ANSWER: *There are a total of 40 squares (see below).*
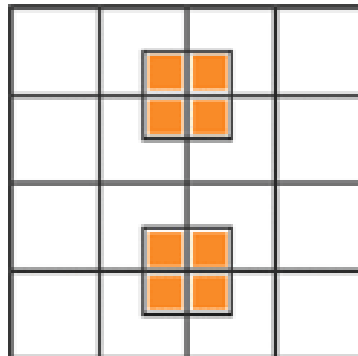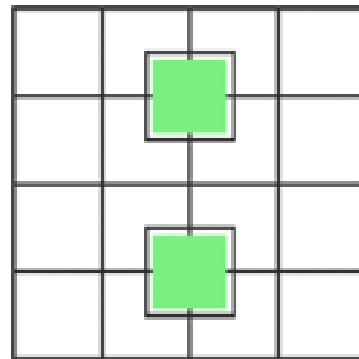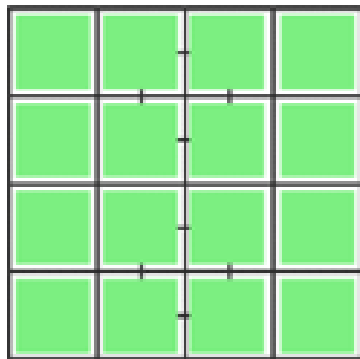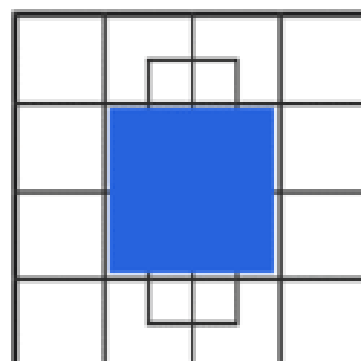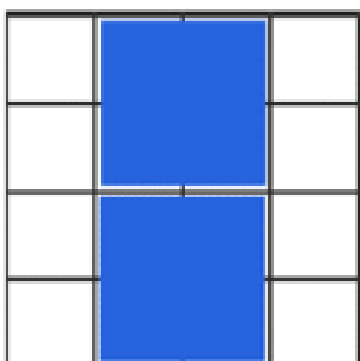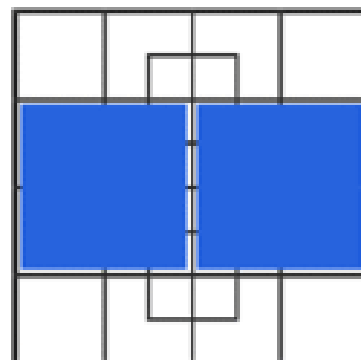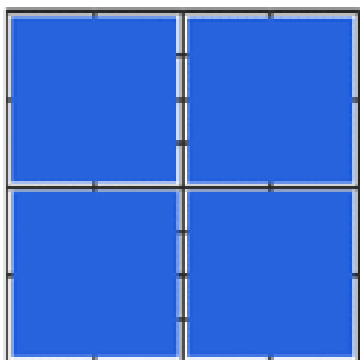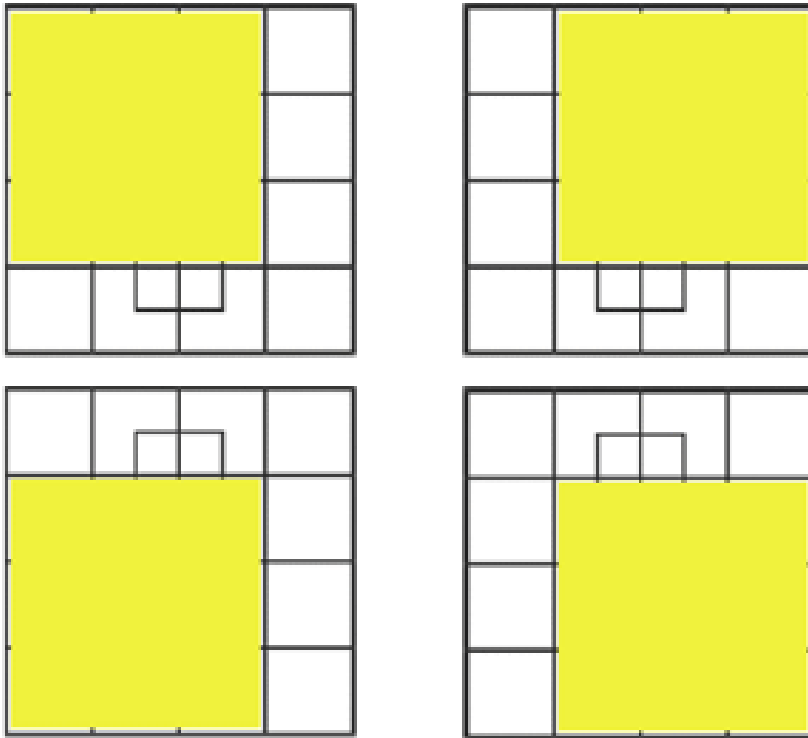
8 extra-small squares:

18 small squares:

9 medium squares:

4 large squares:

1 extra-large square: