

SQUASHSMARTS, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

**(WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2020)**

Draft

SQUASHSMARTS, INC.
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(WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2020)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
SquashSmarts, Inc.
Philadelphia, Pennsylvania

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
SquashSmarts, Inc.

Opinion

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

Report on Summarized Comparative Information

The prior year summarized comparative information was derived from SquashSmarts, Inc.'s June 30, 2020 financial statements and, in our report dated December 14, 2020, we expressed an unmodified opinion on the financial statements.

J. MILLER & ASSOCIATES, LLC

Philadelphia, Pennsylvania
September xx, 2021

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SQUASHSMARTS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 897,127	\$ 672,844
Promises to give	40,000	62,500
Prepaid expenses	14,179	4,162
Investments - Sustainability Fund	2,383,773	1,831,271
Property and equipment, net	-	1,641
TOTAL ASSETS	\$ 3,335,079	\$ 2,572,418
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued expenses	\$ 13,600	\$ 7,928
TOTAL LIABILITIES	13,600	7,928
NET ASSETS		
Without donor restrictions		
Undesignated	869,373	609,998
Board designated - Sustainability Fund	2,383,773	1,883,867
Without donor restrictions	3,253,146	2,493,865
With donor restrictions	68,333	70,625
TOTAL NET ASSETS	3,321,479	2,564,490
TOTAL LIABILITIES AND NET ASSETS	\$ 3,335,079	\$ 2,572,418

See accompanying Notes to Financial Statements.

SQUASHSMARTS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUE AND SUPPORT				
Foundations	\$ 231,602	\$ 70,000	\$ 301,602	\$ 479,046
Government	443,793	-	443,793	188,965
Individual contributions	663,959	-	663,959	635,387
Fundraising events, net of direct cost to donors	69,613	-	69,613	93,770
Camp and tournament fees	3,197	-	3,197	20,851
Corporations	166,815	-	166,815	129,886
Investment income	471,336	-	471,336	45,547
Contributed facilities	167,500	-	167,500	185,000
Net assets released from donor restrictions	72,292	(72,292)	-	-
Total Revenue and Support	<u>2,290,107</u>	<u>(2,292)</u>	<u>2,287,815</u>	<u>1,778,452</u>
EXPENSES				
Program	1,202,710	-	1,202,710	1,179,436
Management and general	163,864	-	163,864	135,767
Fundraising	264,252	-	264,252	244,948
Total Expenses	<u>1,630,826</u>	<u>-</u>	<u>1,630,826</u>	<u>1,560,151</u>
Change in net assets before sustainability fund gifts	659,281	(2,292)	656,989	218,301
Sustainability fund gifts	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>132,390</u>
Change in net assets	759,281	(2,292)	756,989	350,691
Net Assets, Beginning of Year	<u>2,493,865</u>	<u>70,625</u>	<u>2,564,490</u>	<u>2,213,799</u>
Net Assets, End of Year	<u>\$ 3,253,146</u>	<u>\$ 68,333</u>	<u>\$ 3,321,479</u>	<u>\$ 2,564,490</u>

SQUASHSMARTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

Description	Program Services	Management and General	Fundraising	2021 Total	2020 Total
Salaries	\$ 659,670	\$ 101,751	\$ 210,445	\$ 971,866	\$ 882,618
Payroll taxes	52,044	8,028	16,603	76,675	72,722
Employee benefits	47,883	7,386	15,275	70,544	46,166
Total salaries and related expenses	759,597	117,165	242,323	1,119,085	1,001,506
Audit and accounting	-	18,686	-	18,686	15,933
Board and staff expense	-	1,011	-	1,011	1,902
Consulting	66,759	-	-	66,759	33,025
Contributed facilities - University City	27,500	-	-	27,500	45,000
Contributed facilities - Northeast program	126,000	9,800	4,200	140,000	140,000
Depreciation	1,099	171	371	1,641	2,848
Development expenses	-	-	1,111	1,111	2,372
Direct program expenses	144,877	-	-	144,877	196,431
Equipment lease	2,391	371	807	3,569	6,422
Insurance	10,432	2,981	1,490	14,903	13,293
Office expense	33,002	9,429	4,715	47,146	55,150
Professional development	3,674	-	-	3,674	2,067
Repairs and maintenance	17,329	2,690	5,845	25,864	29,102
Security	10,050	1,560	3,390	15,000	15,100
Total expenses	<u>\$ 1,202,710</u>	<u>\$ 163,864</u>	<u>\$ 264,252</u>	<u>\$ 1,630,826</u>	<u>\$ 1,560,151</u>

SQUASHSMARTS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 756,989	\$ 350,691
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,641	2,848
Realized and Unrealized gains on investments	(391,071)	(10,177)
Decrease (Increase) in Assets:		
Promises to give	22,500	27,500
Prepaid expenses	(10,017)	15,313
Increase (Decrease) in liabilities:		
Accrued expenses	5,672	(6,582)
Net cash provided by operating activities	385,714	379,593
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment	(733,108)	(167,033)
Sales of investments	571,677	-
Net cash used in investing activities	(161,431)	(167,033)
NET INCREASE IN CASH	224,283	212,560
Cash and cash equivalents - Beginning of Year	672,844	460,284
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 897,127	\$ 672,844

See accompanying Notes to Financial Statements.

SQUASHSMARTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 ORGANIZATION

SquashSmarts, Inc. (“SquashSmarts”), founded in 2000, was incorporated under the nonprofit corporation laws of the Commonwealth of Pennsylvania. SquashSmarts was organized for the purpose of improving the lives of underserved youth in Philadelphia public schools by providing intensive, long-term academic tutoring and squash instruction, while imparting high standards of personal integrity, health and fitness, and services to the community.

SquashSmarts is funded primarily by corporate, foundation, and individual donations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of SquashSmarts have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), which requires SquashSmarts to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of SquashSmarts. These net assets may be used at the discretion of SquashSmarts’ management and the board of directors.

Net Assets with Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SquashSmarts or by the passage of time.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

SquashSmarts is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, SquashSmarts qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation.

Summarized Comparative Information

The summarized comparative information presents amounts in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with SquashSmarts’ financial statements for the year ended June 30, 2020 from which the summarized information was derived.

SQUASHSMARTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, SquashSmarts considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received. Unconditional promises to give are stated at the amount management expects to collect from outstanding balances. On a periodic basis, SquashSmarts evaluates its unconditional promises to give and establishes an allowance for doubtful accounts based on its assessment of the current status of the unconditional promises to give. As of June 30, 2021, SquashSmarts has determined that an allowance for doubtful accounts is not necessary.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

Fair Value of Financial Instruments

SquashSmarts follows the fair value measurements standard. This standard applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. It emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs with quoted prices (unadjusted) in active markets for identical assets or liabilities that SquashSmarts has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Investments

SquashSmarts reports investments at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as unrealized gains and losses in the statement of activities.

Investment income is reported net in the statement of activities and consists of realized and unrealized gains and loss, less investment expenses. Investment return is reflected in the statement of activities as net assets without donor restrictions

SQUASHSMARTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period which the securities are sold. Interest and dividends are recorded when earned.

The investments in shares of mutual funds are valued at the net asset value of shares held by SquashSmarts at year end.

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near-term and that such changes could be material.

Property and Equipment

All acquisitions of property and equipment over \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Contributions

Contributions are recorded as without donor restrictions or with donor restrictions. This classification is dependent on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Facilities

SquashSmarts receives the free use of space in two different buildings. Inkind contributions and expense of \$167,500 have been reflected in the accompanying statement of activities.

Functional Allocation of Expenses

The costs of providing programs and services and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. Payroll is allocated on the basis of estimates of time and effort. Directly identifiable expenses that relate to more than one function are charged to program and supporting services based upon time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of SquashSmarts.

SQUASHSMARTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Standards Update

Auditing Standards Update (“ASU”) 2016-02, “Leases (Topic 842),” will require lessees to recognize assets and liabilities on the Statement of Financial Position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. This is effective for SquashSmarts’ financial statements for the year ending June 30, 2023. Management has not yet determined the impact of this amendment on SquashSmarts’s financial statements.

NOTE 3 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject SquashSmarts to concentration of credit risk primarily consist of cash and investments. SquashSmarts maintains its cash in banks accounts that, at times may exceed federally insured limits. As of June 30, 2021, SquashSmarts uninsured cash balance was \$372,319. SquashSmarts has not experienced, nor does it anticipate, any losses with respect to such amounts. With respect to investments the degree and concentration of credit risk varies depending on the type and diversity of such investments. The fair value of investments is subject to fluctuation on a year-to-year basis. Accordingly, the investment performance is monitored by SquashSmarts's management and board.

NOTE 4 AVAILABILITY AND LIQUIDITY

The following represents SquashSmarts financial assets at June 30, 2021:

Cash and cash equivalents	\$ 897,127
Promises to give	40,000
Investments - Sustainability Fund	<u>2,383,773</u>
Total financial assets	<u><u>\$ 3,320,900</u></u>

SquashSmarts’ regularly monitors liquidity required to meet its operating needs and other contractual commitments., while striving to maximize the investment of its available funds. SquashSmarts typically maintains its financial assets in cash and investments with a goal of having available funds when needed.

In addition to financial assets available to meet general expenditures over the next 12 months, SquashSmarts operates on a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

SQUASHSMARTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 CONTRIBUTED FACILITIES

SquashSmarts receives 100% of its programmatic and administrative facilities needs on a rent-free basis. Management believes that for the foreseeable future, the North Philadelphia location at the Lenfest Foundation and University City location at Drexel University will continue to be provided donated facilities at no charge. A long-term lease has been secured for the North Philadelphia location. The University City location is planning a move to the adjacent Arlen Spector US Squash Center in fall 2021 with a long-term license in effect at that location provided on a reduced cost basis. These measures should result in many years of affordable occupancy for SquashSmarts.

SquashSmarts has recognized the contributed facilities as of June 30, 2021 as follows:

<u>Contributor</u>	<u>Nature of Contribution</u>	<u>Fair Value</u>
Drexel University	Program and office facilities	\$ 27,500
Lenfest Foundation	Program and office facilities	140,000
		<u>\$ 167,500</u>

The amount of contributed facilities recognized as income equals the amount expensed. Therefore, there is no effect on the change in net assets.

NOTE 6 INVESTMENTS – SUSTAINABILITY FUND

The following is a summary of investments at June 30, 2021:

Fixed income	\$ 692,423
Equities - Stocks and Options	1,540,835
Equities - Mutual Funds, ETFs, and UITs	150,515
	<u>\$ 2,383,773</u>

As of June 30, 2021, all investments are level 1 investments.

As of June 30, 2021, \$44,852 available for the Sustainability Fund is included in cash and cash equivalents on the accompanying statement of financial position.

The following is a summary of investment return at June 30, 2021:

Interest and dividend income	\$ 41,168
Net realized and unrealized gains (losses)	430,168
	<u>\$ 471,336</u>

SQUASHSMARTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 SUSTAINABILITY FUND

SquashSmarts' Sustainability Fund is a board designated fund that was established to support future use. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and are reported as without donor restrictions or with donor restrictions.

The Commonwealth of Pennsylvania has not adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). State law allows nonprofit organizations to make an election to adopt a total return investment policy. SquashSmarts did not make a total return election, and as such, SquashSmarts is free to adopt any prudent investment policy and to make withdrawals consistent with its goals of preserving the Sustainability Fund while making funds available to fund the operations as may be necessary.

SquashSmarts' objective is to earn a reasonable, long-term, risk-adjusted total rate of return to support its operations. The spending amount for the program each year is at the Board's sole discretion. The Sustainability Fund is invested in a diversified mix of high-quality fixed income securities, equities, and mutual funds, which are projected to produce above average real returns without exposing the portfolio to excess risk.

To satisfy its long-term rate of return objectives, SquashSmarts utilizes a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (dividends). SquashSmarts has established investment guidelines which allocate 1% to 20% to cash equivalents, 20% to 60% to fixed income and 40% to 75% to equities. SquashSmarts closely monitors these allocation guidelines to determine their continued applicability based upon the performance of the portfolio and market strategies. Allocation guidelines are reviewed annually and adjusted based upon the advice from an investment advisor and current market conditions.

Appropriation of the Sustainability Fund assets is determined by the Board of Directors based on the future operating needs of SquashSmarts.

Changes in the Sustainability Fund for the year ended June 30, 2021 are as follows:

Sustainability Fund balance at July 1, 2020	\$ 1,831,271
Current year additions	100,000
Investment income and gains	471,034
Less: Transfers to operations	<u>(26,276)</u>
Sustainability Fund balance at June 30, 2021	<u><u>\$ 2,376,029</u></u>

SQUASHSMARTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 LOAN PAYABLE

In February 2021, SquashSmarts qualified for and received a loan pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the United States Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender for an aggregate principal amount of \$193,793. The PPP loan bears interest at a fixed rate of 1% per annum. As of June 30, 2021, the full amount of the loan met the conditions set forth by the SBA. As this amount is expected to be forgiven, it is reported as government revenue on the statement of activities. If the loan is not forgiven, payments of principal and interest are due February 2026.

NOTE 9 LEASE COMMITMENT

SquashSmarts leases two vehicles under operating leases expiring In June 2022 and August 2022. Total lease expense incurred under these operating leases totaled \$13,248 and is included in direct program expenses on the accompanying statement of functional expenses for the year ended June 30, 2021.

For years subsequent to June 30, 2021, minimum future rental commitments under the lease arrangements are as follows:

<u>Years ending</u>	
2021	\$ 12,720
2022	9,540
2023	1,060
	<u>\$ 23,320</u>

NOTE 10 NET ASSETS

Net assets with donor restrictions were as follows for the year ended June 30, 2021:

Specific Purpose	
Academics	\$ 28,333
Passage of Time	
Promises to give	<u>40,000</u>
	<u>\$ 68,333</u>

Net assets released from net assets with donor restrictions are as follows:

Satisfaction of Purpose restrictions	
Academics	\$ 42,292
Satisfaction of Time Restrictions	<u>30,000</u>
	<u>\$ 72,292</u>

SQUASHSMARTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 SUBSEQUENT EVENTS

SquashSmarts has evaluated subsequent events through September xx, 2021, which is the date the financial statements were available to be issued.

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