

**SQUASHBUSTERS, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

**SQUASHBUSTERS, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**  
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**INDEPENDENT AUDITOR'S REPORT**

# SQUASHBUSTERS, INC.

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**Kenneth A. Roberts, CPA, LLC**  
**Certified Public Accountant and Business Advisor**

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
**SquashBusters, Inc.**  
Boston, Massachusetts

I have audited the accompanying statements of financial position of **SquashBusters, Inc.** (a non-profit organization; the Organization) as of August 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **SquashBusters, Inc.** as of August 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Kenneth A. Roberts, CPA, LLC*

Canton, Massachusetts  
February 7, 2012

# SQUASHBUSTERS, INC.

## Statements of Financial Position August 31, 2011 and 2010

	Assets	
	2011	2010
Cash and cash equivalents	\$ 451,575	\$ 376,449
Contributions receivable		
Temporarily restricted	103,300	18,500
Permanently restricted	-	31,000
	103,300	49,500
Prepaid expenses	6,954	9,612
Investments		
Board designated	3,502,612	3,120,956
Temporarily restricted	864,045	485,523
Permanently restricted	2,637,318	2,609,318
	7,003,975	6,215,797
Property and equipment		
Furniture and equipment	33,268	27,785
Vehicle	23,500	23,500
Leasehold improvements	5,741,581	5,741,581
	5,798,349	5,792,866
Less accumulated depreciation and amortization	958,351	836,000
	4,839,998	4,956,866
<b>Total assets</b>	<b>\$ 12,405,802</b>	<b>\$ 11,608,224</b>
	Liabilities and Net Assets	
Liabilities		
Accrued expenses	\$ 118,253	\$ 12,500
Net assets		
Unrestricted		
Board designated	3,502,612	3,120,956
Undesignated	5,180,274	5,330,427
	8,682,886	8,451,383
Temporarily restricted	967,345	504,023
Permanently restricted	2,637,318	2,640,318
	12,287,549	11,595,724
<b>Total liabilities and net assets</b>	<b>\$ 12,405,802</b>	<b>\$ 11,608,224</b>

See notes to financial statements

**SQUASHBUSTERS, INC.**

Statements of Activities  
For the Years Ended August 31, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support								
Contributions								
Fundraising events	\$ 442,506	\$ -	\$ -	\$ 442,506	\$ 291,194	\$ -	\$ -	\$ 291,194
Corporations and foundations	380,215	50,000	-	430,215	388,340	-	-	388,340
Individuals	243,488	53,300	-	296,788	119,378	-	-	119,378
Board members	52,523	-	-	52,523	54,048	-	-	54,048
Discount to present value	-	-	-	-	-	750	750	1,500
Investment income, gains and losses								
Interest income	661	10	-	671	1,256	21	-	1,277
Dividend income	54,522	54,503	-	109,025	55,371	54,907	-	110,278
Gain on sale of investments	121,723	121,679	-	243,402	5,844	5,516	-	11,360
Unrealized gain on investments	225,369	225,289	-	450,658	45,285	44,906	-	90,191
Investment expenses	(22,968)	(22,959)	-	(45,927)	(21,508)	(21,328)	-	(42,836)
Loss on contributions receivable	-	-	(3,000)	(3,000)	-	(19,500)	(12,000)	(31,500)
Net assets released from restriction	18,500	(18,500)	-	-	25,601	(25,601)	-	-
Total revenues and support	<u>1,516,539</u>	<u>463,322</u>	<u>(3,000)</u>	<u>1,976,861</u>	<u>964,809</u>	<u>39,671</u>	<u>(11,250)</u>	<u>993,230</u>
Expenses								
Program services	<u>847,577</u>	<u>-</u>	<u>-</u>	<u>847,577</u>	<u>670,266</u>	<u>-</u>	<u>-</u>	<u>670,266</u>
Supporting services								
General and administrative	289,958	-	-	289,958	266,369	-	-	266,369
Fundraising	147,501	-	-	147,501	104,209	-	-	104,209
	<u>437,459</u>	<u>-</u>	<u>-</u>	<u>437,459</u>	<u>370,578</u>	<u>-</u>	<u>-</u>	<u>370,578</u>
Total expenses	<u>1,285,036</u>	<u>-</u>	<u>-</u>	<u>1,285,036</u>	<u>1,040,844</u>	<u>-</u>	<u>-</u>	<u>1,040,844</u>
Change in net assets	<b>231,503</b>	<b>463,322</b>	<b>(3,000)</b>	<b>691,825</b>	<b>(76,035)</b>	<b>39,671</b>	<b>(11,250)</b>	<b>(47,614)</b>
Net assets - beginning	8,451,383	504,023	2,640,318	11,595,724	8,527,418	464,352	2,651,568	11,643,338
Net assets - ending	<u><b>\$ 8,682,886</b></u>	<u><b>\$ 967,345</b></u>	<u><b>\$ 2,637,318</b></u>	<u><b>\$ 12,287,549</b></u>	<u><b>\$ 8,451,383</b></u>	<u><b>\$ 504,023</b></u>	<u><b>\$ 2,640,318</b></u>	<u><b>\$ 11,595,724</b></u>

See notes to financial statements

**SQUASHBUSTERS, INC.**

Statement of Functional Expenses  
For the Year Ended August 31, 2011

	<b>Supporting Services</b>				<b>Total Expenses</b>
	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Supporting</b>	
Salaries	\$ 445,933	\$ 114,599	\$ 33,759	\$ 148,358	\$ 594,291
Severance	120,860	43,750	-	43,750	164,610
Depreciation and amortization	62,274	60,077	-	60,077	122,351
Fringe benefits	67,946	17,461	5,144	22,605	90,551
Tournament / fundraising event	-	-	57,500	57,500	57,500
Professional and contract services	13,575	18,674	22,168	40,842	54,417
Program	50,574	-	-	-	50,574
Payroll taxes	36,269	9,320	2,746	12,066	48,335
Insurance	23,688	10,152	-	10,152	33,840
Marketing and donor support	-	-	18,284	18,284	18,284
Student school placement	16,200	-	-	-	16,200
Transportation	12,779	-	-	-	12,779
Printing	-	1,009	7,900	8,909	8,909
Office	-	8,836	-	8,836	8,836
Telephone	2,027	6,080	-	6,080	8,107
Volunteer support and evaluation	1,743	-	-	-	1,743
Program expense reimbursement	(6,291)	-	-	-	(6,291)
<b>Total expenses</b>	<b>\$ 847,577</b>	<b>\$ 289,958</b>	<b>\$ 147,501</b>	<b>\$ 437,459</b>	<b>\$ 1,285,036</b>

See notes to financial statements

**SQUASHBUSTERS, INC.**

Statement of Functional Expenses  
For the Year Ended August 31, 2010

	<b>Total Program</b>	<b>Supporting Services</b>		<b>Total Supporting</b>	<b>Total Expenses</b>
		<b>General and Administrative</b>	<b>Fundraising</b>		
Salaries	\$ 423,801	\$ 124,420	\$ 14,400	\$ 138,820	\$ 562,621
Depreciation and amortization	62,274	59,529	-	59,529	121,803
Fringe benefits	57,063	16,754	1,939	18,693	75,756
Professional and contract services	11,200	29,977	20,506	50,483	61,683
Tournament / fundraising event	-	-	57,078	57,078	57,078
Payroll taxes	31,419	9,224	1,068	10,292	41,711
Program	40,264	-	-	-	40,264
Insurance	23,260	9,968	-	9,968	33,228
Student school placement	15,880	-	-	-	15,880
Office	-	10,457	-	10,457	10,457
Transportation	9,706	-	-	-	9,706
Printing	-	891	8,153	9,044	9,044
Telephone	1,717	5,149	-	5,149	6,866
Volunteer support and evaluation	1,666	-	-	-	1,666
Marketing and donor support	-	-	1,065	1,065	1,065
Program expense reimbursement	(7,984)	-	-	-	(7,984)
<b>Total expenses</b>	<b>\$ 670,266</b>	<b>\$ 266,369</b>	<b>\$ 104,209</b>	<b>\$ 370,578</b>	<b>\$ 1,040,844</b>

See notes to financial statements



# SQUASHBUSTERS, INC.

## Statements of Cash Flows For the Years Ended August 31, 2011 and 2010

	<b>2011</b>	<b>2010</b>
Cash flows from operating activities		
Change in net assets	\$ 691,825	\$ (47,614)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease in allowance for doubtful accounts	(5,000)	(145,000)
Depreciation and amortization	122,351	121,803
Gain on sale of investments	(243,402)	(11,360)
Unrealized gain on investments	(450,658)	(90,191)
(Increase) decrease in contributions receivable	(48,800)	245,601
(Increase) decrease in prepaid expenses	2,658	(105)
Increase in accrued expenses	105,753	-
Net cash provided by operating activities	<u>174,727</u>	<u>73,134</u>
Cash flows from investing activities		
Purchase of investments	(6,248,079)	(4,984,185)
Proceeds from sale of investments	6,153,961	4,886,982
Purchase of property and equipment	(5,483)	-
Net cash used for investing activities	<u>(99,601)</u>	<u>(97,203)</u>
Net increase (decrease) in cash and cash equivalents	<b>75,126</b>	<b>(24,069)</b>
Cash and cash equivalents - beginning	<u>376,449</u>	<u>400,518</u>
Cash and cash equivalents - ending	<u><b>\$ 451,575</b></u>	<u><b>\$ 376,449</b></u>

See notes to financial statements

# SQUASHBUSTERS, INC.

Notes to Financial Statements  
For the Years Ended August 31, 2011 and 2010

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## 1. Nature of Operations

SquashBusters, Inc. (the Organization) is a Massachusetts nonprofit organization. The Organization provides after-school squash instruction, academic tutoring, community service, and mentoring to urban youth in the greater Boston, Massachusetts area. The Organization receives the majority of its support through donor contributions.

## 2. Summary of Significant Accounting Policies

### *Method of Accounting*

The financial statements have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligations are incurred.

### *Financial Statement Presentation*

The Organization classifies its resources into net asset categories according to externally imposed restrictions as follows:

Unrestricted net assets consist of amounts that are available for all program and support services. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily restricted net assets include funds with donor-imposed or legal restrictions, which stipulate that the Organization expend the assets as specified and are satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts, and investment income earned on restricted assets.

Permanently restricted net assets include resources that have permanent donor-imposed restrictions that stipulate the assets are to be maintained permanently, but permit the Organization to expend part or all of the income derived from the donated assets.

### *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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Cash Equivalents*

The Organization considers all liquid debt instruments with a maturity when purchased of 90 days or less to be cash equivalents.

Continued --

# SQUASHBUSTERS, INC.

Notes to Financial Statements  
For the Years Ended August 31, 2011 and 2010

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## 2. Summary of Significant Accounting Policies (Continued)

### *Contributions Receivable*

Contributions receivable represent unconditional promises to give. Unconditional promises are recorded at present value using the risk-free interest rates applicable to the years in which the contributions are expected to be received.

The Organization provides an allowance for doubtful accounts equal to estimated bad debt losses. In determining this allowance, objective evidence that a single receivable is uncollectible as well as a historical pattern of collections of receivables that indicate the entire face amount of a portfolio of receivables may not be collectible is considered at each statement of financial position date.

### *Property and Equipment*

Property and equipment are stated at cost. Major additions and betterments are charged to the property accounts while replacements, maintenance, and repairs that do not improve or extend the lives of the respective assets are expensed in the year incurred. Donated property and equipment are recorded at fair value at the time of donation. Depreciation is computed using the straight-line method over the assets' estimated useful lives. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the assets' useful lives or the life of the lease.

### *Investments*

Investments consist of permanently restricted net assets and related unappropriated earnings as well as unrestricted net assets designated by the board of directors to provide investment income for the long-term benefit of the Organization. Board designated investments and related investment income are recorded as unrestricted net assets.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as an increase or decrease in unrestricted net assets unless the income or loss is restricted by donor or by law. Investment income or loss (including gains and losses on investments, interest and dividends) on permanently restricted net assets is included in the statement of activities as an increase or decrease in temporarily restricted net assets until designated by the board of directors.

### *Functional Allocation of Expenses*

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification.

Continued --

# SQUASHBUSTERS, INC.

Notes to Financial Statements  
For the Years Ended August 31, 2011 and 2010

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## 2. Summary of Significant Accounting Policies (Continued)

### *Revenues and Support*

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

The Organization recognizes in-kind support including contributed facilities, professional services, advertising, and materials when received. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization receives a substantial amount of donated services. Many individuals volunteer their time and perform a variety of tasks that help the Organization accomplish its goals. These services do not meet the criteria for recognition as contributed professional services.

### *Advertising Costs*

Advertising costs are expensed as incurred. There were no advertising expenses in 2011 or 2010.

### *Income Taxes*

The Organization is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from state income taxes.

Uncertainties in tax positions are recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions are measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. Interest and penalties associated with uncertain tax positions are recorded as general and administrative expenses. The Organization has concluded there are no significant uncertain tax positions that qualify for recognition or disclosure and there are no material unrecognized tax benefits at August 31, 2011 and 2010. The Organization believes its accruals for tax liabilities are adequate for all open tax years (August 31, 2008 through current).

Continued --

# SQUASHBUSTERS, INC.

Notes to Financial Statements  
For the Years Ended August 31, 2011 and 2010

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## 2. Summary of Significant Accounting Policies (Continued)

### *Concentrations of Credit Risk*

The Organization is exposed to credit and market risk on its cash and cash equivalents, contributions receivable and investments. The Organization maintains cash and cash equivalents at certain financial institutions in amounts which may exceed federally insured limits. The financial stability of these institutions is continually reviewed by management to evaluate credit risk. Contributions receivable consist primarily of amounts due from individuals and foundations in the Greater Boston area. Risk is mitigated by the number and credit worthiness of contributors. Investments have been diversified among issuers, industries, and geographic regions in order to manage market risks. The Organization's maximum risks related to these items are the amounts reported in the statement of financial position.

### *Fair Value Measurements*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. There is a hierarchy of valuation techniques based upon whether the inputs to those techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The following summarizes the fair value hierarchy:

Level 1 - Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant observable inputs are available, either directly or indirectly, such as interest rates and yield curves that are observable at commonly quoted intervals; and

Level 3 – Prices or valuations that require unobservable inputs.

The Organization's financial assets and liabilities that are reported at fair value on a recurring basis as of August 31st are as follows:

	2011	2010
Level 1		
Assets		
Investments	<u>\$ 7,003,975</u>	<u>\$ 6,215,797</u>

Investments are marked to market based upon the last sale of the period obtained from recognized stock exchanges of the underlying assets.

Continued--

# SQUASHBUSTERS, INC.

## Notes to Financial Statements For the Years Ended August 31, 2011 and 2010

### 2. Summary of Significant Accounting Policies (Continued)

#### *Reclassification of Prior Years*

For comparability, certain 2010 accounts have been reclassified to conform with the 2011 financial statement presentation. These reclassifications had no effect on 2010 change in net assets or net assets as previously reported.

### 3. Contributions Receivable

Contributions receivable consist of the following:

	2011	2010
Receivable in less than one year	\$ 103,300	\$ 49,500
Receivable in one to five years	<u>-</u>	<u>5,000</u>
Total unconditional promises to give	103,300	54,500
Less allowance for uncollectible promises to give	<u>-</u>	<u>5,000</u>
	<u>\$ 103,300</u>	<u>\$ 49,500</u>

Discount rates used on long-term promises to give range from 0% to 2.5%.

### 4. Investments

Investments, stated at fair value, consist of the following:

	2011	2010
United States:		
Equity Funds	\$ 2,000,358	\$ 1,782,540
Bond Funds	1,266,677	1,447,534
Commodities and Precious Metals	1,031,646	585,831
Real Estate	590,560	-
Cash and Cash Equivalents	488,427	475,318
Treasury Funds	<u>379,258</u>	<u>254,900</u>
	<u>5,756,926</u>	<u>4,546,123</u>
International:		
Equity Funds	421,873	1,363,770
Bond Funds	526,492	155,274
Currency Funds	<u>298,684</u>	<u>150,630</u>
	<u>1,247,049</u>	<u>1,669,674</u>
	<u>\$ 7,003,975</u>	<u>\$ 6,215,797</u>

# SQUASHBUSTERS, INC.

Notes to Financial Statements  
For the Years Ended August 31, 2011 and 2010

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## 5. Employee Benefit Plan

The Organization has a defined contribution profit sharing plan which qualifies under Section 401(k) of the Internal Revenue Code (IRC). Under the Plan, employees meeting certain requirements may elect to contribute a percentage of their salary up to the maximum limits allowed by the IRC. Employer contributions and plan expenses totaled \$20,844 and \$17,200 in 2011 and 2010, respectively.

## 6. Endowment

The Organization's endowment consists of one fund established to support the Organization's mission in perpetuity. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. The net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### *Interpretation of Relevant Law*

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted contribution absent explicit donor stipulations to the contrary. As a result, the Organization classifies the following as permanently restricted net assets:

- a. The original value of the gifts donated to the permanent endowment,
- b. The original value of subsequent gifts to the permanent endowment, and
- c. Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

### *Appropriation Policy*

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the Organization and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments

Continued --

# SQUASHBUSTERS, INC.

Notes to Financial Statements  
For the Years Ended August 31, 2011 and 2010

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## 6. Endowment (Continued)

- f. Other resources of the Organization
- g. The investment policies of the Organization

### *Investment Policy*

The investment policy provides broad guidelines that apply to the long-term management of the endowment's investment portfolio. The endowment is intended to provide operating support to the Organization in perpetuity. Therefore, the endowment is invested broadly across asset classes with long-term horizons in accordance with investment policy guidelines.

Funds are invested for total return, consistent with prudent investment management and the control of investment risk. Total return, as used herein, includes interest and dividends as well as realized and unrealized gains and losses on investments. In addition, investments are made with the goal of preserving and enhancing principal over time. The Organization expects its endowment funds to generate a real rate of return (after inflation) of at least five percentage points per year. In order to mitigate investment risks, funds will be diversified among various investment classifications in accordance with guidelines outlined by the Board. The Board's investment policies and objectives are based on a three to five year timeline. There will be deviations from performance targets on a year-to-year basis.

The Organization's goal is to meet its current cash flow needs through non-restricted contributions and to grow the endowment through the re-investment of endowment income. If non-restricted contributions are insufficient to meet the Organization's objectives, the endowment may be used to support the operations of the Organization. The Board may designate a one-time or annual draw in accordance with the Organization's appropriation policy. The endowment maintains appropriate liquidity to meet these potential withdrawals.

The fund is allowed to invest in derivatives only to hedge exposure to certain risks, not as leverage or speculation. The fund is not allowed to invest in privately placed or non-marketable debt, restricted stock, direct investment in commodities, short sales, or direct investments in private placements, real estate, oil and gas venture capital, or funds comprised thereof.

### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported as reductions in unrestricted net assets. There were no deficiencies in donor-restricted endowment funds as of August 31, 2011 and 2010.

Continued --



**SQUASHBUSTERS, INC.**

Notes to Financial Statements  
For the Years Ended August 31, 2011 and 2010

**6. Endowment (Continued)**

Changes in endowment net assets are as follows:

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning	\$ 3,120,956	\$ 485,523	\$ 2,609,318	\$ 6,215,797	\$ 3,051,224	\$ 401,501	\$ 2,564,318	\$ 6,017,043
Investment income, gains and losses								
Interest income	10	10	-	20	22	21	-	43
Dividend income	54,522	54,503	-	109,025	55,371	54,907	-	110,278
Gain on sale of investments	121,723	121,679	-	243,402	5,562	5,516	-	11,078
Unrealized gain on investments	225,369	225,289	-	450,658	45,285	44,906	-	90,191
Investment expenses	(22,968)	(22,959)	-	(45,927)	(21,508)	(21,328)	-	(42,836)
Total investment return	378,656	378,522	-	757,178	84,732	84,022	-	168,754
Contributions and transfers	3,000	-	28,000	31,000	(15,000)	-	45,000	30,000
Endowment net assets - ending	<u>\$ 3,502,612</u>	<u>\$ 864,045</u>	<u>\$ 2,637,318</u>	<u>\$ 7,003,975</u>	<u>\$ 3,120,956</u>	<u>\$ 485,523</u>	<u>\$ 2,609,318</u>	<u>\$ 6,215,797</u>

Composition of endowment net assets are as follows:

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 864,045	\$ 2,637,318	\$ 3,501,363	\$ -	\$ 485,523	\$ 2,609,318	\$ 3,094,841
Board-designated endowment funds	3,502,612	-	-	3,502,612	3,120,956	-	-	3,120,956
	<u>\$ 3,502,612</u>	<u>\$ 864,045</u>	<u>\$ 2,637,318</u>	<u>\$ 7,003,975</u>	<u>\$ 3,120,956</u>	<u>\$ 485,523</u>	<u>\$ 2,609,318</u>	<u>\$ 6,215,797</u>

## SQUASHBUSTERS, INC.

Notes to Financial Statements  
For the Years Ended August 31, 2011 and 2010

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### 7. Leasehold Improvements, Lease Commitments, and Contingent Liabilities

The Organization leases its facilities under an operating lease agreement which expires in June 2053. Rent expense is \$100 per year. The lease may be extended for two additional terms of twenty-four and one half years each. In lieu of fair market rental, the Organization was required to share in the construction costs of the building. The Organization's construction payments of \$5,741,581 have been capitalized as leasehold improvements.

The 18,348 square feet of leased office, classroom, and squash facilities are located on the first and second floors of a three story, mixed-use facility. The property owner is entitled to fifty percent of the weekly squash court and classroom time. The Organization is required to use and operate the premises only for the purpose of providing instruction, coaching, or playing of the sport of squash and to provide educational services to disadvantaged, "at risk" youth residing in the greater Boston, Massachusetts area, utilizing all or substantially all of the premises a minimum of twenty hours per week on a continuous basis. In the event any continuous eighteen month period exists during which the Organization is not using or occupying the premises for the operation of its program, then the Organization shall be deemed to have abandoned the premises and the property owner shall have the right to recapture the premises and terminate the lease without payment to the Organization.

The property owner shall manage the property and pay for all costs of its operation, including capital repairs, improvements, replacements, janitorial services and utilities, during the initial term of the lease. During the two extension periods, the Organization shall pay fifty percent of the cost of the operation of the premises, including capital repairs, improvements, replacements, janitorial services and utilities. The Organization is required to set aside money in a capital expenditure collateral account to pay for these future costs. In July 2033 and each year thereafter through the expiration of the original lease term, the Organization shall make a deposit to the capital expenditure collateral account equal to \$4.87 per square foot of leased space. The annual deposit amount increases by four percent per year thereafter. All interest earned on this account shall be reported by the Organization, but shall remain in the account to be disbursed in the same manner as other amounts in the account.

The capital expenditure collateral account shall be the property of the Organization. The funds in the account shall be disbursed in compliance with the provisions of the lease and the Organization shall grant the property owner a perfected first security interest in the account. If the Organization chooses to exercise its lease extension, the property owner shall have exclusive control over the disbursement of the funds in the account as of the first day of the extension period. If at any time during the extension periods the balance in the capital expenditure collateral account is insufficient to pay for the Organization's share of expenditures, the Organization shall pay the amount of the deficiency to the property owner.

Continued --

# SQUASHBUSTERS, INC.

## Notes to Financial Statements For the Years Ended August 31, 2011 and 2010

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### 7. Leasehold Improvements, Lease Commitments, and Contingent Liabilities (Continued)

The Organization leases equipment under operating lease agreements that require monthly payments of \$777 plus fees based on usage. The leases expire at various dates through August 2013. Rent expense related to these leases totaled \$8,624 and \$9,161 in 2011 and 2010, respectively. Future minimum rental payments under these agreements total \$8,239 and \$4,806 in 2012 and 2013, respectively.

### 8. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	2011	2010
Time restrictions on contributions receivable	\$ 103,300	\$ 18,500
Accumulated investment income on permanently restricted net assets	<u>864,045</u>	<u>485,523</u>
	<u>\$ 967,345</u>	<u>\$ 504,023</u>

### 9. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following:

	2011	2010
Contributions receivable	\$ -	\$ 31,000
Investments	<u>2,637,318</u>	<u>2,609,318</u>
	<u>\$ 2,637,318</u>	<u>\$ 2,640,318</u>

### 10. Concentrations

The Organization had one donor that accounted for approximately 10% of contribution revenue in 2011.

### 11. Subsequent Events

Management evaluated the Organization's non-profit and financial activities through February 7, 2012, the date the financial statements were available to be issued, and noted no activities that would be required to be disclosed as a subsequent event.