

**METROSQUASH**  
**FINANCIAL STATEMENTS**  
**JULY 31, 2016 and 2015**

**METROSQUASH  
FINANCIAL STATEMENTS  
July 31, 2016 and 2015**

**TABLE OF CONTENTS**

	PAGE
INDEPENDENT AUDITOR'S REPORT .....	3 -4
FINANCIAL STATEMENTS	
Statements of Financial Position .....	5
Statements of Activities .....	6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8-12

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 statements of financial position as of July 31, 2016, and 2015 and the related statements of activities and cash flows for the years 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 I 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, 2016, and 2015 and results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Constant W. Watson III, CPA". The signature is stylized and cursive.

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

**METROSQUASH**  
**STATEMENTS OF FINANCIAL POSITION**  
**JULY 31, 2016 and 2015**

**ASSETS**

<b>CURRENT ASSETS</b>	<b>2016</b>	<b>2015</b>
Cash (Note 8)	\$ 1,449,592	\$ 834,438
Temporarily Restricted Cash (Note 8)	100,000	513,541
Prepaid Expenses (Note 4)	36,251	10,622
Accounts Receivables	14,966	9,343
Pledges Receivable (Note 13)	733,097	1,224,402
<b>Total Current Assets</b>	<b>2,333,906</b>	<b>2,592,346</b>
<b>FIXED ASSETS</b>		
Construction In Progress (Note 10)	-	513,541
New Building	6,624,712	5,743,770
Vehicle	25,612	25,612
Furniture & Equipment	124,306	121,409
Less : Accumulated Depreciation	(220,445)	(31,820)
<b>Net Fixed Assets (Note 9 )</b>	<b>6,554,185</b>	<b>6,372,512</b>
<b>OTHER ASSETS</b>		
Loan Receivable (Note 6)	4,421,300	4,421,300
Deferred Finance Costs	310,025	310,025
<b>Total Other Assets</b>	<b>4,731,325</b>	<b>4,731,325</b>
<b>TOTAL ASSETS</b>	<b>\$ 13,619,416</b>	<b>\$ 13,696,183</b>

**LIABILITIES & NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 69,014	\$ 5,279
<b>Total Current Liabilities</b>	<b>69,014</b>	<b>5,279</b>
<b>LONG TERM LIABILITIES</b>		
Loans Payable ( Note 5)	6,400,000	6,650,000
<b>TOTAL LIABILITIES</b>	<b>\$ 6,469,014</b>	<b>\$ 6,655,279</b>
<b>NET ASSETS</b>		
Temporarily Restricted Net Assets	100,000	513,541
Unrestricted Net Assets	7,050,402	6,527,363
<b>Total Net Assets</b>	<b>7,150,402</b>	<b>7,040,904</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 13,619,416</b>	<b>\$ 13,696,183</b>

**METROSQUASH**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED JULY 31, 2016 and 2015**

<b>SUPPORT AND OTHER REVENUE</b>	<b>2016</b>	<b>2015</b>
Individuals and Board Members	\$ 415,428	\$ 286,868
Foundations / Grants	439,431	403,567
Corporations	83,448	84,050
Fund Raising	707,691	527,083
Interest Income-Misc. Income	135,899	44,142
<b>Total Unrestricted Revenue</b>	<u>1,781,897</u>	<u>1,345,710</u>
<b>EXPENSES</b>		
Program Expenses	1,138,198	918,533
Fund Raising Expenses	282,873	126,778
Administrative Expenses	251,328	209,793
<b>Total Expenses</b>	<u>1,672,399</u>	<u>1,255,104</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	109,498	90,606
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>7,040,904</u>	<u>6,950,298</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 7,150,402</u>	<u>\$ 7,040,904</u>

**METROSQUASH**  
**STATEMENTS OF CASH FLOWS**  
**FOR YEAR ENDED JULY 31, 2016 and 2015**

<b>OPERATING ACTIVITIES</b>	<b>2016</b>	<b>2015</b>
Changes in Unrestricted Net Assets	<u>\$ 109,498</u>	<u>\$ 90,606</u>
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	188,625	24,515
Decrease(Increase) in Receivables	485,682	830,257
Decrease(Increase) in Prepaid Expenses	(25,629)	(3,018)
Increase (Decrease) in Loans Payable	(250,000)	(950,000)
Increase (Decrease) in Accounts Payable	63,735	3,499
<b>Total Adjustments</b>	<u>462,413</u>	<u>(94,747)</u>
Net Cash Provided by Operating Activities	<u>571,911</u>	<u>(4,141)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	571,911	(4,141)
<b>INVESTMENT ACTIVITIES</b>		
New Building	(880,942)	(5,743,770)
Furniture & Equipment	(2,897)	(114,609)
Vehicle	-	(23,112)
Construction In Progress	513,541	52,377
	<u>(370,298)</u>	<u>(5,829,114)</u>
Net Cash by Investment Activities	<u>(370,298)</u>	<u>(5,829,114)</u>
Cash and Cash Equivalents, Beginning	1,347,979	7,181,234
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 1,549,592</u>	<u>\$ 1,347,979</u>

**METROSQUASH**  
**NOTES TO FINANCIAL STATEMENTS**  
**July 31, 2016 and 2015**

**NATURE OF ACTIVITIES**

METROSQUASH is a non-profit corporation whose mission is to engage underserved Chicago youth through academic support, squash and wellness, mentoring, enrichment, and community service to develop high school ready middle schoolers, college ready high schoolers, and career ready adults. METROSQUASH 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, 2016 and 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 matured 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, was \$250,000 and \$-0- as of July 31, 2016.

### **4. PREPAID EXPENSES**

Prepaid expenses in the years 2016 and 2015 consist of payments made for various one-year insurance policies.

**METROSQUASH**  
**NOTES TO FINANCIAL STATEMENTS**  
**July 31, 2016 and 2015**

**5. LOANS PAYABLE**

The Loan Payable at July 31, 2016 of \$6,400,000 is as follows:

<u>Amount</u>	<u>Borrower</u>	<u>Lender</u>
\$1,020,300	METROSQUASH	CNMC
\$ 479,700	METROSQUASH	CNMC
\$3,401,000	METROSQUASH Title Holding Corp	CDF
<u>\$1,499,000</u>	METROSQUASH Title Holding Corp	CDF
<u>\$6,400,000</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. The Loans Payable was \$6,650,000 as of July 31, 2015. The additional \$250,000 was a loan made from a board member. See Note 3.

**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. Temporality Restricted Cash for 2016 consist of a \$100,000 contribution received and requested in 2016 for the next fiscal year.

	<u>2016</u>	<u>2015</u>
Non Restricted Cash	\$ 1,449,892	\$ 834,438
Temporarily Restricted Cash	<u>\$ 100,000</u>	<u>\$ 513,541</u>
Total	<u>\$ 1,549,892</u>	<u>\$ 1,347,979</u>

**METROSQUASH**  
**NOTES TO FINANCIAL STATEMENTS**  
**July 31, 2016 and 2015**

**9. FIXED ASSETS**

Fixed Assets are recorded at historical cost. Depreciation is taken over the estimated useful lives (3 – 39 years) of the various fixed assets.

Depreciation expense for 2016 was \$188,625 and \$24,515 in 2015.

**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 was \$513,541 as of July 31, 2015 and \$-0- as of July 31, 2016.

**11. SUBSEQUENT EVENTS**

The organization has evaluated subsequent events through December 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 and \$744,771 as of July 31, 2016.

**13. PLEDGES RECEIVABLE**

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

	<u>2016</u>	<u>2015</u>
Less than one year:	\$400,472	\$ 999,402
One to five years:	<u>\$332,625</u>	<u>\$ 225,000</u>
Total	<u>\$733,097</u>	<u>\$1,224,402</u>

**METROSQUASH**  
**NOTES TO FINANCIAL STATEMENTS**  
**July 31, 2016 and 2015**

**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 separate 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.

**15. ACCOUNTS PAYABLE**

The Accounts Payable balance of \$69,014 as of July 31, 2016, includes \$13,128 of credit card debt. The Organization has a \$65,000 credit card limit with an APR of 15.49%. The credit card balance was \$5,279 as of July 31, 2015.