

**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**  
Memphis, Tennessee

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**Report on Audit of Combined Financial Statements**

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For the Year Ended June 30, 2020  
*(With Summarized Comparative Information for the Year Ended June 30, 2019)*

**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**  
Memphis, Tennessee

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**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**  
Memphis, Tennessee

**Downtown Memphis Commission (DMC)**

Deni Reilly, Chairman	Julie Ellis
Terry Woodard, Vice Chair	Cheryl Pesce
Benjamin Orgel, Secretary	Elizabeth Low
John Pontius, Treasurer	Mauricio Calvo
Williams Brack	Demar Roberts
Rep. Barbara Cooper	John Zeanah
Commissioner Mickell Lowery	Councilman Cheyenne Johnson
Raumesh Akbari	Joann Massey

**Center City Revenue Finance Corporation (CCRFC)**

Christina Kurdilla, Chairman	Jim Crone
Eric Mathews, Vice Chair	Glenn Floyd
Bobbi Gillis, Secretary & Treasurer	Brandy Johnson-Ward
Sean Norris	Kevin Woods
Jeri Moskovitz	

**Center City Development Corporation (CCDC)**

Michael B. Chance, Chairman	Deni Reilly
Ray Brown, Treasurer	Carl Person
Julie Lansky, Secretary	Benjamin Orgel
Terry Woodard	Sharon Leicham
Anton Mack	

**Design Review Board (DRB)**

Ray Brown, Chairman	Roderick DeBerry
Rebecca Conrad, Vice Chair	Suhair Lauck
Joyce Selina Love, Secretary	Deni Reilly
Colin McDoniel	Brian Bacchus (non-voting)
Valentina Cochran	Sheila Ureybu

**Downtown Parking Authority (DPA)**

Shanea McKinney, Chairman	Travis Green
John Golwen, Secretary & Treasurer	Shara Goldin
Suzanne Carlson	Wayne West

**Administrative Officials**

Jennifer Oswald, President & CEO

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Downtown Memphis Commission and Related Entities  
Memphis, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying combined financial statements of the Downtown Memphis Commission and Related Entities, which comprise the combined statements of net position, as of June 30, 2020, and the related combined statements of revenues, expenses, and changes in fund net position and cash flows for the years then ended, and the related notes to the combined financial statements, which collectively comprise the Downtown Memphis Commission and Related Entities' basic combined financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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



circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Downtown Memphis Commission and Related Entities as of June 30, 2020, and the changes in their financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The financial statements of Downtown Memphis Commission and Related Entities as of June 30, 2019, were audited by other auditors whose report dated December 4, 2019, expressed an unmodified opinion on those statements.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic combined financial statements. Such information, although not a part of the basic combined financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combined financial statements, and other knowledge we obtained during our audit of the basic combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Other Information*


Our audit was conducted for the purpose of forming an opinion on the combined financial statements that collectively comprise the Downtown Memphis Commission and Related Entities' basic combined financial statements. The combining financial statements and the schedule of governance officials are presented for purposes of additional analysis and are not a required part of the basic combined financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic combined financial statements or to the basic combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic combined financial statements as a whole.

The schedule of governance officials has not been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, on our consideration of Downtown Memphis Commission and Related Entities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Downtown Memphis Commission and Related Entities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Downtown Memphis Commission and Related Entities' internal control over financial reporting and compliance.

  
Memphis, Tennessee  
December 16, 2020

## **DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**

### **Management's Discussion and Analysis**

**For the Year Ended June 30, 2020**

*(With Summarized Comparative Information for the Year Ended June 30, 2019)*

As management of the Downtown Memphis Commission and Related Entities (the "DMC"), we offer readers of the organizations' financial statements this narrative and analysis of the financial activities for the fiscal years ended June 30, 2020 and 2019. Please read it in conjunction with the DMC and Related Entities combined financial statements, which begin on page 12.

The DMC was created for the primary purpose of improving the economy of Memphis and Shelby County by coordinating an aggressive public/private program to promote the redevelopment and economic growth of the Central Business Improvement District (CBID). The CBID boundaries include a six and one-half square mile area of Memphis bounded by the Mississippi River on the west, the Wolf River on the north, Crump Boulevard on the south, and Danny Thomas Boulevard on the east, plus an extension bounded by Danny Thomas on the west, Watkins Street on the east, Poplar Avenue on the north and Linden Avenue on the south.

### **Financial Highlights**

The total assets of the DMC exceeded its liabilities at the close of the most recent fiscal year by \$57,699,068 - an increase from the prior fiscal year of \$3,893,654 or 7%.

### **During the Year**

- The organizations' total assets increased by \$3,325,455 or 4%.
- Current assets increased by \$3,606,559 or 27%.
- Current liabilities decreased by \$185,240 or 10%.
- Total liabilities decreased by \$568,199 or 3%.
- Total operating revenue decreased by \$1,728,341 or 11%.
- Total operating expense decreased by \$113,863 or 1%.

### **The Annual Report**

This annual report consists of a series of financial statements. The Combined Statements of Net Position, Combined Statements of Revenues, Expenses, and Changes in Fund Net Position, and the Combined Statements of Cash Flows provide information of the combined activities of the DMC as a whole. The supplementary information provided reflects the activity of the individual entities that make up the combined totals.



## DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

### Management's Discussion and Analysis

For the Year Ended June 30, 2020

(With Summarized Comparative Information for the Year Ended June 30, 2019)

(Continued)

Our analysis of the DMC as a whole follows. The Combined Statements of Net Position and Combined Statements of Revenues, Expenses, and Changes in Fund Net Position include all assets, liabilities, revenues and expenses of the DMC using the accrual basis of accounting, an accounting method used by most private sector companies. All of the revenues and expenses for the fiscal year ending June 30, 2020, are taken into account, regardless of when cash is received or paid. The two statements report the DMC's net position and changes in them. The DMC's net position - the difference between assets and liabilities - can be viewed as one way to measure its financial health or financial position.

The Combined Statements of Cash Flows provide information about the sources and uses of funds, and the changes in cash and cash equivalents during the twelve-month reporting period.

The Notes to the Combined Financial Statements provide additional information that is essential to the complete understanding of the data provided in the statements.

The supplemental information is provided to identify the financial impact of the variety of activities of the individual entities that comprise the DMC.

### Financial Analysis

#### *Combined and Condensed Statements of Net Position as of June 30, 2020 and 2019:*

	2020	2019	Increase (Decrease)
Current assets	\$ 16,553,507	\$ 12,946,968	\$ 3,606,539
Capital assets, net	21,285,327	22,649,190	(1,363,863)
Non-current assets - other	37,213,247	36,130,468	1,082,779
<b>Total assets</b>	<b>\$ 75,052,081</b>	<b>\$ 71,726,626</b>	<b>\$ 3,325,455</b>
Current liabilities	\$ 1,637,061	\$ 1,822,301	\$ (185,240)
Long-term liabilities	15,715,952	16,098,911	(382,959)
<b>Total liabilities</b>	<b>17,353,013</b>	<b>17,921,212</b>	<b>(568,199)</b>
Net position			
Net investments in capital assets	10,531,496	11,106,666	(575,170)
Unrestricted	47,167,572	42,698,748	4,468,824
<b>Total net position</b>	<b>57,699,068</b>	<b>53,805,414</b>	<b>3,893,654</b>
<b>Total liabilities and net position</b>	<b>\$ 75,052,081</b>	<b>\$ 71,726,626</b>	<b>\$ 3,325,455</b>

## DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

### Management's Discussion and Analysis

For the Year Ended June 30, 2020

(With Summarized Comparative Information for the Year Ended June 30, 2019)

(Continued)

Current assets increased from the prior year for the Downtown Parking Authority due to receipt of \$5,000,000 of cash to be used to construct the One Beale Parking Garage. These funds were classified in non-current assets-other at June 30, 2019.

Non-current assets - other increased due to increased Pilot Extension Fund revenue for CCRFC and the addition of the One Beale Parking Garage loan receivable.

Current liabilities decreased due to reduced accounts payable for all entities.

Long-term liabilities decreased due to debt repayments during the year, offset slightly by an increase in accrued interest due the City of Memphis by the Parking Authority for the 250 Peabody Place Garage.

Net position increased primarily due to an increase in CCRFC PILOT transaction fees. The net position for DMC had no change from the prior year and DPA decreased due to depreciation of garages.

### Financial Analysis

#### ***Combined and Condensed Statements of Net Position as of June 30, 2019 and 2018:***

	2019	2018	Increase (Decrease)
Current assets	\$ 12,946,968	\$ 17,390,591	\$ (4,443,623)
Capital assets, net	22,649,190	24,064,035	(1,414,845)
Non-current assets - other	36,130,468	26,329,765	9,800,703
<b>Total assets</b>	<b>\$ 71,726,626</b>	<b>\$ 67,784,391</b>	<b>\$ 3,942,235</b>
Current liabilities	\$ 1,822,301	\$ 2,971,001	\$ (1,148,700)
Long-term liabilities	16,098,911	16,557,835	(458,924)
<b>Total liabilities</b>	<b>17,921,212</b>	<b>19,528,836</b>	<b>(1,607,624)</b>
Net position			
Net investments in capital assets	11,106,666	11,834,900	(728,234)
Unrestricted	42,698,748	36,420,655	6,278,093
<b>Total net position</b>	<b>53,805,414</b>	<b>48,255,555</b>	<b>5,549,859</b>
<b>Total liabilities and net position</b>	<b>\$ 71,726,626</b>	<b>\$ 67,784,391</b>	<b>\$ 3,942,235</b>

**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**

Management's Discussion and Analysis

For the Year Ended June 30, 2020

*(With Summarized Comparative Information for the Year Ended June 30, 2019)*

*(Continued)*

Current assets decreased from the prior year for the Downtown Parking Authority due to payment for construction of the Bakery Parking Garage. The amount is reflected in non-current assets as a loan receivable.

Non-current assets - other increased due to increased Pilot Extension Fund revenue for CCRFC and the addition of the Bakery Parking Garage loan receivable.

Current liabilities decreased due to funding for the Bakery Parking Garage construction loan in the current year.

Long-term liabilities decreased due to debt repayments during the year, offset slightly by an increase in accrued interest due the City of Memphis by the Parking Authority for the 250 Peabody Place Garage.

Net position increased primarily due to an increase in CCRFC PILOT transaction fees. The net position for DMC had no change from the prior year and DPA decreased due to depreciation of garages.

*See next page*

**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**

Management's Discussion and Analysis

For the Year Ended June 30, 2020

*(With Summarized Comparative Information for the Year Ended June 30, 2019)*

*(Continued)*

***Combined Statements of Revenues, Expenses, and Changes in Fund Net Position as of June 30, 2020 and 2019:***

	2020	2019	Increase (Decrease)
<b>OPERATING REVENUES:</b>			
Administrative Income	\$ 7,353,056	\$ 9,062,429	\$ (1,709,373)
Central Business Improvement District Assessment	4,050,724	3,735,066	315,658
Development Income	-	11,330	(11,330)
Operations Income	69,385	31,460	37,925
Parking management	<u>1,663,326</u>	<u>2,024,547</u>	<u>(361,221)</u>
Total Operating Revenue	<u>13,136,491</u>	<u>14,864,832</u>	<u>(1,728,341)</u>
<b>OPERATING EXPENSES:</b>			
Salaries and benefits	2,588,514	2,331,893	256,621
Advertising	31,628	79,567	(47,939)
Business community relations	29,320	34,201	(4,881)
Conferences and travel	15,986	27,122	(11,136)
Depreciation and amortization	1,452,783	1,501,497	(48,714)
Event production	183,887	254,466	(70,579)
Insurance	174,269	144,949	29,320
Office expenses	228,387	191,442	36,945
Other personnel expenses	334,457	290,593	43,864
Parking garage management fees	749,372	962,836	(213,464)
Planning and development	1,084,150	1,511,602	(427,452)
Professional fees	1,571,334	1,258,495	312,839
Rent expenses	338,692	363,644	(24,952)
Repairs and maintenance	307,724	252,985	54,739
Subscriptions and dues	<u>26,219</u>	<u>25,293</u>	<u>926</u>
Total Operating Expenses	<u>9,116,722</u>	<u>9,230,585</u>	<u>(113,863)</u>
Operating income	<u>4,019,769</u>	<u>5,634,247</u>	<u>(1,614,478)</u>
Non-Operating Revenue (expenses):			
Interest income	415,925	577,201	(161,276)
Interest expense	<u>(595,306)</u>	<u>(661,589)</u>	<u>66,283</u>
Total Non-Operating Revenues (expenses)	<u>(179,381)</u>	<u>(84,388)</u>	<u>(94,993)</u>
Changes In Net Position	3,840,388	5,549,859	(1,709,471)
Total Net Position - Beginning	<u>53,805,414</u>	<u>48,255,555</u>	<u>5,549,859</u>
Total Net Position - Ending	\$ <u>57,645,802</u>	\$ <u>53,805,414</u>	\$ <u>3,840,388</u>

**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**

Management's Discussion and Analysis

For the Year Ended June 30, 2020

*(With Summarized Comparative Information for the Year Ended June 30, 2019)*

*(Continued)*

Operating revenue decreased due to decrease in PILOT transaction fees and parking garage income.

Operating expenses decreased slightly due to increased operations staff offset by reduced professional fees related to long-term strategy planning paid in the previous years as well as reduced parking garage expenses.

Non-operating revenue decreased due to the decrease in interest rates and non-operating expense had little change from the previous year.

*See next page*

**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**

Management's Discussion and Analysis

For the Year Ended June 30, 2020

*(With Summarized Comparative Information for the Year Ended June 30, 2019)*

*(Continued)*

**Combined Statements of Revenues, Expenses, and Changes in Fund Net Position as of June 30, 2019 and 2018:**

	2019	2018	Increase (Decrease)
<b>OPERATING REVENUES:</b>			
Administrative income	\$ 9,062,429	\$ 6,187,838	\$ 2,874,591
Central Business Improvement District			
Assessment	3,735,066	3,689,949	45,117
Development income	11,330	10,800	530
Marketing income	-	5,000	(5,000)
Operations income	31,460	40,449	(8,989)
Parking management	<u>2,024,547</u>	<u>2,007,258</u>	<u>17,289</u>
Total Operating Revenue	<u>14,864,832</u>	<u>11,941,294</u>	<u>2,923,538</u>
<b>OPERATING EXPENSES:</b>			
Salaries and benefits	2,331,893	2,116,084	215,809
Advertising	79,567	45,166	34,401
Business community relations	34,201	21,482	12,719
Conferences and travel	27,122	24,556	2,566
Depreciation and amortization	1,501,497	1,562,391	(60,894)
Event production	254,466	247,852	6,614
Insurance	144,949	144,426	523
Office expenses	191,442	179,322	12,120
Other personnel expenses	290,593	283,761	6,832
Parking garage management fees	962,836	853,055	109,781
Planning and development	1,511,602	1,480,911	30,691
Professional fees	1,258,495	783,026	475,469
Rent expenses	363,644	364,453	(809)
Repairs and maintenance	252,985	227,265	25,720
Subscriptions and dues	<u>25,293</u>	<u>7,657</u>	<u>17,636</u>
Total Operating Expenses	<u>9,230,585</u>	<u>8,341,407</u>	<u>889,178</u>
Operating income (loss)	<u>5,634,247</u>	<u>3,599,887</u>	<u>2,034,360</u>
Non-Operating Revenue (expenses):			
Interest income	577,201	327,073	250,128
Interest expense	(661,589)	(694,917)	33,328
Total Non-Operating Revenues (expenses)	<u>(84,388)</u>	<u>(367,844)</u>	<u>283,456</u>
Change In Net Position	5,549,859	3,232,043	2,317,816
Total Net Position - Beginning	<u>48,255,555</u>	<u>45,023,512</u>	<u>3,232,043</u>
Total Net Position - Ending	\$ <u>53,805,414</u>	\$ <u>48,255,555</u>	\$ <u>5,549,859</u>

**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**

Management's Discussion and Analysis

For the Year Ended June 30, 2020

*(With Summarized Comparative Information for the Year Ended June 30, 2019)*

*(Continued)*

Current assets decreased from the prior year for the Downtown Parking Authority due to payment for construction of the Bakery Parking Garage. The amount is reflected in non-current assets as a loan receivable.

Non-current assets - other increased due to increased Pilot Extension Fund revenue for CCRFC and the addition of the Bakery Parking Garage loan receivable.

Current liabilities decreased due to funding for the Bakery Parking Garage construction loan in the current year.

Long-term liabilities decreased due to debt repayments during the year, offset slightly by an increase in accrued interest due the City of Memphis by the Parking Authority for the 250 Peabody Place Garage.

Net position increased primarily due to an increase in CCRFC PILOT transaction fees. The net position for DMC had no change from the prior year and DPA decreased due to depreciation of garages.

***Requests for Information***

This financial report is designed to provide a general overview of the DMC for all those with interest in the agency. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Downtown Memphis Commission  
114 North Main St.  
Memphis, TN 38103  
E-mail: [accounting@downtownmemphis.com](mailto:accounting@downtownmemphis.com)

# DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

## Combined Statements of Net Position

As of June 30, 2020

(With Summarized Comparative Information for the Year Ended June 30, 2019)

### ASSETS

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 14,649,040	\$ 11,564,287
Designated cash and cash equivalents	561,199	565,398
Loans receivable, current portion, net	255,219	241,652
Accounts Receivable - Grants	962,368	503,123
Prepaid expenses	<u>125,681</u>	<u>72,508</u>
Total Current Assets	16,553,507	12,946,968
<b>NON-CURRENT ASSETS:</b>		
Investments	1,932,292	1,912,980
Designated PILOT trust funds	15,830,136	20,686,865
Loan Fund Receivable, less current portion, net	19,450,819	13,530,623
Capital assets not being depreciated	2,668,522	2,668,522
Capital assets being depreciated or amortized, net	<u>18,616,805</u>	<u>19,980,668</u>
Total Non-Current Assets	<u>58,498,574</u>	<u>58,779,658</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>75,052,081</u></b>	<b>\$ <u>71,726,626</u></b>

### LIABILITIES AND NET POSITION

<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 858,269	\$ 1,068,291
Current maturities of long-term debt	<u>778,792</u>	<u>754,010</u>
Total Current Liabilities	<u>1,637,061</u>	<u>1,822,301</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued interest	5,501,178	5,149,656
Reserves for contingencies	176,735	160,741
Long-term debt, less current portion	<u>10,038,039</u>	<u>10,788,514</u>
Total Long-Term Liabilities	<u>15,715,952</u>	<u>16,098,911</u>
<b>TOTAL LIABILITIES</b>	17,353,013	17,921,212
<b>NET POSITION:</b>		
Net investment in capital assets	10,531,496	11,106,666
Unrestricted	<u>47,167,572</u>	<u>42,698,748</u>
Total Net Position	<u>57,699,068</u>	<u>53,805,414</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ <u>75,052,081</u></b>	<b>\$ <u>71,726,626</u></b>

*See independent auditors' report and notes to the combined financial statements*



**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**

Combined Statements of Revenues, Expenses, and Changes in Fund Net Position  
For the Year Ended June 30, 2020  
*(With Summarized Comparative Information for the Year Ended June 30, 2019)*

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES:</b>		
Administrative income	\$ 7,353,056	\$ 9,062,429
Central Business Improvement District		
Assessment	4,050,724	3,735,066
Development income	-	11,330
Operations income	69,385	31,460
Parking management	<u>1,663,326</u>	<u>2,024,547</u>
Total Operating Revenues	<u>13,136,491</u>	<u>14,864,832</u>
<b>OPERATING EXPENSES:</b>		
Salaries and benefits	2,588,514	2,331,893
Advertising	31,628	79,567
Business community relations	29,320	34,201
Conferences and travel	15,986	27,122
Depreciation and amortization	1,452,783	1,501,497
Event production	183,887	254,466
Insurance	174,269	144,949
Office expenses	228,387	191,442
Other personnel expenses	334,457	290,593
Parking garage management fees	749,372	962,836
Planning and development	1,084,150	1,511,602
Professional fees	1,571,334	1,258,495
Rent expenses	338,692	363,644
Repairs and maintenance	307,724	252,985
Subscriptions and dues	<u>26,219</u>	<u>25,293</u>
Total Operating Expenses	<u>9,116,722</u>	<u>9,230,585</u>
Operating income (loss)	<u>4,019,769</u>	<u>5,634,247</u>
Non-Operating Revenue (expenses):		
Interest income	415,925	577,201
Interest expense	(595,306)	(661,589)
Taxes	<u>-</u>	<u>-</u>
Total Non-Operating Revenues (expenses)	<u>(179,381)</u>	<u>(84,388)</u>
Change In Net Position	3,840,388	5,549,859
Total Net Position - Beginning	<u>53,805,414</u>	<u>48,255,555</u>
Total Net Position - Ending	<u>\$ 57,645,802</u>	<u>\$ 53,805,414</u>

*See independent auditors' report and notes to the combined financial statements*

## DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

### Combined Statements of Cash Flows

For the Year Ended June 30, 2020

*(With Summarized Comparative Information for the Year Ended June 30, 2019)*

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 14,939,719	\$ 14,698,217
Cash paid to suppliers for goods and services	(7,297,992)	(6,568,434)
Cash paid to employees for services	<u>(2,922,971)</u>	<u>(2,331,893)</u>
Net Cash Provided By Operating Activities	<u>4,718,756</u>	<u>5,797,890</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(77,913)	(86,652)
Principal payments on long-term debt	(920,764)	(712,346)
Interest payments	<u>(310,553)</u>	<u>(377,294)</u>
Net Cash Provided/(Used for) Capital and Related Financing Activities	<u>(1,309,230)</u>	<u>(1,176,292)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash earned on investments	399,778	577,201
Sale of investments	257,494	931,062
Purchase of investments	(667,823)	(1,058,101)
Transfers (to) from designated PILOT trust funds	4,856,729	(4,476,272)
Issuance of loans receivable under Loan Program	(506,518)	(5,577,773)
Issuance of loan for One Beale parking garage	(5,000,000)	-
Collections on loans receivable under Loan Program	<u>331,368</u>	<u>319,525</u>
Net Cash From/(Used By) Investing Activities	<u>(328,972)</u>	<u>(9,284,358)</u>
Net Change in Cash and Cash Equivalents	3,080,554	(4,662,760)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>12,129,685</u>	<u>16,792,445</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 15,210,239</u>	<u>\$ 12,129,685</u>
<b>CASH AND CASH EQUIVALENTS ARE SHOWN ON THE COMBINED STATEMENT OF NET POSITION AS FOLLOWS:</b>		
Cash and cash equivalents	\$ 14,649,040	\$ 11,564,287
Designated cash and cash equivalents	<u>561,199</u>	<u>565,398</u>
<b>TOTAL</b>	<u>\$ 15,210,239</u>	<u>\$ 12,129,685</u>

*See independent auditors' report and notes to the combined financial statements*

## **DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**

Notes to the Combined Financial Statements

For the Year Ended June 30, 2020

*(With Summarized Comparative Information for the Year Ended June 30, 2019)*

### **NOTE 1 - ORGANIZATION AND BUSINESS ACTIVITY:**

These financial statements are a combination of the following related entities:

- The Downtown Memphis Commission and Related Entities (the "DMC") was formed in January 1977 by the Council of the City of Memphis, Tennessee. Shelby County became a partner in the organization shortly thereafter. During 2012, the Memphis Center City Commission changed the name to Downtown Memphis Commission and Related Entities. The purpose of the DMC is to represent an official partnership between the governments of the City of Memphis and Shelby County, Tennessee and the private business community. The DMC promotes, manages, and coordinates the comprehensive redevelopment of the center city area. The DMC also appoints and administers the Center City Design Review Board.
- The Memphis Center City Revenue Finance Corporation ("CCRFC") is a state-chartered industrial development board. The CCRFC implements the provisions of the Tennessee Industrial Development Act involving revenue bonds and property tax relief for downtown development.
- The Memphis Center City Development Corporation ("CCDC") administers the Development Loan Program, Public Improvements Program, and other programs designed to assist private development projects. The CCDC is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.
- The Downtown Parking Authority ("DPA") is a municipal parking authority chartered by the State of Tennessee. The DPA was designed to establish uniform parking policies and coordinate parking management. The DPA is responsible for initiating strategic planning for existing and future parking facilities and facilitating continuing development in downtown Memphis. DPA is now doing business as Downtown Mobility Authority.

The annual operating funds for the DMC are derived primarily from an assessment from the Central Business Improvement District ("CBID") and contributions from private sources. Fees generated through incentives and programs offered by the CCRFC are contributed to CCDC for the purpose of funding development projects and funding the excess of DMC operating expenses over operating revenues, if any.

CCRFC, CCDC, and DPA are considered to be component units of the DMC. The financial statements for the above component entities are presented on a blended basis because the DMC is financially responsible for each entity and the activities of each are interrelated such that the exclusion of any entity would cause the DMC's financial statements to be misleading.

## **NOTE 2 - SUMMARY OF ACCOUNTING POLICIES:**

### *Measurement focus, basis of accounting and financial statement presentation*

The DMC prepares its financial statements in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. When an expense has been incurred for purposes for which both restricted and unrestricted net position are available, the DMC will first apply restricted resources to such expense. In the statement of revenues, expenses, and changes in fund net position, income and expense will be reflected as from/used in operating activities, while non-operating income/expense, such as investment income/expense, will be presented below operating income/expense.

### *Cash and Cash Equivalents*

Cash equivalents include time deposits with maturities of three months or less when purchased.

### *Capital Assets*

Land, construction in progress, buildings, streetscape improvements, leasehold improvements and furniture and equipment are stated at cost. Equipment under leases, which are essentially purchase agreements, are capitalized. The DMC provides for depreciation using the straight-line method over the estimated useful lives of the assets, ranging from 3 - 40 years. Expenditures over \$500 for single items and \$1,000 for groups of items are capitalized.

### *Income Taxes*

No provision for federal and state income taxes has been provided since the DMC is an agency established under the ordinances of the City of Memphis. One of the entities included herein, the Memphis Center City Development Corporation, files a Form 990, information return. The Downtown Memphis Commission and its related entities are subject to review by any of the various taxing authorities for up to four (4) years from the applicable entity's year end.

### *Basis of Presentation*

The combined financial statements include the accounts of Downtown Memphis Commission, Memphis Center City Revenue Finance Corporation, Memphis Center City Development Corporation, and Downtown Parking Authority as of and for the year ended June 30, 2020.

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Events Occurring after Reporting Date*

Management has evaluated events and transactions that have occurred through December 16, 2020, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No subsequent events have been recognized or disclosed.

### **NOTE 3 - CASH AND CASH EQUIVALENTS:**

As required by Tennessee Code Annotated, Section 5-8-201, all of the DMC's cash and cash equivalents in bank accounts, designated and undesignated, are either insured or collateralized.

Designated cash and cash equivalents includes the Development Loan Program (see Note 4), and the rental of various parking garages owned by the City of Memphis administered through the Downtown Parking Authority. The funds designated under the Development Loan Program are used to provide low-interest loans to qualified property owners.

Designated cash and cash equivalent balances as of June 30, 2020 and 2019, are designated for the following:

	<u>2020</u>	<u>2019</u>
Development Loan Program	\$ 166,350	\$ 171,798
Parking Garage Capital Reserve	31,112	30,625
Parking Garage Operating Reserve	48,737	47,975
Parking Garage Rental	315,000	315,000
PILOT Trust Funds	<u>15,830,136</u>	<u>20,686,865</u>
Total	<u>\$ 16,391,335</u>	<u>\$ 21,252,263</u>

Funds included in the above programs are reflected in the accompanying Combined Statements of Net Position as of June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Current assets	\$ 561,199	\$ 565,398
Non-current assets	<u>15,830,136</u>	<u>20,686,865</u>
Total designated unrestricted net position	<u>\$ 16,391,335</u>	<u>\$ 21,252,263</u>

Designated funds consist of the following at June 30, 2020 and 2019, are designated for the following:

<u>Custodian</u>	<u>Cash Instrument</u>	<u>2020</u>	<u>2019</u>
U.S. Bank	Goldman Sachs Financial Square Treasury Obligations Mutual Funds	\$ 15,830,136	\$ 20,686,865
State of Tennessee, Treasury Department	State of Tennessee Local Government Investment Pool (LGIP)	394,849	393,600
Bank Tennessee	Checking Account	166,350	163,037
First Tennessee Bank	Fidelity Government Port	<u>-</u>	<u>8,761</u>
Total designated funds		<u>\$ 16,391,335</u>	<u>\$ 21,252,263</u>

Undesignated funds consist of the following at June 30, 2020 and 2019, are designated for the following:

Custodian	Cash Instrument	2020	2019
Guaranty Bank	Checking Account	\$ 59,724	\$ 59,600
State of Tennessee, Treasury Department	State of Tennessee Local Government Investment Pool (LGIP)	13,432,986	10,448,835
U.S. Bank	Debt Service Reserve Fund	862,799	882,893
Bank Tennessee	Checking Account	<u>293,531</u>	<u>172,959</u>
Total undesignated funds		<u>\$ 14,649,040</u>	<u>\$ 11,564,287</u>

**NOTE 4 - LOANS RECEIVABLE:**

The CCDC Development Loan Program provides financing for property owners for building improvements. As these loans are collected, the funds are deposited in the Development Loan Program designated cash funds. Per the promissory note on all loans, they are past due if unpaid on the 15th of the month when the payment is due. The allowance for doubtful accounts is based on the balances of the loans or percentage of the loan balance that has been determined to be uncollectible. At June 30, 2020, total amount of outstanding loans in this program was \$1,427,422, net of the related allowance for doubtful accounts of \$(46,758). Loans determined to be uncollectible are written off when the debtor no longer exists (e.g. bankrupt, expired, etc.). The DMC does not write the loan off if the individual or entity can have a judgment placed against them that may ultimately be collected. All loans are secured by each individual property.

The CCDC Retail Forgivable Loan Program was designed to create an incentive to new and additional retail business operations in selected areas of Downtown Memphis. At June 30, 2020, there were 0 loans outstanding related to the loan program.

The Downtown Business Continuity - Forgivable Loan Program (Program) is designed to assist eligible businesses that are in serious jeopardy of permanent closure due solely to the recent COVID-19 pandemic and associated economic impacts. The Program will provide direct financial assistance to existing, locally-owned eligible businesses, with a preference for ground-floor businesses operating continuously within the Central Business Improvement District. If the Company stays in business for two years after receiving the loan, it will be forgiven. As of June 30, 2020, there were \$259,917 outstanding related to this program.

The DPA has three loans receivable with four tenants for parking garages. The first loan requires monthly payments of \$17,679, bears interest at 2.203%, and matures May 2064. The second loan requires monthly payments of \$15,555, bears interest at 3.041%, and matures December 2077. The third loan requires monthly payments of \$6,250, bears interest at 0.800%, and matures December 2040. These three loans are secured by the parking garages. The outstanding balance on these three loans receivable was \$12,530,745 as of June 30, 2020. Interest earned on these loans receivable was \$153,248 for the year ended June 30, 2020.

Loans receivable consists of the following at June 30, 2020:

	<u>2020</u>	<u>2019</u>
Amount due as of year-end	\$ 19,752,796	\$ 13,807,914
Less: allowance for doubtful accounts	<u>(46,758)</u>	<u>(35,639)</u>
	19,706,038	13,772,275
Less: Current Portion of Loans Receivable	<u>(255,219)</u>	<u>(241,652)</u>
Long-term loans receivable	<u>\$ 19,450,819</u>	<u>\$ 13,530,623</u>

**NOTE 5 - FAIR VALUE MEASUREMENTS:**

The FASB Accounting Standards Codification Subtopic 820-10 *Fair Value Measurements* (formerly SFAS No. 157), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. ASC 820-10 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

All mutual funds and common stocks are held by CCDC, which is a 501(c)(3) entity. The estimated fair value of the CCDC's financial instruments has been determined by management using available market information. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the fair values are not necessarily indicative of the amounts that the CCDC could realize in a current market exchange. The use of different market assumptions may have a material effect on the estimated fair value amounts. The carrying amounts of cash, cash equivalents, accounts payable, and long-term debt are a reasonable estimate of their fair value.



All financial assets that are measured at fair value on a recurring basis (at least annually) have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. Assets measured at fair value on a recurring basis as of June 30, 2020 are summarized in the table below:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
June 30, 2020			
Fixed income	\$ 809,469	\$ 809,469	\$ -
Money Market Funds	309,653	309,653	-
ETF- Equity	467,729	467,729	-
Common Stock	194,594	194,594	-
Preferred Stock	150,847	150,847	-
Development Loans	<u>19,706,038</u>	<u>-</u>	<u>19,706,038</u>
Total	<u>\$ 21,638,330</u>	<u>\$ 1,932,292</u>	<u>\$ 19,706,038</u>
June 30, 2019			
Fixed income	\$ 1,016,176	\$ 1,016,176	\$ -
Mutual funds	574,299	574,299	-
Common Stock	215,177	215,177	-
Preferred Stock	107,328	107,328	-
Development loans	<u>13,772,275</u>	<u>-</u>	<u>13,772,275</u>
Total	<u>\$ 15,685,255</u>	<u>\$ 1,912,980</u>	<u>\$ 13,772,275</u>

#### *Level 1 Fair Value Measurements*

The fair value of the fixed income bonds is based on the closing prices reported on the active market where the individual bonds are traded.

#### *Level 3 Fair Value Measurements*

The fair value of development loans approximates the amortized cost of the loans because the loans are secured by each loan holder's property deed. The table below sets forth a summary of changes in the Level 3 assets for the years ended June 30, 2020:

Fair value as of June 30, 2018	\$ 8,514,027
Issuances	5,577,773
Collections	<u>(319,525)</u>
Fair value as of June 30, 2019	13,772,275
Issuances	6,383,107
Collections	<u>(449,344)</u>
Fair Value as of June 30, 2020	<u>\$ 19,706,038</u>

## **NOTE 6 - INVESTMENTS:**

### *Investments*

Funds will be invested in low risk instruments that allow access to the funds at the point that they are needed for expenditures with financial institutions that provide collateral as required by Tennessee Statute.

### *Investment Risk Disclosures*

- *Interest rate risk:* Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Additionally, the fair values of the investments may be highly sensitive to interest rate fluctuations. One of the ways that the CCDC manages its exposure to interest rate risk is by the purchasing of a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion is maturing or coming close to maturing evenly over time, as necessary to provide the cash flow and liquidity needs for operations.
- The CCDC has the ability and generally has the intention to hold all investments until their respective maturity dates. The average maturity of the CCDC's pooled cash and investments as of June 30, 2020, was approximately 85 months. If it becomes necessary or strategically prudent for the CCDC to sell a security prior to maturity, the CCDC's investment policy allows for occasional restructuring of the portfolio to minimize the loss of market value and/or to maximize cash flows.
- *Credit risk:* Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.
- *Concentration of credit risk:* The CCDC's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Office of Congressional and Government Affairs.

As of June 30, 2020, the CCDC had total investments of \$1,932,292, consisting of fixed income investments and other investments with credit rating and maturities as follows:

Type of Investments	Credit Rating	Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Over 5 Years	Carrying Value
<b>Fixed Income</b>							
Certificates of deposit	A1	\$ -	\$ 60,150	\$ -	\$ -	\$ -	\$ 60,150
Corporate	A2	-	-	-	30,864	-	30,864
Corporate	A3	-	-	-	5,551	14,692	20,243
Corporate	Aa2	-	-	-	15,270	-	15,270
Corporate	Ba1	-	-	15,297	-	15,903	31,200
Corporate	Baa1	-	-	31,461	-	24,775	56,236
Corporate	Baa2	-	-	-	64,793	-	64,793
Corporate	Baa3	-	15,123	-	37,203	36,710	89,036
Corporate	BBB	-	-	-	-	34,467	34,467
Corporate	BBB	-	-	-	-	19,413	19,413
Municipal Bonds	Aaa	5,006	-	-	-	-	5,006
Municipal Bonds	Baa2	-	-	-	100,023	-	100,023
Mortgage Pool	Baa2	-	-	-	-	16,743	16,743
Mortgage Pool	BBB	-	-	-	46,869	42,786	89,655
Municipal Bonds	A3	-	15,358	-	-	-	15,358
Municipal Bonds	AA	-	-	15,230	-	-	15,230
Municipal Bonds	Aaa	-	-	-	5,011	-	5,011
Municipal Bonds	BBB	-	-	-	7,147	40,122	47,269
Total fixed income		<u>5,006</u>	<u>90,631</u>	<u>61,988</u>	<u>312,731</u>	<u>245,611</u>	<u>715,967</u>
<b>Other Investments</b>							
Money Market Funds		-	-	-	-	-	309,653
Common stock		-	-	-	-	-	194,594
ETF Equity		-	-	-	-	-	467,729
ETF Fixed Income		-	-	-	-	-	93,502
Preferred stock		-	-	-	-	-	150,847
Total		<u>\$ 5,006</u>	<u>\$ 90,631</u>	<u>\$ 61,988</u>	<u>\$ 312,731</u>	<u>\$ 245,611</u>	<u>\$ 1,932,292</u>

See next page

As of June 30, 2019, the CCDC had total investments of \$1,912,980, consisting of fixed income investments and other investments with credit rating and maturities as follows:

Type of Investments	Credit Rating	Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Over 5 Years	Carrying Value
<u>Fixed Income</u>							
FNMA	Aaa	\$ -	\$ -	\$ -	\$ 49,705	\$ 90,113	\$ 139,818
FFCB	Aaa	-	40,947	-	78,785	49,992	169,724
FHLMC	Aaa	-	-	7,974	44,889	-	52,863
GNMA	Aaa	-	-	-	-	37,739	37,739
Corporate	Aaa	-	-	-	12,986	-	12,986
Corporate	Aa2	-	-	-	25,014	-	25,014
Corporate	Ba1	-	-	14,989	-	31,380	46,369
Corporate	A1	-	-	9,964	-	-	9,964
Corporate	A2	-	-	-	21,041	-	21,041
Corporate	A3	-	-	-	52,884	5,175	58,059
Corporate	Baa1	-	-	-	40,974	-	40,974
Corporate	Baa2	-	-	-	24,143	15,270	39,413
Corporate	Baa3	-	25,423	25,050	61,721	40,981	153,175
Municipal Bonds	Aa1	-	-	-	20,131	10,060	30,191
Municipal Bonds	Aa2	-	-	24,990	7,057	20,124	52,171
Municipal Bonds	NR	-	-	-	-	41,492	41,492
Certificates of Deposit	Aaa	-	-	-	85,183	-	85,183
Total fixed income		<u>-</u>	<u>66,370</u>	<u>82,967</u>	<u>524,513</u>	<u>342,326</u>	<u>1,016,176</u>
<u>Other Investments</u>							
Mutual funds		-	-	-	-	-	574,299
Common stock		-	-	-	-	-	215,177
Preferred stock		-	-	-	-	-	107,328
Total		<u>\$ -</u>	<u>\$ 66,370</u>	<u>\$ 82,967</u>	<u>\$ 524,513</u>	<u>\$ 342,326</u>	<u>\$ 1,912,980</u>

The Development Loan Program undesignated investments as of June 30, 2020 and 2019, is carried at fair value and include the following:

	2020	2019
Vanguard Total Stock Market ETF	\$ 141,660	\$ 135,831
Schwab U.S. Broad Market ETF	136,287	130,833
iShares Core MSCI Europe	70,126	76,424
iShares Russell 1000 Value ETF	62,504	70,607
Capital One NA CD, 2.400%, due August 19, 2020	60,150	60,081
FFCB, 3.000%, due May 28, 2027	-	49,992
FNMA Ser 15 CMO, 3.500%, due June 25, 2029	42,786	46,922
SPDR Portfolio Short Term Corporate	42,936	42,169
iShares Intermediate Term Corp	42,043	41,004
FFCB, 1.780%, due December 13, 2021	-	39,811
FNMA, 1.400%, due August 28, 2020	-	39,761
GNMA II PL, 4.000%, due August 20, 2025	-	37,739
FFCB, 2.030%, due July 19, 2021	-	34,000
FFCB, 1.350%, due August 2, 2019	-	29,980
iShares Core S&P U.S. Value	-	29,741
Beaumont TX Pre, 4.500%, due March 1, 2027	-	25,510
Pennsylvania St HSG, 1.400%, due April 1, 2020	-	24,990
FNMA PL, 3.000%, due June 1, 2027	16,743	21,997
Fresb Multi CMO V-M, 3.670%, due September 25, 2025	19,896	21,194

	2020	2019
JP Morgan Bank CD, 2.850%, due January 18, 2021	-	20,086
Actavis Funding Scs, 3.000%, due March 12, 2020	-	20,059
FHLMC MTN V-A, 1.500%, due September 7, 2021	-	19,985
FHLMC MTN V-S, 1.300%, due August 27, 2021	-	19,913
Carlyle Group LP 5.875% PFD	-	19,336
iShares Core S&P 500 ETF	20,130	19,159
Affiliated Managers Group, 5.875%, PFD	-	18,603
Wells Fargo & Co, 5.625% PFD	9,296	18,567
JP Morgan Chase & Co	-	17,329
Gilead Sciences Inc	19,235	16,890
Cisco Systems, Inc.	13,922	16,419
Pennsylvania St Pre, 6.000%, due December 1, 2034	15,358	15,982
Plains All Amer Pipeline, 4.500%, due December 15, 2026	15,903	15,967
Martin Marietta, 4.250%, due July 2, 2024	16,392	15,923
Home Bancshares V-Q, 5.625%, April 15, 2027	15,163	15,442
Micron Technology, 5.500%, due February 1, 2025	-	15,431
Pseg Power LLC, 4.150%, due September 15, 2021	15,484	15,413
Citigroup Inc V-Q, 6.125%, due December 31, 2099	-	15,413
Williams Cos Inc, 8.750%, due January 15, 2020	-	15,412
Autozone Inc, 3.125%, due July 15, 2023	15,977	15,340
NetApp Inc, 3.300%, Due September 29, 2024	16,104	15,270
Microchip Technology, 3.922%, due June 1, 2021	15,297	15,269
Abbott Laboratories, 2.900%, due November 30, 2021	-	15,249
New York St Dorm Aut, 2.700%, due February 15, 2021	15,230	15,124
Morgan Stan MTN V-Q, 3.831%, due April 11, 2023	15,202	15,088
Corona-Norco CA Sch, 7.343%, due August 1, 2035	-	15,059
JP Morgan Chase V-Q, 3.003%, due March 9, 2021	14,579	15,022
Becton Dickinson, 2.404%, due June 5, 2020	-	14,989
Bank of Montreal, 1.900%, due August 27, 2021	15,270	14,905
Regions Finl, 3.200%, due February 8, 2021	-	14,152
AT&T Inc 5.350 PFD	12,965	13,205
Intl Bk Recon & Develop, 1.500%, due March 15, 2021	-	12,986
AT&T Broadband Corp, 9.455%, due November 15, 2022	12,098	12,318
FFCB, 1.360%, due October 28, 2019	-	10,967
Mondelez International, Inc.	10,226	10,780
Chevron Corporation	7,585	10,577
Marvell Technology, 4.200%, due June 22, 2023	10,772	10,414
Verizon Communications	10,034	10,398
Occidental Petroleum Corp, 4.100%, due February 1, 2021	-	10,229
United Tech Corp, 3.350%, due August 16, 2021	-	10,221
Delta Air Lines Inc	3,787	10,215
Humana Inc, 2.900%, due December 15, 2022	10,463	10,141
Can Imperial Bk, 2.550%, due June 16, 2022	-	10,109
Lazard Group LLC, 3.625%, due March 1, 2027	10,507	10,108
CVS Health Corp	12,019	10,081
Honolulu City HL, 6.050%, due September 1, 2026	-	10,060
First Tennessee Bank, 2.950%, due December 1, 2019	-	10,011
Bank of America Corp	8,194	10,005
Halfmoon Parent V-Q, 3.487%, due July 15, 2023	-	9,991
Eqst Corp, 2.500%, due October 1, 2020	-	9,974
Duke Energy Florida, 1.850%, due January 15, 2020	-	9,964
FNMA, 1.450%, due September 15, 2020	-	9,944
Alphabet Inc CL A	12,762	9,745
CSX Corp	-	8,898
Real Estate Select Sect SPDR	8,354	8,825
Procter & Gamble Co.	9,566	8,772
Microsoft Corp.	12,211	8,038

	2020	2019
FHLMC MTN, 1.750%, due June 29, 2020	-	7,974
Athene Hldg LTD PFD Ser A	7,314	7,920
Qualcomm Inc	9,121	7,607
Macy S Inc	2,408	7,511
U.S. Bancorp New	4,971	7,074
iShares Core MSCI EAFE ETF	6,573	7,061
Hemet CA Unit Sch, 2.739%, due October 1, 2023	7,147	7,057
Bk of America Corp, 5.375%, PFD Ser KK	-	6,861
iShares Core U.S. Aggregate Bond	7,093	6,681
JPMorgan Chase, 6.150%, PFD Series Bb	9,616	6,288
Tristate Capital Hldgs PFD Ser B	5,515	6,178
Qualcomm Inc V-Q, 3.313%, due January 30, 2023	6,045	6,019
Coca Cola Co	5,138	5,856
Stifel Finl Corp, 6.250%, PFD Ser B	5,122	5,192
Brunswick Corp, 6.375%, PFD	5,192	5,178
Citigroup Inc, 3.400%, due May 1, 2026	5,551	5,175
Ford Motor Co DEL 'new'	3,040	5,115
Orlando FL, 6.850%, due October 1, 2029	-	5,065
First Bank CD, 3.400%, due June 29, 2023	-	5,016
Charlotte NC COPs , 3.000% , due June 1, 2022	5,011	5,007
FHLMC MTN, 1.750%, due July 27, 2020	5,006	4,991
Broadcom Corp, 2.375%, due January 15, 2020	-	4,991
FFCB, 1.850%, due March 23, 2021	-	4,974
General Electric Corp.	2,951	4,536
Merck & Co Inc.	3,867	4,193
HanesBrands Inc	-	4,047
Exxon Mobil Corp.	2,236	3,832
iShares Preferred & Income SEC	3,291	3,501
Walt Disney Company	2,788	3,491
Apache Corp	-	3,476
Synchrony Financial	1,928	3,016
Freeport-McMoRan Inc	2,893	2,903
Alerian MLP ETF	1,234	2,463
eBay Inc	2,623	1,975
Schlumberger LTD	828	1,788
Dell Technologies, Inc.	659	610
AGNC Investment Corp.	10,820	-
Allegiance Bانشares	19,413	-
American Equity Investm	9,468	-
Armour Residential REIT	8,564	-
Atlantic Union Bانشare	9,980	-
Bancorp South	14,954	-
BankUnited Inc	15,290	-
BroadCom Inc.	15,968	-
Canadian NATL Resources	10,024	-
Cigna Corp	10,175	-
Citigroup Inc.	14,692	-
Citizens Financial Group.	9,000	-
Electronic Arts Inc..	6,603	-
Ellington Financial	7,912	-
Equinix Inc.	10,913	-
Equitable Holdings Inc	6,303	-
Fidelity Government Money Market	309,653	-
First Horizon National	15,123	-
FNMA	100,023	-
Fulton Financial	9,821	-
G2 4759	26,973	-

	2020	2019
Gladstone Commerical Cor	11,600	-
iShares Russell 3000 Value	27,421	-
Louisiana ST HSG FIN AGY Rev	40,122	-
New Residential INV Corp	10,912	-
New York Mortgage Trust	5,709	-
Ready Captial Corp	5,772	-
Sterling Bancorp/ DE	19,304	-
Synchrony Financial	<u>9,403</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>1,932,292</u></b>	<b>\$ <u>1,912,980</u></b>

**NOTE 7 - CAPITAL ASSETS, NET:**

Capital assets as of June 30, 2020, consisted of the following:

	Beginning Balance	Additions	Transfers and Retirements	Ending Balance
Capital Assets not being depreciated:				
Land	\$ 2,668,522	\$ -	\$ -	\$ 2,668,522
Capital Assets being depreciated or amortized:				
Buildings	29,490,474	-	-	29,490,474
Streetscape improvements	6,521,239	13,397	-	6,534,636
Leasehold	2,237,060	-	-	2,237,060
Furniture and equipment	1,907,748	64,516	-	1,972,264
Intangibles: Website & Internet domain	<u>29,362</u>	<u>-</u>	<u>-</u>	<u>29,362</u>
Total capital assets being depreciated or amortized	<u>40,185,883</u>	<u>77,913</u>	<u>-</u>	<u>40,263,796</u>

	Beginning Balance	Additions	Transfers and Retirements	Ending Balance
Accumulated depreciation and amortization:				
Buildings	(11,684,928)	(833,938)	-	(12,518,866)
Streetscape improvements	(5,465,882)	(410,806)	-	(5,876,688)
Leasehold	(1,336,890)	(75,770)	-	(1,412,660)
Furniture and equipment	(1,704,515)	(121,262)	-	(1,825,777)
Intangibles: Website & Internet domain	<u>(13,000)</u>	<u>-</u>	<u>-</u>	<u>(13,000)</u>
Total accumulated depreciation and amortized	<u>(20,205,215)</u>	<u>(1,441,776)</u>	<u>-</u>	<u>(21,646,991)</u>
Total capital assets being depreciated or amortized, net	<u>19,980,668</u>	<u>(1,363,863)</u>	<u>-</u>	<u>18,616,805</u>
Total capital assets, net	<u>\$ 22,649,190</u>	<u>\$ (1,363,863)</u>	<u>\$ -</u>	<u>\$ 21,285,327</u>

Capital assets as of June 30, 2019, consisted of the following:

	Beginning Balance	Additions	Transfers and Retirements	Ending Balance
Capital Assets not being depreciated:				
Land	\$ 2,668,522	\$ -	\$ -	\$ 2,668,522
Capital Assets being depreciated or amortized:				
Buildings	29,490,474	-	-	29,490,474
Streetscape improvements	6,521,239	-	-	6,521,239
Leasehold	2,227,519	8,720	821	2,237,060
Furniture and equipment	1,846,999	61,570	(821)	1,907,748
Intangibles: Website & Internet domain	<u>13,000</u>	<u>16,362</u>	<u>-</u>	<u>29,362</u>
Total capital assets being depreciated or amortized	<u>40,099,231</u>	<u>86,652</u>	<u>-</u>	<u>40,185,883</u>
Accumulated depreciation and amortization:				
Buildings	(10,891,862)	(793,066)	-	(11,684,928)
Streetscape improvements	(5,062,634)	(403,248)	-	(5,465,882)
Leasehold	(1,193,113)	(143,777)	-	(1,336,890)
Furniture and equipment	(1,543,109)	(161,406)	-	(1,704,515)
Intangibles: Website & Internet domain	<u>(13,000)</u>	<u>-</u>	<u>-</u>	<u>(13,000)</u>
Total accumulated depreciation and amortized	<u>(18,703,718)</u>	<u>(1,501,497)</u>	<u>-</u>	<u>(20,205,215)</u>
Total capital assets being depreciated or amortized, net	<u>21,395,513</u>	<u>(1,414,845)</u>	<u>-</u>	<u>19,980,668</u>
Total capital assets, net	<u>\$ 24,064,035</u>	<u>\$ (1,414,845)</u>	<u>\$ -</u>	<u>\$ 22,649,190</u>



**NOTE 8 - LONG-TERM DEBT:**

Long-term debt consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Taxable revenue serial bond series 2004 issued pursuant to a Trust Indenture secured by revenue from Pilot Extension Fund, for the refinancing of the construction cost of 250 Peabody Place Garage. Interest is payable semi-annually on June 1 and December 1 of each year. The term bond bears interest at 5.8%. The term bond was sold at a discount and the yield effective interest rate is 5.9%. The bond matures at December 1, 2024. The term bond is subject to mandatory sinking fund installment redemptions prior to maturity, pursuant to the terms of the Indenture at a redemption price equal to the principal amount to be redeemed, plus accrued interest, without premium on the dates and in the respective principal amounts, as defined in the Indenture. A discount of \$21,012 for 2020 and \$25,225 for 2019 has been applied to the note balance in order to show it at present value.	\$ 3,703,987	\$ 4,324,775
Borrowing from the City of Memphis for the construction of the Peabody Place Garage. Balance accrues 5.005% simple, non-compounding interest. The note is secured by deed of trust, fixture filing and assignment of rents. Total principal and accrued interest is due July 29, 2034.*	5,120,000	\$ 5,120,000
4.46% note payable to Bank Tennessee for purchase of the First Parking Garage by the Downtown Parking Authority secured by deed of trust and assignment of leases and rents. Payment of principal and interest of \$18,757 are due monthly, maturing June 5, 2032.	<u>2,100,168</u>	<u>2,226,888</u>
	10,924,155	11,671,663
Less: unamortized debt expense	<u>(107,324)</u>	<u>(129,139)</u>
	10,816,831	11,542,524
Less: current portion	<u>(778,792)</u>	<u>(754,010)</u>
Total long-term debt	<u>\$ 10,038,039</u>	<u>\$ 10,788,514</u>

*\*No principal or interest is payable on this note to the City of Memphis, for the construction of the Peabody Place Garage, until its maturity on July 24, 2034. At June 30, 2020, the accrued interest payable is \$5,408,216, and is included in Long-Term Liabilities in the accompanying Combined Statement of Financial Position.*

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	<u>Total</u>	<u>Interest</u>	<u>Principal</u>
2021	1,050,155	250,315	799,840
2022	1,042,345	201,557	840,788
2023	1,042,210	150,013	892,197
2024	1,034,568	95,670	938,898
2025-2029	1,993,056	281,875	1,711,181
2030-2034	<u>11,307,950</u>	<u>5,545,505</u>	<u>5,762,445</u>
	<u>\$ 17,470,284</u>	<u>\$ 6,524,935</u>	\$ 10,945,349
Less discount on bond			(20,903)
Less current portion			(778,792)
Less unamortized debt expense			<u>(107,615)</u>
Total long-term debt			<u>\$ 10,038,039</u>

*See next page*

Changes in long-term debt during the years ended June 30, 2020 and 2019, are as follows:

	<b>Original Amount of Issue</b>	<b>Interest Rate</b>	<b>Date of Issue</b>	<b>Final Maturity Date</b>	<b>Outstanding at 6/30/2020</b>	<b>Issued During Period</b>	<b>Paid and/or Matured During Period</b>	<b>Outstanding 6/30/2020</b>
Bonds Payable:								
Taxable Revenue Bonds								
Series 2004	\$ 10,465,000	3.09 - 4.09%	12/1/2004	12/1/2004	\$ 4,350,000		\$ (625,000)	\$ 3,725,000
Discount on bond	<u>(86,240)</u>		12/1/2004	12/1/2004	<u>(25,225)</u>		<u>4,212</u>	<u>(21,013)</u>
Total Bonds	<b><u>10,378,760</u></b>				<b><u>4,324,775</u></b>		<b><u>(620,788)</u></b>	<b><u>3,703,987</u></b>
Loan Payable:								
Bank Tennessee Loan	<b><u>2,975,000</u></b>		6/14/2012	6/5/2012	<b><u>2,226,888</u></b>		<b><u>(126,720)</u></b>	<b><u>2,100,168</u></b>
Notes Payable:								
City of Memphis	<u>5,120,000</u>	4.46%	7/29/1999		<u>5,120,000</u>			<u>5,120,000</u>
Total	<b><u>\$ 18,473,760</u></b>	4.46%	7/29/1999		<b><u>\$ 11,671,663</u></b>			<b><u>\$ 10,924,155</u></b>

**NOTE 9 - LEASES:**

In March 1999, the Downtown Parking Authority entered into a master lease with the City of Memphis ("City") to lease certain parking garages and associated real estate. Under the terms of the master lease, the DPA was assigned the City's rights and obligations under the existing leases associated with the leased property. The initial term of the lease expired, but the lease was renewed for an additional ten-year period beginning on April 1, 2018, and shall end on March 31, 2028. Under the terms of the lease, DPA pays \$315,000 per year. Additional rents are payable to the City equal to the amount of operating revenues in excess of operating expenses, as defined in the master lease.

Future minimum leases payments under operating leases having remaining terms in excess of one year for the year ending June 30, is as follows:

	<u>2020</u>	<u>2019</u>
2021	\$ 315,000	\$ 315,000
2022	315,000	315,000
2023	315,000	315,000
2024	315,000	315,000
2025 - 2028	<u>945,000</u>	<u>1,260,000</u>
Total future minimum lease statements	<u>\$ 2,205,000</u>	<u>\$ 2,520,000</u>

Lease expenses was \$315,000 for the year June 30, 2020.

**NOTE 10 - RETIREMENT PLAN:**

Effective August 1, 1987, the DMC established a defined contribution retirement plan ("Center City Commission Money Purchase Plan #003") for all salaried employees. The plan is administered by Nationwide Retirement Solutions.

Forfeitures may be used to pay administrative expenses or to reduce employer contributions.

Benefits vest on a 5-year graded schedule or immediate upon death or permanent disability. The DMC contributes 5% of each participant's annual salary. Participants vest in the employer's contributions at a rate of 20% per year.

Funds contributed are deposited and investment earnings are credited to each employee's account. Employees are entitled only to funds deposited on their behalf.

The amount contributed to the retirement plan and expensed for the year ended June 30, 2020 is \$71,522.

At June 30, 2020, the DMC did not report a payable for any outstanding amount of contributions to the pension plan.

**NOTE 11 - CONTINGENCIES AND COMMITMENTS:**

The Center City Revenue Finance Corporation (CCRFC) has claims made against it in the form of mechanics liens arising out of construction of several projects. CCRFC's liability with respect to such liens is limited to its interest in the property leased to the projects. There has been no liability accrued because the outcome is uncertain.

**NOTE 12 - RISK MANAGEMENT:**

The DMC is exposed to the normal risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The DMC's policy is to minimize these risks through the purchase of commercial insurance. Settled claims have not exceeded the commercial insurance coverage in the past four years.

**NOTE 13 - RESERVES FOR CONTINGENCIES:**

The 1997 Development Agreement between the Downtown Parking Authority and Belz Enterprises requires the following reserves at June 30, 2020:

	<u>2020</u>	<u>2019</u>
Operating reserve	\$ 48,737	\$ 47,975
Capital reserve	<u>31,112</u>	<u>30,625</u>
Total	<u>\$ 79,849</u>	<u>\$ 78,600</u>

**NOTE 14 - SUBSEQUENT EVENTS:**

Subsequent events have been evaluated through December 16, 2020, which is the financial statement issuance date. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The outbreak of the novel coronavirus has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus pandemic and government response are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, while management expects this matter to negatively impact the organization's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**

Combining Statement of Net Position

For the Year Ended June 30, 2020

**ASSETS**

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation (CCRFC)	Downtown Parking Authority (DPA)	Elimination	Total
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 1,893,696	\$ 6,412,603	\$ 47,521	\$ 6,295,220	\$ -	\$ 14,649,040
Designated cash and cash equivalents	-	166,350	-	394,849	-	561,199
Loans receivable, current portion	-	79,724	-	175,495	-	255,219
Accounts Receivable - Grants	531,415	19,555	-	411,398	-	962,368
Prepaid expenses	81,157	1,950	-	42,574	-	125,681
Total Current Assets	<u>2,506,268</u>	<u>6,680,182</u>	<u>47,521</u>	<u>7,319,536</u>	<u>-</u>	<u>16,553,507</u>
<b>NON-CURRENT ASSETS:</b>						
Investments	-	1,932,292	-	-	-	1,932,292
Designated PILOT trust funds	-	-	15,830,136	-	-	15,830,136
Loans receivable, less current portion	-	1,432,120	-	18,018,699	-	19,450,819
Loans receivable from DPA	-	-	22,530,745	-	(22,530,745)	-
Capital assets not being depreciated	-	174,124	-	2,494,398	-	2,668,522
Capital assets being depreciated or amortized, net	629,292	208,371	-	17,779,142	-	18,616,805
Total non-current assets	<u>629,292</u>	<u>3,746,907</u>	<u>38,360,881</u>	<u>38,292,239</u>	<u>(22,530,745)</u>	<u>81,029,319</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,135,560</u>	<u>\$ 10,427,089</u>	<u>\$ 38,408,402</u>	<u>\$ 45,611,775</u>	<u>\$ (22,530,745)</u>	<u>\$ 75,052,081</u>

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES:</b>						
Accounts payable and accrued expenses	\$ 333,510	\$ 4,767	\$ 47,520	\$ 472,472	\$ -	\$ 858,269
Current maturities of long-term debt	-	-	-	778,792	-	778,792
Total Current Liabilities	<u>333,510</u>	<u>4,767</u>	<u>47,520</u>	<u>1,251,264</u>	<u>-</u>	<u>1,637,061</u>
<b>LONG-TERM LIABILITIES:</b>						
Accrued interest	-	-	-	5,501,178	-	5,501,178
Reserves for contingencies	96,886	-	-	79,849	-	176,735
Long-term debt, less current portion	-	-	-	10,038,039	-	10,038,039
Loan payable to CCRFC	-	-	-	22,530,745	(22,530,745)	-
Total Long-Term Liabilities	<u>96,886</u>	<u>-</u>	<u>-</u>	<u>38,149,811</u>	<u>(22,530,745)</u>	<u>15,715,952</u>
<b>TOTAL LIABILITIES</b>	<u>430,396</u>	<u>4,767</u>	<u>47,520</u>	<u>39,401,075</u>	<u>-</u>	<u>17,353,013</u>
<b>NET POSITION:</b>						
Net investment in capital assets	692,292	382,495	-	9,456,709	-	10,531,496
Unrestricted	2,012,872	10,039,827	38,360,882	(3,246,009)	-	47,167,572
Total Net Position	<u>2,705,164</u>	<u>10,422,322</u>	<u>38,360,882</u>	<u>6,210,700</u>	<u>-</u>	<u>57,699,068</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 3,135,560</u>	<u>\$ 10,427,089</u>	<u>\$ 38,408,402</u>	<u>\$ 45,611,775</u>	<u>\$ -</u>	<u>\$ 75,052,081</u>

**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**  
Combining Statement of Net Position  
For the Year Ended June 30, 2019

**ASSETS**

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation (CCRFC)	Downtown Parking Authority (DPA)	Elimination	Total
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 2,049,506	\$ 6,852,261	\$ 54,567	\$ 2,607,953	\$ -	\$ 11,564,287
Designated cash and cash equivalents	-	171,798	-	393,600	-	565,398
Loans receivable, current portion	-	112,286	-	129,366	-	241,652
Accounts Receivable - Grants	316,834	-	53,538	132,751	-	503,123
Prepaid expenses	50,569	1,895	-	20,044	-	72,508
<b>Total Current Assets</b>	<b><u>2,416,909</u></b>	<b><u>7,138,240</u></b>	<b><u>108,105</u></b>	<b><u>3,283,714</u></b>	<b><u>-</u></b>	<b><u>12,946,968</u></b>
<b>NON-CURRENT ASSETS:</b>						
Investments	-	1,912,980	-	-	-	1,912,980
Designated PILOT trust funds	-	-	20,686,865	-	-	20,686,865
Loans receivable, less current portion	-	1,040,039	-	12,490,584	-	13,530,623
Loans receivable from DPA	-	-	12,619,950	-	(12,619,950)	-
Capital assets not being depreciated	-	174,124	-	2,494,398	-	2,668,522
Capital assets being depreciated or amortized, net	939,507	265,158	-	18,776,003	-	19,980,668
<b>Total non-current assets</b>	<b><u>939,507</u></b>	<b><u>3,392,301</u></b>	<b><u>33,306,815</u></b>	<b><u>33,760,985</u></b>	<b><u>(12,619,950)</u></b>	<b><u>58,779,658</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,356,416</u></b>	<b><u>\$ 10,530,541</u></b>	<b><u>\$ 33,414,920</u></b>	<b><u>\$ 37,044,699</u></b>	<b><u>\$ (12,619,950)</u></b>	<b><u>\$ 71,726,626</u></b>

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES:</b>						
Accounts payable and accrued expenses	\$ 365,348	\$ 43,841	\$ 217,610	\$ 441,492	\$ -	\$ 1,068,291
Current maturities of long-term debt	-	-	-	754,010	-	754,010
<b>Total Current Liabilities</b>	<b><u>365,348</u></b>	<b><u>43,841</u></b>	<b><u>217,610</u></b>	<b><u>1,195,502</u></b>	<b><u>-</u></b>	<b><u>1,822,301</u></b>
<b>LONG-TERM LIABILITIES:</b>						
Accrued interest	-	-	-	5,149,656	-	5,149,656
Reserves for contingencies	82,141	-	-	78,600	-	160,741
Long-term debt, less current portion	-	-	-	10,788,514	-	10,788,514
Loan payable to CCRFC	-	-	-	12,619,950	(12,619,950)	-
<b>Total Long-Term Liabilities</b>	<b><u>82,141</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>28,636,720</u></b>	<b><u>(12,619,950)</u></b>	<b><u>16,098,911</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>447,489</u></b>	<b><u>43,841</u></b>	<b><u>217,610</u></b>	<b><u>29,832,222</u></b>	<b><u>-</u></b>	<b><u>17,921,212</u></b>
<b>NET POSITION:</b>						
Net investment in capital assets	939,507	439,282	-	9,727,877	-	11,106,666
Unrestricted	1,969,420	10,047,418	33,197,310	(2,515,400)	-	42,698,748
<b>Total Net Position</b>	<b><u>2,908,927</u></b>	<b><u>10,486,700</u></b>	<b><u>33,197,310</u></b>	<b><u>7,212,477</u></b>	<b><u>-</u></b>	<b><u>53,805,414</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 3,356,416</u></b>	<b><u>\$ 10,530,541</u></b>	<b><u>\$ 33,414,920</u></b>	<b><u>\$ 37,044,699</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 71,726,626</u></b>

**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**  
Combining Statement of Revenues, Expenses, and Changes In Fund Net Position  
For the Year Ended June 30, 2020

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation (CCRFC)	Downtown Parking Authority (DPA)	Elimination	Total
<b>OPERATING REVENUES:</b>						
Administrative income	\$ -	\$ -	\$ 7,353,056	\$ -	\$ -	\$ 7,353,056
Central Business Improvement District Assessment	4,050,724	-	-	-	-	4,050,724
Development income	-	-	-	-	-	-
Operations income	12,652	55,465	-	1,268	-	69,385
Parking garage management	-	-	-	1,663,326	-	1,663,326
Total Operating Revenue	<u>4,063,376</u>	<u>55,465</u>	<u>7,353,056</u>	<u>1,664,594</u>	<u>-</u>	<u>13,136,491</u>
<b>OPERATING EXPENSES:</b>						
Salaries and benefits	2,588,514	-	-	-	-	2,588,514
Advertising	31,628	-	-	-	-	31,628
Business & Community Relations	29,320	-	-	-	-	29,320
Conferences and travel	14,921	-	946	119	-	15,986
Depreciation and amortization	411,472	56,787	-	984,524	-	1,452,783
Event production	183,887	-	-	-	-	183,887
Insurance	99,286	4,632	-	70,351	-	174,269
Office expenses	223,002	(96)	923	4,558	-	228,387
Other personnel expenses	27,405	-	-	307,052	-	334,457
Parking garage management fees	-	-	-	749,372	-	749,372
Planning and development	214,110	870,040	-	-	-	1,084,150
Professional fees	238,425	153,330	652,212	527,367	-	1,571,334
Rent expenses	23,692	-	-	315,000	-	338,692
Repairs and maintenance	192,755	114,969	-	-	-	307,724
Subscriptions and dues	26,219	-	-	-	-	26,219
Total Operating Expenses	<u>4,304,636</u>	<u>1,199,662</u>	<u>654,081</u>	<u>2,958,343</u>	<u>-</u>	<u>9,116,722</u>
Operating income (loss)	<u>(241,260)</u>	<u>(1,144,197)</u>	<u>6,698,975</u>	<u>(1,293,749)</u>	<u>-</u>	<u>4,019,769</u>



**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**  
Combining Statement of of Revenues, Expenses, and Changes In Fund Net Position  
For the Year Ended June 30, 2020  
(Continued)

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation (CCRFC)	Downtown Parking Authority (DPA)	Elimination	Total
Non-Operating Revenue (expenses):						
Interest income	38,141	309,504	23,618	44,662	-	415,925
Interest expense	-	-	-	(595,306)	-	(595,306)
Net Transfers in (out)	-	769,073	(1,519,073)	750,000	-	-
Taxes	-	-	-	-	-	-
Total Non-Operating Revenues (expenses)	<u>38,141</u>	<u>1,078,577</u>	<u>(1,495,455)</u>	<u>199,356</u>	<u>-</u>	<u>(179,381)</u>
Change In Net Position	(203,119)	(65,620)	5,203,520	(1,094,393)	-	3,840,388
Total Net Position - Beginning	<u>2,908,927</u>	<u>10,486,700</u>	<u>33,197,310</u>	<u>7,212,477</u>	<u>-</u>	<u>53,805,414</u>
Total Net Position - Ending	<u>\$ 2,705,808</u>	<u>\$ 10,421,080</u>	<u>\$ 38,400,830</u>	<u>\$ 6,118,084</u>	<u>\$ -</u>	<u>\$ 57,645,802</u>

**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**  
Combining Statement of Revenues, Expenses, and Changes In Fund Net Position  
For the Year Ended June 30, 2019

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation (CCRFC)	Downtown Parking Authority (DPA)	Elimination	Total
<b>OPERATING REVENUES:</b>						
Administrative income	\$ -	\$ -	\$ 9,062,429	\$ -	\$ -	\$ 9,062,429
Central Business Improvement District Assessment	3,735,066	-	-	-	-	3,735,066
Development income	-	11,330	-	-	-	11,330
Operations income	18,460	13,000	-	-	-	31,460
Parking garage management	-	-	-	2,024,547	-	2,024,547
Total Operating Revenue	<u>3,753,526</u>	<u>24,330</u>	<u>9,062,429</u>	<u>2,024,547</u>	<u>-</u>	<u>14,864,832</u>
<b>OPERATING EXPENSES:</b>						
Salaries and benefits	2,331,893	-	-	-	-	2,331,893
Advertising	79,567	-	-	-	-	79,567
Business community relations	33,901	-	300	-	-	34,201
Conferences and travel	26,719	-	403	-	-	27,122
Depreciation and amortization	422,485	57,688	-	1,021,324	-	1,501,497
Event production	254,466	-	-	-	-	254,466
Insurance	77,063	5,902	-	61,984	-	144,949
Office expenses	189,927	194	889	432	-	191,442
Other personnel expenses	16,521	-	-	274,072	-	290,593
Parking garage management fees	-	-	-	962,836	-	962,836
Planning and development	132,180	1,379,422	-	-	-	1,511,602
Professional fees	229,465	88,526	543,105	397,399	-	1,258,495
Rent expenses	48,644	-	-	315,000	-	363,644
Repairs and maintenance	242,795	-	-	10,190	-	252,985
Subscriptions and dues	25,293	-	-	-	-	25,293
Total Operating Expenses	<u>4,110,919</u>	<u>1,531,732</u>	<u>544,697</u>	<u>3,043,237</u>	<u>-</u>	<u>9,230,585</u>
Operating income (loss)	<u>(357,393)</u>	<u>(1,507,402)</u>	<u>8,517,732</u>	<u>(1,018,690)</u>	<u>-</u>	<u>5,634,247</u>

**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**  
Combining Statement of of Revenues, Expenses, and Changes In Fund Net Position  
For the Year Ended June 30, 2019  
(Continued)

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation (CCRFC)	Downtown Parking Authority (DPA)	Elimination	Total
Non-Operating Revenue (expenses):						
Interest income	54,490	248,174	50,000	224,537	-	577,201
Interest expense	-	-	-	(661,589)	-	(661,589)
Net Transfers in (out)	<u>302,903</u>	<u>2,986,809</u>	<u>(4,051,010)</u>	<u>761,298</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenues (expenses)	<u>357,393</u>	<u>3,234,983</u>	<u>(4,001,010)</u>	<u>324,246</u>	<u>-</u>	<u>(84,388)</u>
Change In Net Position	-	1,727,581	4,516,722	(694,444)	-	5,549,859
Total Net Position - Beginning	<u>2,908,927</u>	<u>8,759,119</u>	<u>28,680,588</u>	<u>7,906,921</u>	<u>-</u>	<u>48,255,555</u>
Total Net Position - Ending	<u>\$ 2,908,927</u>	<u>\$ 10,486,700</u>	<u>\$ 33,197,310</u>	<u>\$ 7,212,477</u>	<u>\$ -</u>	<u>\$ 53,805,414</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Downtown Memphis Commission and Related Entities  
Memphis, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of the Downtown Memphis Commission and Related Entities, which comprise the combined statements of net position as of June 30, 2020 and 2019, and the related combined statements of revenues, expenses, and changes in fund net position and cash flows for the years then ended, and the related notes to the combined financial statements, and have issued our report thereon dated December 16, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered Downtown Memphis Commission and Related Entities internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Downtown Memphis Commission and Related Entities' internal control. Accordingly, we do not express an opinion on the effectiveness of Downtown Memphis Commission and Related Entities' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's combined financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Downtown Memphis Commission and Related Entities combined financial statements are free from material misstatement we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Brent J. Kelly, CPA + Co.*

Memphis, Tennessee  
December 16, 2020

**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**

Schedule of Findings and Questioned Costs  
For the Year June 30, 2020

No matters were reported as findings for the fiscal year ended June 30, 2020.

**DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**

Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended June 30, 2020

No matters were reported as findings for the fiscal year ended June 30, 2019.