

EISNERAMPER

**UNITED STATES SQUASH RACQUETS
ASSOCIATION, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019



UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated statements of financial position as of June 30, 2020 and 2019	2
Consolidated statements of activities for the years ended June 30, 2020 and 2019	3
Consolidated statement of functional expenses for the year ended June 30, 2020 (with summarized financial information for 2019)	4
Consolidated statement of functional expenses for the year ended June 30, 2019	5
Consolidated statements of cash flows for the years ended June 30, 2020 and 2019	6
Notes to consolidated financial statements	7

INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Squash Racquets Association, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the United States Squash Racquets Association, Inc. and its wholly controlled entities ("US Squash"), which comprise the consolidated statement of financial position as of June 30, 2020 and 2019, and the related consolidated statement of activities, functional expenses, and cash flows for each of the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

US Squash's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the United States Squash Racquets Association, Inc. and its wholly controlled entities as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
March 5, 2021



UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Consolidated Statements of Financial Position

	June 30,	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 4,112,244	\$ 5,600,114
Accounts and other receivables	149,941	168,591
Contributions and pledges receivable, net	11,336,653	16,438,482
Investments	2,642,805	4,517,453
Prepaid expenses and other assets	29,792	166,697
Cash surrender value of life insurance - restricted for endowment	127,538	123,101
Property and equipment, net	20,483,640	1,885,877
Software costs, net	<u>755,858</u>	<u>680,319</u>
	<u>\$ 39,638,471</u>	<u>\$ 29,580,634</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,176,196	\$ 659,755
Deferred revenue	895,979	991,366
Notes payable	13,432	193,947
Paycheck Protection Program loan payable	465,555	-
PIP Payable	<u>4,108,928</u>	<u>-</u>
Total liabilities	<u>7,660,090</u>	<u>1,845,068</u>
Commitments and other uncertainty (see Note K)		
Net assets:		
Without donor restrictions - undesignated	<u>(1,754,984)</u>	<u>(2,279,323)</u>
With donor restrictions:		
Purpose restrictions	19,988,181	9,374,149
Time-restricted for future periods	11,336,653	16,438,482
Perpetual in nature	<u>2,408,531</u>	<u>4,202,258</u>
Total net assets with donor restrictions	<u>33,733,365</u>	<u>30,014,889</u>
Total net assets	<u>31,978,381</u>	<u>27,735,566</u>
	<u>\$ 39,638,471</u>	<u>\$ 29,580,634</u>

See notes to consolidated financial statements.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Consolidated Statements of Activities

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Events:						
Entry fees	\$ 1,205,406	\$ -	\$ 1,205,406	\$ 1,406,398	\$ -	\$ 1,406,398
Sponsorship and royalties	568,212	-	568,212	678,734	-	678,734
Commissions and licensing	17,500	-	17,500	36,953	-	36,953
Accreditation fees	542,514	-	542,514	533,809	-	533,809
Membership fees	1,340,594	63,498	1,404,092	1,216,113	79,525	1,295,638
Program fees	332,874	-	332,874	519,048	-	519,048
Management fees	107,273	-	107,273	91,088	-	91,088
Contributions	817,294	5,421,785	6,239,079	311,519	11,469,050	11,780,569
Donated services	42,203	-	42,203	64,865	-	64,865
Investment income, net	246,517	141,351	387,868	-	228,747	228,747
Advertising income	50,643	-	50,643	153,980	-	153,980
Miscellaneous income	191,005	-	191,005	66,249	-	66,249
Total support and revenue before net assets released from restrictions	5,462,035	5,626,634	11,088,669	5,078,756	11,777,322	16,856,078
Net assets released from restrictions	1,908,158	(1,908,158)	-	1,054,654	(1,054,654)	-
Total support and revenue	7,370,193	3,718,476	11,088,669	6,133,410	10,722,668	16,856,078
Expenses:						
Program services:						
Membership	620,642	-	620,642	635,154	-	635,154
Events:						
US Open	1,002,588	-	1,002,588	1,026,030	-	1,026,030
Senior	848,906	-	848,906	868,758	-	868,758
Junior	1,083,867	-	1,083,867	1,151,373	-	1,151,373
Senior programs	957,748	-	957,748	980,140	-	980,140
Junior programs	861,723	-	861,723	881,873	-	881,873
Intercollegiate Squash Association	339,664	-	339,664	347,605	-	347,605
Squash magazine	269,099	-	269,099	275,388	-	275,388
Total program services	5,984,237	-	5,984,237	6,166,321	-	6,166,321
Supporting services:						
General and administrative	761,413	-	761,413	528,811	-	528,811
Fund-raising	100,204	-	100,204	113,539	-	113,539
Total supporting services	861,617	-	861,617	642,350	-	642,350
Total operating expenses	6,845,854	-	6,845,854	6,808,671	-	6,808,671
Change in net assets	524,339	3,718,476	4,242,815	(675,261)	10,722,668	10,047,407
Net assets, beginning of year	(2,279,323)	30,014,889	27,735,566	(1,604,062)	19,292,221	17,688,159
Net assets, end of year	\$ (1,754,984)	\$ 33,733,365	\$ 31,978,381	\$ (2,279,323)	\$ 30,014,889	\$ 27,735,566

See notes to consolidated financial statements.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

(with summarized information for 2019)

	Program Services								Supporting Services			Totals		
	Membership	US Open	Senior Events	Junior Events	Senior Programs	Junior Programs	Intercollegiate Squash Association	Squash Magazine	Total Program Services	General and Administrative	Fund-raising	Total Supporting Services	2020	2019
Grants, scholarships, and prizes	\$ -	\$ -	\$ -	\$ 368,114	\$ -	\$ -	\$ -	\$ -	\$ 368,114	\$ -	\$ 92,878	\$ 92,878	\$ 460,992	\$ 525,122
Payroll	254,794	411,596	348,505	294,346	393,187	353,766	139,443	110,475	2,306,112	240,685	2,499	243,184	2,549,296	2,585,959
Payroll taxes and benefits	78,262	126,424	107,045	90,411	120,770	108,661	42,831	33,933	708,337	58,570	768	59,338	767,675	335,341
Professional fees	58,811	95,004	80,441	67,941	90,754	81,655	32,186	25,499	532,291	44,014	577	44,591	576,882	638,741
In-kind legal fees	4,302	6,950	5,885	4,971	6,639	5,974	2,355	1,865	38,941	3,220	42	3,262	42,203	64,865
Occupancy	13,000	21,001	17,782	15,019	20,062	18,050	7,115	5,636	117,665	9,729	128	9,857	127,522	158,861
Insurance	9,494	15,337	12,986	10,970	14,651	13,182	5,196	4,116	85,932	7,105	93	7,198	93,130	88,902
Credit card fees	105	170	144	122	163	146	58	46	954	80	-	80	1,034	2,766
Payroll service fees	4,669	7,543	6,386	5,395	7,205	6,483	2,555	2,024	42,260	3,494	46	3,540	45,800	45,573
Printing and postage	7,009	11,322	9,587	8,097	10,816	9,732	3,836	3,039	63,438	5,245	69	5,314	68,752	86,767
Supplies	4,063	6,563	5,557	4,693	6,269	5,641	2,223	1,762	36,771	3,041	40	3,081	39,852	40,987
Telephone and internet	2,637	4,259	3,606	3,044	4,069	3,661	1,443	1,144	23,863	1,973	26	1,999	25,862	25,954
Technology licensing	18,792	30,357	25,704	21,710	29,000	26,092	10,285	8,149	170,089	14,064	184	14,248	184,337	154,030
Dues and subscriptions	4,851	7,837	6,635	5,605	7,486	6,736	2,655	2,102	43,907	3,631	48	3,679	47,586	24,340
Travel	68,248	110,247	93,348	78,844	105,317	94,757	37,350	29,590	617,701	51,076	669	51,745	669,446	1,025,469
Repairs and maintenance	26,245	42,396	35,897	30,319	40,500	36,439	14,363	11,380	237,539	19,641	257	19,898	257,437	218,590
Depreciation and amortization	19,539	31,563	26,725	22,569	30,151	27,128	10,693	8,473	176,841	14,623	192	14,815	191,656	185,783
Bad debts expense	-	-	-	-	-	-	-	-	-	243,876	-	243,876	243,876	50,000
Interest	-	-	-	-	-	-	-	-	-	3,054	-	3,054	3,054	3,469
Other	45,821	74,019	62,673	51,697	70,709	63,620	25,077	19,866	413,482	34,292	1,688	35,980	449,462	547,152
	<u>\$ 620,642</u>	<u>\$ 1,002,588</u>	<u>\$ 848,906</u>	<u>\$ 1,083,867</u>	<u>\$ 957,748</u>	<u>\$ 861,723</u>	<u>\$ 339,664</u>	<u>\$ 269,099</u>	<u>\$ 5,984,237</u>	<u>\$ 761,413</u>	<u>\$ 100,204</u>	<u>\$ 861,617</u>	<u>\$ 6,845,854</u>	<u>\$ 6,808,671</u>

See notes to consolidated financial statements.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2019**

	Program Services							Supporting Services				Total	
	Membership	US Open	Senior Events	Junior Events	Senior Programs	Junior Programs	Intercollegiate Squash Association	Squash Magazine	Total Program Services	General and Administrative	Fund-raising		Total Supporting Services
Grants, scholarships, and prizes	\$ -	\$ -	\$ -	\$ 419,323	\$ -	\$ -	\$ -	\$ -	\$ 419,323	\$ -	\$ 105,799	\$ 105,799	\$ 525,122
Payroll	263,629	425,868	360,589	304,555	406,820	366,032	144,278	114,305	2,386,076	197,297	2,586	199,883	2,585,959
Payroll taxes and benefits	34,187	55,225	46,760	39,495	52,756	47,466	18,710	14,822	309,421	25,585	335	25,920	335,341
Professional fees	65,117	105,191	89,067	75,228	100,486	90,411	35,637	28,232	589,369	48,733	639	49,372	638,741
In-kind legal fees	6,613	10,682	9,045	7,640	10,204	9,181	3,619	2,867	59,851	4,949	65	5,014	64,865
Occupancy	16,195	26,162	22,152	18,710	24,992	22,486	8,863	7,022	146,582	12,120	159	12,279	158,861
Insurance	9,063	14,641	12,397	10,469	13,986	12,584	4,960	3,930	82,030	6,783	89	6,872	88,902
Credit card fees	282	456	386	325	435	392	154	122	2,552	211	3	214	2,766
Payroll service fees	4,646	7,505	6,355	5,367	7,169	6,451	2,543	2,014	42,050	3,477	46	3,523	45,573
Printing and postage	8,846	14,289	12,099	10,219	13,650	12,282	4,841	3,834	80,060	6,620	87	6,707	86,767
Supplies	4,178	6,750	5,715	4,826	6,448	5,802	2,287	1,813	37,819	3,127	41	3,168	40,987
Telephone and internet	2,646	4,274	3,619	3,056	4,083	3,674	1,448	1,148	23,948	1,980	26	2,006	25,954
Technology licensing	15,703	25,366	21,478	18,141	24,232	21,802	8,594	6,808	142,124	11,752	154	11,906	154,030
Dues and subscriptions	2,481	4,008	3,394	2,868	3,829	3,445	1,358	1,076	22,459	1,857	24	1,881	24,340
Travel	104,543	168,879	142,993	120,772	161,326	145,151	57,214	45,327	946,205	78,239	1,025	79,264	1,025,469
Repairs and maintenance	22,284	35,998	30,480	25,745	34,388	30,941	12,196	9,662	201,694	16,677	219	16,896	218,590
Depreciation and amortization	18,940	30,596	25,906	21,880	29,227	26,297	10,365	8,212	171,423	14,174	186	14,360	185,783
Bad debts expense	-	-	-	-	-	-	-	-	-	50,000	-	50,000	50,000
Interest	-	-	-	-	-	-	-	-	-	3,469	-	3,469	3,469
Other	55,801	90,140	76,323	62,754	86,109	77,476	30,538	24,194	503,335	41,761	2,056	43,817	547,152
	<u>\$ 635,154</u>	<u>\$ 1,026,030</u>	<u>\$ 868,758</u>	<u>\$ 1,151,373</u>	<u>\$ 980,140</u>	<u>\$ 881,873</u>	<u>\$ 347,605</u>	<u>\$ 275,388</u>	<u>\$ 6,166,321</u>	<u>\$ 528,811</u>	<u>\$ 113,539</u>	<u>\$ 642,350</u>	<u>\$ 6,808,671</u>

See notes to consolidated financial statements.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,242,815	\$ 10,047,407
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	191,656	185,783
Net realized (gains) losses on investments	(236,212)	7,720
Net unrealized gains on investments	(85,481)	(143,918)
Donated securities	(244,690)	(338,941)
Proceeds from donated securities	244,690	338,941
Bad debts expense	243,876	50,000
Change in cash surrender value of life insurance policies	(4,437)	(4,716)
Perpetual in nature contributions	(2,200)	(61,735)
Changes in:		
Accounts and other receivables	18,650	(156,273)
Contributions and pledges receivable, net	4,857,953	(3,412,708)
Merchandise inventory	-	23,362
Prepaid expenses and other assets	136,905	(5,558)
Accounts payable and accrued expenses	(87,052)	378,737
Deferred revenue	(95,387)	127,255
	<u>9,181,086</u>	<u>7,035,356</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sales of investments	5,586,294	2,341,860
Purchases of investments	(3,389,953)	(1,925,302)
Purchases of property and equipment	(12,905,131)	(1,898,208)
Software development costs	(247,406)	(243,668)
	<u>(10,956,196)</u>	<u>(1,725,318)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Perpetual in nature contributions	2,200	61,735
Proceeds from Paycheck Protection Program loan payable	465,555	-
Principal payments on notes payable	(30,515)	(28,967)
Principal payments on capital lease obligation	-	(8,568)
Bank line of credit - drawdowns	-	250,000
Bank line of credit - repayments	(150,000)	(100,000)
	<u>287,240</u>	<u>174,200</u>
Net cash provided by financing activities		
Change in cash and cash equivalents	(1,487,870)	5,484,238
Cash and cash equivalents, beginning of year	<u>5,600,114</u>	<u>115,876</u>
Cash and cash equivalents, end of year	<u>\$ 4,112,244</u>	<u>\$ 5,600,114</u>
Supplemental disclosures of cash-flow information:		
Cash paid for interest	<u>\$ 3,054</u>	<u>\$ 3,469</u>
In-kind services	<u>\$ 42,203</u>	<u>\$ 64,865</u>
Capital expenditures included in accounts payable and accrued expenses	<u>\$ 6,053,173</u>	<u>\$ 340,752</u>

See notes to consolidated financial statements.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

United States Squash Racquets Association, Inc. ("US Squash") was incorporated in New York in 1957 and is the governing body of the game of squash racquets in the United States. Its mission is to lead squash's growth and development by increasing access and awareness, supporting meaningful lifelong engagement in the sport, and encouraging sportsmanship while achieving competitive excellence at the highest levels.

US Squash is exempt from federal income tax under provisions of Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and from state and local taxes under comparable laws, except for certain types of income subject to unrelated business income tax.

During 2018, through a resolution of the Board of Directors, US Squash transferred all intellectual property, and rights thereof, of its internally developed software, Club Locker, to Reciprocite, LLC, a Delaware limited liability company, of which US Squash is the sole member. Reciprocite, LLC is tasked with licensing the Club Locker software domestically and internationally. Reciprocite, LLC has sublicensed the use of Club Locker for Squash to the Global Squash Collaborative, a Delaware limited liability company, of which US Squash is also the sole member, facilitating the international sublicensing of the Club Locker Software for Squash.

Also during 2018, US Squash entered into a memorandum of understanding with Drexel University ("Drexel"), whereby US Squash, through various funding sources achieved through other sub-entities, will sublease a building from Drexel and pursue, establish, renovate, and construct a national squash center (the "Center") in Philadelphia. The Center will be housed within Pennsylvania's 32nd Street Armory (commonly referred to as the "Drexel Armory") located in Philadelphia, PA. The Drexel Armory is currently owned by the State of Pennsylvania's Department of Military Affairs which has leased the building to Drexel which in turn, has subleased to other entities as described further below.

To facilitate the Center's renovation and construction, US Squash and other unrelated parties have created additional entities as follows and for the following purposes:

(i) *US Squash Development Corporation:*

US Squash Development Corporation ("USDC"), a Pennsylvania corporation incorporated in 2017 to facilitate the construction process and subsequent operations of the Center. USDC is wholly owned and controlled by US Squash. The initial formation of USDC included 1,000 shares authorized and 100 shares issued to US Squash at a par value of \$1. US Squash paid an additional \$3,999,900 of additional-paid-in-capital at the initial funding date during 2019.

USDC has ownership interests in 3205 Lancaster Ave I, LLC ("3205 Lancaster Ave") and 3205 Master Tenant, LLC ("3205 Master Tenant"). USDC is the majority interest member in 3205 Lancaster Ave with an initial capital contribution of \$3,999,899 and an overall member funding commitment of \$26,640,828. USDC is a minority interest member in 3205 Master Tenant with an initial capital contribution of \$101 and an overall capital commitment of \$59,348. USDC is the managing member of 3205 Lancaster Ave and 3205 Master Tenant.

(ii) *3205 Lancaster Ave I, LLC:*

3205 Lancaster Ave is a Pennsylvania limited liability company formed in 2017 to facilitate the construction process and is the ultimate holder of all leasehold improvements of the Center. 3205 Lancaster Ave has two members: (i) USDC with a 90% interest and overall capital commitment of \$26,640,828, and (ii) 3205 Master Tenant with a 10% interest and overall capital commitment of \$3,871,115. 3205 Lancaster Ave is the master leaseholder of a 65-year sublease agreement with Drexel as noted above. As master leaseholder, 3205 Lancaster Ave will enter into a lease of the Center with 3205 Master Tenant.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[1] Organization: (continued)

(iii) 3205 Master Tenant, LLC:

3205 Master Tenant is a Pennsylvania limited liability company formed in 2019 to facilitate subleasing arrangements of the Center to other entities, as well as to facilitate the offering of historical tax credits to promote additional funding for the Center project overall. USDC is the managing member of 3205 Master Tenant with a 1% interest. The remaining interests are owned by unrelated parties to US Squash and its other sub entities. As leaseholder, 3205 Master Tenant will enter into a 20-year sublease of the Center with US Squash.

3205 Master Tenant has a 10% ownership interest in 3205 Lancaster Ave with an initial capital contribution of \$10,101 and an overall member funding commitment of \$3,871,115.

The financial position, results of operations, and cash flows of these entities are required to be consolidated with those of US Squash in accordance with accounting principles general accepted in the United States of America ("U.S. GAAP"). Accordingly, the consolidated financial statements include the financial position, results of operations and cash flows of US Squash, Reciprocite, LLC, Global Squash Collaborative, USDC, 3205 Lancaster Avenue, and 3205 Master Tenant (collectively, "US Squash"). All inter-entity transactions and balances have been eliminated in the consolidation process.

US Squash maintains a positive total net asset position as of June 30, 2020 and June 30, 2019, respectively, however, net assets without donor restrictions are in a deficit position for both years. Management's plans to mitigate this position include (i) improved operating results, new and expanded fundraising and earned revenue streams, and ongoing expense savings and (ii) future releases of net asset with donor restrictions, and the lapse of donor-imposed time restrictions and collections of pledges receivable. In addition, net assets with donor restrictions contain cost related to the construction of the Center which, once completed and placed into service, will be released to net asset without donor restrictions (see Note J).

[2] Basis of accounting:

The consolidated financial statements of US Squash have been prepared using the accrual basis of accounting and conform to U.S.GAAP, as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Cash and cash equivalents:

For financial-reporting purposes, US Squash considers all highly liquid investments, purchased with an original maturity of three months or less, to be cash equivalents, except money-market funds held as part of the investment portfolio.

[5] Investments:

US Squash's investments in mutual funds, exchange traded funds, equity securities, and fixed income securities are reported at their fair values in the consolidated statements of financial position based on quoted market prices. Cash equivalents held as part of US Squash's investment portfolio are also included in the balances reported as investments.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Investments: (continued)

US Squash's investments, in general, are subject to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost at the time of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

Donated securities are recorded at their estimated fair values, as determined by the proceeds received on the dates of donation. US Squash's policy is to sell the donated securities immediately, and, accordingly, for purposes of the statement of cash flows, donated securities and the proceeds generated from their sale are included within operating activities.

Investment expenses include the services of investment managers and custodians. The balances of investment management fees disclosed in Note C are those specific fees charged by US Squash's various investment managers in each fiscal year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

[6] Property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their fair values at the dates of donation less accumulated depreciation and amortization. US Squash capitalizes furniture, fixtures, and equipment that have a cost of \$1,000 or more and a useful life greater than one year, whereas minor costs of repair and maintenance are expensed as incurred. Depreciation of furniture, fixtures, and equipment is provided using the straight-line method over three to five years, the estimated useful lives of the related assets.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2020 and 2019, respectively, and, in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[7] Software costs:

The costs of the internally developed Club Locker software have been capitalized in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350, *Intangibles-Goodwill and Other-Internal-Use Software*, and costs incurred during the preliminary project work stage or conceptual stage, such as determining the performance requirements, system requirements, and data conversion, are expensed as incurred. Costs incurred in the application development phase, such as coding, testing for new software, and upgrades that result in additional functionality, are capitalized and are amortized using the straight-line method over the useful life of the software. Amortization of these capitalized costs begins only when the software becomes ready for its intended use. Costs incurred during the post implementation/operation stage, including training costs and maintenance costs, are expensed as incurred. Software development costs are amortized over 7 years. Accordingly, the capitalized software costs of \$1,489,020 and \$1,241,614 are reported net of accumulated amortization of \$733,162 and \$561,295, respectively, in the consolidated statements of financial position as of June 30, 2020 and 2019, respectively.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[8] Paycheck protection program loan payable:

US Squash has elected to record the Paycheck Protection Program ("PPP") loan as a loan payable. Loan forgiveness will be recognized when the conditions for loan forgiveness are met and the forgiveness amount is formally approved by the bank and the U.S. Small Business Administration ("SBA"); however, no assurance can be provided that US Squash will be eligible for forgiveness, in whole, or in part (see Note G).

[9] Net assets:

(i) Net assets without donor restrictions:

Net assets without donor restrictions represent those resources for which there are no restrictions by donors as to their use and are therefore available for current operations.

(ii) Net assets with donor restrictions:

Net assets with donor restrictions represent those resources that are subject to donor imposed restrictions, such as specific purposes and/or the passage of time. Also included within net assets with donor restrictions are donor restrictions that are perpetual in nature and subject to the requirements of the State of New York's Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"). These donors have stipulated that those resources be maintained in perpetuity with the resultant income and net capital appreciation arising from the underlying assets to be used in satisfaction of the wishes of those donors.

When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, or funds are appropriated through an action of the Board, net assets with donor restrictions are reclassified to net assets without donor restriction and are reported in the statements of activities as "net assets released from restrictions."

[10] Revenue recognition:

(i) Contributions and donated services:

Contributions to US Squash are recognized as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions are recorded as with donor restrictions if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recorded when the conditions have been met, and, if received in advance, are recognized in the consolidated statements of financial position as funds received in advance. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

For recognition of donated services in US Squash's consolidated financial statements, such services must (i) create or enhance non-financial assets, (ii) typically need to be acquired if not provided by donation (iii) require specialized skills and (iv) be provided by individuals possessing those skills. Donated services are recorded as support at their estimated fair value at the dates of donation and are reported as unrestricted support. Donated legal services received during fiscal-years 2020 and 2019 were \$42,203 and \$64,865, respectively, and accordingly, are reported as both contributions and offsetting expenses in the consolidated statements of activities.

(ii) Events, accreditation fees, membership fees, and program fees:

Events, accreditation fees, membership fees, and program fees are recorded when payment is received in the applicable period of performance. Any portion applicable to a subsequent period is reported as deferred revenue.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Revenue recognition: (continued)

(iii) Advertising income:

Advertising is recognized over the term of the subscription and/or contract. The portion applicable to any subsequent period is reported as deferred revenue.

[11] Fiscal-sponsorship:

US Squash offers a fiscal-sponsorship program for selected partner organizations whose work furthers US Squash's mission and exempt purpose. US Squash has variance power over funds received for the fiscal sponsorship program and it collects an administrative management fee on revenues received for fiscal-sponsorship projects. Total revenue of approximately \$262,984 and \$240,154 received during fiscal-year 2020 and 2019, respectively, relating to fiscal sponsorship has been reported as part of events and contributions in the accompanying consolidated statements of activities.

[12] Functional allocation of expenses:

The costs of providing US Squash's various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present expenses by natural classification and function. Accordingly, direct costs have been functionalized within the program and supporting services based on the nature of the expense. Indirect costs have been allocated on the basis of time and space.

[13] Income tax uncertainties:

US Squash is subject to the provisions of the FASB's ASC Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because US Squash has always recorded the potential liability for unrelated business income taxes related to advertising sales, and, due to its general not-for-profit status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on US Squash's consolidated financial statements.

[14] Adoption of accounting pronouncements:

(i) Clarifying the scope and the accounting guidance for contributions received and contributions made:

In June 2018, the FASB issued Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 985)*. ASU No. 2018-08 clarifies and improves guidance concerning: i) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution, and ii) determining whether a contribution received is conditional. ASU No. 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients, and periods beginning after December 15, 2019 for entities that are resource providers. US Squash adopted the resource recipient portion of the standard and early adopted the resource provider portion of the standard for the fiscal-year ending June 30, 2020 and this accounting guidance did not have a material effect on US Squash's consolidated financial statements.

(ii) Disclosure requirements for fair-value measurements:

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* which modified the disclosure requirements for fair value measurements and is effective for years beginning after December 15, 2019, with early adoption permitted. The effect of adopting this accounting guidance will result in the removal or modification of certain fair value measurement disclosures presented in US Squash's consolidated financial statements. US Squash chose to early-adopt this ASU for the fiscal-year ending June 30, 2020.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[15] Upcoming accounting pronouncements:

(i) *Revenue from Contracts with Customers:*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. ASU No. 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers – Deferral of the Effective Date*, which delayed the effective date by one year. As a result of this recent deferral due to Coronavirus (“COVID-19”), the new standard is effective for fiscal years beginning after December 15, 2019; accordingly, management plans to adopt the new standard using the modified retrospective approach and is in the process of assessing the impact of this ASU on the consolidated financial statements.

(ii) *Leases:*

In February 2016, the FASB issued its lease accounting guidance in ASU 2016-02, *Leases*. ASU 2016-02 will require lessors to separate lease and nonlease components in a contract and allocate the consideration in the contract to the separate components or to utilize a practical expedient, if the nonlease components otherwise would be accounted for under the new revenue guidance (Topic 606), and certain conditions are met. As a result of recent deferrals due to COVID-19, ASU 2016-02 will be effective for private not for profit organizations for fiscal years beginning after December 15, 2021. This ASU must be applied on a modified retrospective basis. US Squash is currently evaluating the effect that this new guidance will have on the consolidated financial statements and related disclosures.

(iii) *Contributed nonfinancial assets:*

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, the not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. US Squash is in the process of assessing the impact of this ASU on the consolidated financial statements.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[16] Reclassification:

Certain amounts included in the prior-year's consolidated financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported change in net assets.

[17] Subsequent events:

US Squash has evaluated subsequent events through March 5, 2021, the date on which the consolidated financial statements were available to be issued.

NOTE B - RECEIVABLES

[1] Contributions and pledges receivable:

At each fiscal year-end, contributions and pledges receivable were estimated to be due as follows:

	Year Ended June 30,	
	2020	2019
Less than one year	\$ 8,274,973	\$ 4,004,093
One to five years	<u>3,631,500</u>	<u>13,486,166</u>
	11,906,473	17,490,259
Reduction of pledges due in excess of one year to present value, at a rate 3.00%	<u>(269,944)</u>	<u>(995,777)</u>
	11,636,529	16,494,482
Less allowance for doubtful accounts	<u>(299,876)</u>	<u>(56,000)</u>
	<u>\$ 11,336,653</u>	<u>\$ 16,438,482</u>

[2] Accounts and other receivables:

At each fiscal year-end, accounts and other receivables consisted of reimbursable expenses and other amounts due from unrelated parties for exchange-type transactions. All amounts are due within one year, and management expects the receivables to be fully collected. Accordingly, no allowance for doubtful amounts has been established.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE C - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	June 30,			
	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Money-market funds	\$ 102,904	\$ 102,904	\$ 106,680	\$ 106,680
Mutual funds:				
Equity funds	217,803	230,464	258,538	284,678
Exchange traded funds:				
Equity funds	162,915	154,130	562,158	550,420
Fixed income securities:				
Corporate	56,151	54,960	161,190	161,013
Government	521,188	495,369	789,074	789,466
Equity securities	<u>1,581,844</u>	<u>1,136,608</u>	<u>2,639,813</u>	<u>2,242,307</u>
	<u>\$ 2,642,805</u>	<u>\$ 2,174,435</u>	<u>\$ 4,517,453</u>	<u>\$ 4,134,564</u>

During each fiscal year, investment income consisted of the following:

	June 30,	
	2020	2019
Interest and dividends	\$ 94,958	\$ 127,419
Investment management fees	<u>(28,783)</u>	<u>(34,870)</u>
Interest and dividends, net	<u>66,175</u>	<u>92,549</u>
Net realized gains (losses)	236,212	(7,720)
Net unrealized gains	<u>85,481</u>	<u>143,918</u>
Total net realized and unrealized gains	<u>321,693</u>	<u>136,198</u>
	<u>\$ 387,868</u>	<u>\$ 228,747</u>

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value designations. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for those assets at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar assets in active markets, or (ii) quoted prices for those assets, or similar assets, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the assets, or (ii) the assets cannot be independently valued.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE C - INVESTMENTS (CONTINUED)

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The following table summarizes the fair values of the US Squash's financial assets at each fiscal year-end, in accordance with the ASC Topic 820 valuation levels:

	June 30,					
	2020			2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Money-market funds	\$ 102,904	\$ -	\$ 102,904	\$ 106,680	\$ -	\$ 106,680
Mutual funds	217,803	-	217,803	258,538	-	258,538
Exchange traded funds	162,915	-	162,915	562,158	-	562,158
Fixed income securities	-	577,339	577,339		950,264	950,264
Equity securities	<u>1,581,844</u>	-	<u>1,581,844</u>	2,639,813	-	2,639,813
	<u>\$ 2,065,466</u>	<u>\$ 577,339</u>	<u>\$ 2,642,805</u>	<u>\$ 3,567,189</u>	<u>\$ 950,264</u>	<u>\$ 4,517,453</u>

NOTE D - PROPERTY AND EQUIPMENT

At each fiscal-year end, property and equipment consisted of the following:

	June 30,	
	2020	2019
Furniture, fixtures and equipment	\$ 275,100	\$ 275,100
Less accumulated depreciation and amortization	<u>(138,572)</u>	<u>(118,783)</u>
	136,528	156,317
Construction-in-progress	<u>20,347,112</u>	<u>1,729,560</u>
	<u>\$20,483,640</u>	<u>\$ 1,885,877</u>

During fiscal-year 2020 and 2019, construction-in-progress consisted of costs related to the pre-construction costs of the Arlen Specter National Squash Center. Further, during fiscal-year 2019, US Squash wrote off \$25,299 of fully depreciated assets no longer in service.

NOTE E - CASH SURRENDER VALUE OF LIFE INSURANCE

US Squash is the beneficiary of multiple life insurance policies provided through donation. The cash surrender value of the life insurance policies is net of any outstanding policy loans. Upon the death of the donor, the proceeds from both policies are to be used for endowment. At June 30, 2020 and 2019, the cash surrender value of the life insurance policies was \$127,538 and \$123,101, respectively.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE F - DEFERRED REVENUE

At each fiscal-year end, deferred revenue was from the following sources:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Membership dues	\$ 853,787	\$ 655,494
Life member dues	37,192	40,403
Tournament income	<u>5,000</u>	<u>295,469</u>
	<u>\$ 895,979</u>	<u>\$ 991,366</u>

Deferred membership dues relate to annual memberships paid throughout the year. Memberships run on rolling 12-month cycle from the date of the member's application or renewal. Deferred life member dues relate to members who have a life-time membership to US Squash. Life memberships are being amortized over 40 years. Life-time memberships ceased being issued in 2006.

NOTE G - DEBT

[1] Bank Line of Credit:

US Squash has an available bank line of credit of \$400,000 with interest calculated at the prime rate plus .49%, with a minimum floor rate of 3.25%; the interest rate for as of June 30, 2020 and 2019 was 3.74% and 5.99%, respectively. The bank line of credit renews annually in January. The lines secured by the general assets of US Squash and is due on demand. During fiscal-year 2019, there were draws on the bank line of credit of \$250,000 and repayments of \$100,000. During fiscal-year 2020, the entire amount was repaid.

[2] Notes payable:

During 2015, US Squash entered into a note payable with and unrelated bank with an initial principle amount of \$50,000 at a stated interest rate 5.25%, payable in monthly installments of \$951 through June 2020. The note was fully repaid during fiscal-year 2020. The note is secured by the general assets of US Squash.

In addition, during 2016, US Squash entered into another note payable with the same unrelated bank with an initial principle amount of \$91,000 at a stated interest rate of 4.75%, payable in monthly installments of \$1,710 through February 2021. The note is secured by the general assets of US Squash.

[3] Paycheck protection loan payable:

On March 27, 2020, Congress enacted the Coronavirus Aid Relief, and Economic Security Act ("CARES Act"). The PPP established by the CARES Act, implemented by the SBA, provides businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the COVID-19 outbreak. In April 2020, US Squash received \$465,555 in funds from the PPP and is reported as a Paycheck Protection Program loan payable in the consolidated statement of financial position at June 30, 2020. Neither principle nor interest is due for a six-month deferral period through October 2020. This loan may be forgiven subject to bank approval in accordance with SBA guidelines; however, no assurance can be provided that US Squash will be eligible for forgiveness in whole, or in part. Any outstanding principle of the loan that is not forgiven under the PPP Loan program at the end of the six-month deferral period will convert to a term loan with an interest rate of 1% payable in equal installments of principle and interest over the next eighteen months. The loan matures on April 18, 2022. US Squash is in the process of applying for forgiveness. Until determination of forgiveness, the scheduled future principle maturities are included in the future minimum principle payment table below.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE G - DEBT (CONTINUED)

[4] PIP Payable:

Pursuant to the terms of an agreement ("PIP Grant") made by and between Drexel and the Commonwealth of Pennsylvania through which Drexel, and as part of the construction and renovation of the Center, will incur \$5,000,000 worth of expenditures using the proceeds of the PIP Grant. Per the terms of the sublease agreement between Drexel and 3205 Lancaster Ave, 3205 Lancaster Ave will purchase these costs under a PIP Bill of Sale Agreement. Under the PIP Bill of Sale Agreement, 3205 Lancaster Ave will own the assets as of completion and will be obligated to make payments to Drexel on the following schedule: \$1,000,000 by December 31, 2020, \$2,500,000 by December 31, 2021 and \$1,500,000 by December 31, 2022. Through June 30, 2020, \$4,108,928 was expended as part of the PIP Grant which has been recorded as a liability in the consolidated financial statements.

[5] Economic Injury Disaster Loan:

In addition during 2020, US Squash applied for an Economic Injury Disaster Loan through the SBA. The loan bears interest at a rate of 2.75% per annum, and is secured by the personal property of US Squash. Subsequent to year-end, in August 2020, US Squash received loan proceeds of \$149,900. The proceeds of the loan are to be used as working capital to alleviate economic injury caused by COVID-19 outbreak. Repayment including principal and interest in the amount of \$641 is due monthly and is payable over 30 years from the date of the loan agreement.

The required future minimum principle payments on long-term debt subsequent to June 30, 2020 are as follows:

<u>Fiscal-Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2021	\$ 1,227,396
2022	2,766,334
2023	616,620
2024	7,692
2025	7,692
Thereafter	<u>112,081</u>
	<u>\$ 4,737,815</u>

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

**Notes to Consolidated Financial Statements
June 30, 2020 and 2019**

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

At each fiscal year-end, net assets with donor restrictions were categorized as follows:

	June 30,	
	2020	2019
Purpose restrictions:		
Operations	\$ 382,443	\$ 470,805
Intercollegiate Squash Association	-	130,261
Arlen Specter National Squash Center	18,945,702	7,243,486
Club Locker technology platform	-	450,000
Junior Squash	-	135,304
The Ganek Family US Squash Head Coach Fund	-	260,890
Hall of Fame	-	1,459
Hardball	39,679	38,487
Doubles	-	46,100
	<u>19,367,824</u>	<u>8,776,792</u>
Subject to appropriation:		
Accumulated endowment income reserved for appropriations	<u>620,357</u>	<u>597,357</u>
Subject to the passage of time:		
Arlen Specter National Squash Center	10,646,972	15,764,871
Club Locker technology platform	485,649	514,435
Other	<u>204,032</u>	<u>159,176</u>
	<u>11,336,653</u>	<u>16,438,482</u>
Perpetual in nature:		
The Ganek Family US Squash Head Coach Fund	-	1,795,927
General operating support	1,324,380	1,323,130
Junior development	<u>1,084,151</u>	<u>1,083,201</u>
	<u>2,408,531</u>	<u>4,202,258</u>
	<u>\$ 33,733,365</u>	<u>\$ 30,014,889</u>

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During each fiscal year, net assets released from restrictions resulted from satisfying the following donor restrictions:

	Year Ended June 30,	
	2020	2019
Fulfillment of purposes:		
Operations	\$ 639,992	\$ 423,611
Intercollegiate Squash Association	130,261	347,605
Club Locker technology platform	478,786	
2018 World Masters	-	60,000
Junior Squash	170,616	73,706
The Ganek Family US Squash Head Coach Fund	314,890	
Hall of Fame	1,459	-
Hardball	-	1,186
Doubles	53,803	9,555
Squash on campus	-	14,777
Appropriations of endowment:		
The Ganek Family US Squash Head Coach fund	-	54,000
General operating support	67,432	40,021
Junior development	50,919	30,193
	<u>\$ 1,908,158</u>	<u>\$ 1,054,654</u>

NOTE I - ACCOUNTING AND REPORTING FOR ENDOWMENTS

[1] The endowment:

US Squash's endowment consists of two and three donor-restricted funds as of June 30, 2020 and 2019, respectively, established for a variety of purposes. During fiscal year 2020, the donor of the Ganek Family US Squash Head Coach fund modified their restriction from perpetual in nature to purpose restricted for the Arlen Specter National Squash Center. As required by U.S. GAAP, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

[2] Interpretation of relevant law:

NYPMIFA is applicable to all of US Squash's institutional funds, including its donor-restricted endowment funds. The Board of Directors adheres to NYPMIFA's requirements.

[3] Return objectives and risk parameters:

US Squash's overall financial objective for the endowment assets is to provide the operations of US Squash with a relatively stable stream of spendable revenue that increases over time. Endowment assets consist of those assets of donor-restricted funds that US Squash must hold in perpetuity. Investment guidelines include:

- meeting or exceeding the market index, or blended market index, as selected and agreed-upon by US Squash's Investment Committee, and approved by the Board of Directors, and

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE I - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[3] Return objectives and risk parameters: (continued)

- employing an overall level of risk in the portfolio consistent with the risk associated with the benchmark specified above.

[4] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, US Squash relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). US Squash targets a diversified asset allocation within prudent risk constraints.

[5] Spending policy:

US Squash's spending policy, as approved by the Board of Director and in conjunction with an Investment Committee of the Board's review and assessment, permits US Squash to utilize for current operation and Junior programs up to 5% of the rolling three-year average of its endowment funds. Actual appropriations from the endowment were 5% and 3% for fiscal-years 2020 and 2019, respectively.

[6] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with the endowment funds may decline below the historic dollar value of the donor's original, permanently restricted contribution, or the amount required to be maintained under state law. Under the terms of NYPMIFA, US Squash has no responsibility to restore such decreases in value. In fiscal-years 2020 and 2019, there were no such deficiencies.

[7] Changes in endowment net assets during each fiscal year:

	June 30, 2020		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 597,357	\$ 4,202,258	\$ 4,799,615
Contributions	-	2,200	2,200
Investment income, net	141,351	-	141,351
Release of perpetual restriction	-	(1,795,927)	(1,795,927)
Appropriation of endowment assets for expenditure	<u>(118,351)</u>	<u>-</u>	<u>(118,351)</u>
Endowment net assets, end of year	<u>\$ 620,357</u>	<u>\$ 2,408,531</u>	<u>\$ 3,028,888</u>

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE I - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[7] Changes in endowment net assets during each fiscal year: (continued)

	June 30, 2019		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 492,824	\$ 4,140,523	\$ 4,633,347
Contributions	-	61,735	61,735
Investment income, net	228,747	-	228,747
Appropriation of endowment assets for expenditure	<u>(124,214)</u>	<u>-</u>	<u>(124,214)</u>
Endowment net assets, end of year	<u>\$ 597,357</u>	<u>\$ 4,202,258</u>	<u>\$ 4,799,615</u>

Amounts subject to appropriations represents that portion of allocated investment income derived from endowment assets held in perpetuity that has not been appropriated by the Board of Directors for expenditure.

NOTE J - EMPLOYEE-BENEFIT PLAN

US Squash maintains a defined-contribution retirement plan, established under Section 401(k) of the Code covering all eligible employees. US Squash contributes 3.5% of each eligible employee's compensation to the Plan. Plan expenses for fiscal-years 2020 and 2019 were approximately \$80,000 and \$68,000, respectively.

NOTE K - COMMITMENTS AND OTHER UNCERTAINTY

[1] Leases:

US Squash is obligated under various noncancelable operating leases for office and other equipment that expire through fiscal-year 2022.

The future minimum annual rental on the operating leases is as follows:

Year Ending June 30,	Amount
2021	\$ 97,330
2022	<u>21,353</u>
	<u>\$ 118,683</u>

Rent expense for fiscal-years 2020 and 2019 was \$119,305 and \$150,644, respectively.

[2] Construction-in-progress:

Construction commitments relating to the anticipated construction of the Arlen Specter National Squash Center amounted to approximately \$8,009,000 at June 30, 2020.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE K - COMMITMENTS AND OTHER UNCERTAINTY (CONTINUED)

[3] Employment agreement:

US Squash has an employment agreement with its President and CEO that includes a retention incentive bonus of \$50,000 each January 1 the President and CEO remains employed at US Squash, commencing on January 1, 2020, for five years. At June 30, 2020, the amount payable of the retention incentive bonus was \$50,000, and was included in accounts payable and accrued expenses in the accompanying statements of financial position.

[4] Other contracts:

US Squash has entered into various contracts and agreements in the normal course of its business operations.

[5] Other uncertainty:

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of US Squash will depend on the continued future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of COVID-19 on overall demand for US Squash's services, all of which are highly uncertain and cannot be predicted. If demand for US Squash's services are impacted for an extended period, results of operations may be materially adversely affected.

NOTE L - CONCENTRATIONS OF CREDIT RISK

US Squash places its cash investments with high-credit-quality financial institutions. At times, the balances in such accounts may exceed federally insured limits. US Squash's management believes there is no substantial risk of loss associated with the failure of these financial institutions.

NOTE M - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects US Squash's financial assets as of the consolidated statements of financial position date, reduced by amounts not available for general use within one year of June 30, 2020 and 2019 because of contractual or donor-imposed restrictions or internal designations:

	Year Ended June 30,	
	2020	2019
Cash and cash equivalents	\$ 4,112,244	\$ 5,600,114
Accounts and other receivables	149,941	168,591
Contributions and pledges receivable, net	11,336,653	16,438,482
Investments	<u>2,642,805</u>	<u>4,517,453</u>
Total financial assets available within one year	<u>18,241,643</u>	<u>26,724,640</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with:		
Purpose and time restrictions	(8,755,922)	(24,083,071)
Perpetual in nature	<u>(2,408,531)</u>	<u>(4,202,258)</u>
Total amounts unavailable for general expenditure within one year	<u>(11,164,453)</u>	<u>(28,285,329)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,077,190</u>	<u>\$ (1,560,689)</u>

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE M - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

Liquidity policy:

US Squash, as part of its liquidity management strategy, maintains a sufficient level of operating cash and other financial assets which are made available as its general expenditures come due. The purpose and time restrictions amount in the table above represents the amount reported in the consolidated statements of financial position of \$31,324,834 and \$25,812,631 as of June 30, 2020 and 2019, respectively, net of the amounts US Squash expended for capital expenditures of \$14,293,939 and \$1,729,560 as of June 30, 2020 and 2019, respectively, that have not been released from net assets with donor restrictions until the Center is placed in service. Additionally, management maintains a line of credit up to \$400,000, as discussed in Note H, to address short-term liquidity needs as they arise.