

SQUASHBUSTERS, INC.

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

SQUASHBUSTERS, INC.

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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:

We have audited the accompanying financial statements of Squashbusters, Inc. (a Massachusetts nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Squashbusters, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

DI PESA AND COMPANY

Di Pesa & Company

Certified Public Accountants
Quincy, Massachusetts
September 27, 2019

SQUASHBUSTERS, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 635,018	\$ 1,146,512
Contributions Receivable	895,778	1,179,762
Prepaid Expenses	7,996	13,930
Investments:		
Endowment Investments:		
Board Designated	7,691,782	6,352,336
With Restriction	2,402,066	2,278,411
Deferred Compensation Plan	<u>517,996</u>	<u>490,723</u>
Total Investments	<u>10,611,844</u>	<u>9,121,470</u>
Property and Equipment, net	<u>8,575,936</u>	<u>8,702,600</u>
<u>TOTAL ASSETS</u>	<u>\$ 20,726,572</u>	<u>\$ 20,164,274</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 115,594	\$ 406,047
Deferred Compensation Liability	<u>295,240</u>	<u>236,192</u>
<u>TOTAL LIABILITIES</u>	<u>410,834</u>	<u>642,239</u>

NET ASSETS

Without Donor Restrictions:		
Operating	9,986,890	10,118,012
Board Designated	<u>7,691,782</u>	<u>6,352,336</u>
Total Net Assets Without Donor Restrictions	<u>17,678,672</u>	<u>16,470,348</u>
With Donor Restrictions	<u>2,637,066</u>	<u>3,051,688</u>
<u>TOTAL NET ASSETS</u>	<u>20,315,738</u>	<u>19,522,036</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 20,726,572</u>	<u>\$ 20,164,274</u>

See accompanying notes to financial statements.

SQUASHBUSTERS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions, Gifts and Grants	\$ 1,409,423	\$ 89,868	\$ 1,499,291
Capital Campaign Contributions	-	25,000	25,000
Reimbursed Program Expenses	4,378	-	4,378
Special Events - Income	1,939,931	-	1,939,931
- Expenses	(158,356)	-	(158,356)
Investment Income			
Interest Income	31,604	11,335	42,939
Dividend Income	107,756	38,649	146,405
Realized Losses	(49,776)	(17,853)	(67,629)
Unrealized Gains	329,190	108,003	437,193
Investment Expenses	(55,946)	(16,479)	(72,425)
Net Assets Released from Restrictions:			
Satisfaction of Donor Restrictions	<u>653,145</u>	<u>(653,145)</u>	<u>-</u>
 <u>TOTAL SUPPORT AND REVENUE</u>	 <u>4,211,349</u>	 <u>(414,622)</u>	 <u>3,796,727</u>
 <u>FUNCTIONAL EXPENSES</u>			
Program Services	2,187,936	-	2,187,936
Fundraising	441,155	-	441,155
Management and General	<u>373,934</u>	<u>-</u>	<u>373,934</u>
 <u>TOTAL FUNCTIONAL EXPENSES</u>	 <u>3,003,025</u>	 <u>-</u>	 <u>3,003,025</u>
 <u>CHANGE IN NET ASSETS</u>	 1,208,324	 (414,622)	 793,702
 <u>NET ASSETS - BEGINNING OF YEAR</u>	 <u>16,470,348</u>	 <u>3,051,688</u>	 <u>19,522,036</u>
 <u>NET ASSETS - END OF YEAR</u>	 <u>\$ 17,678,672</u>	 <u>\$ 2,637,066</u>	 <u>\$ 20,315,738</u>

See accompanying notes to financial statements.

SQUASHBUSTERS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions, Gifts and Grants	\$ 393,889	\$ 1,137,253	\$ 1,531,142
Capital Campaign Contributions	-	70,000	70,000
Reimbursed Program Expenses	21,005	-	21,005
Special Events - Income	1,669,747	-	1,669,747
- Expenses	(182,520)	-	(182,520)
Investment Income			
Interest Income	42,259	3,369	45,628
Dividend Income	125,743	10,025	135,768
Realized Gains	533,312	42,521	575,833
Unrealized Gains	13,048	(1,512)	11,536
Investment Expenses	(56,221)	(4,482)	(60,703)
Net Assets Released from Restrictions:			
Satisfaction of Donor Restrictions	<u>1,552,482</u>	<u>(1,552,482)</u>	<u>-</u>
<u>TOTAL SUPPORT AND REVENUE</u>	<u>4,112,744</u>	<u>(295,308)</u>	<u>3,817,436</u>
<u>FUNCTIONAL EXPENSES</u>			
Program Services	2,110,003	-	2,110,003
Fundraising	427,892	-	427,892
Management and General	<u>313,429</u>	<u>-</u>	<u>313,429</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>2,851,324</u>	<u>-</u>	<u>2,851,324</u>
<u>CHANGE IN NET ASSETS</u>	1,261,420	(295,308)	966,112
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>15,208,928</u>	<u>3,346,996</u>	<u>18,555,924</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 16,470,348</u>	<u>\$ 3,051,688</u>	<u>\$ 19,522,036</u>

See accompanying notes to financial statements.

SQUASHBUSTERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
<u>EXPENSES</u>				
Payroll	\$ 1,283,661	\$ 310,837	\$ 108,366	\$ 1,702,864
Program Expenses - Other	279,946	-	-	279,946
Depreciation Expense	162,727	-	141,044	303,771
Payroll Taxes	111,815	22,763	13,969	148,547
Employee Benefits	138,308	37,029	9,329	184,666
Deferred Compensation Expense	-	-	59,048	59,048
Insurance Expense	72,936	-	3,820	76,756
Financial Fees	-	-	4,154	4,154
Professional Fees	6,139	-	21,915	28,054
Staff Expenses	9,253	1,613	634	11,500
Occupancy Expense	11,677	-	-	11,677
Postage and Printing	4,866	6,214	941	12,021
Transportation	26,264	2,246	3	28,513
Software Licensing	5,589	849	9,012	15,450
Development Expense	31,005	19,813	324	51,142
Supplies	8,541	76	688	9,305
Recognition & Appreciation	103	38,645	-	38,748
Meetings and Conferences	5,353	202	687	6,242
Advertising and Recruiting	1,702	868	-	2,570
Telephone and Internet Services	28,051	-	-	28,051
	<u>28,051</u>	<u>-</u>	<u>-</u>	<u>28,051</u>
<u>TOTAL EXPENSES</u>	<u>\$ 2,187,936</u>	<u>\$ 441,155</u>	<u>\$ 373,934</u>	<u>\$ 3,003,025</u>

See accompanying notes to financial statements.

SQUASHBUSTERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
<u>EXPENSES</u>				
Payroll	\$ 1,286,129	\$ 285,442	\$ 97,857	\$ 1,669,428
Program Expenses - Other	250,888	-	-	250,888
Depreciation Expense	120,362	-	104,326	224,688
Payroll Taxes	103,747	19,494	7,572	130,813
Employee Benefits	177,444	59,436	13,939	250,819
Deferred Compensation Expense	-	-	59,048	59,048
Insurance Expense	76,679	4,710	2,267	83,656
Financial Fees	-	-	6,840	6,840
Professional Fees	37	-	13,771	13,808
Staff Expenses	15,269	4,545	778	20,592
Occupancy Expense	13,452	-	-	13,452
Postage and Printing	8,305	4,524	1,377	14,206
Transportation	34,600	-	-	34,600
Software Licensing	3,525	264	4,859	8,648
Development Expense	-	15,357	-	15,357
Supplies	5,356	350	330	6,036
Recognition & Appreciation	2,428	31,250	-	33,678
Meetings and Conferences	5,171	320	301	5,792
Advertising and Recruiting	4,854	1,763	129	6,746
Telephone and Internet Services	1,757	437	35	2,229
<u>TOTAL EXPENSES</u>	<u>\$ 2,110,003</u>	<u>\$ 427,892</u>	<u>\$ 313,429</u>	<u>\$ 2,851,324</u>

See accompanying notes to financial statements.

SQUASHBUSTERS. INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 793,702	\$ 966,112
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) By Operating Activities		
Depreciation	303,771	224,688
Gain on Sale of Investments	67,629	(575,833)
Investment Income Reinvested	(189,344)	(181,397)
Unrealized Gain on Investments	(437,193)	(11,536)
(Increase) Decrease in Assets:		
Contributions Receivable	283,984	(83,991)
Prepaid Expenses	5,934	(4,718)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(290,453)	325,345
Deferred Compensation Plan	59,048	59,048
	<u>597,079</u>	<u>717,718</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
	<u>597,079</u>	<u>717,718</u>
<u>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>		
Purchase of Investments	(7,809,032)	(8,434,927)
Sale of Investments	6,877,566	11,407,395
Purchase of Property and Equipment	(177,107)	(3,963,698)
	<u>(1,108,573)</u>	<u>(991,230)</u>
<u>NET CASH USED BY INVESTING ACTIVITIES</u>		
	<u>(1,108,573)</u>	<u>(991,230)</u>
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	(511,494)	(273,512)
<u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u>	<u>1,146,512</u>	<u>1,420,024</u>
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u>\$ 635,018</u>	<u>\$ 1,146,512</u>

See accompanying notes to financial statements.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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, Lawrence, Massachusetts and Providence, Rhode Island. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

B. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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. Net assets with donor restrictions are increased, as appropriate. When donor restrictions expire, either by funds for the specified purpose or by expiration of time restrictions, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The donors of net assets with restrictions may permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

D. 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 June 30, 2019 and 2018. Contributions receivable represent unconditional promises to give. Unconditional promises are carried at an amount equal to uncollected revenue less an allowance for doubtful accounts.

E. 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 net assets without restrictions 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 net assets with restrictions is included in the statement of activities as an increase or decrease in net assets with restrictions.

Investments consist of net assets with restrictions and related unappropriated earnings as well as net assets without restrictions 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 net assets without restrictions.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 \$212,000 and \$578,000 as of June 30, 2019 and 2018.

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.

G. 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.

H. 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.

I. 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.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Functional Expenses

The cost of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries & Taxes	Time and Effort
Depreciation	Square Footage

The costs of providing various programs and other supporting activities have been summarized on a functional basis in the statement of functional expenses. Whenever possible, expenses incurred are charged directly to a program or supporting service. Supporting services include management and general which comprise of administrative expenses.

K. 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).

L. 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.

M. 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, 2019, and up to and including September 27, 2019, 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, 2019 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.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Recent Accounting Pronouncement

In February 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which will be effective for the Organization's year ending June 30, 2020. The accounting standard will require that revenue be recognized as each performance obligation is satisfied. It is anticipated that this standard will not affect future financial statements. In February 2016, ASU 2016-02, Leases (Topic 842) was issued and will be effective for the year ending June 30, 2021. The accounting standard will require that operating leases with a term in excess of one year be recognized as a lease asset and lease liability on the statement of financial position and it is not expected to significantly affect the Organization.

3. PROMISES TO GIVE

Contributions receivable are unconditional promises to give, and consist of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Gross pledges receivable	\$915,000	\$1,203,334
Less: Unamortized discount	<u>(19,222)</u>	<u>(23,572)</u>
Net pledges receivable	<u>\$895,778</u>	<u>\$1,179,762</u>
Amounts due in:		
Less than one year	\$415,000	\$ 405,232
More than one year	<u>480,778</u>	<u>774,530</u>
	<u>\$895,778</u>	<u>\$1,179,762</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, 2019 and 2018:

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

4. INVESTMENTS (Continued)

	<u>June 30, 2019</u>		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Money Market Funds	\$ 411,807	\$ 411,807	\$ -
Certificates of Deposit	1,001,636	1,000,000	1,636
Equity Securities	5,538,299	4,495,420	1,042,879
Municipal Bonds	554,915	553,221	1,694
Corporate Fixed Income Bonds	211,180	208,141	3,039
Government Securities	320,527	317,354	3,173
Mutual Funds	2,573,480	2,418,311	155,169
	<u>\$ 10,611,844</u>	<u>\$ 9,404,254</u>	<u>\$ 1,207,590</u>

	<u>June 30, 2018</u>		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Money Market Funds	\$ 262,591	\$ 262,591	\$ -
Equity Securities	4,883,164	4,204,336	678,828
Municipal Bonds	714,400	714,300	100
Corporate Fixed Income Bonds	155,242	157,214	(1,972)
Government Securities	269,925	270,970	(1,045)
Mutual Funds	2,836,148	2,909,083	(72,935)
	<u>\$ 9,121,470</u>	<u>\$ 8,518,494</u>	<u>\$ 602,976</u>

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, 2019 and 2018:

\$ (in 000's)	2019					
	<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>
Equity Securities	\$ 625	\$ (57)	\$ 433	\$ (79)	\$ 1,058	\$ (136)
Corporate Fixed Income Bonds	64	(1)	-	-	64	(1)
Government Securities	-	-	49	(1)	49	(1)
Mutual Funds	-	-	546	(62)	546	(62)
Municipal Bonds	72	(1)	203	(9)	275	(10)
Total	<u>\$ 761</u>	<u>\$ (59)</u>	<u>\$ 1,231</u>	<u>\$ (151)</u>	<u>\$ 1,992</u>	<u>\$ (210)</u>

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

4. INVESTMENTS (Continued)

\$ (in 000's)	2018					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<u>Description of Securities</u>						
Equity Securities	\$ 721	\$ (150)	\$ 108	\$ (16)	\$ 829	\$ (166)
Corporate Fixed Income Bonds	53	(2)	-	-	53	(2)
Government Securities	-	-	49	(1)	49	(1)
Mutual Funds	1,452	(72)	-	-	1,452	(72)
Municipal Bonds	150	(3)	128	(4)	278	(7)
Total	<u>\$ 2,376</u>	<u>\$ (227)</u>	<u>\$ 285</u>	<u>\$ (21)</u>	<u>\$ 2,661</u>	<u>\$ (248)</u>

5. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 635,018	\$ 1,146,512
Contributions Receivable	895,778	1,179,762
Investments	<u>10,611,844</u>	<u>9,121,470</u>
Total Financial Assets	<u>12,142,640</u>	<u>11,447,744</u>

Less Amounts Not Available to be Used Within One Year:

Net Assets With Donor Restrictions	2,637,066	3,051,688
Funds Functioning as Endowment	<u>7,691,781</u>	<u>6,352,336</u>
	<u>10,328,847</u>	<u>9,404,024</u>

Financial Assets Available to Meet General Expenditures
Over the Next Twelve Months

<u>\$ 1,813,793</u>	<u>\$ 2,043,720</u>
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As part of the Organization's liquidity plan, excess cash is invested in money market and mutual funds.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

6. PROPERTY AND EQUIPMENT

Property and Equipment consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Furniture and Equipment	\$ 283,435	\$ 266,739
Automobiles	364,758	316,485
Leasehold Improvements	<u>10,314,638</u>	<u>10,202,500</u>
Total Property and Equipment	10,962,831	10,785,724
Less: Accumulated Depreciation	<u>2,386,895</u>	<u>2,083,124</u>
Property and Equipment, Net	<u>\$ 8,575,936</u>	<u>\$ 8,702,600</u>

7. 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.

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 net assets with restrictions:

- 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.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

7. ENDOWMENT (Continued)

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. 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 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 net assets without restrictions. There were no deficiencies in donor-restricted endowment funds as of June 30, 2019 and 2018.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

7. ENDOWMENT (Continued)

Changes in endowment net assets for the years ended June 30 are as follows:

	<u>Year Ended June 30, 2019</u>		
	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Endowment net assets, beginning	\$ 6,352,336	\$ 2,278,411	\$ 8,630,747
Investment income, gains and losses:			
Interest income	31,604	11,335	42,939
Dividend income	107,756	38,649	146,405
Loss on sale of investments	(49,776)	(17,853)	(67,629)
Unrealized gain on investments	301,120	108,003	409,123
Investment expenses	(45,943)	(16,479)	(62,422)
Total investment return	344,761	123,655	468,416
Contributions and transfers	994,685	-	994,685
Endowment net assets, ending	<u>\$ 7,691,782</u>	<u>\$ 2,402,066</u>	<u>\$ 10,093,848</u>

Composition of endowment net assets are as follows:

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,402,066	\$ 2,402,066
Board-designated endowment funds	7,691,782	-	7,691,782
	<u>\$ 7,691,782</u>	<u>\$ 2,402,066</u>	<u>\$ 10,093,848</u>

	<u>Year Ended June 30, 2018</u>		
	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Endowment net assets, beginning	\$ 8,637,966	\$ 2,228,490	\$ 10,866,456
Investment income, gains and losses:			
Interest income	42,259	3,369	45,628
Dividend income	125,743	10,025	135,768
Gain on sale of investments	533,313	42,521	575,834
Unrealized loss on investments	(18,958)	(1,512)	(20,470)
Investment expenses	(56,221)	(4,482)	(60,703)
Total investment return	626,136	49,921	676,057
Contributions and transfers	(2,911,766)	-	(2,911,766)
Endowment net assets, ending	<u>\$ 6,352,336</u>	<u>\$ 2,278,411</u>	<u>\$ 8,630,747</u>

Composition of endowment net assets are as follows:

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,278,411	\$ 2,278,411
Board-designated endowment funds	6,352,336	-	6,352,336
	<u>\$ 6,352,336</u>	<u>\$ 2,278,411</u>	<u>\$ 8,630,747</u>

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

8. COMMITMENTS

LEASE

The Organization leases its Boston and Providence facilities under operating lease agreements which expire in June 2053 and December 2067, respectively. Rent expense is \$100 per year for both facilities. The lease contains options to extend. In lieu of fair market rental, the Organization was required to share in the construction costs of the buildings. The Organization's construction payments were \$5,768,485 for Boston and \$4,417,079 for Providence, which have been capitalized as leasehold improvements. Boston is 18,348 square feet and Providence is 19,000 square feet and both contain office, classroom, and squash facilities. The Organization is required to share use of the facilities with each of the property owners. The property owners manage each of the properties and pay for all costs of its operation, including capital repairs, improvements, replacements, janitorial services and utilities, during the initial term of the leases.

OTHER

The Organization has completed a letter of intent with Merrimack College to co-develop a 17,000 square foot athletic facility in North Andover, Massachusetts. The facility is intended to become home of the Lawrence program and include 8 squash courts, 4 classrooms, staff offices and other spaces. Construction and lease agreements are currently being negotiated, which will generally mirror the substance of those entered into for the Boston and Providence facilities. Subject to the completion of these agreements, the Organization anticipates breaking ground in late spring or early summer of 2020.

9. NET ASSETS

Net Assets Without Donor Restrictions – Net assets without donor restrictions include board designated funds-functioning-as-endowment amounting to \$7,691,782 and \$6,352,336 at June 30, 2019 and 2018, respectively.

Net Assets With Donor Restrictions – Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by the donors. Donor restrictions limit the use of the resources within the particular purposes listed below. With donor restriction net assets consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purpose:		
Merrimack construction	\$ 25,000	\$ -
Specified Programs	-	115,000
Scholarships	-	9,943
Subject to Passage of Time:		
Endowment Funds	2,402,066	1,641,093
Multi-Year Pledge Support	210,000	648,334
	<u>\$ 2,637,066</u>	<u>\$3,051,688</u>

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

9. NET ASSETS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the year ended June 30:

	<u>2019</u>	<u>2018</u>
Expiration of Time Restrictions	\$ 513,334	\$1,240,732
Satisfaction of Purpose Restrictions:		
Scholarships	24,811	55,750
Specified Programs	<u>115,000</u>	<u>256,000</u>
	<u>\$ 653,145</u>	<u>\$1,552,482</u>

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. The Organization contributed \$76,573 and \$73,244 to the plan during the year ended June 30, 2019 and 2018, respectively.

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, 2019 and 2018 was \$517,996 and \$490,723, respectively.

The participants in the plan earn their contributions over a ten year period ending December 31, 2024. \$59,048 has been earned for the years ended June 30, 2019 and 2018. The Organization's payment obligations under the plan will occur in equal thirds on December 31, 2019, December 31, 2021 and December 31, 2024.