

METROSQUASH
FINANCIAL STATEMENTS
JULY 31, 2015

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July 31, 2015**

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Phone: (708) 206-9900
Fax: (708) 206-9911

Constant W. Watson III, CPA
Certified Public Accountant

19624 S. Governors Highway
Flossmoor, IL 60422

INDEPENDENT AUDITOR'S REPORT

Board of Directors
METROSQUASH
6100 S. Cottage Grove Avenue
Chicago, IL 60637

Report on the Financial Statements

I have audited the accompanying statements of METROSQUASH (An Illinois Not-For-Profit Corporation), which comprise the statement of financial position as of July 31, 2015 and the related statement of activities 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 U.S. generally accepted accounting principles; 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurances about whether the financial statements are free of 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 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, I express no 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. I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of METROSQUASH as of July 31, 2015 and results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Constant W. Watson III, CPA
Flossmoor, Illinois
April 28, 2016

METROSQUASH
STATEMENT OF FINANCIAL POSITION
JULY 31, 2015

ASSETS

CURRENT ASSETS

Cash (Note 8)	\$ 834,438
Temporarily Restricted Cash (Note 8)	513,541
Prepaid Expenses (Note 4)	10,622
Accounts Receivables	9,343
Pledges Receivable (Note 13)	1,224,402
Total Current Assets	<u>2,592,346</u>

FIXED ASSETS

Construction In Progress (Note 10)	513,541
New Building	5,743,770
Vehicle	25,612
Furniture & Equipment	121,409
Less : Accumulated Depreciation	(31,820)
Net Fixed Assets (Note 9)	<u>6,372,512</u>

OTHER ASSETS

Loan Receivable (Note 6)	4,421,300
Deferred Finance Costs	310,025
Total Other Assets	<u>4,731,325</u>

TOTAL ASSETS	<u><u>\$13,696,183</u></u>
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LIABILITIES & NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 5,279
Total Current Liabilities	<u>5,279</u>

LONG TERM LIABILITIES

Loans Payable (Note 5)	<u>6,650,000</u>
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TOTAL LIABILITIES	\$ 6,655,279
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NET ASSETS

Temporarily Restricted Net Assets	513,541
Unrestricted Net Assets	6,527,363
Total Net Assets	<u>7,040,904</u>

TOTAL LIABILITIES & NET ASSETS	<u><u>\$13,696,183</u></u>
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**METROSQUASH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2015**

SUPPORT AND OTHER REVENUE

Individuals and Board Members	\$ 286,868
Foundations / Grants	403,567
Corporations	84,050
Fund Raising	527,083
Interest Income-Misc. Income	44,142
Total Unrestricted Revenue	<u>1,345,710</u>

EXPENSES

Program Expenses	918,533
Fund Raising Expenses	126,778
Administrative Expenses	209,793
Total Expenses	<u>1,255,104</u>

INCREASE (DECREASE) IN NET ASSETS 90,606

NET ASSETS, BEGINNING OF YEAR 6,950,298

NET ASSETS, END OF YEAR \$ 7,040,904

**METROSQUASH
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JULY 31, 2015**

OPERATING ACTIVITIES

Changes in Unrestricted Net Assets	\$ 90,606
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	24,515
Decrease(Increase) in Receivables	830,257
Decrease(Increase) in Prepaid Expenses	(3,018)
Increase (Decrease) in Loans Payable	(950,000)
Increase (Decrease) in Accounts Payable	3,499
Total Adjustments	<u>(94,747)</u>
Net Cash Provided by Operating Activities	<u>(4,141)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(4,141)
INVESTMENT ACTIVITIES	
New Building	(5,743,770)
Furniture & Equipment	(114,609)
Vehicle	(23,112)
Construction In Progress	52,377
	<u>(5,829,114)</u>
Net Cash by Investment Activities	<u>(5,829,114)</u>
Cash and Cash Equivalents, Beginning	7,181,234
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 1,347,979</u></u>

METROSQUASH
NOTES TO FINANCIAL STATEMENTS
July 31, 2015

NATURE OF ACTIVITIES

METROSQUASH is a non-profit organization created to utilize squash, education, cultural experience, and community service to empower Chicago Public School students to realize their full academic, athletic, and personal potential. METROSquash NFP is dependent on donations from individuals and entities to carry out its operations. The organization was incorporated on April 1, 2005. METROSQUASH Title Holding Corporation is a non-operating entity organized in July 2014 solely for the development of the METROSQUASH Academic and Squash Center. See Note 14.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the consolidated financial statements of METROSQUASH and METROSQUASH Title Holding Corporation. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements of The Organization have been prepared on accrual basis of accounting in accordance with generally accepted accounting principles. Net Assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

CONTRIBUTIONS

Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

METROSQUASH
NOTES TO FINANCIAL STATEMENTS
July 31, 2015

Unrestricted net assets are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired.

Temporarily restricted net assets are donor-imposed restrictions have not been met.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization.

USE OF ESTIMATES

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

REVENUE RECOGNITION

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions and such restriction are not met within the same fiscal year.

2. TAX-EXEMPT STATUS

The METROSQUASH is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code. METROSQUASH Title Holding Corporation is also exempt from federal income taxes under Section 501(c)(2) of the Internal Revenue Service. They both believe they have appropriate support for any tax positions taken and, as such, do not have any uncertain material tax positions.

3. RELATED PARTY TRANSACTIONS

METROSQUASH has a \$1,200,000 thirty-six-month loan from one of its board members. The loan is secured by Pledge Receivables with an interest rate of 2% and matures in July of 2017. The loan agreement states that METROSquash is to make semiannual interest payments in June and December of each year. The loan balance as of July 31,2015 is \$250,000.

4. PREPAID EXPENSES

Prepaid expenses in the year 2015 consist of payments made for various one-year insurance policies.

METROSQUASH
NOTES TO FINANCIAL STATEMENTS
July 31, 2015

5. LOANS PAYABLE

The Loans Payable of \$6,650,000 is as follows:

<u>Amount</u>	<u>Borrower</u>	<u>Lender</u>
\$ 250,000	METROSQUASH	Board Member
\$1,020,300	METROSQUASH	CNMC
\$ 479,700	METROSQUASH	CNMC
\$3,401,000	METROSQUASH Title Holding Corp	CDF
\$1,499,000	METROSQUASH Title Holding Corp	CDF
<u>\$6,650,000</u>		

CNMC is Chase New Markets Corporation and CDF is Chicago Development Fund. They are both Community Development Entities, (CDE). METROSquash Title Holding Corporation has a Master Loan and Security Agreement for \$6,400,000 for the Construction and payment of The METROSquash Academic and Squash Center. Both the CNMC Loans and the CDF loans are for 436.50 months with an interest rate of 1.00%. Interest only payments will be made for the first 100.50 months of the loan.

6. LOAN RECEIVABLE

METROSQUASH loaned CHASE NMTC METROSQUASH Investment Fund, LLC \$4,421,300 for 352.50 months at .946%. The first 100.50 months will be interest only annual payments.

7. NEW MARKETS TAX CREDIT PROGRAM

The New Markets Tax Credit Programs is a part of the Community Renewal Tax Relief Act of 2000. The goal of the program is to spur revitalization efforts of low-income and impoverished communities in the United States. The Program provides tax credits to investors for equity investments in low income communities. METROSQUASH NFP is participating in the NMTC Program to fund building The METROSQUASH Academic and Squash Center.

8. CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Non Restricted Cash	\$ 834,438
Temporarily Restricted Cash	<u>\$ 513,541</u>
Total	<u>\$ 1,347,979</u>

METROSQUASH
NOTES TO FINANCIAL STATEMENTS
July 31, 2015

9. FIXED ASSETS

Fixed Assets are recorded at historical cost. Depreciation is taken over the estimated useful lives (3 – 10 years) of fixed assets, using the double declining balance method for financial statement purposes.

New Building	\$5,743,770
Vehicle	25,612
Equipment	121,409
Less: Accumulated Depreciation	<u>(31,820)</u>
Net Fixed Assets	<u>\$5,858,971</u>

Depreciation expense for 2015 was \$24,515.

10. CONSTRUCTION IN PROGRESS / TITLE HOLDING CONTRIBUTION

The Construction in Progress amount represents the balance to date to build the METROSQUASH Academic and Squash Center. METROSQUASH took possession of the new building on April 1, 2015. The cash balance in the Construction In Progress account is \$513,541. The Organization anticipates expending the balance of the account during the next fiscal year.

11. SUBSEQUENT EVENTS

The organization has evaluated subsequent events through April 28, 2016, the date which the financial statements were available to be issued.

12. CREDIT RISK

The organization places its cash with federally insured financial institutions. The accounts are insured by the Federal Insurance Corporation (FDIC) up to \$250,000. At July 31, 2015, uninsured balances totaled \$576,923.

METROSQUASH
NOTES TO FINANCIAL STATEMENTS
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13. PLEDGES RECEIVABLE

Pledges receivable consist of gifts from various individuals and organizations payable in future installments. METROSQUASH recognizes these pledges at fair value. No allowance for doubtful Pledge Receivables was established.

Less than one year:	\$ 999,402
One to five years;	\$ <u>225,000</u>
Total	\$ <u>1,224,002</u>

14. METROSQUASH TITLE HOLDING CORPORATION

METROSQUASH Title Holding Corporation is a 501(c)(2) federal tax exempt corporation established in connection with the development of The METROSQUASH Academic & Squash Center. It was formed to isolate the real estate activities and liabilities related to the development of the Squash Center from its overall charitable activities and assets. The sole purposes are to acquire a long-term leasehold in property lease to METROSQUASH, borrow low-interest funds for construction and lease property to METROSQUASH. Lease payments will be made by METROSQUASH to fund the loan payments to the CDE's. See Note 5.