METROSQUASH

CONSOLIDATED AUDIT REPORT
FOR THE YEAR ENDED AUGUST 31, 2021

Selden Fox
Accounting for your future

MetroSquash
Audit Report
For the Year Ended August 31, 2021

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Accounting for your future
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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, 2021, 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, 2021, 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.

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 20-22 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.

July 8, 2022

MetroSquash
Consolidated Statement of Financial Position
August 31, 2021

Assets	
Current assets:	
Cash	$ 1,191,875
Accounts receivable	17,262
Promises to give	560,000
Employee retention credit receivable	213,267
Prepaid expenses	80,230
Total current assets	2,062,634
Promises to give, noncurrent portion, net	414,407
Other assets	2,484
Property and equipment, at cost, less accumulated depreciation and amortization of $1,256,466	6,140,935
Investments	4,533,725
Total assets	$ 13,154,185
Liabilities and Net Assets	
Current liabilities:	
Current portion of long-term debt	$ 8,865
Accounts payable	121,525
Accrued expenses	43,800
Total current liabilities	174,190
Long-term debt, net of current portion	6,685
Total liabilities	180,875
Net assets:	
Without donor restrictions:	
Board designated	4,162,725
Available for operations	8,210,445
Total without donor restrictions	12,373,170
With donor restrictions	600,140
Total net assets	12,973,310
Total liabilities and net assets	$ 13,154,185

See accompanying notes.

MetroSquash
Consolidated Statement of Activities
For the Year Ended August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	**Total**
Revenues:			
Contributions	$ 816,810	$ 170,637	**$ 987,447**
Government funding	138,090	-	**138,090**
Special events	1,098,345	-	**1,098,345**
Interest and dividends	109,730	-	**109,730**
Net gain on investments	602,197	-	**602,197**
Paycheck protection program revenue	258,717	-	**258,717**
Employee retention credit	391,640	-	**391,640**
Property tax refund	239,372	-	**239,372**
Gain on extinguishment of debt NMTC	1,977,700	-	**1,977,700**
Miscellaneous income	34,610	-	**34,610**
Net assets released from restrictions:			
Program services	837,388	(837,388)	**-**
Total revenues	6,504,599	(666,751)	**5,837,848**
Expenses:			
Program services	1,391,629	-	**1,391,629**
Fund-raising and development	377,068	-	**377,068**
Management and general	562,352	-	**562,352**
Total expenses	2,331,049	-	**2,331,049**
Change in net assets	4,173,550	(666,751)	**3,506,799**
Net assets, beginning of the year	8,199,620	1,266,891	**9,466,511**
Net assets, end of the year	$ 12,373,170	$ 600,140	**$ 12,973,310**

See accompanying notes.

MetroSquash
Consolidated Statement of Functional Expenses
For the Year Ended August 31, 2021

	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	$ 140,962	$ 366,886	$ 14,316	$ 99,190	$ 249,096	**$ 870,450**	$ 249,998	$ 144,132	**$ 394,130**	**$ 1,264,580**
Travel and training	2,616	2,776	51	1,297	1,934	**8,674**	628	8,220	**8,848**	**17,522**
Consumable supplies	7,045	24,113	740	3,596	9,161	**44,655**	25,104	13,590	**38,694**	**83,349**
Occupancy	2,943	20,482	1,296	3,348	66,531	**94,600**	895	7,581	**8,476**	**103,076**
Professional services	1,340	3,440	6,278	969	2,357	**14,384**	4,157	216,687	**220,844**	**235,228**
Program expenses	40,295	24,856	-	20,340	43,250	**128,741**	8,153	11,291	**19,444**	**148,185**
Insurance - general	5,284	12,641	446	3,416	8,466	**30,253**	9,394	6,075	**15,469**	**45,722**
Dues and fees	1,485	-	-	-	575	**2,060**	9,533	18,137	**27,670**	**29,730**
Special events	-	-	-	-	-	**-**	61,493	-	**61,493**	**61,493**
Interest	-	-	-	-	-	**-**	-	97,670	**97,670**	**97,670**
Miscellaneous	-	-	-	-	-	**-**	-	14,623	**14,623**	**14,623**
Total expenses before depreciation and amortization	201,970	455,194	23,127	132,156	381,370	**1,193,817**	369,355	538,006	**907,361**	**2,101,178**
Depreciation and amortization	10,661	54,817	3,047	8,417	120,870	**197,812**	7,713	24,346	**32,059**	**229,871**
Total expenses	$ 212,631	$ 510,011	$ 26,174	$ 140,573	$ 502,240	**$ 1,391,629**	$ 377,068	$ 562,352	**$ 939,420**	**$ 2,331,049**

See accompanying notes.

MetroSquash
Consolidated Statement of Cash Flows
For the Year Ended August 31, 2021

Cash flows from operating activities:	
Change in net assets	**$ 3,506,799**
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	**235,587**
Debt issuance costs	**40,598**
Gain on investments	**(602,197)**
Gain on extinguishment of debt	**(1,977,700)**
Change in operating assets and liabilities:	
Other receivables	**99,120**
Promises to give	**(107,273)**
Employee retention credit receivable	**(213,267)**
Prepaid expenses	**(19,102)**
Security deposit	**2,058**
Accounts payable	**66,971**
Accrued expenses	**(43,473)**
Other liabilities, net	**20,649**
Net cash from operating activities	**1,008,770**
Cash flows from investing activities:	
Proceeds from sale of investments	**130,447**
Purchase of investments	**(1,339,401)**
Purchase of property and equipment	**(347,850)**
Put option	**(1,000)**
Net cash from investing activities	**(1,557,804)**
Cash flows from financing activities:	
Repayment of lease liabilities	**(37,977)**
Repayment of long-term debt	**(8,794)**
Net cash from financing activities	**(46,771)**
Net change in cash and restricted cash	**(595,805)**
Cash and restricted cash, beginning of the year	**1,787,680**
Cash, end of the year	**$ 1,191,875**
Noncash investing and financing activities	
Leveraged loan receivable in NMTC	**$ 4,421,300**
Debt in NMTC	**$ (6,400,000)**
Gain on extinguishment of debt in NMTC	**$ 1,977,700**

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. MTHC was dissolved on August 3, 2021.

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 – The consolidated financial statements 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) – Donor-restricted contributions are reported as increases in net assets with donor restrictions and released if and when the related restriction expires, that is, when the stipulated purpose has been fulfilled, the stipulated time has elapsed or both. The net return on investments is reported as a change in net assts without donor restrictions unless restricted by explicit donor stipulation or law.

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.

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 Restricted Cash – The Organization's cash includes checking, savings, and money market deposits in federally insured accounts and undeposited funds. At August 31, 2021, cash on hand and deposits exceeding the federally insured limits amounted to $835,897.

The Organization entered into financing agreements in 2014 to assist with the construction of the Project. The financing agreements previously required the Organization to maintain cash received restricted for the construction of the Project in a separate account. The account was pledged as collateral and subject to control of the lenders at August 31, 2020, for its debt resulting from the NMTC transaction (see Note 5). The account was considered to be restricted cash. Effective July 21, 2021 the restrictions were released.

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. The Organization has determined that all receivables are fully collectible at August 31, 2021.

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, 2021.

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

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

Revenue Recognition – The recognition of revenue is determined based on whether an activity is classified as a contribution or exchange transaction.

Grants and contributions, representing unconditional promises to give, are recognized at their present value in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met such that they become unconditional. In the case of cost-reimbursable grants, this means revenues are recognized in the period the related expenditures are incurred.

Contributed Services and In-kind Revenue, Metro recognizes contribution revenue for and professional services and property received at fair value based on the date of donation or the service was provided. For the year ended August 31, 2021, in-kind revenue amounted to $140,650. This amount included contributed land with a fair value of $130,000. In addition, several volunteers and parents have donated significant amounts of their time to various program services. A total of 150 volunteers participated in the after-school and mentoring programs during the year. No value has been assigned to the hours spent by these volunteers as they do not meet the recognition criteria prescribed by generally accepted accounting principles.

Metro 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.

Revenue from exchange transactions, representing contracts with customers, is recognized when promised goods and services are transferred in an amount that reflects the consideration Metro expects to be entitled for those goods or services. Accordingly, any fees received in advance of performing a service or in excess of the services provided represent contract liabilities that are classified as deferred revenue in the statement of consolidated statement of financial position. However, in instances where payment is not received until after the fact, Metro has elected the practical expedient that allows it to recognize a significant financing component as it anticipates payment will be received within one year of transferring the related goods for services. In addition, Metro has applied the practical expedients to account for revenues with similar characteristics as a collective group, rather than individually, and not to disclose the transaction price allocated to unsatisfied performance obligations as of the end of the reporting period, as the performance obligations generally relate to contracts with an original term of one year or less.

Based on the nature of Metro, management does not believe there are any significant factors which should be considered regarding the nature, amount, or uncertainty of the related revenues or cash flows.

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

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. 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, 2018, filed on the 2017 tax forms.

Adoption of New Accounting Pronouncement – In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers* (ASC 606). The new standard required the Organization to reassess its revenue recognition policy to accurately depict the transfer of promised goods or services to customers. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The standard’s core principle is that organizations should recognize revenue when promised goods or services are transferred to customers and in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. The standard also includes expanded 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 the organization’s contracts with customers.

The Organization adopted the standard effective September 1, 2020, using the modified retrospective approach and the applicable provisions of the standard are reflected in the accompanying statement of financial provision. In its analysis of the provisions of the standard, management has concluded the timing and amount of revenue recognized under the new standards is consistent with that previously recognized, such that the adoption of the standard did not have a significant impact on the Organization’s financial position.

2. **Investments**

Investments include the following:

	August 31, 2021		
	Level 1	**Level 2**	**Total**
Mutual funds:			
Money market funds	**$ 256,852**	**$ -**	**$ 256,852**
Equity	**3,218,261**	**-**	**3,218,261**
Fixed income	**1,058,612**	**-**	**1,058,612**
Total investments, at fair value	**$ 4,533,725**	**$ -**	**$ 4,533,725**

Investment account balances were as follows at August 31, 2021:

Reserve fund	$ 3,988,472
Scholarship account	545,253
Total investment accounts	$ 4,533,725

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.

Net investment return and interest earned during the year ended August 31, 2021, is as follows:

	Net Interest and Dividend Income	Net Realized and Unrealized Gains/(Losses)	**Total Investment Income**
Other interest income	$ 42,293	$ -	**$ 42,293**
Investments, at fair value	67,437	602,197	**669,634**
	$ 109,730	$ 602,197	**$ 711,927**

Other interest income includes $41,826 earned on the leveraged loan receivable that was written off on July 21, 2021, see Note 5. Net interest and dividend income amounts reported above for investments includes investment expenses of $8,545 for the year ended August 31, 2021.

3. Promises to Give

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

	2021
Collectible in:	
One year or less	**$ 560,000**
One to five years	**639,438**
Less discount to net present value at a rate of 5.00%	**(225,031)**
	$ 974,407

Amortization of the discount for the year ended August 31, 2021, totaled $7,273.

At August 31, 2021, one donor accounted for 79 percent of total promises to give. Approximately $881,000 of the net promises to give balance is due from Board members of Metro.

4. Property and Equipment

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

	2021
Land	**$ 335,986**
Building	**6,617,912**
Leasehold improvements	**223,816**
Furniture and equipment	**66,547**
Vehicles	**153,140**
	7,397,401
Less accumulated depreciation and amortization	**1,256,466**
	$ 6,140,935

Depreciation and amortization expense on property and equipment for the year ended August 31, 2021, totaled $235,587.

5. 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 NMTC 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 the original 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 initial NMTC 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 in the amount of $4,421,300 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 four QLICI Loans due from MTHC. Including CNMC Sub-CDE 52, LLC loan A ($1,020,300), CNMC Sub-CDE 52, LLC loan B ($479,700), CDF Suballocatee XXII, LLC loan A1 ($3,401,000), and CDF Suballocatee XXII, LLC loan B1 ($1,499,000), MTHC used the proceeds from these loans, along with the initial contribution from Metro to fund the required restricted cash account, pay professional fees associated with the NMTC transaction, and fund construction costs for the Project Property.

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

CCE had 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 had a call option whereby if exercised, they have the right to purchase CCE's 99.99% membership interest in the CMIF at fair value. CCE exercised the call option on July 21, 2021, at which time Metro purchased 99.99% of CCE's membership interest in CMIF for $1,000, which resulted in a write-off of the leveraged loan receivable totaling $4,421,300. Also on July 21, 2021, the CDEs' assigned the loans outstanding totaling $6,400,000 to MTHC. Metro realized a net gain of $1,977,700 on the forgiveness of debt from the NMTC exit.

6. **Long-term Debt**

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

	2021
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 $748, which includes interest at 0.90% per annum. The final payment is due on June 24, 2023.	**$ 15,550**
Total long-term debt	**15,550**

Anticipated future maturities of debt are as follows:

Year Ending August 31,	
2022	$ 8,865
2023	6,685
	$ 15,550

During the year ended August 31, 2021, $104,889 of interest was paid and $97,487 was expensed under long-term debt agreements, including $40,598 of debt issuance cost amortization.

7. Paycheck Protection Program Revenue

In April of 2021, the Organization received $258,717 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. Management believes it substantially met the qualifications for forgiveness and recognized revenue of $258,717 in the consolidated statement of activities. Metro filed an application for forgiveness with the SBA and was informed in June 2022, that the SBA had granted forgiveness. However, Metro remains subject to a potential audit of its forgiveness application and any disallowed claims from such an audit could become a liability to Metro.

8. Net Assets

With Donor Restrictions

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

	2021
Subject to expenditure for specified purpose:	
Academics	**$ 129,172**
Student Support Fund	**430,968**
Subject to passage of time:	
Operating grant	**40,000**
	$ 600,140

Net assets were released from donor restrictions during the year ended August 31, 2021, by incurring expenses or the passage of time or other events specified by the donor, thus, satisfying the restricted purposes as follows:

	2021
Purpose restriction accomplished:	
Scholarships	**$ 5,202**
Academics	**48,333**
Special Events:	
Anniversary gala	**220,000**
Cup	**563,853**
Total restrictions released	**$ 837,388**

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

Board Designated

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

	2021
Reserve Fund	$ 3,988,472
Student Support Fund	174,253
	$ 4,162,725

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.

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.

9. **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:

	2021
Financial assets at year-end:	
Cash	$ 1,191,875
Receivables, net	17,262
Promises to give	560,000
Employee retention credit receivable	226,112
Total financial assets	1,995,249
Less:	
Donor-imposed restrictions	(600,140)
Financial assets available to meet needs for general expenditures within one year	$ 1,395,109

9. **Liquidity and Availability** (cont'd)

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.

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 year ended August 31, 2021 was $17,118.

11. **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.

12. **Contingencies, Risks and Uncertainties**

In addition to contingencies detailed in Note 5 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.

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

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 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. 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.

13. **Employee Retention Credit**

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) signed into law on March 27, 2020, and subsequent extension of the CARES Act, the Company was eligible for a refundable employee retention credit subject to certain criteria. The Company recognized a $391,640 employee retention credit during 2021.

14. **Subsequent Events**

Subsequent events have been evaluated through July 8, 2022, which is the date the financial statements were available to be issued.

MetroSquash
Consolidating Statement of Financial Position
August 31, 2021

Assets	MetroSquash	METROsquash Title Holding Corporation	Eliminations	**Consolidated Total**
Current assets:				
Cash	$ 1,191,875	$ -	$ -	**$ 1,191,875**
Accounts receivable	17,262	-	-	**17,262**
Promises to give	560,000	-	-	**560,000**
Employee retention credit receivable	213,267	-	-	**213,267**
Prepaid expenses	80,230	-	-	**80,230**
Total current assets	2,062,634	-	-	**2,062,634**
Promises to give, noncurrent portion, net	414,407	-	-	**414,407**
Other assets	2,484	-	-	**2,484**
Property and equipment, at cost, less accumulated depreciation and amortization of $1,256,466	6,140,935	-	-	**6,140,935**
Investments	4,533,725	-	-	**4,533,725**
Total assets	$ 13,154,185	$ -	$ -	**$ 13,154,185**
Liabilities and Net Assets				
Current liabilities:				
Current portion of long-term debt	$ 8,865	$ -	$ -	**$ 8,865**
Accounts payable	121,525	-	-	**121,525**
Accrued expenses	43,800	-	-	**43,800**
Total current liabilities	174,190	-	-	**174,190**
Long-term debt, net of current portion	6,685	-	-	**6,685**
Total liabilities	180,875	-	-	**180,875**
Net assets:				
Without donor restrictions				
Board designated	4,162,725	-		**4,162,725**
Available for operations	8,210,445	-	-	**8,210,445**
Total without donor restrictions	12,373,170	-	-	**12,373,170**
With donor restrictions	600,140	-	-	**600,140**
Total net assets	12,973,310	-	-	**12,973,310**
Total liabilities and net assets	$ 13,154,185	$ -	$ -	**$ 13,154,185**

See independent auditor's report.

MetroSquash
Consolidating Schedule of Revenues, Expenses and Change in Net Assets
For the Year Ended August 31, 2021

	MetroSquash	METROsquash Title Holding Corporation	Eliminations	**Consolidated Total**
Revenues:				
Contributions	$ 1,039,607	$ (52,160)	$ -	**$ 987,447**
Contribution - property and equipment	5,621,363	(5,621,363)	-	**-**
Government funding	138,090	-	-	**138,090**
Special events	1,098,345	-	-	**1,098,345**
Interest and dividends	109,725	5	-	**109,730**
Gain on investments	602,197	-	-	**602,197**
Paycheck protection program	258,717	-	-	**258,717**
Employee retention credit	391,640	-	-	**391,640**
Property tax refund	239,372	-	-	**239,372**
Lease income	-	57,750	(57,750)	**-**
Gain on extinguishment of debt NMTC	(4,378,650)	6,356,350	-	**1,977,700**
Miscellaneous income	34,610	-	-	**34,610**
Total revenues	5,155,016	740,582	(57,750)	**5,837,848**
Expenses:				
Salaries and related	1,264,580	-	-	**1,264,580**
Travel and training	17,522	-	-	**17,522**
Consummable supplies	83,349	-	-	**83,349**
Occupancy	160,826	-	(57,750)	**103,076**
Professional services	235,228	-	-	**235,228**
Program expenses	148,185	-	-	**148,185**
Insurance - general	45,722	-	-	**45,722**
Dues and fees	29,730	-	-	**29,730**
Special events	61,493	-	-	**61,493**
Interest	183	97,487	-	**97,670**
Miscellaneous	14,623	-	-	**14,623**
Depreciation and amortization	73,882	155,989	-	**229,871**
Total expenses	2,135,323	253,476	(57,750)	**2,331,049**
Change in net assets	3,019,693	487,106	-	**3,506,799**
Net assets:				
Beginning of the year	9,953,617	(487,106)	-	**9,466,511**
End of the year	$ 12,973,310	$ -	$ -	**$ 12,973,310**

See independent auditor's report.

MetroSquash
Consolidating Statement of Cash Flows
For the Year Ended August 31, 2021

	MetroSquash	METROsquash Title Holding Corporation	Eliminations	**Consolidated Total**
Cash flows from operating activities:				
Change in net assets	$ 3,019,693	$ 487,106	$ -	**$ 3,506,799**
Adjustments to reconcile change in net assets to net cash from operating activities:				
Depreciation and amortization	79,598	155,989	-	**235,587**
Debt issuance cost	-	40,598	-	**40,598**
Gain on investments	(602,197)	-	-	**(602,197)**
Gain on extinguishment of debt	4,378,650	(6,356,350)	-	**(1,977,700)**
Change in operating assets and liabilities:				
Other receivables	99,120	-	-	**99,120**
Promises to give	(107,273)	-	-	**(107,273)**
Employee retention credit receivable	(213,267)	-	-	**(213,267)**
Interco receivable	-	62,250	(62,250)	**-**
Prepaid expenses	(19,102)	-	-	**(19,102)**
Security deposit	2,058	-	-	**2,058**
Interco payable	(62,250)	-	62,250	**-**
Accounts payable	66,971	-	-	**66,971**
Accrued expenses	4,527	(48,000)	-	**(43,473)**
Other liabilities, net	20,649	-	-	**20,649**
Net cash from operating activities	6,667,177	(5,658,407)	-	**1,008,770**
Cash flows from investing activities:				
Proceeds from sale of investments	130,447	-	-	**130,447**
Purchase of investments	(1,339,401)	-	-	**(1,339,401)**
Purchase of property and equipment	(5,969,213)	5,621,363	-	**(347,850)**
Put option	(1,000)	-	-	**(1,000)**
Net cash from investing activities	(7,179,167)	5,621,363	-	**(1,557,804)**
Cash flows from financing activities:				
Repayment of lease liabilities	(37,977)	-	-	**(37,977)**
Repayment of long-term debt	(8,794)	-	-	**(8,794)**
Net cash from financing activities	(46,771)	-	-	**(46,771)**
Net change in cash and restricted cash	(558,761)	(37,044)	-	**(595,805)**
Cash and restricted cash, beginning of the year	1,750,636	37,044	-	**1,787,680**
Cash, end of the year	$ 1,191,875	$ -	$ -	**$ 1,191,875**
Noncash investing and financing activities				
Leveraged loan receivable in NMTC	$ 4,421,300	$ -	$ -	**$ 4,421,300**
Debt in NMTC	-	$ (6,400,000)	$ -	**$ (6,400,000)**
Gain on extinguishment of debt in NMTC	$ (4,378,650)	$ 6,356,350	$ -	**$ 1,977,700**

See independent auditor's report.