



CONSOLIDATED AUDIT REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

**MetroSquash
Audit Report
For the Year Ended August 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
MetroSquash
Chicago, Illinois

Opinion

We have audited the accompanying financial statements of **MetroSquash**, which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MetroSquash as of August 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MetroSquash and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MetroSquash's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MetroSquash's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MetroSquash's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Selden Fox, Ltd.

July 13, 2023

MetroSquash
Statement of Financial Position
August 31, 2022

Assets	
Current assets:	
Cash	\$ 2,025,790
Accounts receivable	14,246
Promises to give	545,000
Prepaid expenses	93,309
Total current assets	2,678,345
Promises to give, noncurrent portion, net	276,242
Other assets	2,833
Property and equipment, at cost, less accumulated depreciation and amortization of \$1,459,252	5,981,571
Investments	3,885,561
Total assets	\$ 12,824,552
Liabilities and Net Assets	
Current liabilities:	
Current portion of debt	\$ 6,676
Accounts payable	125,079
Accrued expenses	277,931
Total liabilities	409,686
Net assets:	
Without donor restrictions:	
Board designated	3,473,561
Available for operations	8,283,582
Total without donor restrictions	11,757,143
With donor restrictions	657,723
Total net assets	12,414,866
Total liabilities and net assets	\$ 12,824,552

See accompanying notes.

MetroSquash
Statement of Activities
For the Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions	\$ 896,130	\$ 198,025	\$ 1,094,155
In-kind contributions	24,188	-	24,188
Government funding	126,590	-	126,590
Center income	100,374	-	100,374
Special events	1,708,585	-	1,708,585
Interest and dividends	68,053	-	68,053
Net loss on investments	(696,021)	-	(696,021)
Employee retention credit	25,083	-	25,083
Miscellaneous income	11,222	-	11,222
Net assets released from restrictions:			
Program services	140,442	(140,442)	-
Total revenues	2,404,646	57,583	2,462,229
Expenses:			
Program services	1,818,629	-	1,818,629
Fund-raising and development	653,204	-	653,204
Management and general	548,840	-	548,840
Total expenses	3,020,673	-	3,020,673
Change in net assets	(616,027)	57,583	(558,444)
Net assets, beginning of the year	12,373,170	600,140	12,973,310
Net assets, end of the year	\$ 11,757,143	\$ 657,723	\$ 12,414,866

See accompanying notes.

MetroSquash
Statement of Functional Expenses
For the Year Ended August 31, 2022

	Program Services					Supporting Services				Total
	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	
Expenses:										
Salaries and related	\$ 202,083	\$ 546,822	\$ 54,761	\$ 124,013	\$ 269,797	\$ 1,197,476	\$ 429,648	\$ 196,682	\$ 626,330	\$ 1,823,806
Travel and training	6,713	5,818	220	963	61,772	75,486	2,652	10,878	13,530	89,016
Consumable supplies	7,241	17,244	2,149	3,829	8,656	39,119	23,635	20,942	44,577	83,696
Occupancy	4,948	38,641	1,833	2,875	100,389	148,686	1,326	13,820	15,146	163,832
Professional services	1,527	4,108	424	916	2,074	9,049	26,608	264,419	291,027	300,076
Program expenses	82,008	23,352	12	3,139	24,254	132,765	4,799	1,054	5,853	138,618
Insurance - general	5,956	14,739	1,524	3,279	7,291	32,789	11,276	6,685	17,961	50,750
Dues and fees	-	550	-	-	719	1,269	15,154	10,459	25,613	26,882
Special events	-	-	-	-	-	-	124,680	-	124,680	124,680
Interest	-	-	-	-	-	-	-	187	187	187
Miscellaneous	-	-	-	-	-	-	2,187	(175)	2,012	2,012
Total expenses before depreciation and amortization	310,476	651,274	60,923	139,014	474,952	1,636,639	641,965	524,951	1,166,916	2,803,555
Depreciation and amortization	10,681	48,890	3,629	4,936	113,854	181,990	11,239	23,889	35,128	217,118
Total expenses	\$ 321,157	\$ 700,164	\$ 64,552	\$ 143,950	\$ 588,806	\$ 1,818,629	\$ 653,204	\$ 548,840	\$ 1,202,044	\$ 3,020,673

See accompanying notes.

MetroSquash
Statement of Cash Flows
For the Year Ended August 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ (558,444)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	223,049
Loss on investments	696,021
Change in operating assets and liabilities:	
Accounts receivable	3,016
Promises to give	153,165
Employee retention credit receivable	213,267
Prepaid expenses	(13,079)
Other assets	(349)
Accounts payable	3,554
Accrued expenses	234,131
Net cash from operating activities	954,331
Cash flows from investing activities:	
Proceeds from sale of investments	2,889,092
Purchase of investments	(2,936,949)
Purchase of property and equipment	(63,685)
Net cash from investing activities	(111,542)
Cash flows from financing activities:	
Repayment of long-term debt	(8,874)
Net cash from financing activities	(8,874)
Net change in cash and restricted cash	833,915
Cash, beginning of the year	1,191,875
Cash, end of the year	\$ 2,025,790

See accompanying notes.

MetroSquash Notes to the Financial Statements

1. Summary of Significant Accounting Policies

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

Basis of Accounting – The 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 MetroSquash 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. 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 assets without donor restrictions unless restricted by explicit donor stipulation or law.

Use of Estimates – The preparation of 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 financial statements and during the reporting period. Actual results could differ from those estimates.

Cash and Restricted Cash – MetroSquash’s cash includes checking, savings, and money market deposits in federally insured accounts and undeposited funds. At August 31, 2022, cash on hand and deposits exceeding the federally insured limits amounted to \$898,873.

Fair Value and Investments – All investments are carried at fair value, with changes in fair value recognized in net assets each period. MetroSquash makes estimates regarding valuation of assets at fair value in preparing the 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.

MetroSquash
Notes to the Financial Statements (cont'd)

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

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

Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities that MetroSquash 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.

Accounts Receivable – Includes 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 MetroSquash's past experience, known and inherent risks, and current economic conditions. MetroSquash has determined that all receivables are fully collectible at August 31, 2022.

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, 2022.

MetroSquash
Notes to the Financial Statements (cont'd)

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
Furniture, equipment, and vehicles	3 - 15 years

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, MetroSquash recognizes contribution revenue for and professional services based standard professional service rates on the date the service was provided. For the year ended August 31, 2022, in-kind revenue amounted to \$24,188 for in-kind professional services. In addition, several volunteers and parents have donated significant amounts of their time to various program services. A total of 85 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.

Revenue from exchange transactions, representing contracts with customers, is recognized when promised goods and services are transferred in an amount that reflects the consideration MetroSquash 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 financial position. However, in instances where payment is not received until after the fact, MetroSquash 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, MetroSquash 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.

MetroSquash
Notes to the Financial Statements (cont'd)

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

Revenue Recognition (cont'd) – Based on the nature of MetroSquash, 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.

Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – MetroSquash 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. MetroSquash is classified as an organization other than a private foundation under Section 509(a)(2) of the U.S. Internal Revenue Code. MetroSquash had no unrelated business income and is also exempt from Illinois income tax under state law. Accordingly, no provision for income tax has been established, and contributions to MetroSquash are deductible within the limitations as prescribed by the Internal Revenue Code. MetroSquash files returns in the U.S. federal jurisdiction and Illinois. With few exceptions, MetroSquash 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, 2019, filed on the 2018 tax forms.

New Accounting Pronouncement – In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Not-for-Profit Entities – Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new standard relates to the presentation and disclosures by not-for-profit entities (NFP)s for contributed nonfinancial assets (i.e. property and equipment, use of property and equipment, materials, supplies, intangibles and services.) The standard requires contributed nonfinancial assets to be presented separate from other contributions on the statement of activities. In the notes to the financial statements, the standard requires a disaggregation by category of contributed nonfinancial asset information about how those assets are used, restrictions placed by the donor or grantor and how those assets are valued. MetroSquash adopted this standard for the fiscal year ended August 31, 2022.

MetroSquash
Notes to the Financial Statements (cont'd)

2. Investments

Investments include the following:

	August 31, 2022		
	Level 1	Level 2	Total
Mutual funds:			
Money market funds	\$ 178,135	\$ -	\$ 178,135
Equity	2,250,329	-	2,250,329
Exchange traded funds	496,603	-	496,603
Fixed income	960,494	-	960,494
	\$ 3,885,561	\$ -	\$ 3,885,561

Investment account balances were as follows at August 31, 2022:

Reserve fund	\$ 3,416,416
Scholarship account	469,145
Total investment accounts	\$ 3,885,561

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, 2022, is as follows:

	Net Interest and Dividend Income	Net Realized and Unrealized Gains/(Losses)	Total Investment Income
Other interest income	\$ 11,424	\$ -	\$ 11,424
Investments, at fair value	56,629	(696,021)	(639,392)
	\$ 68,053	\$ (696,021)	\$ (627,968)

Net interest and dividend income amounts reported above for investments includes investment expenses of \$11,068 for the year ended August 31, 2022.

MetroSquash
Notes to the Financial Statements (cont'd)

3. Promises to Give

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

	2022
Collectible in:	
One year or less	\$ 545,000
One to five years	435,232
	880,232
Less discount to net present value at a rate of 5.00%	(158,990)
	\$ 821,242

Amortization of the discount for the year ended August 31, 2022, totaled \$73,512.

At August 31, 2022, one donor accounted for 59 percent of total promises to give. Approximately \$748,000 of the net promises to give balance is due from Board members of MetroSquash.

4. Property and Equipment

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

	2022
Land	\$ 335,986
Building	6,617,912
Furniture and equipment	278,600
Vehicles	208,325
	7,440,823
Less accumulated depreciation and amortization	1,459,252
	\$ 5,981,571

Depreciation and amortization expense on property and equipment for the year ended August 31, 2022, totaled \$223,049.

MetroSquash
Notes to the Financial Statements (cont'd)

5. Debt

Debt consists of the following at August 31:

	2022
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.	\$ 6,676
Total debt	\$ 6,676

6. Net Assets

With Donor Restrictions

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

	2022
Subject to expenditure for specified purpose:	
Scholarships	\$ 45,921
Academics	42,334
Outreach	15,000
Student Support Fund	441,968
Subject to passage of time:	
Operating grant	112,500
	\$ 657,723

MetroSquash
Notes to the Financial Statements (cont'd)

6. Net Assets (cont'd)

Net assets were released from donor restrictions during the year ended August 31, 2022, by incurring expenses or the passage of time or other events specified by the donor, thus, satisfying the restricted purposes as follows:

	<u>2022</u>
Purpose restriction accomplished:	
Academics	\$ 113,776
Time restriction accomplished:	
General operations	<u>26,666</u>
 Total restrictions released	 <u>\$ 140,442</u>

Board Designated

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

	<u>2022</u>
Reserve Fund	\$ 3,416,416
Student Support Fund	<u>57,145</u>
	 <u>\$ 3,473,561</u>

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.

MetroSquash
Notes to the Financial Statements (cont'd)

7. 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:

	<u>2022</u>
Financial assets at year-end:	
Cash	\$ 2,025,790
Receivables, net	14,246
Promises to give	<u>545,000</u>
Total financial assets	2,585,036
Less:	
Donor-imposed restrictions	<u>(657,723)</u>
Financial assets available to meet needs for general expenditures within one year	<u>\$ 1,927,313</u>

MetroSquash monitors its operating needs to ensure that adequate account balances are maintained at all times. The goal of MetroSquash 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, MetroSquash operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

8. Retirement Benefits

MetroSquash 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, 2022 was \$18,470.

MetroSquash
Notes to the Financial Statements (cont'd)

9. Functionalized Expenses

The 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.

10. Contingencies, Risks and Uncertainties

MetroSquash 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. Management believes MetroSquash's is in compliance with the terms and conditions of the grant awards.

11. 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 \$25,083 employee retention credit during 2022.

12. Subsequent Event

In December 2022, MetroSquash entered into an agreement to buy real estate in Evanston, IL for \$1,050,000. MetroSquash intends to renovate the property; however, management has indicated that the renovation plans are in the early stages as no formal contracts related to the renovation have been approved and estimated costs of the renovation are not available at this time.

Subsequent events have been evaluated through July 13, 2023, which is the date the financial statements were available to be issued.