METROSQUASH

CONSOLIDATED AUDIT REPORT
FOR THE YEAR ENDED AUGUST 31, 2020

Selden Fox
Accounting for your future

MetroSquash
Audit Report
For the Year Ended August 31, 2020

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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, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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, 2020, and its changes in net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting a New Accounting Standard

As discussed in Note 1, MetroSquash adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of and for the year ended August 31, 2020. The requirements of the ASU have been applied using the modified prospective basis. Our opinion is not modified with respect to this matter.

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 25-27 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.

February 3, 2021

MetroSquash
Consolidated Statement of Financial Position
August 31, 2020

Assets	
Current assets:	
Cash	$ 1,750,642
Interest receivable	31,369
Accounts receivable	85,012
Promises to give	60,000
Prepaid expenses	61,128
Total current assets	1,988,151
Promises to give, noncurrent portion, net	807,134
Right of use asset	23,133
Property and equipment, at cost, less accumulated depreciation and amortization of $1,020,879	6,028,672
Security deposit	2,058
NMTC CDE reserve fund	37,038
NMTC leveraged loan receivable	4,421,300
Investments	2,722,574
Total assets	$ 16,030,060
Liabilities and Net Assets	
Current liabilities:	
Current portion of long-term debt	$ 8,029
Accounts payable	54,554
Accrued expenses	87,273
Other liabilities	35,492
Total current liabilities	185,348
Lease liability, noncurrent portion	2,485
Long-term debt, net of current portion and debt issuance costs of $40,598	6,375,716
Total liabilities	6,563,549
Net assets:	
Without donor restrictions:	
Reserve Fund	37,038
Board designated	2,351,574
Available for operations	5,811,008
Total without donor restrictions	8,199,620
With donor restrictions	1,266,891
Total net assets	9,466,511
Total liabilities and net assets	$ 16,030,060

See accompanying notes.

MetroSquash
Consolidated Statement of Activities
For the Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	**Total**
Revenues:			
Contributions	$ 1,382,461	$ 55,011	**$ 1,437,472**
Government funding	130,603	-	**130,603**
Center income	95,779	-	**95,779**
Special events	5,761	783,853	**789,614**
Interest and dividends	100,978	-	**100,978**
Net loss on investments	194,688	-	**194,688**
Paycheck protection program revenue	212,776	-	**212,776**
Miscellaneous income	917	-	**917**
Net assets released from restrictions:			
Program services	86,147	(86,147)	**-**
Total revenues	2,210,110	752,717	**2,962,827**
Expenses:			
Program services	1,643,875	-	**1,643,875**
Fund-raising and development	337,146	-	**337,146**
Management and general	681,576	-	**681,576**
Total expenses	2,662,597	-	**2,662,597**
Change in net assets	(452,487)	752,717	**300,230**
Net assets, beginning of the year	8,652,107	514,174	**9,166,281**
Net assets, end of the year	$ 8,199,620	$ 1,266,891	**$ 9,466,511**

See accompanying notes.

MetroSquash
Consolidated Statement of Functional Expenses
For the Year Ended August 31, 2020

	Program Services						Supporting Services			
	College and Careers	Academics and Enrichment	Mentoring and Social Work	Outreach	Squash and Wellness	**Total Program Services**	Fund-raising and Development	Management and General	**Total Supporting Services**	**Total**
Expenses:										
Salaries and related	$ 137,454	$ 409,266	$ 129,506	$ 81,118	$ 282,767	**$ 1,040,111**	$ 239,808	$ 135,910	**$ 375,718**	**$ 1,415,829**
Travel and training	19,071	16,602	5,759	4,548	40,699	**86,679**	8,648	6,511	**15,159**	**101,838**
Consumable supplies	5,620	19,020	6,397	4,511	15,212	**50,760**	26,915	22,827	**49,742**	**100,502**
Occupancy	3,238	17,351	1,218	1,485	65,625	**88,917**	520	26,187	**26,707**	**115,624**
Professional services	1,120	3,285	1,037	652	2,301	**8,395**	12,000	334,008	**346,008**	**354,403**
Program expenses	54,594	29,472	2,588	8,076	32,777	**127,507**	21,442	10,419	**31,861**	**159,368**
Insurance - general	4,388	12,864	4,059	2,553	9,010	**32,874**	7,833	5,302	**13,135**	**46,009**
Dues and fees	940	666	55	-	2,297	**3,958**	6,127	13,590	**19,717**	**23,675**
Special events	-	-	-	-	-	**-**	7,571	-	**7,571**	**7,571**
Interest	-	-	-	-	-	**-**	-	108,552	**108,552**	**108,552**
Miscellaneous	-	-	-	-	-	**-**	-	542	**542**	**542**
Total expenses before depreciation and amortization	226,425	508,526	150,619	102,943	450,688	**1,439,201**	330,864	663,848	**994,712**	**2,433,913**
Depreciation and amortization	10,836	47,828	4,825	4,270	136,915	**204,674**	6,282	17,728	**24,010**	**228,684**
Total expenses	$ 237,261	$ 556,354	$ 155,444	$ 107,213	$ 587,603	**$ 1,643,875**	$ 337,146	$ 681,576	**$ 1,018,722**	**$ 2,662,597**

See accompanying notes.

MetroSquash
Consolidated Statement of Cash Flows
For the Year Ended August 31, 2020

Cash flows from operating activities:		
Change in net assets	$	300,230
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization		234,729
Debt issuance costs		44,290
Gain on investments		(194,688)
Loss on disposal of property and equipment		517
Change in operating assets and liabilities:		
Other receivables		88,379
Promises to give		358,229
Prepaid expenses		(11,433)
Security deposit		1,731
Accounts payable		(47,255)
Accrued expenses		12,021
Other liabilities, net		34,837
Net cash from operating activities		821,587
Cash flows from investing activities:		
Proceeds from sale of investments		1,505,947
Purchase of investments		(1,807,872)
Proceeds from sale of property and equipment		1,200
Purchase of property and equipment		(18,461)
Net cash from investing activities		(319,186)
Cash flows from financing activities:		
Repayment of lease liabilities		(32,749)
Repayment of long-term debt		(8,714)
Net cash from financing activities		(41,463)
Net change in cash and restricted cash		460,938
Cash and restricted cash, beginning of the year		1,326,742
Cash and restricted cash, end of the year	$	1,787,680

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), and have been prepared to focus on the Organization as a whole. 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 in accordance with accounting principles generally accepted in the United States of America. 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 and reported as follows:

> **Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor-imposed restrictions.
>
> **Net Assets With Donor Restrictions** – Net assets subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained by the Organization in perpetuity.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as net assets with donor restrictions, until such time as the assets are placed in service.

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

Basis of Accounting (cont'd) – Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expiration of donor 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.

Use of Estimates – The preparation of consolidated financial statements in accordance with generally accepted accounting principles in the United States of America, 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.

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.

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.

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

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, 2020, cash on hand and deposits exceeding the federally insured limits amounted to $1,459,063.

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, 2020, 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:

		2020
Cash	$	**1,750,642**
NMTC CDE Reserve		**37,038**
Cash and restricted cash per consolidated statement of cash flows	$	**1,787,680**

Accounts Receivable – Incudes sponsorships, amounts due from government agencies at the amount vouchered and other receivables. 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.

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, 2020.

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

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, 2020.

Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated 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.

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.

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

Income Taxes (cont'd) – 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, 2017, filed on the 2016 tax forms.

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.

Contributed Services and In-kind Revenue – Metro recognizes contribution revenue for and professional services and property received at fair value at the date of receipt. For the fiscal year ended August 31, 2020, in-kind revenue amounted to $135,125. This amount included contributed accounting services of $127,451. Such services were provided by the firm that performs the monthly accounting for Metro. In addition, several volunteers and parents have donated significant amounts of their time to various program services. A total of 104 volunteers participated in the after-school and mentoring programs during the year. No value has been assigned to the hours spent by these volunteers.

Paycheck Protection Program Revenue – The Organization has elected to account for its Paycheck Protection Program loan as conditional contribution revenue under ASC Subtopic 958-605, which allows for contribution revenue to be recognized when conditions surrounding cancellation of a liability, such as a forgivable loan, have been substantially met or have been explicitly waived by the resource provider.

New Accounting Pronouncement – In June of 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard requires a reporting entity to reassess transactions accounted for as contributions. The standard provides guidance in determining whether certain transactions, such as grants, are exchange transactions or contributions. In addition, the standard provides amended guidance to determine whether contributions contain conditions that would be a barrier to revenue recognition or are unconditional, allowing revenue to be recognized. The Organization adopted the standard on September 1, 2019, on a modified prospective basis. The changes had no impact on the amount of previously reported net assets.

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:

	2020 Unpaid Vouchers
City of Chicago:	
Mentoring	$ 22,364
OST	11,109
	$ 33,473

3. Investments

Investments include the following:

	August 31, 2020		
	Level 1	Level 2	Total
Mutual funds:			
Money market funds	$ 438,052	$ -	$ 438,052
Equity	1,356,181	-	1,356,181
Fixed income	928,341	-	928,341
Total investments, at fair value	$ 2,722,574	$ -	$ 2,722,574

Investment account balances were as follows at August 31, 2020:

Reserve fund	$ 2,309,439
Scholarship account	413,135
Total investment accounts	$ 2,722,574

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)

Net investment return and interest earned during the year ended August 31, 2020, is as follows:

	Net Interest and Dividend Income	Net Realized and Unrealized Gains/(Losses)	**Total Investment Income**
Other interest income	$ 43,344	$ -	**$ 43,344**
Investments, at fair value	57,635	194,688	**252,323**
	$ 100,979	$ 194,688	**$ 295,667**

Other interest income includes $41,826 earned on loans receivable. Net interest and dividend income amounts reported above for investments includes investment expenses of $5,018 for the year ended August 31, 2020.

4. **Promises to Give**

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

	2020
Collectible in:	
One year or less	**$ 60,000**
One to five years	**1,039,438**
	1,099,438
Less discount to net present value at a rate of 5.00%	**(232,304)**
	$ 867,134

Amortization of the discount for the year ended August 31, 2020, totaled $65,292.

At August 31, 2020, one donor accounted for 88 percent of total promises to give. Approximately $850,000 of the net promises to give balance is due from Board members of Metro.

5. **Property and Equipment**

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

	2020
Building	$ 6,617,912
Leasehold improvements	223,816
Furniture and equipment	37,939
Vehicles	153,140
Work in progress	16,744
	7,049,551
Less accumulated depreciation and amortization	1,020,879
	$ 6,028,672

Depreciation and amortization expense on property and equipment for the year ended August 31, 2020, totaled $234,729.

6. **NMTC Leveraged Loan Receivable**

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

	2020
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:

	2020
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)

		2020
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 $748, which includes interest at 0.90% per annum. The final payment is due on June 24, 2023.	**$**	**24,343**
Total long-term debt		**6,424,343**
Less debt issuance costs		**(40,598)**
Net long-term debt	**$**	**6,383,745**

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,	
2021	$ 8,029
2022	8,865
2023	7,449
2024	199,196
2025	201,189
Thereafter	5,999,615
	$ 6,424,343

During the year ended August 31, 2020, $64,262 of interest was paid and $108,552 was expensed under these long-term debt agreements, including $44,290 of debt issuance cost amortization. The carrying value at August 31, 2020, of property and equipment collateralizing the above long-term debt is approximately $ 5.9 million.

9. **Paycheck Protection Program Revenue**

In April of 2020, the Organization received $212,776 of proceeds in the form of a loan under the CARES Act's Paycheck Protection Program (PPP), administered by the U.S. Small Business Association (SBA), which includes conditions that if met would be forgiven, partially or in whole. Conditions of forgiveness include incurring qualifying expenditures within an 8-week or a maximum 24-week timeframe beginning on the date of receipt of loan proceeds, maintaining payroll levels on an employee-by-employee basis, and maintaining headcount, all within PPP parameters. As of August 31, 2020, management believes qualifying expenditures of $212,776 have been incurred and that any conditions related to maintaining payroll levels and headcount have been substantially met.

While management believes the Organization has substantially met the conditions of the PPP advance for the amounts recognized as revenue at August 31, 2020, the Organization has not applied to have the loan forgiven as of February 3, 2021. Should the application for forgiveness be partially or entirely denied, the Organization would need to repay the balance of the loan that was not forgiven in monthly installments with interest at 1.00% in an amount to fully amortize the balance of the loan over two years starting on the earlier of date the (1) SBA remits loan forgiveness proceeds to the lender; (2) denies forgiveness; or (3) 10 months from the loan forgiveness period if the Organization does not apply for forgiveness. However, if the Organization and the lender mutually agree, the repayment term may be extended to be over five years per PPP regulations.

10. **Net Assets**

With Donor Restrictions

Net asset balances with donor restrictions consist of the following at August 31:

	2020
Subject to expenditure for specified purpose:	
Scholarships	$ 5,202
Academics	48,333
Student Support Fund	429,503
Special events:	
Anniversary gala	220,000
Cup	563,853
	$ 1,266,891

Net assets were released from donor restrictions during the year ended August 31, 2020, by incurring expenses or the passage of time or other events specified by the donor, thus, satisfying the restricted purposes as follows:

	2020
Purpose restriction accomplished:	
Scholarships	$ 12,814
Academics	53,333
	66,147
Time restriction expired,	
Other – Board dues	20,000
Total restrictions released	$ 86,147

Board Designated

Board designated net assets consist of the following at August 31:

	2020
Reserve Fund	$ 2,309,439
Student Support Fund	42,135
	$ 2,351,574

The purpose of the Reserve Fund is to invest excess cash and equivalents anticipated to exceed current fiscal year operating requirements. Transfers out of the Reserve Fund to operating accounts require authorization by the Board of Directors and all Reserve Fund assets are considered unrestricted Board-designated assets.

10. **Net Assets** (cont'd)

Board Designated (cont'd)

The purpose of the Student Support Fund is to invest those cash and equivalents designated by the finance committee to support student scholarship needs. Earnings and any appreciation or depreciation on the Student Support Fund investments are considered unrestricted Board-designated assets. Fund Transfers into and out of the Student Support Fund requires authorization by the finance committee.

11. **Liquidity and Availability**

Financial assets available to meet cash needs for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at August 31:

	2020
Financial assets at year-end:	
Cash	**$ 1,750,642**
Receivables, net	**116,381**
Promises to give	**60,000**
Total financial assets	**1,927,023**
Less:	
Donor-imposed restrictions	**(61,000)**
Financial assets available to meet needs for general expenditures within one year	**$ 1,866,023**

Metro monitors its operating needs to ensure that adequate account balances are maintained at all times. The goal of the organization is to have 150 days of operating cash on hand at any given time. Investments are not included as available for general expenditures, as the intent of the board is to use these funds as a reserve for the future. In addition to financial assets available to meet general expenditures over the next 12 months, Metro operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

12. **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 year ended August 31, 2020, was $9,665.

13. **Functionalized Expenses**

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as general and administrative expenses (salaries and wages, benefits, payroll taxes, consumable supplies, information technology, and insurance), which are allocated on the basis of salary expense within each specific program.

14. **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 an operating 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 $16,732 in 2020 and made lease payments of $14,880.

Metro also entered into an operating 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 $17,219 in 2020 and made lease payments of $19,041.

Metro entered into an equipment operating lease, effective September 11, 2018 through August 11, 2023, requiring monthly payments of $109. A right of use asset was recognized at the inception of the lease for $5,776. Metro recognized amortization of the right of use asset of $1,096 in 2020 and made lease payments of $1,308.

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

Metro has reported its operating lease transactions on the balance sheet at August 31, 2020, as follows:

Noncurrent asset – right of use asset	$	23,133
Current liability – lease liability **		35,492
Noncurrent liability – lease liability		2,485

** - included with other liabilities

At August 31, 2020, the weighted average remaining lease term is 1.3 years and the weighted average discount rate is 5.0%. Operating lease costs expensed for all facility rentals for the year ended August 31, 2020, was $37,527. No significant short-term lease costs were incurred. Aggregated rent payments under the operating leases for 2020 totaled $35,229, with $2,480 representing interest.

At August 31, 2020, maturities of operating leases were as follows:

August 31,		
2021	$	35,991
2022		1,308
2023		1,308
Total lease payments		38,607
Less amount representing interest		(630)
Present value of lease liabilities	$	37,977

15. **Contingencies, Risks and Uncertainties**

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.

As a result of the spread of COVID-19 coronavirus, there are economic uncertainties that exist which could have a negative financial impact on the Organization, including reductions in future contributions for fund-raising and special events and issues with staffing and operational inefficiencies. Management does not plan to conduct a significant program budget revision, as it does not anticipate in-person programming at pre-pandemic levels

15. **Contingencies, Risks and Uncertainties** (cont'd)

until fall 2021. Management does not foresee a significant impact on the ability to fund-raise with continued support from the board and support base through the recent October 2020 gala and December 2020 annual appeal. One area of uncertainty is the 2021 MetroSquash Cup traditionally held in April. The board will be deliberating soon on whether to hold or postpone the event. With respect to investment funds, effective management and utilization of a balanced approach have resulted in a positive outcome. The full potential future impact attributable to the pandemic is unknown at this time. Management is monitoring the situation and will reevaluate its approach on a monthly basis, particularly with regards to vaccine deployment.

16. **Subsequent Events**

Subsequent events have been evaluated through February 3, 2021, which is the date the financial statements were available to be issued.

17. **Future Accounting Standards**

Revenue Recognition – The Financial Accounting Standards Board issued a new standard that changes the revenue recognition model. The standard's core principle is that organizations should recognize revenue at the time goods or services are transferred and in an amount that reflects the consideration received for those goods or services. In addition to the changes in revenue recognition, this standard also expands the disclosure requirements to provide users of the financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from such contracts. During fiscal 2020, the standard's effective date was extended and is now effective for fiscal 2021. The Organization has not determined the effect of adopting the new standard.

MetroSquash
Consolidating Statement of Financial Position
August 31, 2020

	MetroSquash	METROsquash Title Holding Corporation	Eliminations	**Consolidated Total**
Assets				
Current assets:				
Cash	$ 1,750,636	$ 6	$ -	**$ 1,750,642**
Interest receivable	31,369	-	-	**31,369**
Accounts receivable	85,612	-	(600)	**85,012**
Promises to give	60,000	-	-	**60,000**
Prepaid expenses	61,128	-	-	**61,128**
Total current assets	1,988,745	6	(600)	**1,988,151**
Intercompany receivable	-	106,500	(106,500)	**-**
Promises to give, noncurrent portion, net	807,134	-	-	**807,134**
Right of use asset, net	23,133	-	-	**23,133**
Property and equipment, at cost, less accumulated depreciation and amortization of $1,020,879	251,320	5,777,352	-	**6,028,672**
Security deposit	2,058	-	-	**2,058**
NMTC CDE reserve fund	-	37,038	-	**37,038**
NMTC leveraged loan receivable	4,421,300	-	-	**4,421,300**
Investments	2,722,574	-	-	**2,722,574**
Total assets	$ 10,216,264	$ 5,920,896	$ (107,100)	**$ 16,030,060**
Liabilities and Net Assets				
Current liabilities:				
Current portion of long-term debt	$ 8,029	$ -	$ -	**$ 8,029**
Accounts payable	54,554	600	(600)	**54,554**
Accrued expenses	39,273	48,000	-	**87,273**
Other liabilities	35,492	-	-	**35,492**
Total current liabilities	137,348	48,600	(600)	**185,348**
Intercompany payable	106,500	-	(106,500)	**-**
Lease liability, noncurrent portion	2,485	-	-	**2,485**
Long-term debt, net of current portion and debt issuance costs of $40,598	16,314	6,359,402	-	**6,375,716**
Total liabilities	262,647	6,408,002	(107,100)	**6,563,549**
Net assets:				
Without donor restrictions				
Reserve Fund	-	37,038	-	**37,038**
Board designated	2,351,574	-		**2,351,574**
Available for operations	6,335,152	(524,144)	-	**5,811,008**
Total without donor restrictions	8,686,726	(487,106)	-	**8,199,620**
With donor restrictions	1,266,891	-	-	**1,266,891**
Total net assets	9,953,617	(487,106)	-	**9,466,511**
Total liabilities and net assets	$ 10,216,264	$ 5,920,896	$ (107,100)	**$ 16,030,060**

See independent auditor's report.

MetroSquash
Consolidating Schedule of Revenues, Expenses and Change in Net Assets
For the Year Ended August 31, 2020

	MetroSquash	METROsquash Title Holding Corporation	Eliminations	**Consolidated Total**
Revenues:				
Contributions	$ 1,437,472	$ -	$ -	**$ 1,437,472**
Government funding	130,603	-	-	**130,603**
Center income	95,779	-	-	**95,779**
Special events	789,614	-	-	**789,614**
Interest and dividends	100,879	99	-	**100,978**
Loss on investments	194,688	-	-	**194,688**
Paycheck protection program	212,776	-	-	**212,776**
Lease income	-	54,000	(54,000)	**-**
Miscellaneous income	917	-	-	**917**
Total revenues	2,962,728	54,099	(54,000)	**2,962,827**
Expenses:				
Salaries and related	1,415,829	-	-	**1,415,829**
Travel and training	101,838	-	-	**101,838**
Consummable supplies	100,502	-	-	**100,502**
Occupancy	169,624	-	(54,000)	**115,624**
Professional services	354,403	-	-	**354,403**
Program expenses	159,368	-	-	**159,368**
Insurance - general	46,009	-	-	**46,009**
Dues and fees	23,075	600	-	**23,675**
Special events	7,571	-	-	**7,571**
Interest	263	108,289	-	**108,552**
Miscellaneous	542	-	-	**542**
Depreciation and amortization	57,095	171,589	-	**228,684**
Total expenses	2,436,119	280,478	(54,000)	**2,662,597**
Change in net assets	526,609	(226,379)	-	**300,230**
Net assets:				
Beginning of the year	9,427,008	(260,727)	-	**9,166,281**
End of the year	$ 9,953,617	$ (487,106)	$ -	**$ 9,466,511**

See independent auditor's report.

MetroSquash
Consolidating Statement of Cash Flows
For the Year Ended August 31, 2020

	MetroSquash	METROsquash Title Holding Corporation	Eliminations	**Consolidated Total**
Cash flows from operating activities:				
Change in net assets	$ 526,609	$ (226,379)	$ -	**$ 300,230**
Adjustments to reconcile change in net assets to net cash from operating activities:				
Depreciation and amortization	63,141	171,588	-	**234,729**
Debt issuance cost	-	44,290	-	**44,290**
Gain on investments	(194,688)	-	-	**(194,688)**
Loss on disposal of property and equipment	517	-	-	**517**
Change in operating assets and liabilities:				
Other receivables	129,779	-	(41,400)	**88,379**
Promises to give	358,229	-	-	**358,229**
Interco receivable	-	30,000	(30,000)	**-**
Prepaid expenses	(11,433)	-	-	**(11,433)**
Security deposit	1,731	-	-	**1,731**
Interco payable	(30,000)	-	30,000	**-**
Accounts payable	(47,255)	(41,400)	41,400	**(47,255)**
Accrued expenses	12,021	-	-	**12,021**
Other liabilities, net	34,837	-	-	**34,837**
Net cash from operating activities	843,488	(21,901)	-	**821,587**
Cash flows from investing activities:				
Proceeds from sale of investments	1,505,947	-	-	**1,505,947**
Purchase of investments	(1,807,872)	-	-	**(1,807,872)**
Proceeds from sale of property and equipment	1,200	-	-	**1,200**
Purchase of property and equipment	(18,461)	-	-	**(18,461)**
Net cash from investing activities	(319,186)	-	-	**(319,186)**
Cash flows from financing activities:				
Repayment of lease liabilities	(32,749)	-	-	**(32,749)**
Repayment of long-term debt	(8,714)	-	-	**(8,714)**
Net cash from financing activities	(41,463)	-	-	**(41,463)**
Net change in cash and restricted cash	482,839	(21,901)	-	**460,938**
Cash and restricted cash, beginning of the year	1,267,797	58,945	-	**1,326,742**
Cash and restricted cash, end of the year	$ 1,750,636	$ 37,044	$ -	**$ 1,787,680**

See independent auditor's report.