

Little League Baseball, Incorporated and Controlled Entities

**Combined Financial Statements
September 30, 2020 and 2019**

Little League Baseball, Incorporated and Controlled Entities

Index

September 30, 2020 and 2019

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Report of Independent Auditors

To the Board of Directors of
Little League Baseball, Incorporated

We have audited the accompanying combined financial statements of Little League Baseball, Incorporated, Little League Baseball Poland Foundation (Williamsport) and Little League Baseball Poland Foundation (Poland), which comprise the combined statements of financial position as of September 30, 2020 and 2019, and the related combined statements of activities and changes in net assets, of functional expenses and of cash flows for the years then ended.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the combined 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 Company'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Little League Baseball, Incorporated, Little League Baseball Poland Foundation (Williamsport) and Little League Baseball Poland Foundation (Poland) as of September 30, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

February 11, 2021

Little League Baseball, Incorporated and Controlled Entities

Combined Statements of Financial Position

September 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 5,698,150	\$ 10,732,314
Trade accounts receivable, net	326,148	463,646
Tournament cancellation insurance receivable	8,649,131	-
Inventories	617,926	534,525
Supplies, prepaid expenses and other assets	1,452,782	908,557
Investments	36,483,690	38,814,875
Land, building and equipment, net	43,569,719	36,190,915
Collections, net	1,107,299	1,247,069
Total assets	\$ 97,904,845	\$ 88,891,901
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 3,698,201	\$ 850,277
Holiday savings plan	186,312	224,601
Deferred revenue	1,892,000	82,350
Due to leagues	1,999,979	1,441,005
PPP Loan	1,474,200	-
Line of Credit	5,200,000	-
Other postretirement benefits	4,027,565	3,374,919
Total liabilities	18,478,257	5,973,152
Net assets		
Without donor restrictions	79,307,797	82,800,067
With donor restrictions	118,791	118,682
Total net assets	79,426,588	82,918,749
Total liabilities and net assets	\$ 97,904,845	\$ 88,891,901

The accompanying notes are an integral part of these combined financial statements.

Little League Baseball, Incorporated and Controlled Entities
Combined Statement of Activities and Changes in Net Assets
Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and gains			
Support			
Contributions from			
Public	\$ 1,144,264	\$ -	\$ 1,144,264
Local Little Leagues	61,246	-	61,246
Total support	<u>1,205,510</u>	<u>-</u>	<u>1,205,510</u>
Revenues and gains			
Charter fees and membership enrollment	(22,620)	-	(22,620)
Royalties, rights, license fees and corporate sponsors	6,577,538	-	6,577,538
Service fee for administration of group accident and liability insurance covering local little leagues	339,865	-	339,865
Summer camp	1,468	-	1,468
World Series/tournaments/special activities	154,458	-	154,458
Sale of copyrighted supplies	1,034,089	-	1,034,089
Peter J. McGovern Museum admissions	9,507	-	9,507
League publications	34,850	-	34,850
Interest and dividends	202,678	109	202,787
Miscellaneous revenue	22,931	-	22,931
Tournament cancellation insurance	12,149,131	-	12,149,131
Gain on disposal of assets	935,923	-	935,923
Total revenues and gains	<u>21,439,818</u>	<u>109</u>	<u>21,439,927</u>
Total support, revenues and gains	<u>22,645,328</u>	<u>109</u>	<u>22,645,437</u>
Expenses			
Program services			
League operations	11,943,502	-	11,943,502
World series/tournaments/special activities	7,516,246	-	7,516,246
Peter J. McGovern Museum	729,005	-	729,005
Total program services	<u>20,188,753</u>	<u>-</u>	<u>20,188,753</u>
Supporting services			
Administrative services	2,931,463	-	2,931,463
Other expense			
Net periodic postretirement benefit cost other than service cost	110,034	-	110,034
Total expenses	<u>23,230,250</u>	<u>-</u>	<u>23,230,250</u>
Other changes in net assets			
Net realized and unrealized loss on investments	(2,425,491)	-	(2,425,491)
Change in other postretirement benefits	(481,857)	-	(481,857)
Change in net assets	<u>(3,492,270)</u>	<u>109</u>	<u>(3,492,161)</u>
Net assets			
Beginning of year	82,800,067	118,682	82,918,749
End of year	<u>\$ 79,307,797</u>	<u>\$ 118,791</u>	<u>\$ 79,426,588</u>

The accompanying notes are an integral part of these combined financial statements.

Little League Baseball, Incorporated and Controlled Entities
Combined Statement of Activities and Changes in Net Assets
Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and gains			
Support			
Contributions from			
Public	\$ 534,310	\$ 100,000	\$ 634,310
Local Little Leagues	3,474,417	-	3,474,417
Total support	<u>4,008,727</u>	<u>100,000</u>	<u>4,108,727</u>
Revenues and gains			
Charter fees and membership enrollment	1,226,021	-	1,226,021
Royalties, rights, license fees and corporate sponsors	12,026,356	-	12,026,356
Service fee for administration of group accident and liability insurance covering local little leagues	896,845	-	896,845
Summer camp	468,628	-	468,628
World Series/tournaments/special activities	10,466,795	-	10,466,795
Sale of copyrighted supplies	4,417,632	-	4,417,632
Peter J. McGovern Museum admissions	64,389	-	64,389
League publications	50,800	-	50,800
Interest and dividends	241,777	135	241,912
Net realized and unrealized gain on investments	1,790,417	-	1,790,417
Miscellaneous revenue	54,199	-	54,199
Loss on disposal of assets	(16,390)	-	(16,390)
Net assets released from restriction	<u>140,728</u>	<u>(140,728)</u>	<u>-</u>
Total revenues and gains	<u>31,828,197</u>	<u>(140,593)</u>	<u>31,687,604</u>
Total support, revenues and gains	<u>35,836,924</u>	<u>(40,593)</u>	<u>35,796,331</u>
Expenses			
Program services			
League operations	14,536,713	-	14,536,713
World series/tournaments/special activities	13,776,385	-	13,776,385
Peter J. McGovern Museum	839,424	-	839,424
Total program services	<u>29,152,522</u>	-	<u>29,152,522</u>
Supporting services			
Administrative services	3,646,799	-	3,646,799
Other expense			
Net periodic postretirement benefit cost other than service cost	<u>100,811</u>	<u>-</u>	<u>100,811</u>
Total expenses	<u>32,900,132</u>	-	<u>32,900,132</u>
Other changes in net assets			
Change in other postretirement benefits	<u>192,572</u>	-	<u>192,572</u>
Change in net assets	<u>3,129,364</u>	<u>(40,593)</u>	<u>3,088,771</u>
Net assets			
Beginning of year	<u>79,670,703</u>	<u>159,275</u>	<u>79,829,978</u>
End of year	<u>\$ 82,800,067</u>	<u>\$ 118,682</u>	<u>\$ 82,918,749</u>

The accompanying notes are an integral part of these combined financial statements.

Little League Baseball, Incorporated and Controlled Entities
Combined Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (3,492,161)	\$ 3,088,771
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	3,724,936	3,583,910
Net realized and unrealized loss/m (gain) on investments	2,425,491	(1,790,417)
Interest and dividends received on investments	(202,678)	(241,912)
(Gain) loss on disposal of fixed assets	(935,923)	16,390
Changes in assets and liabilities		
Trade accounts receivable	137,498	30,188
Tournament cancellation insurance receivable	(8,649,131)	-
Inventories	(83,401)	50,414
Supplies, prepaid expenses and other assets	(544,225)	79,397
Accounts payable and accrued expenses	2,847,924	(1,098,929)
Holiday savings plan	(38,289)	21,134
Deferred revenue	1,809,650	(543,150)
Due to leagues	558,974	129,137
Other postretirement benefits	652,646	(42,449)
Net cash (used in) provided by operating activities	<u>(1,788,689)</u>	<u>3,282,484</u>
Cash flows from investing activities		
Purchases of land, building and equipment	(11,096,569)	(2,881,020)
Purchases of collections	(25,461)	(106,739)
Proceeds from sale of equipment	1,093,983	20,000
Purchases of investments	(22,535,079)	(648,365)
Proceeds from sale of investments	22,643,451	803,245
Net cash used in investing activities	<u>(9,919,675)</u>	<u>(2,812,879)</u>
Cash flows from financing activities		
Advances on line of credit	5,200,000	-
Proceeds from PPP Loan	1,474,200	-
Net cash provided by financing activities	<u>6,674,200</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	<u>(5,034,164)</u>	<u>469,605</u>
Cash and cash equivalents		
Beginning of year	<u>10,732,314</u>	<u>10,262,709</u>
End of year	<u>\$ 5,698,150</u>	<u>\$ 10,732,314</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 22,000	\$ -

The accompanying notes are an integral part of these combined financial statements.

Little League Baseball, Incorporated and Controlled Entities
Combined Statement of Functional Expenses
Year Ended September 30, 2020

	Program Services						Supporting Services	Total Expenditures	
	World Series		Peter J. McGovern Little League Baseball Museum		Total Program Services				
	League Operations	Tournaments	Special Activities	Little League Baseball Museum	Administrative				
Salaries	\$ 3,472,951	\$ 2,798,182	\$ 175,019	\$ 6,446,152	\$ 1,144,998	\$ 7,591,150			
Payroll taxes	226,771	182,711	11,428	420,910	74,764	495,674			
Employee retirement plan	255,062	205,505	12,854	473,421	84,091	557,512			
Hospitalization and insurance	1,009,751	813,564	50,886	1,874,201	332,905	2,207,106			
Copywrited supplies expense, sold	140,825	113,463	7,097	261,385	46,429	307,814			
Field staff retainers	92,750	-	-	92,750	-	92,750			
Postage and Shipping	88,512	71,314	4,461	164,287	29,181	193,468			
Office supplies and maintenance	317,833	256,080	16,017	589,930	104,786	694,716			
Telephone	104,656	84,322	5,274	194,252	34,504	228,756			
Insurance - fire and general	461,478	371,817	23,256	856,551	152,145	1,008,696			
Professional services	881,011	709,837	44,398	1,635,246	290,461	1,925,707			
Contribution expense	52,041	41,929	2,623	96,593	17,157	113,750			
Public relations	79,718	64,231	4,017	147,966	26,282	174,248			
Travel	95,457	111,114	4,811	211,382	31,470	242,852			
Field, housing and vehicle maintenance	769,695	620,149	38,788	1,428,632	253,760	1,682,392			
Feeding and housing	266,552	214,763	13,433	494,748	87,880	582,628			
Uniforms and equipment	-	52,102	-	52,102	-	52,102			
Printing, supplies and other operating expenses	200,357	161,430	10,097	371,884	66,056	437,940			
European development	114,095	-	-	114,095	-	114,095			
Bad debt expense	21,047	-	-	21,047	-	21,047			
Depreciation expense	2,563,423	683,579	307,039	3,554,041	170,895	3,724,936			
Urban initiative	138,780	-	-	138,780	-	138,780			
Benefits extended to leagues	640,191	-	-	640,191	-	640,191			
Marketing/Sponsorship commissions	888	715	45	1,648	292	1,940			
Total expenses	\$ 11,993,844	\$ 7,556,807	\$ 731,543	\$ 20,282,194	\$ 2,948,056	\$ 23,230,250			

The accompanying notes are an integral part of these combined financial statements.

Little League Baseball, Incorporated and Controlled Entities
Combined Statement of Functional Expenses
Year Ended September 30, 2019

	Program Services						Peter J.	Supporting Services	Total Expenditures			
	World Series		McGovern		Total Program Services							
	League Operations	Tournaments	Special Activities	Little League Baseball Museum								
Salaries	\$ 3,465,405	\$ 2,792,102	\$ 174,638	\$ 6,432,145	\$ 1,142,511	\$ 7,574,656						
Payroll taxes	237,607	191,441	11,974	441,022	78,336	519,358						
Employee retirement plan	226,951	182,857	11,437	421,245	74,824	496,069						
Hospitalization and insurance	945,334	761,664	47,640	1,754,638	311,668	2,066,306						
Copywrited supplies expense, sold	778,604	627,328	39,238	1,445,170	256,699	1,701,869						
Field staff retainers	58,250	-	-	58,250	-	58,250						
Postage and shipping	144,901	116,747	7,302	268,950	47,772	316,722						
Office supplies and maintenance	345,683	278,520	17,421	641,624	113,969	755,593						
Telephone	102,561	82,633	5,168	190,362	33,813	224,175						
Insurance - fire and general	408,011	328,738	20,562	757,311	134,518	891,829						
Professional services	1,111,120	895,237	55,994	2,062,351	366,325	2,428,676						
Contribution expense	89,523	72,130	4,512	166,165	29,515	195,680						
Public relations	70,375	56,702	3,547	130,624	23,202	153,826						
Travel	245,174	4,068,748	12,355	4,326,277	80,831	4,407,108						
Field, housing and vehicle maintenance	1,039,744	837,730	52,398	1,929,872	342,794	2,272,666						
Feeding and housing	601,228	484,414	30,299	1,115,941	198,219	1,314,160						
Uniforms and equipment	-	738,049	-	738,049	-	738,049						
Printing, supplies and other operating expenses	780,774	629,075	39,347	1,449,196	257,414	1,706,610						
European development	145,294	-	-	145,294	-	145,294						
Bad debt expense	24,348	-	-	24,348	-	24,348						
Depreciation expense	2,457,653	655,374	307,039	3,420,066	163,844	3,583,910						
Urban initiative	186,933	-	-	186,933	-	186,933						
Benefits extended to leagues	1,099,911	-	-	1,099,911	-	1,099,911						
Marketing/Sponsorship commissions	17,446	14,057	879	32,382	5,752	38,134						
Total expenses	\$ 14,582,830	\$ 13,813,546	\$ 841,750	\$ 29,238,126	\$ 3,662,006	\$ 32,900,132						

The accompanying notes are an integral part of these combined financial statements.

Little League Baseball, Incorporated and Controlled Entities

Notes to Combined Financial Statements

September 30, 2020 and 2019

1. Organization

Little League Baseball, Incorporated (“Little League”), located in South Williamsport, Pennsylvania, was established by an Act of Congress on July 16, 1964, to promote the welfare and development of children who participate in Little League Baseball and Softball in the United States and abroad. Little League Baseball, Incorporated operates regional centers in Bristol, Connecticut; Whitestown, Indiana; Warner Robbins, Georgia; San Bernardino, California; and Waco, Texas. Additionally, Little League Baseball, Incorporated operates a European Leadership Training Center in Kutno, Poland, and the World of Little League: Peter J. McGovern Museum and Official Store (the “Museum”), a museum of Little League memorabilia and artifacts for the purpose of educating visitors of the ongoing commitment of service to youth by Little League.

Little League Baseball, Incorporated controls the following entities:

- Little League Baseball Poland Foundation (Williamsport) – The Poland Foundation, headquartered in South Williamsport, Pennsylvania, was incorporated in the Commonwealth of Pennsylvania effective December 15, 1993 to further the development of Little League Baseball, Incorporated on the European continent.
- Little League Baseball Poland Foundation (Poland) – The Poland Foundation in Poland, headquartered in Kutno, Poland, was incorporated in Poland effective July 24, 1995 to be the operating entity in Europe on behalf of Little League Baseball, Incorporated.

Little League Baseball, Incorporated and the Poland Foundations are referred to collectively as Little League or Little League Baseball, Incorporated and Controlled Entities or the Company.

2. Summary of Significant Accounting Policies

Basis of Accounting

Little League reports its financial position and results of operations on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

Little League’s combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States as issued by the FASB. Net asset, revenue, gains, expenses, and losses are classified as without donor restrictions and with donor restrictions based on the existence or absence of donor-imposed restrictions as follows:

- **With donor restrictions** – Net assets subject to donor-imposed or legal stipulations that can be fulfilled by actions of the organization pursuant to those stipulations or that expire by the passage of time.

Principles of Combination

The combined financial statements include the accounts of Little League Baseball, Incorporated, Little League Baseball Poland Foundation (Williamsport) and Little League Baseball Poland Foundation (Poland). All significant intercompany accounts and transactions have been eliminated.

Little League Baseball, Incorporated and Controlled Entities

Notes to Combined Financial Statements

September 30, 2020 and 2019

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Donated Materials and Services

Donated materials and services are recorded as contributions at their fair value at the time of receipt.

Trade Accounts Receivable

Trade accounts receivable represent amounts owed from local leagues, corporate sponsors, and licensees, net of allowance for doubtful accounts of \$15,000 in 2020 and 2019.

Little League extends credit to local little leagues for charter fees, insurance premiums, and purchases of supplies.

Little League also extends credit to District Administrators for the purchase of league supplies.

All trade accounts receivable represents amounts which are reasonably expected to be collected within the next twelve months.

Inventories

Inventories, which consist of items held for retail sale, are stated at the lower of cost or net realizable value as determined by the first-in, first-out method.

Fair Value Measurements

The FASB defines 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”. The standard also prioritizes and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date. Under this standard, Little League is required to categorize and disclose certain assets and liabilities, including investments, at fair value, according to three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets are disclosed within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. Little League’s assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy.

Little League Baseball, Incorporated and Controlled Entities

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The Company believes that the carrying amount of its investments are a reasonable estimate of fair value as of September 30, 2020, and 2019. Net realized and unrealized gains on investments are reported within the statements of activities and changes in net assets as its own line item.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2020 and 2019.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments and fixed income investments with original maturities less than 90 days, which were purchased within three months of fiscal year end. Cash and cash equivalents are valued at cost, which approximates fair market value.

Investments

Investments are reported at fair value. The following are the accounting policies for the different types of investments held by the Company:

Certificates of Deposit/Money Markets

Certificates of deposit/money markets include short-term investments and fixed-income investments with original maturities greater than 90 days have been included in investments. The carrying value of these investments approximates fair value.

Mutual Funds

Mutual funds consist of underlying debt and equity securities that are valued on quoted market prices in active markets obtained from exchange or dealer markets for identical assets and are accordingly categorized as Level 1 investments. The Company values each fund at its daily net asset value for which shares in the fund can be bought and sold.

Exchange Traded Funds

Exchange traded funds ("ETFs") consist of marketable securities that track designated indexes. Each ETF is traded at quoted market prices in active markets obtained from exchange or dealer markets for identical assets and are accordingly categorized as Level 1 investments. The Company values each fund at its market price for which shares in the ETF can be bought and sold.

Multi-Strategy Funds

Multi-strategy funds consist of investments whose underlying securities may or may not be quoted in an active market. The fund managers invest in a variety of asset classes, including hedge funds and private equity, based on the strategy of the fund. The Company values each fund at its net asset value, calculated and provided by the fund manager as of each quarter-end date. In accordance with ASU 2015-07, these funds are excluded from categorization within the fair value hierarchy. Investments are subject to uncertainty that could result in possibly material differences between the reported NAV value and fair market value. Adjustment is required if the Company expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U.S. GAAP.

Land, Buildings, Equipment and Depreciation

Land, buildings and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows: Electronic equipment (3 to 5 years), furniture, fixtures and equipment (7 to 10 years), buildings, athletic facilities and land improvements (20 to 40 years), vehicles and maintenance equipment (5 to 7 years) and statues and signage (7 to 10 years). Upon sale or retirement, the cost and related accumulated depreciation of such assets are removed from the accounts and any

Little League Baseball, Incorporated and Controlled Entities

Notes to Combined Financial Statements

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resulting gain or loss realized is credited or charged to revenues and gains for the period. Expenditures for maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are capitalized.

Collections

The Museum maintains a Little League photograph collection and artifacts for the purpose of public exhibition and education of visitors of Little League's ongoing commitment of service to youth. The collection is protected, kept unencumbered, cared for and preserved by the Museum. Collections are capitalized at cost, net of accumulated depreciation of \$1,163,386 and \$998,155 as of September 30, 2020 and 2019, respectively, and stated separately on the combined statements of financial position. Contributed collection items are recognized as gains on the combined statements of activities and changes in net assets and are recorded at fair value. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets of 7 - 10 years.

Deferred Revenue

Little League received advance payment for licensing fees and sponsorship payments during fiscal year 2020 and 2019.

Due to Leagues

Due to leagues represents charter fees and insurance credits to be provided to the local leagues as of September 30, 2020. Due to leagues represented mileage credits owed to the local leagues who participated in Little League sanctioned tournaments as of September 30, 2019. The leagues may use these credits to offset charter fees, insurance premiums and purchases of Little League supplies in future years.

Employee Benefit Plans

Little League sponsors a defined contribution savings plan for all eligible employees subject to the provisions of Section 401(k) of the Internal Revenue Code. Little League also sponsors a defined benefit plan ("post-retirement benefit plan") which provides employees certain postretirement benefits in the form of continuing life insurance and continuing medical and dental reimbursement benefits. The FASB requires an entity to recognize in its statement of financial position, the over- or underfunded status of its defined benefit postretirement plan measured as the difference between the fair value of the plan assets and the benefit obligation. For a postretirement plan the benefit obligation would be the accumulated postretirement benefit obligation. The FASB also requires the postretirement benefit obligation be measured as of the date of the entity's statements of financial position.

Support, Revenues and Gains

Money received in support of Little League programs from the public, and local little leagues is recorded as contributions under the appropriate donor restrictions. When a donor restriction is met, that is, when a stipulated time restriction expires or the action required of Little League is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restriction. Royalties, rights, license fees and corporate sponsor revenue is recognized and recorded ratably during the course of the little league playing season. World series/tournaments/special activities revenue is generated through television rights fees, tournament fees, ticket sales, concession sales and other various world series events that are held and is recorded at the time the transaction occurs and is earned. As a result of the cancellation of the Little League World Series Tournaments in the current fiscal year, the Company received reimbursement of revenue from its business interruption insurance in the total amount of

Little League Baseball, Incorporated and Controlled Entities

Notes to Combined Financial Statements

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\$12,149,131 which is recognized as revenue within the statements of activities and changes in net assets as tournament cancellation insurance for the fiscal year ended September 30, 2020. The Company received \$3,500,000 of the recoveries before September 30, 2020 and received \$8,649,131 of the recoveries after September 30, 2020, but before these financial statements were available to be issued. Amounts of recoveries received after September 30, 2020 are included within tournament cancellation insurance receivable on the statements of financial position as of September 30, 2020. The Company appropriately recorded the business interruption insurance recoveries as revenue as the contingency has been considered resolved whereby it received payment from the insurer without the expectation of repayment or refund. Revenue earned in the ordinary course of operations is recorded as revenue and gains.

Functional Allocation of Expenses

The costs of providing the organization's various programs and activities have been summarized on a functional basis in the combined statements of activities and changes in net assets.

Accordingly, the organization's natural expenses have been allocated on a functional basis among program and supporting services benefited in the combined statements of functional expenses.

Little League summarizes the expenses for specific program services. League operations are expenses that can be tied directly to the education, support, registration and growth of all local little league program operations year-round. The expenses for divisional world series tournaments and special activities are related to support for the 7 international world series tournaments and regional tournaments, and the Peter J. McGovern Museum expenses are the costs associated in maintaining and operating the museum in South Williamsport. The program services and supporting services included in the combined statements of functional expenses include an allocation of net periodic postretirement benefit cost other than service cost which is separately stated within the combined statements of activities and changes in net assets.

Income Taxes

The United States Treasury Department has advised that Little League Baseball, Incorporated and the Little League Baseball Poland Foundation (Williamsport) are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. Little League Baseball Poland Foundation (Poland) is tax-exempt under Polish law. On such basis, Little League has not incurred any liability for federal income taxes.

The FASB requires an entity to assess its uncertain tax positions using a two-step approach for recognizing, measuring, and disclosing tax benefits taken or expected to be taken in an unrelated business activity tax return. No liabilities have been recorded as a result of this standard.

Concentrations of Credit Risk

Financial instruments which subject Little League Baseball to concentrations of credit risk consist primarily of cash and cash equivalents, and investments.

Cash and cash equivalents deposited in Federal Deposit Insurance Corporation ("FDIC") member banks are insured up to a limit of \$250,000 per account.

Investments, at fair value, at September 30, 2020 and 2019 are maintained and administered by two fund advisors. The fair market value of investments at September 30, 2020 and 2019 as presented in the combined financial statements are subject to various market fluctuations which include changes in the equity and bond markets, interest rate fluctuations and general economic conditions.

Little League Baseball, Incorporated and Controlled Entities

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Risks and Uncertainties

The spread of the COVID-19 coronavirus has and could continue to negatively impact the Company. Due to the impact of the COVID-19 pandemic, on April 30, 2020, Little League announced the cancellation of its seven World Series tournaments and 82 regional qualifying tournaments for the first time in organizational history. As a result of the cancellation, the organization credited all chartered fees and lost significant revenue associated with its world series/tournaments/special activities; royalties, rights, license fees and corporate sponsors; and sales of copyrighted supplies revenue streams. The Company has undertaken several proactive measures as well as has future plans to mitigate the financial and operational impacts of COVID-19, through new financing options and reduction of capital expenditures and operating expenses. While the organization is hopeful that the World Series tournaments will resume for the next year, any future wide-ranging health scares could potentially adversely affect the organization, financial position and results of activities. The Company also may be indirectly impacted from reduced consumer spending. While the duration and intensity of this and future disruptions are uncertain, the Company maintains a business interruption insurance policy to help mitigate future impacts. Given the uncertainty regarding these circumstances, the related future financial impact cannot be reasonably estimated at this time.

3. Accounting Standard Updates

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU will supersede the revenue recognition requirement in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. The core principle of ASU 2014-09 is that an entity should recognize 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. This ASU is effective for the Company beginning in fiscal 2021. The Company is currently evaluating the potential impact of this standard on its combined financial statements and has not elected to early adopt the update.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. The guidance results in a more faithful representation of the rights and obligations arising from leases by requiring lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. This ASU is effective for the Company beginning fiscal 2023. The Company is currently evaluating the potential impact of this standard on its combined financial statements and has not elected to early adopt the update.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230). This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted this standard as of October 1, 2019 and applied it retrospectively in accordance with the guidance. The implementation of the standard did not have a material impact on the presentation of the statements of cash flows. In adopting this standard, the Company reclassified certain amounts to cash and cash equivalents which were previously presented within assets with donor restrictions.

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In March 2017, the FASB issued ASU No. 2017-07, Compensation – Retirement Benefits (Topic 715). This ASU changes certain presentation and disclosure requirements for service cost and other cost components of net periodic pension cost and net periodic postretirement benefit cost. The Company adopted this standard as of October 1, 2019 and applied it retrospectively in accordance with the guidance. As a result of the implementation of the standard, the Company separately disclosed the net periodic postretirement benefit costs other than service costs on its statements of activities and changes in net assets.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958). This ASU clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution and should be accounted for under Subtopic 958-605 or an exchange transaction to be accounted for under other guidance. The Company adopted this standard as of October 1, 2019. The implementation of the standard did not have a material impact on the combined statements of activities and changes in net assets.

In March 2019, the FASB issued ASU No. 2019-03, Not-for-Profit Entities (Topic 958). This ASU modifies the definition of the term “collections” and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of “direct care.” The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2019, with early application of the amendments permitted. The amendments should be applied on a prospective basis.

4. Investments

Investments, at fair value, at September 30, 2020 and 2019 consisted of the following:

	2020	2019
Unrestricted investments		
Alternative investments		
Multi-strategy	\$ 30,114,349	\$ 32,834,578
Mutual funds	3,117,094	3,127,125
Exchange traded funds	1,596,670	2,676,243
Certificates of deposit/money markets	70,439	70,052
Cash and cash equivalents	<u>1,585,138</u>	<u>106,877</u>
Total unrestricted investments	<u><u>\$ 36,483,690</u></u>	<u><u>\$ 38,814,875</u></u>

The principal aim of Little League Baseball's alternative investment selection is to remove volatility from its investment program with a focus on generating absolute return. Little League manages this investment exposure through a process of careful selection of experienced external fund managers, comprehensive initial due diligence, continual monitoring and review, limitation of exposure to any one investment strategy or manager, and the employment of outside experts.

There were no unfunded commitments related to the investments as of September 30, 2020, or 2019, respectively.

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Investment returns for the years ended September 30, 2020 and 2019 were comprised of the following:

	2020	2019
Interest and dividends	\$ 202,787	\$ 241,912
Net realized and unrealized (loss) gain on investments	<u>(2,425,491)</u>	1,790,417
	<u><u>\$ (2,222,704)</u></u>	<u><u>\$ 2,032,329</u></u>

The following table represents the fair value measurement levels for all assets and liabilities recorded at fair value as of September 30, 2020 and 2019, respectively.

	Investments at Fair Value as of September 30, 2020			
	Level 1	Level 2	Level 3	Total
Unrestricted investments				
Mutual funds	3,117,094	-	-	3,117,094
Exchange traded funds	1,596,670	-	-	1,596,670
Certificates of deposit/money markets	70,439	-	-	70,439
Cash and cash equivalents	<u>1,585,138</u>	<u>-</u>	<u>-</u>	<u>1,585,138</u>
	<u>6,369,341</u>	<u>-</u>	<u>-</u>	<u>6,369,341</u>
Investment assets measured at net asset value				
Multi-strategy	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,114,349</u>
Total unrestricted investments	<u><u>\$ 6,369,341</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 36,483,690</u></u>
Investments at Fair Value as of September 30, 2019				
	Level 1	Level 2	Level 3	Total
	Level 1	Level 2	Level 3	Total
Unrestricted investments				
Mutual funds	\$ 3,127,125	\$ -	\$ -	\$ 3,127,125
Exchange traded funds	2,676,243	-	-	2,676,243
Certificates of deposit/money markets	70,052	-	-	70,052
Cash and cash equivalents	<u>106,877</u>	<u>-</u>	<u>-</u>	<u>106,877</u>
	<u>5,980,297</u>	<u>-</u>	<u>-</u>	<u>5,980,297</u>
Investment assets measured at net asset value				
Multi-strategy	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,834,578</u>
Total unrestricted investments	<u><u>\$ 5,980,297</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 38,814,875</u></u>

There were no transfers of investments between levels from 2019 to 2020.

5. Liquidity

Little League's financial assets available to meet cash needs for general expenditures within one year of the dates of the statements of financial position include:

	2020	2019
Cash and cash equivalents	\$ 5,579,359	\$ 10,613,632
Investments	<u>\$ 36,483,690</u>	<u>\$ 38,814,875</u>
Available financial assets	<u><u>\$ 42,063,049</u></u>	<u><u>\$ 49,428,507</u></u>

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Little League structures its financial assets to be available and liquid as its general expenditures, liabilities, and other obligations come due. Although Little League does not intend to liquidate assets other than for the amounts needed for general expenditures budgeted during the year, the above amounts could be made available if necessary. The Company also has borrowing capacity under its lines of credit which it can draw upon as needed. Refer to Note 10 for further details regarding this facility.

6. Land, Building and Equipment

Land, building and equipment consist of the following as of September 30, 2020 and 2019:

	2020	2019
Land	\$ 7,465,424	\$ 6,285,362
Buildings and athletic facilities	54,784,067	55,207,147
Land improvements	18,249,864	10,103,571
Furniture, fixtures and equipment	6,552,591	6,122,525
Vehicle and maintenance equipment	5,286,118	5,248,420
Electronic equipment	6,162,684	5,890,049
Statues and signage	769,275	769,275
	<hr/> 99,270,023	<hr/> 89,626,349
Less: Accumulated depreciation	<hr/> 55,700,304	<hr/> 53,435,434
	<hr/> \$ 43,569,719	<hr/> \$ 36,190,915

Depreciation expense for the years ended September 30, 2020 and 2019, inclusive of depreciation expense related to Collections, was \$3,724,936 and \$3,583,910, respectively.

7. Employee Benefit Plans

Little League sponsors two retirement plans, one of which is a defined contribution savings plan, and the other a postretirement benefit plan.

The Little League, Incorporated defined contribution savings plan covers all eligible employees of Little League Baseball and allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. Little League contributes 100% of the first 6% of base compensation that a participant contributes to the Plan. Employees may contribute up to 15% of their annual compensation but not more than \$19,500 and \$19,000 for the calendar years ended December 31, 2020 and 2019, respectively. Employees vest immediately in their contributions and vest in Little League's contributions over a five-year period of service. The Company contributed \$368,912 and \$333,442 to the plan in fiscal years 2020 and 2019, respectively.

Little League provides certain postretirement benefits in the form of continuing life insurance and continuing medical and dental reimbursement benefits. Little League provides \$10,000 of life insurance to retirees who have at least ten years of continuous full-time service, retire at age 55 or older, or are permanently and totally disabled as determined by the insurance company for the Group Long-Term Disability Insurance Plan.

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Retirees are also eligible for the Little League Retiree Medical and Dental Reimbursement Plan if they have ten years of continuous full-time service and retired from Little League Baseball, Incorporated after attainment of age 62. This Plan includes the employee and the employee's spouse at the time of retirement.

The following table sets forth the Plan's funded status and amounts recognized in the combined statements of financial position at September 30, 2020 and 2019 and the amounts charged to operations during the years ended September 30, 2020 and 2019.

Obligations and funded status at September 30th:

	2020	2019
Change in accumulated benefit obligation		
Accumulated benefit obligation at beginning of year	\$ 3,374,919	\$ 3,417,368
Service cost	155,755	153,061
Interest cost	107,853	126,221
Change due to change in actuarial assumptions	483,112	(216,782)
Benefits paid	<u>(94,074)</u>	<u>(104,949)</u>
Accumulated benefit obligation at end of year	4,027,565	3,374,919
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status	<u>\$ 4,027,565</u>	<u>\$ 3,374,919</u>

Amounts recognized in the statements of financial position consist of the following:

	2020	2019
Items not yet recognized as a component of net periodic postretirement benefit cost		
Prior service costs	\$ 423,657	\$ 188,186
Unrecognized net actuarial gain	<u>(656,597)</u>	<u>(902,057)</u>
Items not yet recognized at September 30	<u>\$ (232,940)</u>	<u>\$ (713,871)</u>

Net periodic benefit cost components include the following:

	2020	2019
Net periodic postretirement benefit cost		
Service cost	\$ 155,755	\$ 153,061
Interest cost	107,853	126,221
Amortization of unrecognized prior service cost	<u>2,181</u>	<u>(25,410)</u>
Net periodic postretirement benefit cost	<u>\$ 265,789</u>	<u>\$ 253,872</u>

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Weighted average assumptions used to determine benefit obligations at September 30:

	2020	2019
Discount rate	2.50 %	3.00 %

The following benefit payments, which reflect future service, as appropriate, are expected to be paid:

Estimated future benefit payments

October 1, 2020 to September 30, 2021	\$ 120,051
October 1, 2021 to September 30, 2022	125,408
October 1, 2022 to September 30, 2023	130,931
October 1, 2023 to September 30, 2024	142,910
October 1, 2024 to September 30, 2025	150,820
October 1, 2025 to September 30, 2030	926,290

For measurement purposes, the health care trend rate was 1% and 2% at September 30, 2020 and 2019, respectively.

The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of September 30, 2020, by \$711,534 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended September 30, 2020 by \$58,916. Decreasing the assumed health care cost trend rates by one percentage point in each year would decrease the accumulated postretirement benefit obligation as of September 30, 2020, by \$561,801 and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for the year ended September 30, 2020 by \$44,926.

8. Commitments

Little League renewed the lease agreement with the City of San Bernardino, California for 20 acres of land on which Little League's Western Region Headquarters is located for an annual fee of \$62,400. The lease expires on October 27, 2030 with an option to renew for an additional ten years. The annual fee is subject to increase by 3% each year of the agreement on the anniversary of the agreement.

Little League has a lease agreement with the Kutno Municipality in Poland for a plot of land at an annual cost of one Zloty (less than \$1.00) for 50 years. As part of the agreement, Little League has established the Little League Baseball Poland Foundation, headquartered in Kutno, Poland. The lease expires in 2045 at which time it can be renewed for an additional term of 50 years.

Little League has a lease agreement with The Peak Group, Inc. for office space in a building in Carmel, Indiana for a monthly fee of \$1,650. The original lease expired on March 31, 2020 and was amended to extend through July 31, 2021 for a monthly fee of \$1,800. The property is being used as the temporary Central Region Headquarters.

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9. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30, 2020 and 2019:

	2020	2019
Program services		
Urban initiative	\$ 110,764	\$ 110,658
Challenger program	<u>8,027</u>	<u>8,024</u>
	<u>\$ 118,791</u>	<u>\$ 118,682</u>

In August 2008, the FASB issued a standard which requires enhanced disclosure requirements for an entity's endowment funds. Although the state of Pennsylvania did not enact the Uniform Prudent Management of Institutional Funds ("UPMIFA") Act, Little League Baseball is disclosing its changes in its endowment fund net assets as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets at September 30, 2018	<u>\$ -</u>	<u>\$ 159,275</u>	<u>\$ 159,275</u>
Contribution	-	100,000	100,000
Investment income	-	135	135
Total investment gain	-	100,135	100,135
Released from restriction	-	(140,728)	(140,728)
Net assets at September 30, 2019	<u>-</u>	<u>118,682</u>	<u>118,682</u>
Contribution	-	-	-
Investment income	-	109	109
Total investment gain	-	109	109
Released from restriction	-	-	-
Net assets at September 30, 2020	<u>\$ -</u>	<u>\$ 118,791</u>	<u>\$ 118,791</u>

10. Debt

Little League has an unsecured line of credit totaling \$1,000,000 at M&T Bank at September 30, 2020 and 2019. At September 30, 2020 and 2019, Little League's effective rate on the credit line was 4.25% for September 30, 2020 and 2019. No compensating balance arrangements exist. At September 30, 2020 and 2019, the outstanding borrowing was \$0. As of September 30, 2020 and 2019, \$1,000,000 was available under the unsecured line of credit.

Little League entered into an agreement with Jersey Shore State Bank on May 20, 2020 for a line of credit totaling \$10,000,000 with the ability to expand the line of credit to \$15,000,000. The line of credit is secured by funds invested with Stamos Capital Partners. Payment on the line of credit is interest only until May 20, 2022. Principal and interest payments are set to begin June 20, 2022 through maturity on May 20, 2040. The interest rate is a floating rate of Prime less 1%. The

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current interest rate as of September 30, 2020 is 2.25%. As of September 30, 2020, there was \$5,200,000 outstanding on the line of credit and \$4,800,000 was available on the line of credit.

On April 24, 2020, Little League entered into an unsecured promissory note for \$1,474,200 under the U.S. Small Business Association's Payroll Protection Program (PPP Loan), a loan created under the CARES Act. The PPP Loan is scheduled to mature on April 23, 2022 and has a 1% interest rate. No payments are due on the PPP Loan until December 4, 2020 although interest will continue to accrue during the deferment period. Beginning December 1, 2020, the Company is obligated to pay 17 equal monthly installments of principal and interest in the amount necessary to fully amortize the PPP Loan through the maturity date, unless all or a portion of the PPP Loan is forgiven under the terms and conditions of the CARES Act. Forgiveness of PPP Loans is determined, subject to limitations, based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs. Little League believes the full amount of the loan, excluding interest, will be forgiven. The Company has not recognized the forgiveness as of September 30, 2020 as there is not a significant history of forgiveness and the Company is unable to assert reasonable assurance as required by the accounting standards. A loan forgiveness application was submitted July 8, 2020.

Future maturities of all debt are as follows:

2021	\$ 867,176
2022	703,320
2023	288,889
2024	288,889
2025	288,889
2026 and thereafter	<u>4,237,037</u>
	<u>\$ 6,674,200</u>

11. Pending Litigation

Little League Baseball is a defendant in several general liability claims. Little League Baseball's insurance carrier is undertaking an active defense of these exposures. Certain claims contain punitive damage allegations which are outside the realm of coverage. It is Little League Baseball management's opinion that the outcome of such litigation will not have a material adverse effect on Little League Baseball's combined financial position.

12. Subsequent Events

Little League Baseball evaluated subsequent events through the time that these financial statements were available to be issued on February 11, 2021. Management reviews for and identifies subsequent events through participation at meetings of the Board of Directors and subcommittees.