CONSOLIDATED AUDIT REPORT
FOR THE 13-MONTH PERIOD ENDED AUGUST 31, 2018

MetroSquash
Audit Report
For the 13-month Period Ended August 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
MetroSquash
Chicago, Illinois

We have audited the accompanying consolidated financial statements of **MetroSquash** (Organization), which comprise the consolidated statement of financial position as of August 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the 13-month period then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MetroSquash as of August 31, 2018, and its changes in net assets and its cash flows for the 13-month period then ended, in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

Beginning net assets of MetroSquash were restated to correct errors identified by management in previously issued financial statements. See Note 12 to the consolidated financial statements for further details on the restatements.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the statements and schedule shown on pages 24 - 26 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Selden Fox, Ltd.

June 11, 2020

MetroSquash
Consolidated Statement of Financial Position
August 31, 2018

Assets

Current assets:	
Cash	$ 604,342
Interest receivable	31,369
Accounts receivable	282,534
Promises to give	470,500
Prepaid expenses	75,855
Total current assets	1,464,600
Promises to give, noncurrent portion, net	1,587,202
Right of use asset	85,720
Property and equipment, at cost, less accumulated depreciation and amortization of $561,338	6,420,232
Security deposit	3,789
NMTC CDE reserve fund	80,569
NMTC leveraged loan receivable	4,421,300
Investments	1,829,177
Total assets	$ 15,892,589

Liabilities and Net Assets

Current liabilities:	
Current portion of long-term debt	$ 8,636
Accounts payable	123,541
Accrued expenses	63,509
Other liabilities	20,244
Total current liabilities	215,930
Lease liability, noncurrent portion	65,993
Long-term debt, net of current portion and debt issuance costs of $ 129,177	6,304,625
Total liabilities	6,586,548
Net assets:	
Unrestricted:	
Available for operations	9,021,710
Reserve Fund	80,569
Total unrestricted	9,102,279
Temporarily restricted	203,762
Total net assets	9,306,041
Total liabilities and net assets	$ 15,892,589

See accompanying notes.

MetroSquash
Consolidated Statement of Activities
For the 13-month Period Ended August 31, 2018

	Unrestricted	Temporarily Restricted	**Total**
Revenues:			
Contributions	$ 3,382,294	$ 163,762	**$ 3,546,056**
Government funding	128,009	-	**128,009**
Center income	115,037	-	**115,037**
Special events	1,317,037	-	**1,317,037**
Interest and dividends	73,810	-	**73,810**
Gain on investments	46,948	-	**46,948**
Miscellaneous income	345	-	**345**
Net assets released from restrictions:			
Program services	20,000	(20,000)	**-**
Total revenues	5,083,480	143,762	**5,227,242**
Expenses:			
Program services	1,652,789	-	**1,652,789**
Fund-raising	697,457	-	**697,457**
Management and general	286,472	-	**286,472**
Total expenses	2,636,718	-	**2,636,718**
Change in net assets	2,446,762	143,762	**2,590,524**
Net assets:			
Beginning of the year, as previously reported	6,903,826	-	**6,903,826**
Restatement (Note 12)	(248,309)	60,000	**(188,309)**
Beginning of the year, as restated	6,655,517	60,000	**6,715,517**
End of the year	$ 9,102,279	$ 203,762	**$ 9,306,041**

See accompanying notes.

MetroSquash
Consolidated Statement of Functional Expenses
For the 13-month Period Ended August 31, 2018

	Program Services							Supporting Services			
	High School Academics	Middle School Academics	College	Squash	Mentoring and Social Work	Outreach	**Total Program Services**	Fund-raising and Development	Management and General	**Total Supporting Services**	**Total**
Expenses:											
Salaries and related	$ 146,761	$ 205,096	$ 152,100	$ 243,713	$ 171,592	$ 31,035	**$ 950,297**	$ 285,743	$ 44,757	**$ 330,500**	**$ 1,280,797**
Travel and training	21,007	11,442	30,716	53,787	4,685	199	**121,836**	25,418	5,108	**30,526**	**152,362**
Consumable supplies	11,300	16,223	10,839	18,947	13,310	2,331	**72,950**	38,881	6,152	**45,033**	**117,983**
Occupancy	11,734	16,791	11,742	24,934	15,194	2,732	**83,127**	25,278	12,323	**37,601**	**120,728**
Professional services	1,254	1,676	1,187	2,018	1,380	248	**7,763**	2,285	82,254	**84,539**	**92,302**
Program expenses	18,392	40,935	62,696	93,394	8,605	6,183	**230,205**	32,707	571	**33,278**	**263,483**
Insurance - general	3,545	5,045	3,409	5,738	4,378	825	**22,940**	6,785	4,364	**11,149**	**34,089**
Dues and fees	25	25	518	279	-	-	**847**	15,040	9,947	**24,987**	**25,834**
Special events	-	-	-	-	-	-	**-**	166,800	-	**166,800**	**166,800**
Interest	-	-	-	-	-	-	**-**	-	117,396	**117,396**	**117,396**
Miscellaneous	-	20	4,614	-	675	-	**5,309**	53,039	(2,436)	**50,603**	**55,912**
Total expenses before depreciation	214,018	297,253	277,821	442,810	219,819	43,553	**1,495,274**	651,976	280,436	**932,412**	**2,427,686**
Depreciation	23,853	34,638	24,761	41,621	27,491	5,151	**157,515**	45,481	6,036	**51,517**	**209,032**
Total expenses	$ 237,871	$ 331,891	$ 302,582	$ 484,431	$ 247,310	$ 48,704	**$ 1,652,789**	$ 697,457	$ 286,472	**$ 983,929**	**$ 2,636,718**

See accompanying notes.

MetroSquash
Consolidated Statement of Cash Flows
For the 13-month Period Ended August 31, 2018

Cash flows from operating activities:	
Change in net assets	$ 2,590,524
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	209,032
Debt issuance costs	47,980
Gain on investments	(46,948)
Change in operating assets and liabilities:	
Other receivables	(227,897)
Promises to give	(1,671,319)
Prepaid expenses	(25,260)
Security deposit	(3,789)
Accounts payable	83,688
Accrued expenses	(29,173)
Other liabilities, net	517
Net cash from operating activities	927,355
Cash flows from investing activities:	
Proceeds from sale of investments	2,232,391
Purchase of investments	(4,014,620)
Purchase of property and equipment	(308,956)
Net cash from investing activities	(2,091,185)
Cash flows from financing activities:	
Proceeds from issuance of debt	43,855
Repayment of long-term debt	(1,417)
Net cash from financing activities	42,438
Decrease in cash and restricted cash	(1,121,392)
Cash and restricted cash, beginning of the year	1,806,303
Cash and restricted cash, end of the year	$ 684,911
Supplemental disclosure of noncash activities:	
Additions to right to use asset represented by lease liabilities	$ 91,112

See accompanying notes.

MetroSquash
Notes to the Consolidated Financial Statements

1. **Summary of Significant Accounting Policies**

Organization and Purpose – MetroSquash (Metro), is a not-for-profit corporation established with a purpose "For Chicago youth who desire and deserve more, Metro combines academic support, competitive squash, and enrichment opportunities to empower students to realize their potential and make their mark". The entity was incorporated on April 1, 2005.

METROsquash Title Holding Corporation (MTHC) is a not-for-profit organization formed in October 2013 solely for the development of the MetroSquash Academic and Squash Center in the West Woodlawn neighborhood in Chicago, Illinois. MTHC operates exclusively for the benefit of Metro. Metro is the sole member of MTHC and MTHC will distribute any income it receives, less any required payments for debt service, reserves, and expenses to Metro. MTHC and Metro worked together to obtain financing, including New Market Tax Credits (NMTC) to construct the new building housing the MetroSquash Academic and Squash Center (the "Project") with the financing. Metro signed a lease as lessee with MTHC to occupy space in the facility.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of Metro and MTHC (collectively, the Organization). Metro has the right and powers to appoint the majority of the MTHC Board of Directors and an economic interest in MTHC. Consolidation is required under accounting principles generally accepted in the United States of America due to Metro's majority voting interest and economic interest in MTHC. Significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting – These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes: permanently restricted, temporarily restricted, and unrestricted.

Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets – Net assets restricted by donors to be maintained by the Organization in perpetuity.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization or the passage of time.

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

1. **Summary of Significant Accounting Policies** (cont'd)

Basis of Accounting (cont'd) – Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled, or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Unrestricted gifts and bequests are included in revenues when received. Upon receipt of a restricted contribution, temporarily or permanently restricted net assets are increased. Contributions received with donor-imposed restrictions that are fulfilled in the same time period in which the contribution is received, are reported as unrestricted revenue. Contributions of exhaustible long-lived assets, or of cash or other assets used to acquire them, without donor-imposed stipulations concerning the use of such long-lived assets, are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released when expenditures are incurred that fulfil the donor-imposed stipulations.

Change of Year End – The financial year end of the Organization was changed from July 31 to August 31 for 2018. Accordingly, the current financial statements are prepared for 13 months from August 1, 2017 to August 31, 2018.

Use of Estimates – The preparation of consolidated financial statements in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and activities at the date of the consolidated financial statements and during the reporting period. Actual results could differ from those estimates. The Organization has determined that all receivables are fully collectible. The Organization records investments at fair value. The ultimate realization of the investments is based upon future economic factors related to the investments. For the aforementioned estimates, it is reasonably possible that the recorded amounts or related disclosures could significantly change in the near future as new information becomes available.

Concentration of Risk – At August 31, 2018, the Organization had approximately $123,000 of total uninsured deposits with one financial institution. The Organization minimizes the risk from uninsured balances by using a reputable financial institution.

Fair Value and Investments – All investments are carried at fair value, with changes in fair value recognized in net assets each period. The Organization makes estimates regarding valuation of assets at fair value in preparing the consolidated financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

1. **Summary of Significant Accounting Policies** (cont'd)

Fair Value and Investments (cont'd) – Fair value is broken down into a three-level hierarchy based on the reliability of observable and unobservable inputs as follows:

Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-derived valuations whose significant inputs are observable.

Level 3 – Valuations are based on unobservable inputs for the asset or liability that reflect the reporting entity's own data and assumptions that market participants would use in pricing the asset or liability.

Cash and NMTC CDE Reserve Fund – The Organization's cash includes checking, savings, and money market deposits in federally insured accounts and undeposited funds. At August 31, 2018, cash on hand and deposits exceeding the federally insured limits amounted to $165,660.

The Organization entered into financing agreements in 2014 to assist with the construction of the Project. The financing agreements require the Organization to maintain cash received restricted for the construction of the Project in a separate account. The account is pledged as collateral and subject to control of the lenders at August 31, 2018, for its debt resulting from the NMTC transaction (see Note 7). The account is considered to be restricted cash and is presented as NMTC CDE Reserve Fund on the consolidated statement of financial position. For purposes of the consolidated statement of cash flows, cash and restricted cash consists of the following at August 31:

	2018
Cash	**$ 604,342**
NMTC CDE Reserve	**80,569**
Cash and restricted cash per consolidated statement of cash flows	**$ 684,911**

Accounts Receivable – Amounts due from government agencies are stated at the amount vouchered. If necessary, an allowance for uncollectible amounts would be established through a provision for bad debts charged to expense. Amounts would then be charged against the allowance for uncollectible amounts when management believed collectability is unlikely. Management's periodic evaluation of the adequacy of the allowance is based on the Organization's past experience, known and inherent risks, and current economic conditions.

1. **Summary of Significant Accounting Policies** (cont'd)

Promises to Give – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. No allowance was deemed necessary at August 31, 2018.

Property and Equipment – Property and equipment is stated at cost for purchased items and fair value for contributed items. Depreciation of property and equipment is provided by the straight-line method over the estimated useful lives of such assets. Leasehold improvements are amortized on a straight-line basis over the lesser of the lease term of life of the asset.

Building	39 years
Leasehold improvements	3 - 15 years
Furniture, equipment, and vehicles	3 - 7 years

Construction in progress is not depreciated until the related assets are placed in service.

NMTC Leveraged Loan Receivable – The NMTC leveraged loan receivable (LLR) consists of a promissory note receivable due to Metro from Chase NMTC METROsquash Investment Fund, LLC (CMIF). CMIF's sole member is another corporation that is wholly owned by a financial institution. The LLR is collateralized by CMIF's membership interest in CDF Suballocatee XXII, LLC and CNMC Sub-CDE, 52, LLC, (collectively, the "CDEs") related to the NMTC transaction (see Note 7) and is stated at the principal amount outstanding. Payments on the LLR are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. CDEs are also lenders to MTHC. Management assesses the credit quality of the LLR based on indicators such as collateralization, collection experience, and management's internal metrics and reviews the collectability of the LLR on an ongoing basis. The LLR is periodically evaluated for impairment based on relevant facts and circumstances. Management has determined that no allowance is necessary, and no impairment has occurred as of August 31, 2018.

Functional Allocation of Expenses – The costs of program and supporting services 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 programs and supporting services benefited.

1. **Summary of Significant Accounting Policies** (cont'd)

Income Taxes – Metro has been determined by the Internal Revenue Service (IRS) to be exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except to the extent of any unrelated business income. Metro is classified as an organization other than a private foundation under Section 509(a)(2) of the U.S. Internal Revenue Code. MTHC has been determined to be exempt from federal income tax under Section 501(c)(2) of the U.S. Internal Revenue Code. MTHC is also classified as a supporting organization under Section 509(a)(3) of the U.S. Internal Revenue Code. Both Metro and MTHC had no unrelated business income and are also exempt from Illinois income tax under state law. Accordingly, no provision for income tax has been established, and contributions to Metro are deductible within the limitations as prescribed by the Internal Revenue Code.

Metro and MTHC file returns in the U.S. federal jurisdiction and Illinois. With few exceptions, Metro is not subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities prior to fiscal year ended July 31, 2015, filed on the 2014 tax forms. The exempt status of MTHC was revoked by the IRS in 2017. Subsequent to the revocation, an application for reinstatement was filed with the IRS. A determination of exempt status was issued to MTHC by the IRS in May 2020 approving the request for reinstatement retroactive to the date of revocation.

Debt Issuance Costs – The costs of issuance of debt are presented on the statement of financial position as a direct reduction from the face amount of the associated debt.

Volunteer Services – Throughout the period, several volunteers and parents have donated significant amounts of their time to various program services. The after-school program had 116 volunteers and there were 26 volunteers in the mentoring program. No value has been assigned to the hours spent by these volunteers.

New Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02 and subsequent amendments, collectively known as Topic 842 *Leases* (ASC 842). ASC 842 requires recognition of operating leases as right of use assets and lease liabilities on the statement of financial position and also requires the disclosure of key information about leasing arrangements. Metro has elected to adopt Topic 842 by applying the modified transition method and has elected to use the effective date of August 1, 2017, as the initial date of application. No leases subject to the new guidance existed at the date of adoption. The practical expedient for short-term leases of less than 12 months was elected by the Organization. The remeasurement or modification of a lease after the effective date requires application of the new guidance. There was no effect to the opening balances of 2018 net assets upon adoption.

2. **Due from Government Agencies**

Metro has entered into contracts with the City of Chicago, through the U.S. Department of Health and Human Services, and other governmental departments. The contracts provide for reimbursement of services or are based on a per diem rate limited to a specific maximum. Vouchers receivable included in accounts receivable, which have been submitted for covered expenses and services are as follows:

	2018 Unpaid Vouchers
City of Chicago:	
Mayor's Mentoring	**$ 39,193**
Mentoring	**20,783**
OST	**31,931**
	$ 91,907

3. **Investments**

Investments include the following:

	August 31, 2018		
	Level 1	**Level 2**	**Total**
Mutual funds:			
Money market funds	**$ 58,715**	**$ -**	**$ 58,715**
Equity	**1,093,949**	**-**	**1,093,949**
Fixed income	**449,000**	**-**	**449,000**
Exchange traded	**220,643**	**-**	**220,643**
Investments, at fair value	**1,822,307**	**-**	**1,822,307**
Cash	**6,870**	**-**	**6,870**
Total investments	**$ 1,829,177**	**$ -**	**$ 1,829,177**

The following is a description of the valuation methodologies used for investments measured at fair value, as well as the general classification of such investments pursuant to the valuation hierarchy.

Mutual funds are valued using quoted market prices. Accordingly, these assets are categorized in Level 1 of the fair value hierarchy.

3. **Investments** (cont'd)

Investment return and interest earned during the 13-month period ended August 31, 2018, is as follows:

	Net Interest and Dividend Income	Net Realized and Unrealized Gains	**Total Investment Income**
Other interest income	$ 46,083	$ -	**$ 46,083**
Investments, at fair value	27,727	46,948	**74,675**
	$ 73,810	$ 46,948	**$ 120,758**

Other interest income includes $45,311 earned on loans receivable. Net interest and dividend income amounts reported above for investments includes investment expenses of $2,739 for the 13-month period ended August 31, 2018.

4. **Promises to Give**

Unconditional promises to give are estimated to be collected as follows at August 31:

	2018
Collectible in:	
One year or less	**$ 470,500**
One to five years	**1,933,412**
	2,403,912
Less discount to net present value at a rate of 5.00%	**(346,210)**
	$ 2,057,702

At August 31, 2018, one donor accounted for 87 percent of total promises to give. Approximately $1,997,000 of the net promises to give balance is due from Board members of Metro.

Promises to give totaling $2,490,599 received during the 13-month period ended August 31, 2018, were reported as contributions without donor restrictions.

5. **Property and Equipment**

Property and equipment is comprised of the following at August 31:

	2018
Building	**$ 6,617,912**
Leasehold improvements	**223,817**
Furniture and equipment	**42,671**
Vehicles	**91,855**
Construction in progress	**5,315**
	6,981,570
Less accumulated depreciation and amortization	**561,338**
	$ 6,420,232

Depreciation and amortization expense on property and equipment for the 13-month period ended August 31, 2018, totaled $209,032.

6. **NMTC Leveraged Loan Receivable**

NMTC leverage loan receivable, also previously referred to as “LLR,” consists of the following at August 31:

	2018
Promissory Note in the original amount of $4,421,300 due from CMIF (an unrelated entity) dated July 16, 2014, with annual interest only payments at the rate of .946% per annum due beginning on December 10, 2014 through December 2022, provided that in July 2021, interest accruing from December 2020 through July 16, 2021, will be paid. Commencing December 2023, principal and interest payments of $233,134 will be due annually until maturity on December 1, 2043; collateralized by a security interest in CMIF’s interest in the CDEs; loan agreement and other governing documents restrict the use of the funds to MTHC, who is a qualified active low-income community business for the term of the note. The loan principal may be prepaid at any time without penalty or premium.	**$ 4,421,300**

7. New Market Tax Credit Program and Project

The New Market Tax Credit (NMTC) program was designed to stimulate investment and economic growth in low income communities by offering taxpayers a 39% tax credit against federal income taxes over a seven-year period for Qualified Equity Investment (QEIs) in designated Community Development Entities (CDEs). CDEs receive NMTC allocations pursuant to Section 45D of the Internal Revenue Code. These designated CDEs must use substantially all of the proceeds to make Qualified Low-Income Community Investments (QLICI). To earn the tax credit, the QEI must remain invested in the CDE for a seven-year period. Also, the entity receiving the loans needs to be treated as a Qualified Active Low-Income Community Business (QALICB) for the duration of the seven-year period. The QALICB requirements are outlined in Treasury Regulation Section 1.45D-1 (d)(4)(i).

In July of 2014, the Organization entered into multiple agreements, assisted by the NMYC program, to facilitate the construction on approximately 21,000 square foot of certain real estate at 6100 South Cottage Grove Avenue (Project Property) located in the West Woodlawn neighborhood in Chicago, Illinois. The Project Property features three classrooms, a computer lab, seven singles and one doubles squash courts, boys and girls locker rooms, a parent lounge, and the business office for the center. Construction was completed in September 2015.

Prior to NMTC transaction closing, Metro received funding from a variety of sources including private foundations, individuals, and Metro's internal reserves, and other charitable organizations to fund the project. The combined amount of the pre-close funding approximated $4,804,000.

As a part of the closing, the Metro funds raised prior to closing, were used to pay transaction costs, provide for the initial capitalization of MTHC, and to fund the NMTC leveraged loan receivable (see Note 6) to Chase NMTC METROsquash Investment Fund, LLC (CMIF), whose sole member is Chase Community Equity, LLC (CCE), a third-party unrelated to Metro and MTHC.

CMIF used the funding from the leveraged loans along with an approximate $2,079,000 capital contribution from CCE to make a capital contribution to CNMC Sub-CDE 52, LLC (Chase CDE) of $1,500,000 and to CDF Suballocatee XXII, LLC (CDF CDE) of $5,000,000. CMIF has a 99.99% membership interest in CDF CDE. The CDEs, in turn, used the funding to originate the four QLICI Loans (see Note 8) due from MTHC. MTHC used the proceeds from these loans, along with the initial contribution from Metro to fund the CDE Reserve Fund (see Note 1), pay professional fees associated with the NMTC transaction, and fund construction costs for the Project Property. Also, as a part of closing, Metro transferred title to the underlying ground lease, which was originally leased by Metro in fiscal 2010, to MTHC.

7. **New Market Tax Credit Program and Project** (cont'd)

The transaction is subject to a put/call option agreement. CCE has a put option whereby upon exercise of the option after the last day of the tax credit investment period, Metro is obligated to purchase CCE's 99.99% membership interest in the CMIF for $1,000. At the end of the seven-year tax credit investment period, Metro has a call option whereby if exercised, they have the right to purchase CCE's 99.99% membership interest in the CMIF at fair value.

The tax credits associated with the transaction are contingent on the Organization maintaining compliance with applicable portions of Section 42 of the Internal Revenue Code. Failure to maintain compliance or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus penalties and interest. Metro and MTHC have both signed a QALICB Indemnification Agreement that obligates them, joint and severally, to pay any NMTC recapture amount, as defined in Section 45D(g)(2) of the Internal Revenue Code, to investors within the NMTC structure with respect to related tax credits that have been claimed with respect to the $6,500,000 designated qualified equity investment amount at the time of any recapture or disallowance of tax credits claimed. Recapture or disallowance can result from MTHC failing to qualify as a QALICB, failure of the CDF Suballocatee XXII, LLC and CNMC Sub-CDE 52, LLC loans to qualify as a qualified low-income community investment (QLICI), among others.

8. **Long-term Debt**

Long-term debt consists of the following at August 31:

	2018
MTHC long-term debt:	
CNMC Sub-CDE 52, LLC Loan A – bears interest at 1.00% per annum, interest-only payments due annually beginning in December 2014 through December 2022. Additional interest-only payment is due in July 2021. Commencing in December 2023, principal and interest payments of $41,959 will be due annually until maturity on December 1, 2050.	**$ 1,020,300**
CNMC Sub-CDE 52, LLC Loan B – bears interest at 1.00% per annum, interest-only payments due annually beginning in December 2014 through December 2022. Additional interest-only payment is due in July 2021. Commencing in December 2023, principal and interest payments of $19,727 will be due annually until maturity on December 1, 2050.	**479,700**
CDF Suballocatee XXII, LLC Loan A1 – bears interest at 1.00% per annum, interest-only payments due annually beginning in December 2014 through December 2022. Additional interest-only payment is due in July 2021. Commencing in December 2023, principal and interest payments of $139,864 will be due annually until maturity on December 1, 2050.	**3,401,000**
CDF Suballocatee XXII, LLC Loan B1 – bears interest at 1.00% per annum, interest-only payments due annually beginning in December 2014 through December 2022. Additional interest-only payment is due in July 2021. Commencing in December 2023, principal and interest payments of $61,646 will be due annually until maturity on December 1, 2050.	**1,499,000**
Total MTHC long-term debt	**$ 6,400,000**

8. **Long-term Debt** (cont'd)

	2018
Metro long-term debt:	
Retail installment sales contract dated June 9, 2018 in the original amount of $43,855, was used for acquisition of a vehicle, which secures the contract. The contract is due in monthly installments of $748, which includes interest at 0.90% per annum. The final payment is due on June 24, 2023.	**$ 42,438**
Total long-term debt	**6,442,438**
Less debt issuance costs	**(129,177)**
Net long-term debt	**$ 6,313,261**

All of the MTHC loans payable above were obtained to finance the Project and are collateralized by a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing and a loan and a regulatory agreement that restricts the use of the property to those allowed as a qualified active low-income community business for the term of the note. The loans cannot be prepaid until July 2021.

All MTHC debt is guaranteed by Metro. MTHC debt is secured by all its property of whatever nature. MTHC has specifically pledged the bank deposit account reported as NMTC CDE Reserve Fund on the consolidated statement of financial position.

MTHC debt is governed by a credit agreement, which contains covenants that, among others, restrict the Project Property to uses allowed as a Qualified Active Low-Income Community Business (QALICB), defined in Section 45D of the Internal Revenue Code, for the term of the loans and require MTHC to cause completion of construction of the Project Property as set forth in the loan agreement. In addition, among other negative covenants, MTHC has agreed not to:

- Incur, create, assume, or become liable for debt or contingent debt except for the CDF Suballocatee XXII, LLC and CNMC Sub-CDE 52, LLC Loans, unsecured trade payables in the ordinary course of business, and taxes, assessments, or other government charges as long as MTHC has provided adequate reserves for such items;
- Incur, assume, or permit to exist and lien on its property;
- Merge, acquire, or consolidate with another entity or person except Metro; and/or
- Sell the Project Property.

8. **Long-term Debt** (cont'd)

Anticipated future maturities of debt are as follows:

Year Ending August 31,	
2019	$ 8,636
2020	8,704
2021	8,784
2022	8,865
2023	7,449
Thereafter	6,400,000
	$ 6,442,438

During the 13-month period ended August 31, 2018, $64,079 of interest was paid and $117,396 was expensed under these long-term debt agreements, including $47,980 of debt issuance cost amortization. The carrying value at August 31, 2018, of property and equipment collateralizing the above long-term debt is approximately $ 6.3 million.

9. **Net Assets**

Temporarily restricted net assets consist of the following at August 31:

	2018
Scholarships	**$ 9,179**
Academic programs	**54,583**
Development	**100,000**
Other	**40,000**
	$ 203,762

Net assets were released from restrictions during the 13-month period ended August 31, 2018, by incurring expenses or the passage of time, thus satisfying the restricted purposes specified by the donor as follows:

	2018
Other – Board dues	**$ 20,000**

10. **Retirement Benefits**

The Organization adopted a Simple IRA plan in September 2017 that covers certain employees who are reasonably expected to receive at least $5,000 of compensation during the year. Each year, the employer shall make either matching or nonelective contributions to the Simple IRA's of participants in accordance with the provisions of the Plan. Related expense for the 13-month period ended August 31, 2018, was $12,105.

11. **Leases**

MTHC (lessor) and Metro (lessee) signed a lease in July 2014 to lease the Project Property associated with the NMTC transaction. The lease is for the use of the real property that is the Project Property. The lease is intended to be a triple net lease and Metro is obligated to pay rent at $54,000 annually to MTHC each year on December 1, starting in 2016 and ending 2020. Then Metro will pay rent of $63,000, to be prorated and due in July 2021 and December 2021, and $77,000 and $286,000 in December 2022, and December 2023 through December 2039, respectively. In addition to rent, Metro will pay all costs and expenses and perform all obligations of every kind relating to the leased property. Financial activity between Metro and MTHC has been eliminated in the consolidation.

Metro entered into a lease for certain program facility space, effective June 15, 2018 through August 31, 2021, requiring annual payments of $7,440, $14,880, and $22,320 each September and an annual donation of $5,000 in August of 2019 through 2021. A right of use asset was recognized at the inception of the lease for $54,525. Metro recognized amortization of the right of use asset of $3,903 in 2018, and made lease payments of $7,400, including interest of $684, in 2018.

Metro also entered into a lease for certain administrative space, effective August 1, 2018 through September 30, 2020, requiring monthly payments of $1,731 plus an annual CPI adjustment effective each August 1st, which was estimated at 2.60% in determining the lease liability. A right of use asset was recognized at the inception of the lease for $36,587. The lease provides for automatic one-year renewals, which were not recognized as part of determining the right of use asset and liability, as the lessee determined that it is not reasonably certain to exercise the renewal provision. Metro recognized amortization of the right of use asset of $1,489 in 2018 and made no lease payments in 2018.

Amounts expended and capitalized during the 13-month period ended August 31, 2018, for leasehold improvements made to leased program facilities were $66,262.

Metro has reported its operating lease transactions on the balance sheet at August 31, 2018, as follows:

Noncurrent asset – right of use asset	$	85,720
Current liability – lease liability **		18,594
Noncurrent liability - lease liability		65,993

** - included with other liabilities

11. **Leases** (cont'd)

At August 31, 2018, the weighted average remaining lease term is 2.5 years and the weighted average discount rate is 5.0%. Operating lease costs expensed for all facility rentals for the 13-month period ended August 31, 2018, was $6,077. No significant short-term lease costs were incurred. Aggregated rent payments under the operating leases for 2018 totaled $7,440.

At August 31, 2018, the future minimum lease payments under noncancelable operating leases were as follows:

For the Year Ending August 31,		
2019	$	22,310
2020		39,463
2021		29,142
Total lease payments		90,915
Less amount representing interest		(6,328)
Total lease liabilities	$	84,587

12. **Restatement**

Beginning net asset balances were restated due to accounting errors identified in previously issued financial statements. Those items included; amortization of debt issuance costs that were not previously amortized during the period July 2014 through July 2017, expensing of certain equipment being incorrectly capitalized in 2015 and then depreciated, recording interest accruals that were not provided for at July 31, 2017 related to long-term debt and to the loan receivable and reclassifying certain revenue with a time restriction imposed that was previously reported as unrestricted net assets at July 31, 2017. The prior presentation of debt issuance costs was not netted against debt on the statement of financial position. Combined financial statements were prepared for the prior period when the organization meets the criteria for presenting consolidated financial statements. The net effect of the restatements on the change in net assets previously reported for the year ended July 31, 2017 was a decrease of $25,956.

12. **Restatement** (cont'd)

The restatement amounts attributable to each of the above errors is as follows:

	Net Assets		Total
	Unrestricted	Temporarily Restricted	Net Assets
Amortization of debt issuance costs	$ (132,868)	$ -	$ (132,868)
Write-off of equipment capitalized in error	(40,658)	-	(40,658)
Accrued interest on long-term debt	(42,667)	-	(42,667)
Accrued interest on loan receivable	27,884	-	27,884
Restricted revenues	(60,000)	60,000	-
Net restatements	$ (248,309)	$ 60,000	$ (188,309)

13. **Contingencies**

In addition to contingencies detailed in Note 7 related to the NMTC transaction, the Organization has received financial assistance from certain government agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. The Organization's management believes that the Organization is in compliance with the terms and conditions of the grant awards.

14. **Subsequent Events**

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Organization expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

Subsequent events have been evaluated through June 11, 2020, which is the date the financial statements were available to be issued.

15. **Future Accounting Pronouncements**

Not-For-Profit Reporting – During 2016, the Financial Accounting Standards Board issued new standards relating to not-for-profit financial reporting. Significant changes to the current standards include adding two new classes of net assets (net assets with donor restrictions and net assets without donor restrictions), requiring expenses to be disclosed by their natural classification and function, as well as quantitative and qualitative information on the availability of financial assets and liquidity. The standard will be effective for fiscal 2019. Management is evaluating the impact of adopting the new standard.

Revenue Recognition – During 2018, the Financial Accounting Standards Board issued clarifying and amended guidance for not-for-profit entities on whether a transfer of assets is a contribution or exchange transaction and whether a contribution received is conditional or unconditional. Guidance has been added concerning how an entity should determine whether, in a transfer of assets (or a reduction, settlement, or cancellation of liabilities), a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred.

Guidance has also been added requiring an entity to determine whether a contribution contains a donor-imposed condition on the basis of whether the agreement includes both (1) a barrier that must be overcome, and (2) either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Under the guidance, the presence of both a barrier and a right of return or a right of release indicates that a recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome any barriers in the agreement. The guidance means that revenue would not be recognized until the barriers have been overcome.

The new standard relating to revenue recognition and the clarifying guidance are effective in fiscal 2020. Management is evaluating the impact of adopting the new standard.

MetroSquash
Consolidating Statement of Financial Position
August 31, 2018

	MetroSquash	METROsquash Title Holding Corporation	Eliminations	**Consolidated Total**
Assets				
Current assets:				
Cash	$ 604,336	$ 6	$ -	**$ 604,342**
Interest receivable	31,369	-	-	**31,369**
Accounts receivable	282,534	-	-	**282,534**
Promises to give	470,500	-	-	**470,500**
Prepaid expenses	75,855	-	-	**75,855**
Total current assets	1,464,594	6	-	**1,464,600**
Intercompany receivable	-	82,500	(82,500)	**-**
Promises to give, noncurrent portion, net	1,587,202	-	-	**1,587,202**
Right of use asset	85,720	-	-	**85,720**
Property and equipment, at cost, less accumulated depreciation and amortization of $ 561,338	298,976	6,121,256	-	**6,420,232**
Security deposit	3,789	-	-	**3,789**
NMTC CDE reserve fund	-	80,569	-	**80,569**
NMTC leveraged loan receivable	4,421,300	-	-	**4,421,300**
Investments	1,829,177	-	-	**1,829,177**
Total assets	$ 9,690,758	$ 6,284,331	$ (82,500)	**$ 15,892,589**
Liabilities and Net Assets				
Current liabilities:				
Current portion of long-term debt	$ 8,636	$ -	$ -	**$ 8,636**
Accounts payable	123,541	-	-	**123,541**
Accrued expenses	15,509	48,000	-	**63,509**
Other liabilities	20,244	-	-	**20,244**
Total current liabilities	167,930	48,000	-	**215,930**
Intercompany payable	82,500	-	(82,500)	**-**
Lease liability, noncurrent portion	65,993	-	-	**65,993**
Vehicle loan, net of current portion	33,802	-	-	**33,802**
Long-term debt, net of debt issuance costs of $129,177	-	6,270,823	-	**6,270,823**
Total liabilities	350,225	6,318,823	(82,500)	**6,586,548**
Net assets:				
Unrestricted:				
Available for operations	9,136,771	(115,061)	-	**9,021,710**
Reserve Fund	-	80,569	-	**80,569**
Total unrestricted	9,136,771	(34,492)	-	**9,102,279**
Temporarily restricted	203,762	-	-	**203,762**
Total net assets	9,340,533	(34,492)	-	**9,306,041**
Total liabilities and net assets	$ 9,690,758	$ 6,284,331	$ (82,500)	**$ 15,892,589**

See independent auditor's report.

MetroSquash
Consolidating Schedule of Revenues, Expenses and Change in Net Assets
For the 13-month Period Ended August 31, 2018

	MetroSquash	METROsquash Title Holding Corporation	Eliminations	**Consolidated Total**
Revenues:				
Contributions	$ 3,546,056	$ -	$ -	**$ 3,546,056**
Government funding	128,009	-	-	**128,009**
Center income	115,037	-	-	**115,037**
Special events	1,317,037	-	-	**1,317,037**
Interest and dividends	73,585	225	-	**73,810**
Gain on investments	46,948	-	-	**46,948**
Lease income	-	58,500	(58,500)	**-**
Miscellaneous income	345	-	-	**345**
Total revenues	5,227,017	58,725	(58,500)	**5,227,242**
Expenses:				
Salaries and related	1,280,797	-	-	**1,280,797**
Travel and training	152,362	-	-	**152,362**
Consummable supplies	117,983	-	-	**117,983**
Occupancy	179,228	-	(58,500)	**120,728**
Professional services	92,302	-	-	**92,302**
Program expenses	263,483	-	-	**263,483**
Insurance - general	34,089	-	-	**34,089**
Dues and fees	25,834	-	-	**25,834**
Special events	166,800	-	-	**166,800**
Interest	83	117,313	-	**117,396**
Miscellaneous	55,912	-	-	**55,912**
Depreciation	21,021	188,011	-	**209,032**
Total expenses	2,389,894	305,324	(58,500)	**2,636,718**
Change in net assets	2,837,123	(246,599)	-	**2,590,524**
Net assets:				
Beginning of the year, as previously reported	6,851,551	52,275	-	**6,903,826**
Restatement	(348,141)	159,832	-	**(188,309)**
Beginning of the year, as restated	6,503,410	212,107	-	**6,715,517**
End of the year	$ 9,340,533	$ (34,492)	$ -	**$ 9,306,041**

See independent auditor's report.

MetroSquash
Consolidating Statement of Cash Flows
For the 13-month Period Ended August 31, 2018

	MetroSquash	METROsquash Title Holding Corporation	Eliminations	**Consolidated Total**
Cash flows from operating activities:				
Change in net assets	$ 2,837,123	$ (246,599)	$ -	**$ 2,590,524**
Adjustments to reconcile change in net assets to net cash from operating activities:				
Depreciation	21,021	188,011	-	**209,032**
Debt issuance cost	-	47,980	-	**47,980**
Gain on investments	(46,948)	-	-	**(46,948)**
Change in operating assets and liabilities:				
Other receivables	(227,897)	-	-	**(227,897)**
Promises to give	(1,671,319)	-	-	**(1,671,319)**
Interco receivable	-	(16,500)	16,500	**-**
Prepaid expenses	(25,260)	-	-	**(25,260)**
Security deposit	(3,789)	-	-	**(3,789)**
Interco payable	16,500	-	(16,500)	**-**
Accounts payable	83,688	-	-	**83,688**
Accrued expenses	(34,506)	5,333	-	**(29,173)**
Other liabilities, net	517	-	-	**517**
Net cash from operating activities	949,130	(21,775)	-	**927,355**
Cash flows from investing activities:				
Proceeds from sale of investments	2,232,391	-	-	**2,232,391**
Purchase of investments	(4,014,620)	-	-	**(4,014,620)**
Purchase of property and equipment	(308,956)	-	-	**(308,956)**
Net cash from investing activities	(2,091,185)	-	-	**(2,091,185)**
Cash flows from financing activities:				
Proceeds from issuance of debt	43,855	-	-	**43,855**
Repayment of long-term debt	(1,417)	-	-	**(1,417)**
Net cash from financing activities	42,438	-	-	**42,438**
Decrease in cash and restricted cash	(1,099,617)	(21,775)	-	**(1,121,392)**
Cash and restricted cash, beginning of the year	1,703,953	102,350	-	**1,806,303**
Cash and restricted cash, end of the year	$ 604,336	$ 80,575	$ -	**$ 684,911**
Supplemental disclosure of noncash activities:				
Additions to right to use asset represented by lease liabilities	$ 91,112	$ -	$ -	**$ 91,112**

See independent auditor's report.