

METROSQUASH
COMBINED FINANCIAL STATEMENTS
JULY 31, 2017 and 2016

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July 31, 2017 and 2016**

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Constant W. Watson III, CPA
Certified Public Accountant

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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 combined statements of METROSQUASH (An Illinois Not-For-Profit Corporation), which comprise the statements of financial position as of July 31, 2017, and 2016 and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined 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 the combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of METROSQUASH as of July 31, 2017, and 2016 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 "C. W. Watson III, CPA". The signature is stylized and written in a cursive-like font.

Constant W. Watson III, CPA
Flossmoor, Illinois
February 28, 2018

METROSQUASH
COMBINED STATEMENTS OF FINANCIAL POSITION
JULY 31, 2017 and 2016

<u>ASSETS</u>				
	<u>Metrosquash</u>	<u>Title Holding Co.</u>	<u>Total</u>	<u>2016</u>
	<u>2017</u>	<u>2017</u>		
CURRENT ASSETS				
Cash (Note 8)	\$ 1,703,953	\$ 102,350	\$ 1,806,303	\$ 1,449,592
Temporarily Restricted Cash (Note 8)	-	-	-	100,000
Prepaid Expenses (Note 4)	50,595	-	50,595	36,251
Accounts Receivables	58,122	-	58,122	14,966
Pledges Receivable (Note 13)	386,383	-	386,383	733,097
Total Current Assets	<u>2,199,053</u>	<u>102,350</u>	<u>2,301,403</u>	<u>2,333,906</u>
FIXED ASSETS				
New Building	-	6,617,912	\$ 6,617,912	6,617,912
Vehicle	25,612	-	\$ 25,612	25,612
Furniture & Equipment	6,800	128,336	\$ 135,136	131,106
Less : Accumulated Depreciation	(21,371)	(396,323)	\$ (417,694)	(220,445)
Net Fixed Assets (Note 9)	<u>11,041</u>	<u>6,349,925</u>	<u>6,360,966</u>	<u>6,554,185</u>
OTHER ASSETS				
Loan Receivable (Note 6)	4,421,300	-	\$ 4,421,300	4,421,300
Accounts/ Grants Receivables	-	-	-	-
Investment in Title Holding Company	-	-	-	-
Deferred Finance Costs	310,025	-	\$ 310,025	310,025
Total Other Assets	<u>4,731,325</u>	<u>-</u>	<u>4,731,325</u>	<u>4,731,325</u>
TOTAL ASSETS	<u>\$ 6,941,419</u>	<u>\$ 6,452,275</u>	<u>\$ 13,393,694</u>	<u>\$ 13,619,416</u>
<u>LIABILITIES & NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts Payable	\$ 89,868	\$ -	\$ 89,868	\$ 69,014
Total Current Liabilities	<u>89,868</u>	<u>-</u>	<u>89,868</u>	<u>69,014</u>
LONG TERM LIABILITIES				
Loans Payable (Note 5)	-	6,400,000	\$ 6,400,000	6,400,000
TOTAL LIABILITIES	<u>\$ 89,868</u>	<u>\$ 6,400,000</u>	<u>\$ 6,489,868</u>	<u>\$ 6,469,014</u>
NET ASSETS				
Temporarily Restricted Net Assets	-	-	\$ -	100,000
Unrestricted Net Assets	6,851,551	52,275	\$ 6,903,826	7,050,402
Total Net Assets	<u>6,851,551</u>	<u>52,275</u>	<u>6,903,826</u>	<u>7,150,402</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 6,941,419</u>	<u>\$ 6,452,275</u>	<u>\$ 13,393,694</u>	<u>\$ 13,619,416</u>

METROSQUASH
COMBINED STATEMENTS OF ACTIVITIES
JULY 31, 2017 and 2016

	Metrosquash	Title Holding Co.	Total	
	2017	2017		2016
SUPPORT AND OTHER REVENUE				
Individuals and Board Members	\$ 318,210	\$ -	\$ 318,210	\$ 415,428
Foundations / Grants	442,045	-	442,045	439,431
Corporations	50,672	-	50,672	83,448
Fund Raising	980,435	-	980,435	707,691
Interest Income-Misc. Income	135,519	30,788	166,307	135,899
Total Unrestricted Revenue	<u>1,926,881</u>	<u>30,788</u>	<u>1,957,669</u>	<u>1,781,897</u>
EXPENSES				
Program Expenses	1,292,956	-	1,292,956	1,138,198
Fund Raising Expenses	369,207	-	369,207	282,873
Administrative Expenses	284,662	257,420	542,082	251,328
Total Expenses	<u>1,946,825</u>	<u>257,420</u>	<u>2,204,245</u>	<u>1,672,399</u>
INCREASE (DECREASE) IN NET ASSETS	(19,944)	(226,632)	(246,576)	109,498
NET ASSETS, BEGINNING OF YEAR	<u>6,871,495</u>	<u>278,907</u>	<u>\$ 7,150,402</u>	<u>7,040,904</u>
NET ASSETS, END OF YEAR	<u>\$ 6,851,551</u>	<u>\$ 52,275</u>	<u>\$ 6,903,826</u>	<u>\$ 7,150,402</u>

METROSQUASH
COMBINED STATEMENTS OF CASH FLOWS
FOR YEAR ENDED JULY 31, 2017 and 2016

OPERATING ACTIVITIES	<u>2017</u>	<u>2016</u>
Changes in Unrestricted Net Assets	\$ (246,576)	\$ 109,498
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	197,249	188,625
Decrease(Increase) in Receivables	303,558	485,682
Decrease(Increase) in Prepaid Expenses	(14,344)	(25,629)
Increase (Decrease) in Loans Payable	-	(250,000)
Increase (Decrease) in Accounts Payable	20,854	63,735
Total Adjustments	<u>507,317</u>	<u>462,413</u>
Net Cash Provided by Operating Activities	<u>260,741</u>	<u>571,911</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>260,741</u>	<u>571,911</u>
INVESTMENT ACTIVITIES		
New Building	-	(880,942)
Furniture & Equipment	(4,030)	(2,897)
Construction In Progress	-	513,541
	<u>(4,030)</u>	<u>(370,298)</u>
Net Cash by Investment Activities	<u>(4,030)</u>	<u>(370,298)</u>
Cash and Cash Equivalents, Beginning	1,549,592	1,347,979
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,806,303</u>	<u>\$ 1,549,592</u>

METROSQUASH
NOTES TO COMBINED FINANCIAL STATEMENTS
July 31, 2017 and 2016

NATURE OF ACTIVITIES

METROSQUASH is a Non-For-Profit Corporation “For Chicago youth who desire and deserve more, METROSQUASH combines academic support, competitive squash, and enrichment opportunities to empower students to realize their potential and make their mark”. 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 COMBINED FINANCIAL STATEMENTS
July 31, 2017 and 2016

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 had a \$1,200,000 thirty-six-month loan from one of its board members. The loan was secured by Pledge Receivables with an interest rate of 2% and matured in July of 2017. The loan agreement stated that METROSquash was to make semiannual interest payments in June and December of each year. The balance was \$0 at the end of both fiscal years. The loan was paid off in 2016.

4. PREPAID EXPENSES

Prepaid expenses in the years 2017 and 2016 consist of payments made for various one-year insurance policies.

METROSQUASH
NOTES TO COMBINED FINANCIAL STATEMENTS
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5. LOANS PAYABLE

The Loans Payable at July 31, 2017 and 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
\$1,499,000	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 \$6,400,000 as of July 31, 2017 and 2016.

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 in 2016.

	<u>2016</u>	<u>2017</u>
Non Restricted Cash	\$ 1,449,592	\$ 1,806,303
Temporarily Restricted Cash	<u>100,000</u>	<u>-0-</u>
Total Cash	<u>\$ 1,549,592</u>	<u>\$ 1,806,303</u>

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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 2017 was \$197,249 and \$188,625 in 2016.

10. CHANGE IN FISCAL YEAR

METROSQUASH and METROSQUASH Title Holding Company fiscal year will be August 31st as of August 31, 2017.

11. SUBSEQUENT EVENTS

The organization has evaluated subsequent events through February 28, 2018, 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 Deposit Insurance Corporation (FDIC) up to \$250,000. At July 31, 2016, uninsured balances totaled \$744,771 and \$385,544 as of July 31, 2017.

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>2017</u>
Less than one year:	\$400,472	\$ 386,383
One to five years:	<u>\$332,625</u>	<u>\$ -0-</u>
Total	<u>\$733,097</u>	<u>\$ 386,383</u>

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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. Title Holding Company Administrative Expenses in fiscal year 2017 were \$257,420. Depreciation Expense represented \$193,427 of that amount was allocated to the Title Holding Company.

15. ACCOUNTS PAYABLE

The Accounts Payable balance of \$89,868 as of July 31, 2017, includes \$21,889 of credit card debt. The Organization has a \$65,000 credit card limit with an APR of 15.49%. The credit card balance was \$13,128 as of July 31, 2016.