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UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Contents

EisnerAmper LLP
733 Third Avenue
New York, NY 10017
T 212.949.8700
F 212.891.4100
www.eisneramper.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Squash Racquets Association, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of 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, 2022, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, based on our audit, the accompanying financial statements present fairly, in all material respects, the financial position of United States Squash Racquets Association, Inc., as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
May 11, 2023

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Consolidated Statement of Financial Position
June 30, 2022

ASSETS		
Cash and cash equivalents	$	1,705,558
Accounts and other receivables		960,558
Contributions and pledges receivable, net		2,114,658
Promissory note receivable		2,752,000
Investments		1,972,750
Prepaid expenses and other assets		41,143
Cash surrender value of life insurance - restricted for endowment		134,330
Property and equipment, net		37,826,831
Software costs, net		597,491
	$	48,105,319
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$	1,532,084
Deferred revenue		850,186
Debt payable		9,320,808
Total liabilities		11,703,078
Commitment and contingencies (Note L)		
Net assets:		
Without donor restrictions		24,581,491
With donor restrictions:		
Purpose		825,077
Time		2,114,658
Perpetual		2,408,531
Total net assets with donor restrictions		5,348,266
Total net assets attributable to US Squash and controlling interests		29,929,757
Non-controlling interest		6,472,484
Total net assets		36,402,241
	$	48,105,319

See notes to consolidated financial statements.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Consolidated Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Events:			
Entry fees	$ 1,049,335	$ -	$ 1,049,335
Sponsorship and royalties	327,180	-	327,180
Commissions and licensing	8,383	-	8,383
Accreditation fees	744,813	-	744,813
Membership Fees	1,122,626	100,946	1,223,572
Program fees	161,977	-	161,977
Contributions	3,935,071	42,762	3,977,833
Donated Services	56,284	-	56,284
Investment loss, net	(15,284)	(352,180)	(367,464)
Advertising Income	34,733	-	34,733
Gain on forgiveness of Paycheck Protection Program loan	931,110	-	931,110
Miscellaneous income	912,677	-	912,677
Total support and revenue before net assets released from restrictions	9,268,905	(208,472)	9,060,433
Net assets released from restrictions	6,590,274	(6,590,274)	-
Total support and revenue	15,859,179	(6,798,746)	9,060,433
Expenses:			
Program services:			
Membership	1,086,075	-	1,086,075
Organized Activities	4,711,650	-	4,711,650
Marketing and promotion of the Sport	312,978	-	312,978
Specter Center	3,196,016	-	3,196,016
	9,306,719	-	9,306,719
Supporting services:			
General and administrative	1,249,147	-	1,249,147
Fund-raising	898,834	-	898,834
Total supporting services	2,147,981	-	2,147,981
Total expenses	11,454,700	-	11,454,700
Change in net assets attributable to non-controlling interests	(152,390)	-	(152,390)
Change in net assets attributable to US Squash interests and controlling interests	4,556,869	(6,798,746)	(2,241,877)
Change in net assets	$ 4,404,479	$ (6,798,746)	$ (2,394,267)

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Consolidated Statement of Changes in Net Assets
Year Ended June 30, 2022

	Net Assets Without Donor Restrictions				
	Controlling Interests	Non-Controlling Interests	Total	Net Assets With Donor Restrictions	Consolidated Total
Net assets, beginning of year	$ 20,024,622	$ 1,664,188	$ 21,688,810	$ 12,147,012	$ 33,835,822
Contributions from investors	-	4,963,568	4,963,568	-	4,963,568
Distributions to investors	-	(2,882)	(2,882)	-	(2,882)
Change in net assets attributable to non-controlling interests	-	(152,390)	(152,390)	-	(152,390)
Change in net assets attributable to US Squash and controlling interests	4,556,869	-	4,556,869	(6,798,746)	(2,241,877)
Net assets, end of year	**$ 24,581,491**	**$ 6,472,484**	**$ 31,053,975**	**$ 5,348,266**	**$ 36,402,241**

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	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	$ 429,939	$ 1,729,091	$ 123,153	$ 1,265,189	$ 3,547,372	$ 332,540	$ 337,384	$ 669,924	$ 4,217,296
Payroll taxes and benefits	63,832	256,713	18,284	187,839	526,668	49,371	50,090	99,461	626,129
Professional fees	105,129	422,800	30,114	309,366	867,409	81,313	82,498	163,811	1,031,220
In-kind legal fees	5,738	23,076	1,644	16,885	47,343	4,438	4,503	8,941	56,284
Occupancy	18,133	72,926	5,194	53,360	149,613	14,026	14,229	28,255	177,868
Insurance	23,059	92,739	6,605	67,858	190,261	17,836	18,095	35,931	226,192
Credit card fees	45	180	13	132	370	34	35	69	439
Payroll service fees	6,002	24,140	1,719	17,663	49,524	4,644	4,710	9,354	58,878
Printing and postage	3,421	13,760	980	10,068	28,229	2,647	2,685	5,332	33,561
Supplies	7,011	28,197	2,008	20,632	57,848	5,424	5,502	10,926	68,774
Telephone and internet	1,308	5,259	375	3,848	10,790	1,011	1,026	2,037	12,827
Technology licensing	24,757	99,564	7,091	72,852	204,264	19,148	19,427	38,575	242,839
Dues and subscriptions	4,923	19,800	1,410	14,488	40,621	3,809	3,863	7,672	48,293
Travel	51,608	207,554	14,783	151,869	425,814	39,918	40,498	80,416	506,230
Repairs and maintence	31,395	126,262	8,993	92,387	259,037	24,282	24,636	48,918	307,955
Depreciation and Amortization	240,006	965,238	70,627	706,271	1,982,142	140,244	188,339	328,583	2,310,725
Interest	-	343,759	-	-	343,759	-	-	-	343,759
Prize money	-	-	-	-	-	345,849	-	345,849	345,849
Advertising	-	-	-	-	-	108,648	46,564	155,212	155,212
Other	69,769	280,592	19,985	205,309	575,655	53,965	54,750	108,715	684,370
	$ 1,086,075	$ 4,711,650	$ 312,978	$ 3,196,016	$ 9,306,719	$ 1,249,147	$ 898,834	$ 2,147,981	$ 11,454,700

See notes to consolidated financial statements.

UNITED STATES SQUASH RACQUETS ASSOCIATION, INC.

Consolidated Statement of Cash Flows
Year Ended June 30, 2022

Cash flows from operating activities:		
Change in net assets	$	(2,394,267)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		2,310,725
Realized gains		(151,944)
Unrealized losses		543,650
Donated securities		(739,841)
Proceeds from donated securities		739,841
Gain on disposal		(37,493)
Forgiveness of Paycheck Protection Program loan payable		(931,110)
Amortization of loan issuance costs		108,069
Change in cash value of life insurance policies		(2,476)
Changes in:		
Accounts and other receivables		(810,618)
Contributions and pledfes receivable, net		1,872,512
Prepaid expenses		(11,351)
Accounts payable and accrued expenses		450,038
Deferred revenue		224,367
Net cash provided by operating activities		1,170,102
Cash flows from investing activities:		
Proceeds from sales of investments		339,212
Purchases of investments		(107,731)
Purchases of property and equipment		(3,295,955)
Software development costs		(112,001)
Net cash used in investing activities		(3,176,475)
Cash flows from financing activities:		
Additional investment proceeds from investors to consolidated entities		4,963,568
Dsitributions to investors of consolidated entities		(2,882)
Proceeds from debts payable		2,512,334
Principal payments on loans payable		(5,500,000)
Payments of loan issuance costs		(62,683)
Net cash provided by financing activities		1,910,337
Decrease in cash and cash equivalents		(96,036)
Cash and cash equivalents, beginning of year		1,801,594
Cash and cash equivalents, end of year	$	1,705,558
Supplemental disclosures of cash-flow information:		
Cash paid for interest	$	322,651
In-kind services	$	56,284
Capital expenditures included in accounts payable and accrued expenses	$	20,250

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 (the "Board"), 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.

During 2018, US Squash also 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") is 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 $27,809,678 of additional-paid-in-capital through June 30, 2022.

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 when triggering events indicate that the fair value of the long-lived assets may be less than the carrying value, recognizes any impairment in the year of determination. There were no triggering events during fiscal-year 2022 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 $1,706,957 are reported net of accumulated amortization of $1,109,466 in the consolidated statement of financial position as of June 30, 2022.

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. During fiscal-year 2021, US Squash elected to record the PPP funds as a loan payable. During fiscal-year 2022, the PPP funding was fully forgiven by the bank and SBA and recognized as a gain on forgiveness of the Paycheck Protection Program loans in the accompanying consolidated statement of activities.

[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 $108,000 for fiscal-year 2022.

[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:

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. Management assesses the collectability of outstanding receivable balances and may reserve a portion of those receivables based on donor history, type of contribution, and nature of fund-raising activity and provides allowances for anticipated losses, if any, when necessary.

(iii) Donated services:

US Squash, from time-to-time, receives various forms of gifts-in-kind, which are contributions of nonfinancial assets. For recognition of donated services in US Squash's consolidated financial statements, such services must: (i) create or enhance nonfinancial 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. During fiscal-year 2022, US Squash received donated legal services of approximately $56,300. The fair value of the donated legal services is based on current rates of law firms in the corresponding area for similar legal services and did not have donor-imposed restrictions.

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

[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 $210,000 received during fiscal-year 2022, relating to fiscal sponsorship, has been reported as part of events, membership, and contributions in the accompanying consolidated statement of activities.

[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 September 2020, the FASB issued Accounting Standard Update ("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; and (iv) the valuation and techniques and inputs 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 have been applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Analysis of the various provisions of this standard resulted in no significant changes in the way US Squash recognizes contributed nonfinancial assets and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

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

[16] Upcoming accounting principle:

In February 2016, the FASB issued ASU 2016-02, *Leases* (*Topic 842)*, as amended, which supersedes the current leasing guidance and, upon adoption, will require lessees to recognize right-of-use assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard is effective for the US Squash for the annual period beginning after December 15, 2021, and can be early adopted. Upon the adoption of the guidance, operating leases are capitalized on the statement of financial position at the present value of lease payments. The consolidated statement of financial position amount recorded for existing leases at the date of adoption of ASU 2016-02 will be calculated using the applicable incremental borrowing rate, or risk free rate, at the date of adoption. The impact on US Squash's financial statements is currently being evaluated.

[17] Subsequent events:

US Squash has evaluated subsequent events through May 11, 2023, the date on which the consolidated financial statements were available to be issued.

NOTE B - RECEIVABLES

[1] Contributions and pledges receivable:

At June 30, 2022, contributions and pledges receivable were estimated to be due as follows:

Less than one year	$ 367,671
One to five years	2,063,367
	2,431,038
Reduction of pledges due in excess of one year to present value, at a rate 3.00%	(61,913)
	2,369,125
Less: allowance for doubtful accounts	(254,467)
	$ 2,114,658

[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, 2022, investments consisted of the following:

	Fair Value	Cost
Money-market funds	$ 35,706	$ 35,706
Mutual funds - equity funds	175,402	197,477
Fixed income securities:		
Corporate	144,488	155,100
Government	597,635	641,609
Equity securities	1,019,519	819,841
	$ 1,972,750	$ 1,849,733

During fiscal-year 2022, investment income (losses) consisted of the following:

Interest and dividends	$ 44,476
Investment management fees	(20,234)
Interest and dividends, net	24,242
Net realized gains	151,944
Net unrealized losses	(543,650)
Total net realized and unrealized losses	(391,706)
	$ (367,464)

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, 2022, in accordance with the ASC Topic 820 valuation levels:

	Level 1	Level 2	Total
Money-market funds	$ 35,706	$ -	$ 35,706
Mutual funds	175,402	-	175,402
Fixed income securities	-	742,123	742,123
Equity securities	1,019,519	-	1,019,519
	$ 1,230,627	$ 742,123	$ 1,972,750

NOTE E - PROPERTY AND EQUIPMENT

At June 30, 2022, property and equipment consisted of the following:

Land	$ 11,997
Building	34,977,794
Furniture, fixtures, and equipment	5,943,300
	40,933,091
Less: Accumulated depreciation and amortization	(3,106,260)
	$ 37,826,831

During fiscal-year 2022, US Squash sold property and equipment with an original cost of approximately $75,000, resulting in a gain on disposal of approximately $37,000.

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, 2022, the cash surrender value of the life insurance policies was $134,330.

NOTE G - DEFERRED REVENUE

At June 30, 2022, deferred revenue was from the following sources:

Membership dues	$ 755,739
Tournament income	94,447
	$ 850,186

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, 2022.

NOTE H - DEBT

At June 30, 2022, debt payable consisted of the following:

Economic Injury Disaster loan, bearing interest at 2.75%, secured by general assets of US Squash, required installment monthly payments of $8,649 over 30 years, due June 2050.	$ 1,999,900
Bank line of credit, bearing interest at 3.74%, renews annually, secured by general assets of US Squash.	-
PIP loan payable (A)	2,500,000
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 2022, extension available through December 2024.	1,000,000
3205 Lancaster Avenue I, LLC loan, bearing interest at 1.60% secured by the general assets of US Squash. The note calls for annual interest-only payments through December 1, 2028 after which payments of principal and interest are due in the annual amount of $399,468 through maturity on December 1, 2039.	4,000,000
Unamortized debt issuance costs	(179,092)
	$ 9,320,808

(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. Payments under the PIP Grant are payable in three annual installments through June 30, 2023.

The required principal and interest payments for the five fiscal years subsequent to June 30, 2022, and thereafter, of the debt are as follows:

Year Ending June 30,	Total
2023	$ 2,209,913
2024	1,437,120
2025	103,788
2026	103,788
2027	103,788
Thereafter	5,541,503
	9,499,900
Less: Unamortized-financing costs	(179,092)
	$ 9,320,808

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022, net assets with donor restrictions were categorized as follows:

Purpose restrictions:	
Operations	$ 199,296
Hardball	40,080
	239,376
Subject to appropriation:	
Accumulated endowment income reserved for appropriation	585,701
Subject to the passage of time:	
Arlen Specter National Squash Center	1,893,999
Other	220,659
	2,114,658
Perpetual in nature:	
General operating support	1,324,380
Junior development	1,084,151
	2,408,531
	$ 5,348,266

During fiscal-year 2022, net assets released from restrictions resulted from satisfying the following donor restrictions:

Fulfillment of purposes:	
Arlen Specter National Squash Center - purpose	$ 4,409,732
Women's Fund	5,155
Community Initiative	57,683
Women and Girls Initiative	17,500
Arlen Specter National Squash Center - time	1,662,574
Club Locker technology platform - time	250,000
Appropriations of endowment:	
General operating support	161,057
Junior development	26,573
	$ 6,590,274

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 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, 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 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 2022.

[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 2022, there was no such deficiencies.

NOTE J - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[7] Changes in endowment net assets during fiscal-year 2022:

	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, beginning of year	$ 1,125,511	$ 2,408,531	$ 3,534,042
Investment loss, net	(352,180)	-	(352,180)
Appropriation of endowment assets for expenditure	(187,630)	-	(187,630)
Endowment net assets, end of year	$ 585,701	$ 2,408,531	$ 2,994,232

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 2022 was approximately $106,000.

NOTE L - COMMITMENTS AND OTHER UNCERTAINTY

[1] Leases:

US Squash is obligated a noncancelable operating lease for office and other equipment that expired in September 2021 and was not renewed.

[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 that the President and CEO remains employed at US Squash, commencing on January 1, 2020, for five years. At June 30, 2022, the amount payable of the retention incentive bonus was $20,000, 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, 2022 because of contractual or donor-imposed restrictions or internal designations:

Cash and cash equivalents	$ 1,705,558
Accounts and other receivables	960,558
Contributions and pledges receivable, net	2,114,658
Investments	1,972,750
Total financial assets available within one year	6,753,524
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with:	
Purpose and time restrictions	(2,939,735)
Perpetual in nature	(2,408,531)
Total amounts unavailable for general expenditure within one year	(5,348,266)
Total financial assets available to meet cash needs for general expenditures within one year	$ 1,405,258

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. Additionally, management maintains a line of credit up to $400,000, to address short-term liquidity needs as they arise.