

**United States Squash Racquets Association, Inc.
and its Subsidiaries and Affiliates**

**Consolidated Financial Statements
and Independent Auditor's Report**

June 30, 2024

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

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Independent Auditor's Report

To the Board of Directors
United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

Opinion

We have audited the consolidated financial statements of United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates ("US Squash"), which comprise the consolidated statement of financial position as of June 30, 2024 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 consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates as of June 30, 2024 and the 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that 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 consolidated 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 consolidated 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 consolidated 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 United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates' 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.

CohnReznick LLP

Bethesda, Maryland
February 10, 2025

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

**Consolidated Statement of Financial Position
June 30, 2024**

Assets

| | |
|-------------------------------------------------------------------|---------------|
| Cash and cash equivalents | \$ 615,006 |
| Accounts and other receivables | 26,900 |
| Contributions and pledges receivable, net | 902,705 |
| Promissory note receivable | 2,752,000 |
| Investments | 2,067,583 |
| Cash surrender value of life insurance - restricted for endowment | 181,948 |
| Property and equipment, net | 34,016,454 |
| Software costs, net | 307,403 |
| | <hr/> |
| Total assets | \$ 40,869,999 |
| | <hr/> <hr/> |

Liabilities and Net Assets

| | |
|----------------------------------------------------------------------|---------------|
| Liabilities | |
| Accounts payable and accrued expenses | \$ 835,859 |
| Deferred revenue | 1,239,116 |
| Loans payable, net | 7,455,731 |
| Other liabilities | 92,570 |
| | <hr/> |
| Total liabilities | 9,623,276 |
| | <hr/> |
| Commitments and contingencies | |
| Net assets | |
| Net assets without donor restrictions | 20,978,011 |
| | <hr/> |
| Net assets with donor restrictions | |
| Purpose | 1,176,863 |
| Time | 902,705 |
| Perpetual | 2,408,531 |
| | <hr/> |
| Total net assets with donor restrictions | 4,488,099 |
| | <hr/> |
| Total net assets attributable to US Squash and controlling interests | 25,466,110 |
| | <hr/> |
| Net assets without donor restrictions - noncontrolling interest | 5,780,613 |
| | <hr/> |
| Total net assets | 31,246,723 |
| | <hr/> |
| Total liabilities and net assets | \$ 40,869,999 |
| | <hr/> <hr/> |

See Notes to Consolidated Financial Statements.

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

**Consolidated Statement of Activities
Year Ended June 30, 2024**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-----------------------------------------------|-------------------------------------------|----------------------------------------|-----------------------|
| Revenue and support | | | |
| Events | | | |
| Entry fees | \$ 1,786,448 | \$ - | \$ 1,786,448 |
| Sponsorship and royalties | 440,797 | - | 440,797 |
| Other | 21,239 | - | 21,239 |
| Accreditation fees | 1,102,116 | - | 1,102,116 |
| Membership fees | 1,998,528 | - | 1,998,528 |
| Program fees | 354,992 | - | 354,992 |
| Contributions | 212,903 | 1,582,972 | 1,795,875 |
| Investment income, net | 146,265 | 181,405 | 327,670 |
| Advertising income | 72,958 | - | 72,958 |
| Miscellaneous income | 1,818,828 | - | 1,818,828 |
| Net assets released from restrictions | <u>2,219,968</u> | <u>(2,219,968)</u> | <u>-</u> |
| Total revenue and support | <u>10,175,042</u> | <u>(455,591)</u> | <u>9,719,451</u> |
| Expenses | | | |
| Program services | | | |
| Membership | 1,071,294 | - | 1,071,294 |
| Organized activities | 5,704,978 | - | 5,704,978 |
| Marketing and promotion of the sport | 307,925 | - | 307,925 |
| Specter Center | <u>2,195,200</u> | <u>-</u> | <u>2,195,200</u> |
| Total program services | <u>9,279,397</u> | <u>-</u> | <u>9,279,397</u> |
| Supporting services | | | |
| General and administrative | 1,044,766 | - | 1,044,766 |
| Fund-raising | <u>838,492</u> | <u>-</u> | <u>838,492</u> |
| Total supporting services | <u>1,883,258</u> | <u>-</u> | <u>1,883,258</u> |
| Total expenses | <u>11,162,655</u> | <u>-</u> | <u>11,162,655</u> |
| Change in net assets | (987,613) | (455,591) | (1,443,204) |
| Change in net assets, noncontrolling interest | <u>(132,200)</u> | <u>-</u> | <u>(132,200)</u> |
| Change in net assets, controlling interest | <u>\$ (855,413)</u> | <u>\$ (455,591)</u> | <u>\$ (1,311,004)</u> |

See Notes to Consolidated Financial Statements.

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

**Consolidated Statement of Changes in Net Assets
Year Ended June 30, 2024**

| | Without Donor Restrictions | | | With Donor Restrictions | Consolidated Total |
|--------------------------------------------------------------------------|----------------------------|-------------------------|----------------------|-------------------------|----------------------|
| | Controlling Interest | Noncontrolling Interest | Total | | |
| Net assets, beginning of year | \$ 21,833,424 | \$ 6,236,915 | \$ 28,070,339 | \$ 4,943,690 | \$ 33,014,029 |
| Contributions from investors | - | - | - | - | - |
| Distributions to investors | - | (324,102) | (324,102) | - | (324,102) |
| Change in net assets attributable to noncontrolling interests | - | (132,200) | (132,200) | - | (132,200) |
| Change in net assets attributable to US Squash and controlling interests | (855,413) | - | (855,413) | (455,591) | (1,311,004) |
| Net assets, end of year | <u>\$ 20,978,011</u> | <u>\$ 5,780,613</u> | <u>\$ 26,758,624</u> | <u>\$ 4,488,099</u> | <u>\$ 31,246,723</u> |

See Notes to Consolidated Financial Statements.

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2024**

| Expenses | Program services | | | | | Supporting services | | | | Total |
|-------------------------------|---------------------|----------------------|--------------------------------------|---------------------|------------------------|----------------------------|-------------------|---------------------------|----------------------|-------|
| | Membership | Organized activities | Marketing and promotion of the sport | Specter Center | Total Program Services | General and administrative | Fundraising | Total Supporting Services | | |
| Payroll | \$ 377,277 | \$ 1,928,006 | \$ 108,069 | \$ 703,223 | \$ 3,116,575 | \$ 288,109 | \$ 296,060 | \$ 584,169 | \$ 3,700,744 | |
| Payroll taxes and benefits | 57,472 | 231,700 | 16,463 | 169,124 | 474,759 | 43,889 | 45,100 | 88,989 | 563,748 | |
| Professional fees | 81,877 | 330,091 | 23,453 | 240,942 | 676,363 | 62,526 | 64,251 | 126,777 | 803,140 | |
| Occupancy | 14,773 | 59,557 | 4,232 | 43,472 | 122,034 | 11,281 | 11,593 | 22,874 | 144,908 | |
| Insurance | 29,067 | 117,183 | 8,326 | 85,535 | 240,111 | 22,197 | 22,809 | 45,006 | 285,117 | |
| Payroll service fees | 6,479 | 26,122 | 1,856 | 19,067 | 53,524 | 4,948 | 5,084 | 10,032 | 63,556 | |
| Printing and postage | 6,019 | 24,394 | 1,724 | 17,714 | 49,851 | 4,597 | 4,597 | 9,194 | 59,045 | |
| Supplies | 12,138 | 48,934 | 3,477 | 35,718 | 100,267 | 9,269 | 9,525 | 18,794 | 119,061 | |
| Telephone and internet | 281 | 1,126 | 80 | 826 | 2,313 | 220 | 220 | 440 | 2,753 | |
| Technology licensing | 29,261 | 117,966 | 8,382 | 86,107 | 241,716 | 22,345 | 22,962 | 45,307 | 287,023 | |
| Dues and subscriptions | 1,657 | 6,681 | 475 | 4,877 | 13,690 | 1,266 | 1,301 | 2,567 | 16,257 | |
| Travel | 86,524 | 586,974 | 24,784 | 18,290 | 716,572 | 66,074 | 66,074 | 132,148 | 848,720 | |
| Repairs and maintenance | 11,032 | 44,710 | 3,160 | 32,465 | 91,367 | 8,425 | 8,425 | 16,850 | 108,217 | |
| Depreciation and amortization | 222,349 | 891,722 | 63,691 | 654,312 | 1,832,074 | 174,484 | 174,483 | 348,967 | 2,181,041 | |
| Interest | - | - | - | - | - | 226,685 | - | 226,685 | 226,685 | |
| Prize money | - | 427,554 | - | - | 427,554 | - | - | - | 427,554 | |
| Other | 135,088 | 862,258 | 39,753 | 83,528 | 1,120,627 | 98,451 | 106,008 | 204,459 | 1,325,086 | |
| | <u>\$ 1,071,294</u> | <u>\$ 5,704,978</u> | <u>\$ 307,925</u> | <u>\$ 2,195,200</u> | <u>\$ 9,279,397</u> | <u>\$ 1,044,766</u> | <u>\$ 838,492</u> | <u>\$ 1,883,258</u> | <u>\$ 11,162,655</u> | |

See Notes to Consolidated Financial Statements.

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

**Consolidated Statement of Cash Flows
Year Ended June 30, 2024**

| | |
|---------------------------------------------------------------------------------------------|----------------|
| Cash flows from operating activities | |
| Changes in net assets | \$ (1,443,204) |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | |
| Depreciation of property and equipment | 2,030,722 |
| Amortization of software | 150,319 |
| Realized gains | (41,052) |
| Unrealized gains | (96,647) |
| Donated securities | (115,891) |
| Proceeds from donated securities | 115,891 |
| Change in the discount on contributions and pledges receivable | (10,159) |
| Change in the allowance for doubtful accounts for contributions and pledges receivable | (60,399) |
| Amortization of debt issuance costs | 16,601 |
| Change in cash value of life insurance policies | (50,484) |
| Changes in | |
| Accounts and other receivables | 108,317 |
| Contributions and pledges receivable, net | 862,850 |
| Other assets and liabilities | 43,248 |
| Accounts payable and accrued expenses | (705,548) |
| Deferred revenue | (32,170) |
| | <hr/> |
| Net cash provided by operating activities | 772,394 |
| | <hr/> |
| Cash flows from investing activities | |
| Proceeds from sales of investments | 246,617 |
| Purchases of investments | (173,834) |
| Purchases of property and equipment | (57,012) |
| | <hr/> |
| Net cash provided by investing activities | 15,771 |
| | <hr/> |
| Cash flows from financing activities | |
| Distributions to investors of consolidated entities | (324,102) |
| Principal payments on loans payable | (575,000) |
| | <hr/> |
| Net cash used in financing activities | (899,102) |
| | <hr/> |
| Net decrease in cash and cash equivalents | (110,937) |
| Cash and cash equivalents, beginning of year | 725,943 |
| | <hr/> |
| Cash and cash equivalents, end of year | \$ 615,006 |
| | <hr/> <hr/> |
| Supplementary disclosure of cash flow information | |
| Cash paid for interest during the year | \$ 180,366 |
| | <hr/> <hr/> |

See Notes to Consolidated Financial Statements.

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

**Notes to Consolidated Financial Statements
June 30, 2024**

Note 1 - Organization and nature of operations

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, subleases a building from Drexel and has pursued, established, renovated, and constructed a national squash center (the "Center") in Philadelphia. The Center is 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.

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.

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

**Notes to Consolidated Financial Statements
June 30, 2024**

(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. The lease agreement began June 29, 2019 and provides for annual rent of \$1 through the lease expiration on November 2, 2074. As master leaseholder, 3205 Lancaster Ave will lease the Center, through US Squash, with 3205 Master Tenant. The lease between 3205 Lancaster Ave and 3205 Master Tenant is eliminated in the consolidation.

(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. The lease between 3205 Master Tenant and US Squash is eliminated in the consolidation.

3205 Master Tenant has a 10% ownership interest in 3205 Lancaster Ave.

From May 2020 to December 2022, US Squash functioned as the fiscal sponsor for Intercollegiate Squash Association, Inc. ("ISA"), as defined by a formal agreement. In January 2023, ISA was dissolved and College Squash Association, LLC ("CSA") was created. US Squash is the sole member of CSA and CSA's financial information is consolidated into US Squash's financial statements.

In December 2024, U.S. Squash Foundation, LLC (the "Foundation") was incorporated in Delaware for the purpose of raising funds for the benefit of US Squash. US Squash is the sole member of the Foundation and the Foundation's financial information will be consolidated into US Squash's financial statements when the Foundation's activity begins in FY2025.

Note 2 - Summary of significant accounting policies

Principles of consolidation

The financial position, results of operations, and cash flows of US Squash's subsidiaries and affiliates 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, 3205 Master Tenant, and CSA (collectively, "US Squash"). All inter-entity transactions and balances have been eliminated in the consolidation process.

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.

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements June 30, 2024

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.

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.

Accounts and other receivables and notes receivable, net

Accounts and other receivables and notes receivable are reported net of an allowance for credit losses. Management's estimate of the allowance is based on historical collection experience, review of current status of the receivables, as well as forecasted collectability of the reported amount. No allowance for credit losses was recorded at June 30, 2024.

Contributions and pledges receivable, net

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 fundraising activity and provides allowances for anticipated losses, if any. At June 30, 2024, the allowance on contributions and pledges receivable is \$70,838.

Contributions and pledges receivable to be received over periods longer than a single year are discounted at an appropriate discount rate commensurate with the risks involved and are amortized using the effective-interest rate method.

Investments

US Squash's investments in money-market funds, mutual funds - equity funds, corporate and government fixed income securities, and equity 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.

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.

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements June 30, 2024

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 5 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.

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. Land is not depreciated, while buildings are depreciated over forty years.

Impairment of long-lived 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 2024 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.

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 \$1,743,005 are reported net of accumulated amortization of \$1,435,602 in the consolidated statement of financial position as of June 30, 2024.

Debt issuance costs

Costs incurred in connection with the issuance of debt (see Note 10) 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 \$16,601 for fiscal-year 2024.

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements June 30, 2024

Deferred revenue

Deferred revenue represents funds received in advance of being earned. 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.

Fair value of financial instruments

Cash and cash equivalents reflect amounts that approximate fair value due to the short maturity of these instruments. Contributions and pledges receivable reflect fair value based on discounting the future cash flows of amounts expected to be collected at a market rate commensurate with the risks identified. The fair value of investments is based upon quoted market prices or, if unavailable, is determined by the external investment managers. The carrying amount of long-term debt approximates fair value because the interest rates on these instruments approximate market interest rates for debt with similar terms and maturities.

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".

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.

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements June 30, 2024

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 as revenue ratably over the membership period as the member consumes the benefit. 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.

(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 2024, US Squash did not received any donated services.

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 accompanying consolidated statement of functional expenses. The consolidated statement of functional expenses presents 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. Costs not directly attributable to a function, including payroll, payroll taxes and benefits, professional fees, donated services, occupancy, insurance, credit card fees, payroll service fees, printing and postage, supplies, telephone and internet, technology licensing, dues and subscriptions, travel, repairs and maintenance, depreciation and amortization, advertising, and other, are allocated to a function based on the number of full-time employees in each department.

Advertising

US Squash expenses the costs for advertising as these costs are incurred. Advertising costs totaled \$0 for the year ended June 30, 2024.

Income taxes

US Squash has received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax-exempt entity pursuant to Section 501(c)(3) of the Code. US Squash earns advertising revenue and considers this revenue to be unrelated to its exempt purpose; and therefore, this revenue is deemed taxable. For the year ended June 30, 2024, unrelated business expenses exceeded unrelated business income. Therefore, US Squash does not have a tax liability as of June 30, 2024 and no provision for income taxes is required in the accompanying consolidated financial statements.

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements June 30, 2024

For fiscal-year 2024, the management of US Squash did not identify any uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

US Squash is required to file and does file tax returns with the IRS. While no income tax returns are currently being examined by the IRS, tax years since 2021 remain open for examination.

New accounting pronouncement

During the year ended June 30, 2024, US Squash adopted FASB ASU No. 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The accounting standards update provides guidance that affects how reporting entities will measure credit losses for most financial assets and certain other financial instruments. Adopting the new standard did not have a material effect on the presentation of the consolidated financial statements.

Subsequent events

Events that occur after the consolidated statement of financial position date, but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of US Squash through February 10, 2025 (the date the consolidated financial statements were available to be issued) and concluded that other than the subsequent events noted in Note 1 and Note 16, no subsequent events that have occurred would require recognition in the consolidated financial statements.

Note 3 - Contributions and pledges receivable, net

At June 30, 2024, contributions and pledges receivable, net were estimated to be due as follows:

| | |
|-----------------------------------------------------------------|-------------------|
| Less than one year | \$ 660,968 |
| One to five years | <u>350,971</u> |
| | 1,011,939 |
| Reduction of pledges due in excess of one year to present value | <u>(38,396)</u> |
| | 973,543 |
| Less: allowance for doubtful accounts | <u>(70,838)</u> |
| | <u>\$ 902,705</u> |

The discount rates used to calculate the net present value varied from 4.52% to 5.09% for the year ended June 30, 2024.

Note 4 - Notes 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 2029. Management expects notes receivable to be fully collectible and accordingly, no allowance for credit losses has been established.

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

**Notes to Consolidated Financial Statements
June 30, 2024**

Note 5 - Investments

At June 30, 2024, investments consisted of the following:

| | <u>Fair value</u> | <u>Cost</u> |
|-----------------------------|----------------------------|----------------------------|
| Money-market funds | \$ 42,670 | \$ 42,670 |
| Mutual funds - equity funds | 184,441 | 195,002 |
| Fixed income securities | | |
| Corporate | 137,676 | 138,458 |
| Government | 621,142 | 661,921 |
| Equity securities | <u>1,081,654</u> | <u>674,864</u> |
| | <u><u>\$ 2,067,583</u></u> | <u><u>\$ 1,712,915</u></u> |

During fiscal-year 2024, investment income consisted of the following:

| | |
|-----------------------------------------|--------------------------|
| Interest and dividends | \$ 204,030 |
| Investment management fees | <u>(14,059)</u> |
| Interest and dividends, net | <u>189,971</u> |
| Net realized gains | 41,052 |
| Net unrealized gains | <u>96,647</u> |
| Total net realized and unrealized gains | <u>137,699</u> |
| | <u><u>\$ 327,670</u></u> |

Note 6 - Fair value measurements

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

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for those assets at the reporting date.

Level 2: Valuations are based on (i) quoted prices for similar assets in active markets, or (ii) quoted prices for those assets, or similar assets, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the assets, or (ii) the assets cannot be independently valued.

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

**Notes to Consolidated Financial Statements
June 30, 2024**

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 on a recurring basis of US Squash's financial assets at June 30, 2024, in accordance with the ASC Topic 820 valuation levels. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|----------------|---------------------|
| Money-market funds | \$ 42,670 | \$ - | \$ - | \$ 42,670 |
| Mutual funds - equity funds | 184,441 | - | - | 184,441 |
| Fixed income securities | - | 758,818 | - | 758,818 |
| Equity securities | <u>1,081,654</u> | <u>-</u> | <u>-</u> | <u>1,081,654</u> |
| | <u>\$ 1,308,765</u> | <u>\$ 758,818</u> | <u>\$ -</u> | <u>\$ 2,067,583</u> |

Note 7 - Property and equipment

At June 30, 2024, property and equipment consisted of the following:

| | |
|-------------------------------------------------|----------------------|
| Land | \$ 11,997 |
| Building | 34,977,794 |
| Furniture, fixture, and equipment | <u>5,976,562</u> |
| | 40,966,353 |
| Less: Accumulated depreciation and amortization | <u>(6,949,899)</u> |
| | <u>\$ 34,016,454</u> |

Depreciation expense for fiscal-year 2024 was \$2,030,722.

Note 8 - 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, 2024, the cash surrender value of the life insurance policies was \$181,948.

Note 9 - Deferred revenue

At June 30, 2024, deferred revenue was from the following sources:

| | |
|----------------------|---------------------|
| Membership dues | \$ 989,239 |
| Tournament income | 207,593 |
| Miscellaneous income | <u>42,284</u> |
| | <u>\$ 1,239,116</u> |

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

**Notes to Consolidated Financial Statements
June 30, 2024**

Note 10 - Loans payable

At June 30, 2024, loans payable consisted of the following:

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Economic Injury Disaster Loan, bearing interest at 2.75%, secured by general assets of US Squash, requires installment 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, line is limited to \$400,000 | - |
| PIP loan payable (A) | 1,591,330 |
| 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 of December 1, 2039. | 4,000,000 |
| Unamortized debt issuance costs | <u>(135,499)</u> |
| | <u>\$ 7,455,731</u> |

(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 were payable in three annual installments through June 2023. During 2023, the PIP was amended such that, beginning on December 1, 2023, quarterly principal payments are due through the extended maturity date of December 31, 2029.

The required principal and interest payments for the five fiscal years subsequent to June 30, 2024, and thereafter, of the debt are as follows:

| | | |
|---------------------------------------|------------|---------------------|
| | 2025 | \$ 128,188 |
| | 2026 | 254,670 |
| | 2027 | 356,192 |
| | 2028 | 457,760 |
| | 2029 | 794,833 |
| | Thereafter | <u>5,599,587</u> |
| | | 7,591,230 |
| Less: Unamortized debt issuance costs | | <u>(135,499)</u> |
| | | <u>\$ 7,455,731</u> |

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

**Notes to Consolidated Financial Statements
June 30, 2024**

Note 11 - Net assets with donor restrictions

At June 30, 2024, net assets with donor restrictions were categorized as follows:

| | |
|---------------------------------------------------------|----------------------------|
| Purpose restrictions | |
| Operations | \$ 256,249 |
| Court prototype | 150,000 |
| Hardball | 40,080 |
| Team USA | 40,000 |
| Consulting | 10,000 |
| Accumulated endowment income reserved for appropriation | <u>680,534</u> |
| Total purpose restrictions | <u>1,176,863</u> |
| Subject to the passage of time | |
| Arlen Specter National Squash Center | 281,735 |
| Other | <u>620,970</u> |
| Total subject to the passage of time | <u>902,705</u> |
| Perpetual in nature | |
| General operating support | 1,324,380 |
| Junior development | <u>1,084,151</u> |
| Total perpetual in nature | <u>2,408,531</u> |
| Total net assets with donor restrictions | <u><u>\$ 4,488,099</u></u> |

During fiscal-year 2024, net assets released from restrictions resulted from satisfying the following donor restrictions:

| | |
|---------------------------------------------------|----------------------------|
| Fulfillment of purposes | |
| Operations | \$ 1,015,744 |
| Community Initiative | 122,513 |
| Women and Girls Initiative | 25,000 |
| Arlen Specter National Squash Center - time | 651,829 |
| Other - time | 290,434 |
| Appropriations of endowment | |
| General operating support | 65,945 |
| Junior development | <u>48,503</u> |
| Total net assets released from donor restrictions | <u><u>\$ 2,219,968</u></u> |

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

**Notes to Consolidated Financial Statements
June 30, 2024**

Note 12 - Accounting and reporting for endowments

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.

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.

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.

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.

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 2024.

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 2024, there were no such deficiencies.

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

**Notes to Consolidated Financial Statements
June 30, 2024**

Changes in endowment net assets during fiscal-year 2024:

| | Amounts subject to appropriation | Amounts held in perpetuity | Total |
|---------------------------------------------------|-------------------------------------|-------------------------------|---------------------|
| Endowment net assets, beginning of year | \$ 613,577 | \$ 2,408,531 | \$ 3,022,108 |
| Investment income, net | 181,405 | - | 181,405 |
| Appropriation of endowment assets for expenditure | <u>(114,448)</u> | <u>-</u> | <u>(114,448)</u> |
| Endowment net assets, end of year | <u>\$ 680,534</u> | <u>\$ 2,408,531</u> | <u>\$ 3,089,065</u> |

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

Note 13 - 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 2024 were approximately \$97,000.

Note 14 - Commitments and other uncertainty

Employment agreement

US Squash has an employment agreement with its President and CEO that includes an annual retention incentive bonus commencing January 1, 2020 and lasting for five years.

Other contracts

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

Note 15 - 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.

United States Squash Racquets Association, Inc. and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements
June 30, 2024

Note 16 - Availability and liquidity

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, 2024 because of contractual or donor-imposed restrictions or internal designations:

| | |
|----------------------------------------------------------------------------------------------|---------------------|
| Cash and cash equivalents | \$ 615,006 |
| Accounts and other receivables | 26,900 |
| Contributions and pledges receivable, net | 902,705 |
| Investments | <u>2,067,583</u> |
| Total financial assets available within one year | <u>3,612,194</u> |
| Less: | |
| Amounts unavailable for general expenditures within one year, due to: | |
| Restricted by donors with: | |
| Purpose and time restrictions | (2,079,568) |
| Perpetual in nature | <u>(2,408,531)</u> |
| Total amounts unavailable for general expenditure within one year | <u>(4,488,099)</u> |
| Total financial assets available to meet cash needs for general expenditures within one year | <u>\$ (875,905)</u> |

US Squash, as part of its liquidity management strategy, strives to maintain a sufficient level of operating cash and other financial assets which are made available as its general expenditures come due. In accordance with NYPMIFA, donor-restricted endowment funds may be spent below their original dollar amount without court approval or Attorney General review if US Squash's Board of Directors concludes that such spending is prudent. In October 2024, the Board of Directors approved US Squash to borrow up to \$500,000 from the donor-restricted endowment fund with 10-20% of future contributions allocated towards repayment over time.

Additionally, management maintains a line of credit up to \$400,000, to address short-term liquidity needs as they arise (see Note 10).



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