

SQUASHBUSTERS, INC.

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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:

Opinion

We have audited the accompanying financial statements of Squashbusters, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Squashbusters, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Respectfully submitted,

DI PESA AND COMPANY

Di Pesa & Company

Certified Public Accountants
Quincy, Massachusetts
September 22, 2022

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SQUASHBUSTERS, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 1,524,023	\$ 1,206,592
Contributions Receivable	5,365,707	5,215,422
Employee Loans Receivable	11,555	12,456
Employee Retention Tax Credit Receivable	700,176	-
Prepaid Expenses	28,354	300
Investments:		
Endowment Investments:		
Board Designated	9,023,333	9,542,265
With Restriction	6,367,803	4,642,956
Deferred Compensation Plan	<u>122,536</u>	<u>254,460</u>
Total Investments	<u>15,513,672</u>	<u>14,439,681</u>
Property and Equipment, net	<u>8,922,836</u>	<u>8,671,955</u>
<u>TOTAL ASSETS</u>	<u>\$ 32,066,323</u>	<u>\$ 29,546,406</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 145,808	\$ 145,538
Deferred Compensation Liability	<u>22,536</u>	<u>111,775</u>
<u>TOTAL LIABILITIES</u>	<u>168,344</u>	<u>257,313</u>

NET ASSETS

Without Donor Restrictions:		
Operating	10,283,780	9,184,872
Board Designated	<u>9,488,233</u>	<u>9,920,726</u>
Total Net Assets Without Donor Restrictions	<u>19,772,013</u>	19,105,598
With Donor Restrictions	<u>12,125,966</u>	<u>10,183,495</u>
<u>TOTAL NET ASSETS</u>	<u>31,897,979</u>	<u>29,289,093</u>

<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 32,066,323</u>	<u>\$ 29,546,406</u>
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See accompanying notes to financial statements.

SQUASHBUSTERS, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions, Gifts and Grants	\$ 1,438,974	\$ 377,668	\$ 1,816,642
Capital Campaign Contributions	-	3,818,382	3,818,382
Reimbursed Program Expenses	4,465	-	4,465
Special Events - Income	2,223,358	-	2,223,358
- Expenses	(146,422)	-	(146,422)
Employee Retention Tax Credit	700,176	-	700,176
Investment Income			
Interest Income	40,321	23,449	63,770
Dividend Income	47,911	32,129	80,040
Realized Gains	63,934	51,493	115,427
Unrealized Losses	(1,008,731)	(578,627)	(1,587,358)
Investment Expenses	(36,659)	(24,622)	(61,281)
Net Assets Released from Restrictions:			
Satisfaction of Donor Restrictions	<u>1,757,401</u>	<u>(1,757,401)</u>	<u>-</u>
 <u>TOTAL SUPPORT AND REVENUE</u>	 <u>5,084,728</u>	 <u>1,942,471</u>	 <u>7,027,199</u>
 <u>FUNCTIONAL EXPENSES</u>			
Program Services	3,292,581	-	3,292,581
Fundraising	617,736	-	617,736
Management and General	<u>507,996</u>	<u>-</u>	<u>507,996</u>
 <u>TOTAL FUNCTIONAL EXPENSES</u>	 <u>4,418,313</u>	 <u>-</u>	 <u>4,418,313</u>
 <u>CHANGE IN NET ASSETS</u>	 666,415	 1,942,471	 2,608,886
 <u>NET ASSETS - BEGINNING OF YEAR</u>	 <u>19,105,598</u>	 <u>10,183,495</u>	 <u>29,289,093</u>
 <u>NET ASSETS - END OF YEAR</u>	 <u>\$ 19,772,013</u>	 <u>\$ 12,125,966</u>	 <u>\$ 31,897,979</u>

See accompanying notes to financial statements.

SQUASHBUSTERS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions, Gifts and Grants	\$ 460,126	\$ 863,469	\$ 1,323,595
Capital Campaign Contributions	-	3,416,543	3,416,543
Reimbursed Program Expenses	3,616	-	3,616
Special Events - Income	1,741,917	-	1,741,917
- Expenses	(68,791)	-	(68,791)
Paycheck Protection Program Grant	375,597	-	375,597
Investment Income			
Interest Income	55,861	28,234	84,095
Dividend Income	43,223	21,297	64,520
Realized Gains	401,008	197,589	598,597
Unrealized Gains	644,083	300,779	944,862
Investment Expenses	(32,965)	(16,243)	(49,208)
Net Assets Released from Restrictions:			
Satisfaction of Donor Restrictions	<u>1,172,091</u>	<u>(1,172,091)</u>	<u>-</u>
 <u>TOTAL SUPPORT AND REVENUE</u>	 <u>4,795,766</u>	 <u>3,639,577</u>	 <u>8,435,343</u>
 <u>FUNCTIONAL EXPENSES</u>			
Program Services	2,353,254	-	2,353,254
Fundraising	512,807	-	512,807
Management and General	<u>377,030</u>	<u>-</u>	<u>377,030</u>
 <u>TOTAL FUNCTIONAL EXPENSES</u>	 <u>3,243,091</u>	 <u>-</u>	 <u>3,243,091</u>
 <u>CHANGE IN NET ASSETS</u>	 1,552,675	 3,639,577	 5,192,252
 <u>NET ASSETS - BEGINNING OF YEAR</u>	 <u>17,552,923</u>	 <u>6,543,918</u>	 <u>24,096,841</u>
 <u>NET ASSETS - END OF YEAR</u>	 <u>\$ 19,105,598</u>	 <u>\$ 10,183,495</u>	 <u>\$ 29,289,093</u>

See accompanying notes to financial statements.

SQUASHBUSTERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
<u>EXPENSES</u>				
Payroll	\$ 1,699,597	\$ 390,536	\$ 144,580	\$ 2,234,713
Program Expenses - Other	422,018	-	-	422,018
Depreciation Expense	181,886	-	154,940	336,826
Payroll Taxes	144,637	30,145	4,609	179,391
Employee Benefits	223,515	54,273	21,891	299,679
Deferred Compensation Expense	29,827	20,989	4,419	55,235
Insurance Expense	82,285	4,007	1,601	87,893
Financial Fees	152	-	1,496	1,648
Professional Fees	90	2,945	22,732	25,767
Staff Expenses	16,288	4,924	3,185	24,397
Occupancy Expense	37,600	-	-	37,600
Postage and Printing	1,993	8,996	1,251	12,240
Transportation	32,301	614	4,400	37,315
Software Licensing	10,843	1,514	13,120	25,477
Credit Card Fees and Other Marketing Costs	1,561	85,515	-	87,076
Supplies	13,422	118	503	14,043
Recognition & Appreciation	864	11,349	-	12,213
Meetings and Conferences	3,430	391	43	3,864
Advertising and Recruiting	10,708	730	8,033	19,471
Legal Settlement	225,000	-	-	225,000
Telephone and Internet Services	12,505	690	180	13,375
Loss on Disposal of Property and Equipment	142,059	-	121,013	263,072
	<u>142,059</u>	<u>-</u>	<u>121,013</u>	<u>263,072</u>
<u>TOTAL EXPENSES</u>	<u>\$ 3,292,581</u>	<u>\$ 617,736</u>	<u>\$ 507,996</u>	<u>\$ 4,418,313</u>

See accompanying notes to financial statements.

SQUASHBUSTERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
<u>EXPENSES</u>				
Payroll	\$ 1,443,464	\$ 345,433	\$ 138,703	\$ 1,927,600
Program Expenses - Other	233,270	-	-	233,270
Depreciation Expense	169,417	-	144,318	313,735
Payroll Taxes	120,742	26,531	12,156	159,429
Employee Benefits	178,854	38,587	23,942	241,383
Deferred Compensation Expense	10,928	7,690	1,620	20,238
Insurance Expense	79,091	4,231	3,457	86,779
Financial Fees	-	-	5,227	5,227
Professional Fees	18,500	-	26,723	45,223
Staff Expenses	10,253	2,245	1,098	13,596
Occupancy Expense	35,876	-	-	35,876
Postage and Printing	1,870	6,964	1,190	10,024
Transportation	24,922	485	16	25,423
Software Licensing	8,187	1,352	9,672	19,211
Credit Card Fees and Other Marketing Costs	129	60,343	1,288	61,760
Supplies	4,614	39	326	4,979
Recognition & Appreciation	-	14,517	-	14,517
Meetings and Conferences	650	-	-	650
Advertising and Recruiting	732	-	6,364	7,096
Telephone and Internet Services	11,755	4,390	930	17,075
<u>TOTAL EXPENSES</u>	<u>\$ 2,353,254</u>	<u>\$ 512,807</u>	<u>\$ 377,030</u>	<u>\$ 3,243,091</u>

See accompanying notes to financial statements.

SQUASHBUSTERS. INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 2,608,886	\$ 5,192,252
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) By Operating Activities		
Depreciation	336,826	313,735
Gain on Sale of Investments	(115,427)	(598,597)
Loss on Disposal of Property and Equipment	263,072	-
Investment Income Reinvested	(143,810)	(145,733)
Unrealized Loss (Gain) on Investments	1,587,358	(946,823)
Deferred Compensation Expense	55,235	20,238
(Increase) Decrease in Assets:		
Contributions Receivable	(150,285)	(2,293,543)
Employee Retention Tax Credit Receivable	(700,176)	-
Prepaid Expenses	(28,054)	-
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	<u>270</u>	<u>45,422</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>3,713,895</u>	<u>1,586,951</u>
<u>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>		
Purchase of Investments	(3,574,028)	(8,411,310)
Sale of Investments	1,171,916	6,674,468
Purchase of Property and Equipment	(863,022)	(478,038)
Proceeds from Sale of Property and Equipment	12,243	-
Loans to Employees	(20,000)	(10,000)
Repayments of Employee Loans	20,901	20,243
Payment of Deferred Compensation Liability	<u>(144,474)</u>	<u>-</u>
<u>NET CASH USED BY INVESTING ACTIVITIES</u>	<u>(3,396,464)</u>	<u>(2,204,637)</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	317,431	(617,686)
<u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u>	<u>1,206,592</u>	<u>1,824,278</u>
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u>\$ 1,524,023</u>	<u>\$ 1,206,592</u>

See accompanying notes to financial statements.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

1. NATURE OF OPERATION

Squashbusters, Inc. (the Organization), a Massachusetts nonprofit organization, is an intensive sports-based youth development 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, hands-on college and other post-secondary counseling, support for college persistence and early career services to achieve three specific outcomes: (1) improvement in long-term health and wellness; (2) college and other post-secondary access and success – matriculation, perseverance, completion and acquisition of a career-track job, and; (3) positive character development. The Organization serves its students continuously from the start of middle school until they acquire their first career-track job. Students will spend approximately 100 days each school year, from grades 6 and 7 through grade 12 in direct engagement with the program, and as needed to achieve post-secondary success beyond the high school years.

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. 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.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 June 30, 2022 and 2021. 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 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.

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 \$181,000 and \$269,000 as of June 30, 2022 and 2021, respectively.

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, 2022 AND 2021

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. 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

Whenever possible, expenses incurred are charged directly to a program or supporting service. Supporting services include management and general which comprise of administrative expenses.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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).

K. 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.

L. Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications have no effect on the reported results of activities or changes in net assets.

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, 2022, and up to and including September 22, 2022. During July and August 2022, the Organization received payment of the Employee Retention Tax Credit ("ERTC") receivable of \$700,176 (see Note 14).

In management's opinion, no other events have occurred which require recognition or disclosure in the financial statements.

N. Recent Accounting Pronouncement

In February 2016, ASU 2016-02, Leases (Topic 842) was issued and will be effective for the year ending June 30, 2023. 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.

3. EMPLOYEE LOANS RECEIVABLE

The Organization initiated an employee loan program to alleviate financial hardship. The loans are noninterest bearing. Under the program \$20,000 and \$10,000 of loans were granted for June 30, 2022 and 2021 respectively. For 2022 and 2021, \$20,901 and \$20,243, respectively, was repaid during the year. The balance owed of \$11,555 is scheduled to be repaid \$9,680 in the year ending June 30, 2023 and \$1,875 in the year ending June 30, 2024.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

4. PROMISES TO GIVE

Contributions receivable are unconditional promises to give, and consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Gross pledges receivable	\$ 5,464,233	\$ 5,266,878
Less: Unamortized discount	<u>(98,526)</u>	<u>(51,456)</u>
Net pledges receivable	<u>5,365,707</u>	<u>5,215,422</u>
Amounts due in:		
Less than one year	2,901,899	2,701,333
More than one year	<u>2,463,808</u>	<u>2,514,089</u>
	<u>\$ 5,365,707</u>	<u>\$ 5,215,422</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 4%.

5. INVESTMENTS

Investments are stated at fair value and consist of the following as of June 30, 2022 and 2021:

	<u>June 30, 2022</u>		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Money Market Funds	\$ 6,894,933	\$ 6,894,933	\$ -
Certificates of Deposit	2,207,018	2,250,000	(42,982)
Equity Securities	3,893,110	3,465,395	427,715
Municipal Bonds	1,238,618	1,346,969	(108,351)
Corporate Fixed Income Bonds	291,573	319,967	(28,394)
Government Securities	351,647	379,840	(28,193)
Mutual Funds	<u>636,773</u>	<u>705,956</u>	<u>(69,183)</u>
	<u>\$ 15,513,672</u>	<u>\$ 15,363,060</u>	<u>\$ 150,612</u>
	<u>June 30, 2021</u>		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Money Market Funds	\$ 2,971,521	\$ 2,971,521	\$ -
Certificates of Deposit	5,214,374	5,206,000	8,374
Equity Securities	4,140,074	2,561,040	1,579,034
Municipal Bonds	965,763	964,132	1,631
Corporate Fixed Income Bonds	90,716	85,236	5,480
Government Securities	263,868	264,864	(996)
Mutual Funds	<u>793,365</u>	<u>632,917</u>	<u>160,448</u>
	<u>\$ 14,439,681</u>	<u>\$ 12,685,710</u>	<u>\$ 1,753,971</u>

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

6. AVAILABILITY AND LIQUIDITY

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

	<u>2022</u>	<u>2021</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 1,524,023	\$ 1,206,592
Contributions Receivable	5,365,707	5,215,422
Employee Retention Tax Credit Receivable	700,176	-
Investments	<u>15,513,672</u>	<u>14,439,681</u>
Total Financial Assets	<u>23,103,578</u>	<u>20,861,695</u>
Less Amounts Not Available to be Used Within One Year:		
Net Assets With Donor Restrictions	12,125,966	10,183,495
Funds Functioning as Endowment	<u>9,488,233</u>	<u>9,920,726</u>
	<u>21,614,199</u>	<u>20,104,221</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 1,489,379</u>	<u>\$ 757,474</u>

As part of the Organization's liquidity plan, excess cash is invested in money market and mutual funds.

7. PROPERTY AND EQUIPMENT

Property and Equipment consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Furniture and Equipment	\$ 382,748	\$ 360,235
Automobiles	403,365	406,563
Development Costs, Lawrence, MA	1,191,438	459,610
Leasehold Improvements	<u>10,214,520</u>	<u>10,465,638</u>
Total Property and Equipment	12,192,071	11,692,046
Less: Accumulated Depreciation	<u>3,269,235</u>	<u>3,020,091</u>
Property and Equipment, Net	<u>\$ 8,922,836</u>	<u>\$ 8,671,955</u>

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

8. 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.

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.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

8. 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 net assets without restrictions. There were no deficiencies in donor-restricted endowment funds as of June 30, 2022 and 2021.

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

	<u>Year Ended June 30, 2022</u>		
	<u>Without</u>	<u>With</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning	\$ 9,542,265	\$ 4,642,956	\$ 14,185,221
Investment income, gains and losses:			
Interest income	40,320	23,450	63,770
Dividend income	47,912	32,128	80,040
Gain on sale of investments	72,336	43,091	115,427
Unrealized loss on investments	(931,772)	(668,136)	(1,599,908)
Investment expenses	<u>(36,683)</u>	<u>(24,598)</u>	<u>(61,281)</u>
Total investment return	(807,887)	(594,065)	(1,401,952)
Contributions and transfers	<u>288,955</u>	<u>2,318,912</u>	<u>2,607,867</u>
Endowment net assets, ending	<u>\$ 9,023,333</u>	<u>\$ 6,367,803</u>	<u>\$ 15,391,136</u>

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

8. ENDOWMENT (Continued)

Composition of endowment net assets are as follows:

	Without Restrictions	With Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 6,367,803	\$ 6,367,803
Board-designated endowment funds	9,023,333	-	9,023,333
	\$ 9,023,333	\$ 6,367,803	\$ 15,391,136

Year Ended June 30, 2021

	Without Restrictions	With Restrictions	Total
Endowment net assets, beginning	\$ 7,228,955	\$ 3,561,918	\$ 10,790,873
Investment income, gains and losses:			
Interest income	56,326	27,754	84,080
Dividend income	43,223	21,297	64,520
Loss on sale of investments	401,008	197,589	598,597
Unrealized gain on investments	610,436	300,779	911,215
Investment expenses	(32,965)	(16,243)	(49,208)
Total investment return	1,078,028	531,176	1,609,204
Contributions and transfers	1,235,282	549,862	1,785,144
Endowment net assets, ending	\$ 9,542,265	\$ 4,642,956	\$ 14,185,221

Composition of endowment net assets are as follows:

	Without Restrictions	With Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 4,642,956	\$ 4,642,956
Board-designated endowment funds	9,542,265	-	9,542,265
	\$ 9,542,265	\$ 4,642,956	\$ 14,185,221

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

9. COMMITMENTS/CLAIM

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.

CLAIM

In November 2018, the Organization entered into a letter of intent with Merrimack College ("Merrimack"), which by its terms is non-binding, to co-develop a facility on its campus in North Andover, Massachusetts, to house the Organization's program focused on youth resident in Lawrence, Massachusetts. In August 2020, the Organization decided not to continue to pursue development of a facility in North Andover and to focus on a site in Lawrence. In September 2020, Merrimack demanded payment by the Organization of amounts Merrimack claims it incurred in connection with the project prior to termination. During fiscal 2022, the Organization paid \$225,000 to settle the claim. Additionally, the Organization wrote-off development costs associated with Merrimack totaling \$272,397.

LAWRENCE, MA DEVELOPMENT

The Organization is committed to developing a new facility in Lawrence, MA and has been developing plans, in partnership with Lawrence Community Works, that resulted in a development agreement being executed in May 2022. The Organization has spent approximately \$1.2 million in development costs as of June 30, 2022 and expects the total project to cost approximately \$15 million. The project is expected to be completed in mid 2024. Net assets restricted for the Lawrence development total approximately \$9 million at June 30, 2022.

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

10. NET ASSETS

Net Assets Without Donor Restrictions – Net assets without donor restrictions include board designated funds-functioning-as-endowment amounting to \$9,488,233 and \$9,920,726 at June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Lawrence, MA development	\$ 8,980,134	\$ 6,082,340
Subject to Passage of Time:		
Endowment funds	2,775,832	3,269,155
Multi-year pledge support	370,000	832,000
	<u>\$ 12,125,966</u>	<u>\$ 10,183,495</u>

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>2022</u>	<u>2021</u>
Expiration of Time Restrictions	\$ 470,000	\$ 315,000
Satisfaction of Purpose Restrictions: Lawrence, MA Development	917,733	501,591
Satisfaction of Purpose Restrictions: Scholarships	16,168	47,000
Specific Programs	353,500	308,500
	<u>\$ 1,757,401</u>	<u>\$ 1,172,091</u>

SQUASHBUSTERS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

11. 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 \$85,514 and \$73,082 to the plan during the year ended June 30, 2022 and 2021, respectively.

12. DEFERRED COMPENSATION PLAN

The Organization has a deferred compensation plan (the “plan”) for a certain key management employee under Section 457 (f) of the Internal Revenue Code.

The participant in the plan earns his contributions over a ten-year period ending December 31, 2024. During fiscal 2022 and 2021, the participant was paid in accordance with the plan \$144,474 for the vested portion of earned contributions. The Organization’s future payment obligation under the plan will occur on December 31, 2024.

13. PAYCHECK PROTECTION PROGRAM LOAN

On March 16, 2021, the Organization received a second PPP loan in the amount of \$375,597. The Organization used all of the loan proceeds in accordance with the conditions for forgiveness, and as a result recorded \$375,597 as a grant in the Statement of Activities for the year ended June 30, 2021.

14. EMPLOYEE RETENTION TAX CREDIT

During fiscal 2022, the Organization qualified and applied for ERTC in the amount of \$700,176. The ERTC is a refundable tax credit against certain employer taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020 and before October 1, 2021. The Organization has included the credit as a receivable on the statement of financial position and revenue on its statement of activities. The ERTC was received in full during July and August 2022.