

SQUASHBUSTERS, INC.

FINANCIAL STATEMENTS

TEN MONTHS ENDED JUNE 30, 2017

SQUASHBUSTERS, INC.

TABLE OF CONTENTS

TEN MONTHS ENDED JUNE 30, 2017

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 14
Supplementary Information	
Statements of Activities for the Twelve Months Ended June 30, 2017 and 2016	15



Dorothy F. Di Pesa, CPA
John F. Oteri, CPA

Board of Directors
Squashbusters, Inc.
795 Columbus Avenue
Roxbury Crossing, MA 02120-2108

Re: Independent Auditor's Report

Ladies and Gentlemen:

Report on Financial Statements

We have audited the accompanying financial statements of Squashbusters, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statement of activities and changes in net assets, cash flow, and functional expenses for the period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Squashbusters, Inc. as of June 30, 2017, and the changes in its net assets and cash flow for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information contained on page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have not audited the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information,

Respectfully submitted,

Di Pesa & Company

DI PESA AND COMPANY

Certified Public Accountants
Quincy, Massachusetts
September 25, 2017

SQUASHBUSTERS, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,420,024
Contributions Receivable	358,333
Prepaid Expenses	<u>9,212</u>
<u>TOTAL CURRENT ASSETS</u>	1,787,569

INVESTMENTS

Endowment Investments:	
Board Designated	8,637,967
Temporarily Restricted	1,591,171
Permanently Restricted	<u>637,318</u>
	10,866,456
Deferred Compensation Plan	<u>458,716</u>
<u>TOTAL INVESTMENTS</u>	11,325,172

OTHER ASSETS

Property and Equipment, net	4,963,590
Long-Term Contributions Receivable	<u>737,438</u>
<u>TOTAL OTHER ASSETS</u>	<u>5,701,028</u>

TOTAL ASSETS

\$ 18,813,769

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued Expenses	\$ 80,701
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OTHER LIABILITIES

Deferred Compensation Liability	<u>177,144</u>
<u>TOTAL LIABILITIES</u>	<u>257,845</u>

NET ASSETS

Unrestricted:	
Operating	6,570,961
Board Designated	<u>8,637,967</u>
Total Unrestricted	15,208,928
Temporarily Restricted	2,709,678
Permanently Restricted	<u>637,318</u>
<u>TOTAL NET ASSETS</u>	<u>18,555,924</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 18,813,769

See accompanying notes to financial statements

SQUASHBUSTERS, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE TEN MONTHS ENDED JUNE 30, 2017**

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total Net Assets</u>
<u>SUPPORT AND REVENUE</u>				
Contributions, Gifts and Grants	1,521,411	\$ 489,753	\$ -	\$ 2,011,164
Capital Campaign Contributions	-	315,000	-	315,000
Reimbursed Program Expenses	5,551	-	-	5,551
Special Events - Income	1,356,323	-	-	1,356,323
- Expenses	(173,321)	-	-	(173,321)
Investment Income				
Interest Income	35,052	2,184	-	37,236
Dividend Income	75,154	4,682	-	79,836
Realized Gains	100,787	6,279	-	107,066
Unrealized Gains	352,180	21,942	-	374,122
Investment Expenses	(33,625)	(2,095)	-	(35,720)
Net Assets Released from Restrictions:				
Satisfaction of Donor Restrictions	<u>1,020,246</u>	<u>(1,020,246)</u>	-	-
 <u>TOTAL SUPPORT AND REVENUE</u>	 4,259,757	 (182,500)	 -	 4,077,257
<u>FUNCTIONAL EXPENSES</u>				
Program Services	1,442,163	-	-	1,442,163
Fundraising	285,329	-	-	285,329
Management and General	258,192	-	-	258,192
 <u>TOTAL FUNCTIONAL EXPENSES</u>	 <u>1,985,684</u>	 <u>-</u>	 <u>-</u>	 <u>1,985,684</u>
 <u>CHANGE IN NET ASSETS</u>	 2,274,073	 (182,500)	 -	 2,091,573
 <u>NET ASSETS - BEGINNING OF PERIOD</u>	 <u>12,934,855</u>	 <u>2,892,178</u>	 <u>637,318</u>	 <u>16,464,351</u>
 <u>NET ASSETS - END OF PERIOD</u>	 <u>\$ 15,208,928</u>	 <u>\$ 2,709,678</u>	 <u>\$ 637,318</u>	 <u>\$ 18,555,924</u>

See accompanying notes to financial statements

SQUASHBUSTERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE TEN MONTHS ENDED JUNE 30, 2017

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
<u>EXPENSES</u>				
Payroll	\$ 849,151	\$ 234,518	\$ 81,292	\$ 1,164,960
Program Expenses - Other	208,959	-	-	208,959
Depreciation Expense	120,362	-	69,610	189,972
Payroll Taxes	79,496	16,092	7,866	103,454
Employee Benefits	48,921	14,848	3,645	67,414
Deferred Compensation Expense	-	-	59,048	59,048
Insurance Expense	57,547	-	1,371	58,918
Financial Fees	-	-	5,398	5,398
Professional Fees	13,100	-	19,992	33,092
Staff Expenses	11,337	1,613	675	13,625
Occupancy Expense	13,302	-	-	13,302
Postage and Printing	5,298	4,858	954	11,110
Transportation	9,662	-	-	9,662
Software Licensing	4,123	900	4,247	9,271
Development Expense	-	8,577	-	8,577
Supplies	5,617	379	741	6,737
Recognition & Appreciation	203	3,191	135	3,529
Meetings and Conferences	1,255	354	1,406	3,015
Advertising and Recruiting	1,140	-	82	1,223
Telephone and Internet Services	12,689	-	1,730	14,419
	<u>12,689</u>	<u>-</u>	<u>1,730</u>	<u>14,419</u>
<u>TOTAL EXPENSES</u>	<u>\$ 1,442,163</u>	<u>\$ 285,329</u>	<u>\$ 258,192</u>	<u>\$ 1,985,684</u>

See accompanying notes to financial statements

SQUASHBUSTERS. INC.

STATEMENTS OF CASH FLOWS FOR THE TEN MONTHS ENDED JUNE 30, 2017

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

Change in Net Assets	\$ 2,091,573
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) By Operating Activities	
Depreciation	189,972
Gain on Sale of Investments	(107,066)
Investment Income Reinvested	(117,072)
Unrealized Gain on Investments	(374,122)
(Increase) Decrease in Assets:	
Contributions Receivable	168,856
Prepaid Expenses	11,687
Increase (Decrease) in Liabilities:	
Accrued Expenses	33,661
Deferred Compensation Plan	59,048

NET CASH PROVIDED BY OPERATING ACTIVITIES **1,956,537**

CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES

Purchase of Investments	(5,867,900)
Sale of Investments, Net of Dividend Reinvestments	5,389,093
Purchase of Property and Equipment	(624,763)

NET CASH USED BY INVESTING ACTIVITIES **(1,103,570)**

NET INCREASE IN CASH AND CASH EQUIVALENTS **852,967**

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD **567,057**

CASH AND CASH EQUIVALENTS, END OF PERIOD **\$ 1,420,024**

See accompanying notes to financial statements

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

1. NATURE OF OPERATION

Squashbusters, Inc. (the Organization), a Massachusetts nonprofit organization, is an intensive urban youth program serving approximately 300 middle school, high school and college students per year in Boston and Lawrence, Massachusetts. The Organization also has plans for an additional location in Providence, Rhode Island with an anticipated opening in early 2018. The Organization uses the sport of squash in combination with academic tutoring and enrichment, community service, summer opportunities and hands-on college counseling, to achieve three specific outcomes: (1) improvement in long-term health and wellness; (2) college access and success – matriculation, perseverance and graduation and; (3) positive character development. The Organization serves its students continuously from the start of middle school until they graduate high school and enroll in college. The Organization then supports every student's journey through college to graduation. Students will spend approximately 100 days each school year, from grades 6 and 7 through grade 12 in direct engagement with the program.

Effective September 1, 2016, the Organization changed its fiscal year-end to June 30 from August 31. Accordingly, the accompanying financial statements represent activity as of June 30, 2017 and for the ten months then ended.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

B. Contributions and Donor Restrictions

The Organization reports use-restricted contributions as restricted support, if received with donor stipulations that limit, specify or otherwise restrict the use of such contributions. Either temporarily or permanently restricted net assets are increased, as appropriate. When donor restrictions expire, either by funds for the specified purpose or by expiration of time restrictions, temporarily restricted net assets are reclassified as unrestricted and reported in the statement of activities as net assets released from restrictions. The donors of permanently restricted net assets may permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

C. Contributions Receivable

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 receivables may not be collectible is considered at each statement of financial position date. No allowance for doubtful accounts was required at August 31, 2016 and 2015. Contributions receivable represent unconditional promises to give. Unconditional promises are carried at an amount equal to uncollected revenue less an allowance for doubtful accounts.

D. Investments

Investments in securities with readily determinable fair values are valued at their fair values 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.

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.

E. 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 exceed federally insured limits. The Organization's bank account exceeds the federally insured limit by approximately \$1,170,000 as of June 30, 2017.

Contributions receivable consist primarily of amounts due from individuals, corporations, 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.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fair Value Measurements

Certain expanded disclosures are required regarding the sources of how the fair value of certain financial assets and liabilities are measured by establishing a fair value hierarchy that prioritizes inputs used to measure fair value. Such assets consist of items carried at fair value on a recurring basis and consist primarily of investments and financial instruments which are valued based upon quoted prices in active or brokered markets for identical or similar assets or liabilities.

The fair value measurement hierarchy is as follows:

- Level 1 – Quoted market prices for identical assets
- Level 2 – Significant other observable inputs
- Level 3 – Significant unobservable inputs

All of the Organization's inputs for investments are Level 1 inputs.

G. Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash is considered to be the cash balance used in operations and shown on the statement of financial position and may include cash equivalents purchased with original maturities of three months or less.

H. Property and Equipment

Property and equipment is stated at cost. Amounts of \$1,000 or more are capitalized. Depreciation is computed using the straight-line method over the assets' useful lives.

I. Income Taxes

The Organization is a not-for-profit charitable organization and is exempt from Federal and state income taxes under the Internal Revenue Service Code Section 501(c)(3).

J. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the reporting period. Actual results may differ from those estimates.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Management's Review of Subsequent Events

Management has reviewed and evaluated transactions and events ("subsequent events") after the statement of financial position date, June 30, 2017, and up to and including September 25, 2017, the date the financial statements were available to be issued. The objective of this review was to determine if any events occurred subsequent to June 30, 2017 which provided additional evidence of events which may have required recognition or disclosure in the accompanying financial statements. In management's opinion, no events have occurred which require recognition or disclosure in the financial statements.

3. PROMISES TO GIVE

Contributions receivable are unconditional promises to give, and consist of the following as of June 30, 2017:

Gross pledges receivable	\$ 1,116,667
Less: Unamortized discount	<u>(20,896)</u>
Net pledges receivable	\$ <u>1,095,771</u>
Amounts due in:	
Less than one year	\$ 358,333
More than one year	<u>737,438</u>
	\$ <u>1,095,771</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2%.

4. INVESTMENTS

Investments are stated at fair value and consist of the following as of June 30, 2017:

	<u>Fair</u> <u>Value</u>	<u>Cost</u>	<u>Unrealized</u> <u>Gain (Loss)</u>
Money Market Funds	\$ 2,095,411	\$ 2,095,411	\$ -
Certificates of Deposit	2,503,740	2,500,000	3,740
Equity Securities	4,278,971	3,761,946	517,025
Municipal Bonds	508,904	504,284	4,620
Corporate Fixed Income Bonds	100,329	100,326	3
Government Securities	130,602	131,259	(657)
Equity Mutual Funds	<u>1,707,215</u>	<u>1,608,848</u>	<u>98,367</u>
	<u>\$ 11,325,172</u>	<u>\$ 10,702,074</u>	<u>\$ 623,098</u>

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

4. INVESTMENTS (Continued)

The following table shows the gross unrealized losses that are not deemed to be other-than temporarily impaired, and the fair value of investments aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2017:

\$ (in 000's)	<u>Less than 12 months</u>		<u>12 months or greater</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
<u>Description of Securities</u>						
Equity Securities	\$ 810	\$ (65)	\$ -	\$ -	\$ 810	\$ (65)
Corporate Fixed Income Bonds	49	-	50	-	99	-
Government Securities			99	(1)		
Municipal Bonds	329	(6)	-	-	329	(6)
Total	<u>\$ 1,188</u>	<u>\$ (71)</u>	<u>\$ 149</u>	<u>\$ (1)</u>	<u>\$ 1,139</u>	<u>\$ (71)</u>

5. PROPERTY AND EQUIPMENT

Property and Equipment consists of the following at June 30, 2017:

Furniture and Equipment	\$ 223,896
Automobiles	316,485
Leasehold Improvements	5,768,485
Improvements in Progress	<u>513,160</u>
Total Property and Equipment	6,822,026
Less: Accumulated Depreciation	<u>1,858,436</u>
Property and Equipment, Net	<u>\$ 4,963,590</u>

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.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

6. ENDOWMENT (Continued)

Board's Interpretation of Massachusetts' Uniform Prudent Management of Institutional Funds Act (UPMIFA)

The Board has interpreted the 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
- 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 support operating and capital needs 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.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

6. ENDOWMENT (Continued)

The Organization's goal is to meet its current cash flow needs through non-restricted contributions and 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 June 30, 2017.

Changes in endowment net assets for ten months ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ 7,629,744	\$ 1,558,178	\$ 637,318	\$ 9,825,240
Investment income, gains and losses:				
Interest income	35,052	2,184	-	37,236
Dividend income	75,154	4,682	-	79,836
Gain on sale of investments	100,787	6,279	-	107,066
Unrealized gain on investments	352,180	21,942	-	374,122
Investment expenses	(33,625)	(2,095)	-	(35,720)
Total investment return	529,547	32,993	-	562,540
Contributions and transfers	478,676	-	-	478,676
Endowment net assets, ending	<u>\$ 8,637,967</u>	<u>\$ 1,591,171</u>	<u>\$ 637,318</u>	<u>\$ 10,866,456</u>

Composition of endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,591,171	\$ 637,318	\$ 2,228,489
Board-designated endowment funds	8,637,967	-	-	8,637,967
	<u>\$ 8,637,967</u>	<u>\$ 1,591,171</u>	<u>\$ 637,318</u>	<u>\$ 10,866,456</u>

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

7. COMMITMENTS

LEASE

The Organization leases its Boston 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 is required to share in the construction costs of the building. The Organization's construction payments of \$6,389,015 have been capitalized as leasehold improvements. The 18,348 square feet of space consists of leased office, classroom, and squash facilities. The property owner is entitled to fifty percent of the weekly squash court and classroom time. The Organization is required to use all or substantially all of the premises for 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, 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 operation of the premises. The Organization is required to set aside money in a capital expenditure collateral account to pay for these future costs. The capital expenditure collateral account shall be the property of the Organization. Upon exercising the lease extension, the Organization will relinquish control of the capital expenditure collateral account to the property owner beginning on the first day of the extension period. The Organization is not required to fund the capital expenditure collateral account until July 2033, at which point they must contribute an amount equal to \$4.87 per square foot of leased space or \$89,355 per year.

OTHER

The Organization has agreed to co-develop a new facility with the Moses Brown School in Providence, Rhode Island. The Organization entered into a fifty year lease, which commences upon the projected opening in early 2018. The financial arrangement is similar to Boston in that rent expense will be \$100 per year and in lieu of fair market rental, the Organization is required to provide approximately \$4.7 million toward the construction costs.

8. TEMPORARILY RESTRICTED NET ASSETS

Annual support pledges – time restricted	\$	246,667
Capital Campaign Contributions – Providence		871,840
Accumulated investment income		<u>1,591,171</u>
	\$	<u>2,709,678</u>

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consists of various donor contributions to support the Organization's mission in perpetuity. All permanently restricted net assets are included in investments at June 30, 2017.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

10. DEFINED CONTRIBUTION RETIREMENT 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 elected not to make any contributions to the plan for the ten months ended June 30, 2017.

11. DEFERRED COMPENSATION PLAN

In 2015 the Organization established a deferred compensation plan (the "plan") for certain key management employees under Section 457 (f) of the Internal Revenue Code. The Organization originally designated \$400,000 of its investments as held to fund its obligation under the plan. The investment balance as of June 30, 2017 was \$458,716.

The participants in the plan earn their contributions over a ten year period ending December 31, 2024. \$59,048 has been earned for the ten months ended June 30, 2017. The Organization's payment obligations under the plan will occur in equal thirds on December 31, 2019, December 31, 2021 and December 31, 2024.

SUPPLEMENTARY INFORMATION

SQUASHBUSTERS, INC.

STATEMENTS OF ACTIVITIES (UNAUDITED) FOR THE TWELVE MONTHS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>SUPPORT AND REVENUE</u>		
Contributions, Gifts and Grants	\$ 2,673,423	\$ 1,776,202
Reimbursed Program Expenses	7,681	8,673
Special Events - Income	1,358,323	1,548,798
- Expenses	(171,362)	(164,740)
Investment Income		
Interest Income	51,776	5,119
Dividend Income	106,945	356,834
Realized Gains	121,752	286,607
Unrealized Gains (Losses)	485,934	(956,813)
Investment Expenses	(51,325)	(53,038)
Other income	<u>48,351</u>	<u>13,145</u>
<u>TOTAL SUPPORT AND REVENUE</u>	4,631,497	2,820,787
<u>FUNCTIONAL EXPENSES</u>		
Program Services	1,756,827	1,482,316
Fundraising	381,488	338,436
Management and General	<u>345,206</u>	<u>270,749</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>2,483,522</u>	<u>2,091,501</u>
<u>CHANGE IN NET ASSETS</u>	<u>\$ 2,147,975</u>	<u>\$ 729,286</u>