EISNERAMPER

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Contents

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Squash Racquets Association, Inc.

Report on the Consolidated 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, 2021, and the related consolidated statement of activities, changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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, 2021, and the consolidated changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
February 25, 2022

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Consolidated Statement of Financial Position
June 30, 2021

ASSETS	
Cash and cash equivalents	$ 1,801,594
Accounts and other receivables	149,940
Contributions and pledges receivable, net	3,987,170
Promissory note receivable	2,752,000
Investments	2,595,937
Prepaid expenses and other assets	29,792
Cash surrender value of life insurance - restricted for endowment	131,854
Property and equipment, net	38,664,572
Software costs, net	671,839
	$ 50,784,698
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and accrued expenses	$ 3,128,859
Deferred revenue	625,819
Debt payable, net	13,194,198
Total liabilities	16,948,876
Commitments and other uncertainty (see Note L)	
Net assets:	
Without donor restrictions - undesignated	20,024,622
With donor restrictions:	
Purpose restrictions	5,751,311
Time-restricted for future periods	3,987,170
Perpetual in nature	2,408,531
Total net assets with donor restrictions	12,147,012
Total net assets attributable to US Squash and controlling interests	32,171,634
Non-controlling interest	1,664,188
Total net assets	33,835,822
	$ 50,784,698

See notes to consolidated financial statements.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Events:			
Entry fees	$ 666	$ -	$ 666
Sponsorship and royalties	105,039	-	105,039
Commissions and licensing	2,582	-	2,582
Accreditation fees	303,248	-	303,248
Membership fees	1,261,562	95,950	1,357,512
Program fees	64,379	-	64,379
Contributions	3,918,177	80,438	3,998,615
Donated services	72,098	-	72,098
Investment income (loss), net	(77,772)	629,913	552,141
Advertising income	20,699	-	20,699
Miscellaneous income	80,161	-	80,161
Total support and revenue before net assets released from restrictions	5,750,839	806,301	6,557,140
Net assets released from restrictions	22,392,654	(22,392,654)	-
Total support and revenue	28,143,493	(21,586,353)	6,557,140
Expenses:			
Program services:			
Membership	466,486	-	466,486
Organized activities	3,116,475	-	3,116,475
Marketing and promotion of the Sport	134,560	-	134,560
Specter Center	516,800	-	516,800
Total program services	4,234,321	-	4,234,321
Supporting services:			
General and administrative	455,916	-	455,916
Fund-raising	9,462	-	9,462
Total supporting services	465,378	-	465,378
Total expenses	4,699,699	-	4,699,699
Change in net assets attributable to non-controlling interests	(98,449)	-	(98,449)
Change in net assets attributable to US Squash interests and controlling interests	23,542,243	(21,586,353)	1,955,890
Change in net assets	$ 23,443,794	$ (21,586,353)	$ 1,857,441

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Consolidated Statement of Changes in Net Assets
Year Ended June 30, 2021

	Net Assets Without Donor Restrictions				
	Controlling Interests	Non-Controlling Interests	Total	Net Assets With Donor Restrictions	Consolidated Total
Net assets, beginning of year	$ (3,517,621)	$ 1,762,637	$ (1,754,984)	$ 33,733,365	$ 31,978,381
Change in net assets attributable to noncontrolling interests	-	(98,449)	(98,449)	-	(98,449)
Change in net assets attributable to US Squash and controlling interests	23,542,243	-	23,542,243	(21,586,353)	1,955,890
Net assets, end of year	$ 20,024,622	$ 1,664,188	$ 21,688,810	$ 12,147,012	$ 33,835,822

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services					Supporting Services			
	Membership	Organized Activities	Marketing and Promotion of the Sport	Specter Center	Total Program Services	General and Administrative	Fund-raising	Total Supporting Services	Total
Payroll	$ 219,838	$ 1,509,481	$ 62,971	$ 194,076	$ 1,986,366	$ 167,880	$ 2,156	$ 170,036	$ 2,156,402
Payroll taxes and benefits	41,130	282,410	11,781	36,310	371,631	31,409	403	31,812	403,443
Professional fees	26,293	180,541	7,532	23,212	237,578	20,079	258	20,337	257,915
In-kind legal fees	7,350	50,469	2,105	6,489	66,413	5,613	72	5,685	72,098
Occupancy	8,391	57,616	2,404	7,408	75,819	6,408	82	6,490	82,309
Insurance	8,840	60,701	2,532	7,804	79,877	6,751	87	6,838	86,715
Credit card fees	49	335	14	43	441	38	-	38	479
Payroll service fees	3,040	20,871	871	2,683	27,465	2,321	30	2,351	29,816
Printing and postage	606	4,162	174	535	5,477	463	6	469	5,946
Supplies	4,794	32,917	1,373	4,232	43,316	3,661	47	3,708	47,024
Telephone and internet	3,985	27,365	1,142	3,518	36,010	3,044	39	3,083	39,093
Technology licensing	12,408	85,195	3,554	10,954	112,111	9,475	122	9,597	121,708
Dues and subscriptions	3,206	22,011	918	2,830	28,965	2,448	31	2,479	31,444
Travel	4,529	31,101	1,297	3,999	40,926	3,459	44	3,503	44,429
Repairs and maintenance	2,191	15,042	628	1,934	19,795	1,673	21	1,694	21,489
Depreciation and amortization	109,159	642,449	32,122	203,442	987,172	82,505	1,071	83,576	1,070,748
Bad debts expense	-	-	-	-	-	18,000	-	18,000	18,000
Interest	-	-	-	-	-	82,907	-	82,907	82,907
Other	10,677	93,809	3,142	7,331	114,959	7,782	4,993	12,775	127,734
	$ 466,486	$ 3,116,475	$ 134,560	$ 516,800	$ 4,234,321	$ 455,916	$ 9,462	$ 465,378	$ 4,699,699

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Consolidated Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from operating activities:	
Change in net assets	$ 1,857,441
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,070,748
Net realized gains on investments	(214,821)
Net unrealized gains on investments	(314,977)
Donated securities	(531,407)
Proceeds from donated securities	531,407
Bad debts expense	18,000
Amortization of loan issuance costs	33,168
Change in cash surrender value of life insurance policies	(4,316)
Changes in:	
Accounts and other receivables	1
Contributions and pledges receivable, net	7,331,483
Accounts payable and accrued expenses	829,845
Deferred revenue	(270,160)
Net cash provided by operating activities	10,336,412
Cash flows from investing activities:	
Proceeds from sales of investments	1,228,247
Purchases of investments	(651,581)
Purchases of property and equipment	(18,938,907)
Software development costs	(105,936)
Change in promissory note receivable	(2,752,000)
Net cash used in investing activities	(21,220,177)
Cash flows from financing activities:	
Proceeds from debts payable	8,844,193
Principal payments on loans payable	(13,432)
Payments of debt issuance costs	(257,646)
Net cash provided by financing activities	8,573,115
Decrease in cash and cash equivalents	(2,310,650)
Cash and cash equivalents, beginning of year	4,112,244
Cash and cash equivalents, end of year	$ 1,801,594
Supplemental disclosures of cash-flow information:	
Cash paid for interest	$ 49,739
In-kind services	$ 72,098
Capital expenditures included in accounts payable and accrued expenses	$ 2,067,063

See notes to consolidated financial statements.

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. The Center was substantially rehabilitated and placed-in-service in December 2020.

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 has funded an additional $26,230,100 of additional-paid-in-capital through June 30, 2021.

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 and is a minority interest member in 3205 Master Tenant. 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 (ii) 3205 Master Tenant with a 10% interest. 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 lease the Center, through US Squash, with 3205 Master Tenant.

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, through US Squash, to other entities, as well as to facilitate the offering of historical and new market 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.

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.

[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 consolidated 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 statement 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.

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.

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

[5] Investments: (continued)

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 statement 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. There were no triggering events during fiscal-year 2021 requiring management to test for impairment adjustments to property and equipment. 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 $1,594,956 are reported net of accumulated amortization of $923,117 in the consolidated statement of financial position as of June 30, 2021.

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

[8] Paycheck Protection Program loans payable:

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provides businesses, including certain not-for-profit organizations, with funds to pay payroll and qualifying expenditures during the coronavirus ("COVID-19") pandemic. US Squash applied for, and received, two separate rounds of PPP funding for a total of $931,110 through June 30, 2021.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. US Squash has elected to record the PPP funds 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 SBA. Subsequent to year-end, in November 2021, the first round of PPP funding was fully forgiven by the bank and SBA (see Note H).

[9] Debt-financing costs:

Costs incurred in connection with the issuance of debt (see Note H) are amortized over the term of the related debt, using the straight-line method which approximates the effective interest method of amortization. These costs are reported in the consolidated statement of financial position as a direct reduction of the related debt. The amortization of the debt financing costs is reported as part of interest expense in the consolidated statement of functional expenses. Interest expense related to the amortization of debt-financing costs was approximately $33,000 for fiscal-year 2021.

[10] 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 statement of activities as "net assets released from restrictions."

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

[11] Revenue recognition:

(i) Revenue from contracts with customers:

US Squash recognizes revenue when, or as, performance obligations are satisfied associated with contracts with customers. Revenue is measured as the amount of consideration US Squash expects to receive in exchange for providing services. The primary source of revenue from contracts with customers for US Squash are events, accreditation fees and membership fees.

a. Events and accreditation fees:

Events and accreditation fees are recorded as revenue at the time of the related performance. Proceeds from events and accreditation fees received in advance are deferred until the day of the related event or performance.

b. Membership fees:

Fees are recorded as revenue in the year to which the membership relates, usually one year. The performance obligation consists of providing members access to accredited competitions and championships, ratings and rankings, and Club Locker Technology and is recognized ratably as services are simultaneously received and consumed by the members. Fees received in advance are deferred until the following year. The portion applicable to any subsequent period is reported as deferred revenue.

(ii) 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 statement 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-year 2021 were $72,098, and accordingly, are reported as both contributions and offsetting expenses in the consolidated statement of activities.

[12] 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 $267,072 received during fiscal-year 2021, relating to fiscal sponsorship, has been reported as part of events and contributions in the accompanying consolidated statement of activities.

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

[13] 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 statement of activities. The consolidated statement 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 including payroll, payroll taxes and benefits, professional fees, and depreciation and amortization.

[14] 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.

[15] Adoption of accounting principle:

In May 2014, the FASB issued Accounting Standards Update ("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 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. Analysis of various provisions of this standard resulted in no significant changes in the way US Squash recognized revenue, and therefore, no changes to the previously issued audited consolidated financial statements were required on a retrospective basis.

[16] Upcoming accounting principles:

(i) 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.

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

[16] Upcoming accounting principles: (continued)

(ii) 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 Measurements*, 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.

[17] Subsequent events:

US Squash has evaluated subsequent events through February 25, 2022, the date on which the consolidated financial statements were available to be issued.

NOTE B - RECEIVABLES

[1] Contributions and pledges receivable:

At June 30, 2021, contributions and pledges receivable were estimated to be due as follows:

Less than one year	$ 2,172,393
One to five years	2,287,519
	4,459,912
Reduction of pledges due in excess of one year to present value, at a rate 3.00%	(154,866)
	4,305,046
Less allowance for doubtful accounts	(317,876)
	$ 3,987,170

NOTE B - RECEIVABLES (CONTINUED)

[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 accounts has been established.

NOTE C - PROMISSORY NOTE RECEIVABLE

During fiscal-year 2021, US Squash, through USDC, entered into a promissory note receivable of $2,752,000 with an unrelated party. The note bears interest at 1.949% and matures December 1, 2036. Principal payments are due beginning in fiscal year 2030.

NOTE D - INVESTMENTS

At June 30, 2021, investments consisted of the following:

	Fair Value	Cost
Money-market funds	$ 70,723	$ 70,723
Mutual funds – equity funds	211,978	173,395
Exchange-traded funds – equity funds	161,034	154,131
Fixed income securities - Government	726,101	703,569
Equity securities	1,426,101	827,452
	$ 2,595,937	$ 1,929,270

During fiscal-year 2021, investment income consisted of the following:

Interest and dividends	$ 42,554
Investment management fees	(20,211)
Interest and dividends, net	22,343
Net realized gains	214,821
Net unrealized gains	314,977
Total net realized and unrealized gains	529,798
	$ 552,141

NOTE D - INVESTMENTS (CONTINUED)

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.

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 June 30, 2021, in accordance with the ASC Topic 820 valuation levels:

	Level 1	Level 2	Total
Money-market funds	$ 70,723	$ -	$ 70,723
Mutual funds	211,978	-	211,978
Exchange-traded funds	161,034	-	161,034
Fixed income securities	-	726,101	726,101
Equity securities	1,426,101	-	1,426,101
	$ 1,869,836	$ 726,101	$ 2,595,937

NOTE E - PROPERTY AND EQUIPMENT

At June 30, 2021, property and equipment consisted of the following:

Land	$ 11,997
Building	31,112,154
Furniture, fixtures and equipment	4,150,054
	35,274,205
Less accumulated depreciation and amortization	(1,019,365)
	34,254,840
Construction-in-progress	4,409,732
	$38,664,572

During fiscal-year 2021, construction-in-progress consisted of costs related to construction costs of the Center. The Center was substantially rehabilitated and placed-in-service in December 2020.

NOTE F - 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, 2021, the cash surrender value of the life insurance policies was $131,854.

NOTE G - DEFERRED REVENUE

At June 30, 2021, deferred revenue was from the following sources:

Membership dues	$ 582,085
Tournament income	43,734
	$ 625,819

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.

There were no other significant assets or liabilities related to contracts with customers at June 30, 2021.

NOTE H - DEBT

At June 30, 2021, debt payable consisted of the following:

Paycheck Protection Program loans, bearing interest at 1.00%.	$ 931,110
Economic Injury Disaster loan, bearing interest at 2.75%, secured by general assets of US Squash, required installment monthly payments of $641 over 30 years, due June 2050.	149,900
Bank line of credit, bearing interest at 3.74%, renews annually, secured by general assets of US Squash.	-
PIP loan payable (A)	4,108,928
Construction loan payable with Reinvestment Fund, Inc. for a maximum of $5,000,000, bearing interest at 3.5%, secured by first priority security line in a cash collateral account held by US Squash, due November 2021, extension available through December 2024, net of unamortized-financing costs of $224,478.	4,004,260
3205 Lancaster Avenue I, LLC loan, bearing interest at 1.60%, principal payments begin in fiscal-year 2030.	4,000,000
	$ 13,194,198

(A) 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. Through June 30, 2021, $4,108,928 was expended as part of the PIP Grant, which has been recorded as a liability in the consolidated financial statements.

The required principal and interest payments for the five fiscal years subsequent to June 30, 2021, and thereafter, of the debt are as follows:

Year Ending June 30,	Total
2022	$ 6,776,468
2023	2,007,692
2024	507,692
2025	7,692
2026	7,692
Thereafter	4,111,440
	13,418,676
Less: Unamortized-financing costs	(224,478)
	$ 13,194,198

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021, net assets with donor restrictions were categorized as follows:

Purpose restrictions:	
Operations	$ 95,950
Arlen Specter National Squash Center	4,409,732
Women's Fund	5,155
Community Initiative	57,683
Hardball	39,780
Women and Girls Initiative	17,500
	4,625,800
Subject to appropriation:	
Accumulated endowment income reserved for appropriations	1,125,511
Subject to the passage of time:	
Arlen Specter National Squash Center	3,556,573
Club Locker technology platform	250,000
Other	180,597
	3,987,170
Perpetual in nature:	
General operating support	1,324,380
Junior development	1,084,151
	2,408,531
	$ 12,147,012

During fiscal-year 2021, net assets released from restrictions resulted from satisfying the following donor restrictions:

Fulfillment of purposes:	
Operations	$ 382,443
Arlen Specter National Squash Center – purpose	14,535,970
Arlen Specter National Squash Center – time	7,090,399
Club Locker technology platform – time	235,649
Other – time	23,434
Appropriations of endowment:	
General operating support	71,098
Junior development	53,661
	$ 22,392,654

NOTE J - ACCOUNTING AND REPORTING FOR ENDOWMENTS

[1] The endowment:

US Squash's endowment consists of two donor-restricted funds, established for a variety of purposes, including general operating support and junior development.

[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

- 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 was 5% for fiscal-year 2021.

[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-year 2021, there was no such deficiencies.

NOTE J - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[7] Changes in endowment net assets during fiscal-year 2021:

	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, beginning of year	$ 620,357	$ 2,408,531	$ 3,028,888
Investment income, net	629,913	-	629,913
Appropriation of endowment assets for expenditure	(124,759)	-	(124,759)
Endowment net assets, end of year	$ 1,125,511	$ 2,408,531	$ 3,534,042

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 K - 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-year 2021 was approximately $60,000.

NOTE L - COMMITMENTS AND OTHER UNCERTAINTY

[1] Leases:

US Squash is obligated a noncancelable operating lease for office and other equipment that expires in September 2021. The future minimum annual rental on the operating lease is $19,761 due in fiscal-year 2022. Rent expense for fiscal-year 2021 was $73,554.

[2] 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, 2021, the amount payable of the retention incentive bonus was $100,000, and was included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position.

[3] Other contracts:

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

NOTE L - COMMITMENTS AND OTHER UNCERTAINTY (CONTINUED)

[4] 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 M - 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 N - 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, 2021 because of contractual or donor-imposed restrictions or internal designations:

Cash and cash equivalents	$ 1,801,594
Accounts and other receivables	149,940
Contributions and pledges receivable, net	3,987,170
Investments	2,595,937
Total financial assets available within one year	8,534,641
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with:	
Purpose and time restrictions	(5,223,419)
Perpetual in nature	(2,408,531)
Total amounts unavailable for general expenditure within one year	(7,631,950)
Total financial assets available to meet cash needs for general expenditures within one year	$ 902,691

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 statement of financial position of $9,738,481 as of June 30, 2021, net of the amounts US Squash expended for capital expenditures of $2,342,669 as of June 30, 2021 and net of contributions and pledges receivable of $2,172,393 that US Squash expects to collect within one year as of June 30, 2021, 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, to address short-term liquidity needs as they arise.