available to be issued. No material events have occurred since August 31, 2023 that require recognition or disclosure in the financial statements.