



**Downtown Memphis Commission and Related Entities
Combined Financial Statements
June 30, 2019 and 2018**

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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	Alvin Crook
	Wayne West

Administrative Officials

Jennifer Oswald, President & CEO



INDEPENDENT AUDITOR'S 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, 2019 and 2018, 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, 2019 and 2018, 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.

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

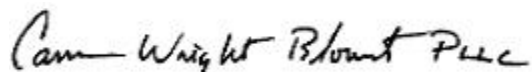
Our audit was conducted for the purpose of forming an opinion on the combined financial statements that collectively comprise the Downtown Memphis Commission and Related Entities' basic combined financial statements. The combining financial statements and the schedule of governance officials are presented 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 4, 2019, 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 4, 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, 2019 and 2018. Please read it in conjunction with the DMC and Related Entities 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 \$53,805,414 – an increase from the prior fiscal year of \$5,549,859 – or 12%.

During the Year

- The organizations' total assets increased by \$3,942,235 or 6%.
- Current assets decreased by \$4,443,623 or 26%.
- Current liabilities decreased by \$1,148,700 or 39%.
- Total liabilities decreased by \$1,607,624 or 8%.
- Total operating revenue increased by \$2,923,538 or 24%.
- Total operating expense increased by \$889,178 or 11%.

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.

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, 2019, 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.

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES*Management's Discussion and Analysis**For the Years Ended June 30, 2019 and 2018***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
Total assets	\$ 71,726,626	\$ 67,784,391	\$ 3,942,235
Current liabilities	\$ 1,822,301	\$ 2,971,001	\$ (1,148,700)
Long-term liabilities	16,098,911	16,557,835	(458,924)
Total liabilities	17,921,212	19,528,836	(1,607,624)
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
Total net position	53,805,414	48,255,555	5,549,859
Total liabilities and net position	\$ 71,726,626	\$ 67,784,391	\$ 3,942,235

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.

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES*Management's Discussion and Analysis**For the Years Ended June 30, 2019 and 2018***Combined and Condensed Statements of Net Position as of June 30, 2018 and 2017:**

	2018	2017	Increase (Decrease)
Current assets	\$ 17,390,591	\$ 9,810,237	\$ 7,580,354
Capital assets, net	24,064,035	25,517,218	(1,453,183)
Non-current assets - other	26,329,765	28,032,925	(1,703,160)
Total assets	\$ 67,784,391	\$ 63,360,380	\$ 4,424,011
Current liabilities	\$ 2,971,001	\$ 1,352,732	\$ 1,618,269
Long-term liabilities	16,557,835	16,984,136	(426,301)
Total liabilities	19,528,836	18,336,868	1,191,968
Net position:			
Net investments in capital assets	11,834,900	12,636,305	(801,405)
Unrestricted	36,420,655	32,387,207	4,033,448
Total net position	48,255,555	45,023,512	3,232,043
Total liabilities and net position	\$ 67,784,391	\$ 63,360,380	\$ 4,424,011

Current assets increased from the prior year for the Downtown Parking Authority due to receipt of \$6.0 million of cash to be used to construct the Bakery Parking Garage. These funds were classified in non-current assets – other at June 30, 2017.

Non-current assets – other decreased due to increased Pilot Extension Fund revenue for CCRFC offset by the transfer of funds to Downtown Parking Authority to construct the Bakery Parking Garage.

Current liabilities increased due to a \$1.1 million payable for the Bakery Parking Garage construction.

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 for all entities except DMC and DPA. The net position for DMC had no change from the prior year and DPA decreased due to depreciation of garages. The major increase was for CCRFC related to the PILOT Extension Fund.

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Management's Discussion and Analysis

For the Years Ended June 30, 2019 and 2018

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

	2019	2018	Increase (Decrease)
Operating revenue			
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	2,024,547	2,007,258	17,289
Total operating revenues	14,864,832	11,941,294	2,923,538
Operating expenses			
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 expense	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 expense	363,644	364,453	(809)
Repairs and maintenance	252,985	227,265	25,720
Subscriptions and dues	25,293	7,657	17,636
Total operating expenses	9,230,585	8,341,407	889,178
Operating income	5,634,247	3,599,887	2,034,360
Non-operating revenue (expense)			
Interest income	577,201	327,073	250,128
Interest expense	(661,589)	(694,917)	33,328
Total non-operating revenues (expenses)	(84,388)	(367,844)	283,456
Changes in net position	5,549,859	3,232,043	2,317,816
Total net position - beginning	48,255,555	45,023,512	3,232,043
Total net position - ending	\$ 53,805,414	\$ 48,255,555	\$ 5,549,859

Operating revenue increased due to increase in PILOT transaction fees from previous year.

Operating expense increased primarily due to increased operations staff as well as professional fees related to long-term strategy planning.

Non-operating revenue increased due to the increase in investments and the addition of a DPA loan receivable and non-operating expense had little change from the previous year.

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Management's Discussion and Analysis

For the Years Ended June 30, 2019 and 2018

Combined Statements of Revenues, Expenses, and Changes in Fund Net Position of June 30, 2018 and 2017:

	2018	2017	Increase (Decrease)
Operating revenue			
Administrative income	\$ 6,187,838	\$ 6,244,036	\$ (56,198)
Central Business Improvement			
District Assessment	3,689,949	3,054,195	635,754
Development income	10,800	300	10,500
Marketing income	5,000	17,952	(12,952)
Operations income	40,449	535,994	(495,545)
Parking management	2,007,258	2,048,657	(41,399)
Total operating revenues	11,941,294	11,901,134	40,160
Operating expenses			
Salaries and benefits	2,116,084	1,532,383	583,701
Advertising	45,166	30,204	14,962
Business community relations	21,482	21,446	36
Conferences and travel	24,556	15,816	8,740
Depreciation and amortization	1,562,391	1,710,973	(148,582)
Event production	247,852	273,545	(25,693)
Insurance	144,426	92,310	52,116
Office expenses	179,322	164,813	14,509
Other personnel expense	283,761	431,482	(147,721)
Parking garage management fees	853,055	786,718	66,337
Planning and development	1,480,911	13,550,294	(12,069,383)
Professional fees	783,026	555,585	227,441
Rent expense	364,453	337,082	27,371
Repairs and maintenance	227,265	142,829	84,436
Subscriptions and dues	7,657	15,175	(7,518)
Total operating expenses	8,341,407	19,660,655	(11,319,248)
Operating income (loss)	3,599,887	(7,759,521)	11,359,408
Non-operating revenue (expense)			
Interest income	327,073	187,802	139,271
Interest expense	(694,917)	(742,426)	47,509
Total non-operating revenues (expenses)	(367,844)	(554,624)	186,780
Changes in net position	3,232,043	(8,314,145)	11,546,188
Total net position - beginning	45,023,512	53,337,657	(8,314,145)
Total net position - ending	\$ 48,255,555	\$ 45,023,512	\$ 3,232,043

Operating revenue remained essentially the same for 2018; however, the mix changed. CBID Assessment revenue increased \$636,000 for Downtown Memphis Commission while CCDC revenue decreased \$501,000 due to non-recurring grant received in 2017 for the Main2Main project.

Operating expense decreased primarily due to the non-recurring \$12 million grant expensed by CCDC in 2017 for the Harahan Bridge lightning project as well as the non-recurring Main to Main Multimodal Connector project.

Non-operating revenue increased due to the increase in investments and non-operating expense had little change from the previous year.

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

Combined Financial Statements

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**Combined Statements of Net Position****June 30, 2019 and 2018**

ASSETS	2019	2018
Current assets:		
Cash and cash equivalents	\$ 11,564,287	\$ 15,684,132
Designated cash and cash equivalents	565,398	1,108,313
Loans receivable, current portion	241,652	180,796
Accounts receivable	503,123	331,763
Prepaid expenses	72,508	85,587
Total current assets	12,946,968	17,390,591
Non-current assets:		
Investments	1,912,980	1,785,941
Designated PILOT trust funds	20,686,865	16,210,593
Loans receivable, less current portion	13,530,623	8,333,231
Capital assets not being depreciated	2,668,522	2,668,522
Capital assets being depreciated or amortized, net	19,980,668	21,395,513
Total non-current assets	58,779,658	50,393,800
Total assets	71,726,626	67,784,391
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	1,068,291	2,252,609
Current maturities of long-term debt	754,010	718,392
Total current liabilities	1,822,301	2,971,001
Long-term liabilities:		
Accrued interest	5,149,656	4,891,096
Reserves for contingencies	160,741	155,996
Long-term debt, less current portion	10,788,514	11,510,743
Total long-term liabilities	16,098,911	16,557,835
Total liabilities	17,921,212	19,528,836
NET POSITION		
Net position:		
Net investment in capital assets	11,106,666	11,834,900
Unrestricted	42,698,748	36,420,655
Total net position	\$ 53,805,414	\$ 48,255,555

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**Combined Statements of Revenues, Expenses, and
Changes in Fund Net Position****For the Years Ended June 30, 2019 and 2018**

	2019	2018
Operating revenues:		
Administrative income	\$ 9,062,429	\$ 6,187,838
Central Business Improvement District Assessment	3,735,066	3,689,949
Development income	11,330	10,800
Marketing income	-	5,000
Operations income	31,460	40,449
Parking garage management	2,024,547	2,007,258
Total operating revenues	14,864,832	11,941,294
Operating expenses:		
Salaries and benefits	2,331,893	2,116,084
Advertising	79,567	45,166
Business community relations	34,201	21,482
Conferences and travel	27,122	24,556
Depreciation and amortization	1,501,497	1,562,391
Event production	254,466	247,852
Insurance	144,949	144,426
Office expenses	191,442	179,322
Other personnel expenses	290,593	283,761
Parking garage management fees	962,836	853,055
Planning and development	1,511,602	1,480,911
Professional fees	1,258,495	783,026
Rent expense	363,644	364,453
Repairs and maintenance	252,985	227,265
Subscriptions and dues	25,293	7,657
Total operating expenses	9,230,585	8,341,407
Operating income	5,634,247	3,599,887
Non-operating revenues (expenses)		
Interest income	577,201	327,073
Interest expense	(661,589)	(694,917)
Total non-operating revenues (expenses)	(84,388)	(367,844)
Change in net position	5,549,859	3,232,043
Total net position - beginning	48,255,555	45,023,512
Total net position - ending	\$ 53,805,414	\$ 48,255,555

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**Combined Statements of Cash Flows****For the Years Ended June 30, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Cash received from customers	\$ 14,698,217	\$ 11,974,469
Cash paid to suppliers for goods and services	(6,568,434)	(3,083,245)
Cash paid to employees for services	(2,331,893)	(2,116,084)
Net cash provided by operating activities	5,797,890	6,775,140
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(86,652)	(109,208)
Principal payments on long-term debt	(712,346)	(677,514)
Interest payments	(377,294)	(410,621)
Net cash from (used for) capital and related financing activities	(1,176,292)	(1,197,343)
Cash flows from investing activities:		
Cash earned on investments	577,201	327,073
Sale of investments	931,062	641,089
Purchase of investments	(1,058,101)	(794,649)
Transfers (to) from designated PILOT trust funds	(4,476,272)	1,808,919
Issuance of loans receivable under Loan Program	(5,577,773)	(1,103,268)
Collections on loans receivable under Loan Program	319,525	1,136,806
Net cash from (used by) investing activities	(9,284,358)	2,015,970
Net change in cash and cash equivalents	(4,662,760)	7,593,767
Cash and cash equivalents, beginning of the year	16,792,445	9,198,678
Cash and cash equivalents, end of the year	\$ 12,129,685	\$ 16,792,445
Cash and cash equivalents are shown on the combined statement of net position as follows:		
Cash and cash equivalents	\$ 11,564,287	\$ 15,684,132
Designated cash and cash equivalents	565,398	1,108,313
Total	\$ 12,129,685	\$ 16,792,445

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**Combined Statements of Cash Flows****For the Years Ended June 30, 2019 and 2018**

	2019	2018
Reconciliation of net income to net cash provided by operating activities:		
Operating income	\$ 5,634,247	\$ 3,599,887
Adjustments to reconcile operating income to net cash provided by operating activities:		
Forgiveness of loans receivable	-	8,000
Depreciation and amortization expense	1,501,497	1,562,391
(Increase) decrease in assets:		
Accounts receivable	(171,360)	25,886
Prepaid expenses	13,079	(6,210)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,184,318)	1,577,897
Reserves for contingencies	4,745	7,289
Net cash provided by operating activities	\$ 5,797,890	\$ 6,775,140

Note 1 – Organization and business activity

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

- The Downtown Memphis Commission (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. 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, 2019.

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 4, 2019, 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, 2019 and 2018, are designated for the following:

	2019	2018
Development Loan Program	\$ 171,798	\$ 102,595
Parking Garage Capital Reserve	30,625	15,095
Parking Garage Operating Reserve	47,975	45,623
Parking Garage Rental	315,000	945,000
PILOT Trust Funds	20,686,865	16,210,593
Total	\$ 21,252,263	\$ 17,318,906

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2019 and 2018

Funds included in the above programs are reflected in the accompanying combined Statement of Net Position as of June 30, 2019 and 2018, as follows:

	2019	2018
Current assets	\$ 565,398	\$ 1,108,313
Non-current assets	20,686,865	16,210,593
Total designated unrestricted net position	\$ 21,252,263	\$ 17,318,906

Designated funds consist of the following at June 30, 2019 and 2018:

Custodian	Cash Instrument	2019	2018
U.S. Bank	Goldman Sachs Financial Square Treasury Obligations Mutual Funds	\$ 20,686,865	\$ 16,210,593
State of Tennessee, Treasury Department	State of Tennessee Local Government Investment Pool (LGIP)	393,600	1,005,718
Bank Tennessee	Checking Account	163,037	58,038
First Tennessee Bank	Fidelity Government Port	8,761	44,557
Total designated funds		\$ 21,252,263	\$ 17,318,906

Undesignated funds consist of the following at June 30, 2019 and 2018:

Custodian	Cash Instrument	2019	2018
First Alliance Bank	Checking Account	\$ 59,600	\$ 59,356
State of Tennessee Treasury Department	State of Tennessee Local Government Investment Pool (LGIP)	10,448,835	14,412,434
U.S. Bank	Debt Service Reserve Fund	882,893	1,149,548
Bank Tennessee	Checking Account	172,959	62,794
Total undesignated funds		\$ 11,564,287	\$ 15,684,132

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 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, 2019 and 2018, the reserve was based on past experience. 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. Of the \$13,530,623 long-term loan receivables balance at June 30, 2019, \$18,000 is recognized as forgivable loans, which can be forgiven with no principal or interest due if the business remains in operation for at least three years after the loan closes.

The DPA has three loans receivable with three 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 \$15,675, 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 \$12,619,950 and \$7,819,081, as of June 30, 2019 and 2018, respectively. Interest earned on these loans receivable was \$155,518 and \$72,444, for the year ended June 30, 2019 and 2018, respectively.

Loans receivable consists of the following at June 30, 2019 and 2018:

	2019	2018
Amount due as of year end	\$ 13,807,914	\$ 8,552,417
Less: allowance for doubtful accounts	(35,639)	(38,390)
	13,772,275	8,514,027
Less: current portion of loans receivable	(241,652)	(180,796)
Long-term loans receivable	\$ 13,530,623	\$ 8,333,231

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.

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**Notes to the Combined Financial Statements****June 30, 2019 and 2018**

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, 2019 and 2018, are summarized in the table below:

	Total	Level 1	Level 3
June 30, 2019			
Fixed income	\$ 966,486	\$ 1,016,176	\$ -
Mutual funds	548,020	574,299	-
Common stock	215,419	215,177	-
Preferred stock	56,016	107,328	-
Development loans	13,772,275	-	13,772,275
Total	\$ 15,558,216	\$ 1,912,980	\$ 13,772,275
June 30, 2018			
Fixed income	\$ 966,486	\$ 966,486	\$ -
Mutual funds	548,020	548,020	-
Common stock	215,419	215,419	-
Preferred stock	56,016	56,016	-
Development loans	8,514,027	-	8,514,027
Total	\$ 10,299,968	\$ 1,785,941	\$ 8,514,027

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, 2019 and 2018:

Fair value as of June 30, 2017	\$ 8,555,565
Issuances	1,103,268
Collections	(1,144,806)
Fair value as of June 30, 2018	8,514,027
Issuances	5,577,773
Collections	(319,525)
Fair value as of June 30, 2019	\$ 13,772,275

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, 2019, 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.

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2019 and 2018

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		-	66,370	82,967	524,513	342,326	1,016,176
<u>Other Investments</u>							
Mutual funds		-	-	-	-	-	574,299
Common stock		-	-	-	-	-	215,177
Preferred stock		-	-	-	-	-	107,328
Total		\$ -	\$ 66,370	\$ 82,967	\$ 524,513	\$ 342,326	\$ 1,912,980

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2019 and 2018

As of June 30, 2018, the CCDC had total investments of \$1,785,941, 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>							
Government Bonds	Aaa	\$ -	\$ 114,959	\$ -	\$ -	\$ -	\$ 114,959
Government Sponsored Bonds	Aaa	-	9,980	74,361	209,690	-	294,031
Corporate	Aaa	-	-	-	12,722	-	12,722
Corporate	Ba1	-	-	-	-	15,687	15,687
Corporate	A1	-	9,996	-	39,824	-	49,820
Corporate	A3	-	-	4,976	40,568	-	45,544
Corporate	Baa1	-	-	-	29,848	4,738	34,586
Corporate	Baa2	-	-	9,940	14,764	14,331	39,035
Corporate	Baa3	-	-	-	44,509	9,370	53,879
Corporate	NR	-	-	-	12,293	15,446	27,739
Municipal Bonds	Aaa	-	14,991	-	-	-	14,991
Municipal Bonds	A1	-	15,096	-	-	-	15,096
Municipal Bonds	A2	-	-	-	-	5,140	5,140
Municipal Bonds	Aa1	-	-	-	19,898	10,383	30,281
Municipal Bonds	Aa2	-	-	-	24,825	25,852	50,677
Municipal Bonds	Aa3	-	-	-	-	20,342	20,342
Municipal Bonds	NR	25,042	-	-	-	57,582	82,624
Certificates of Deposit	NR	-	-	-	59,333	-	59,333
Total fixed income		25,042	165,022	89,277	508,274	178,871	966,486
<u>Other Investments</u>							
Mutual funds		-	-	-	-	-	548,020
Common stock		-	-	-	-	-	215,419
Preferred stock		-	-	-	-	-	56,016
Total		\$ 25,042	\$ 165,022	\$ 89,277	\$ 508,274	\$ 178,871	\$ 1,785,941

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2019 and 2018

The Development Loan Program undesignated investments as of June 30, 2019 and 2018, are carried at fair value and include the following:

	2019	2018
Vanguard Total Stock Market ETF	\$ 135,831	\$ 127,089
Schwab U.S. Broad Market ETF	130,833	122,411
iShares Core MSCI Europe	76,424	78,031
iShares Russell 1000 Value ETF	70,607	67,366
Capital One NA CD, 2.400%, due August 19, 2020	60,081	59,333
FFCB, 3.000%, due May 28, 2027	49,992	-
FNMA Ser 15 CMO, 3.500%, due June 25, 2029	46,922	-
SPDR Portfolio Short Term Corporate	42,169	41,319
iShares Intermediate Term Corp	41,004	38,246
FFCB, 1.780%, due December 13, 2021	39,811	38,690
FNMA, 1.400%, due August 28, 2020	39,761	38,934
GNMA II PL, 4.000%, due August 20, 2025	37,739	-
FFCB, 2.030%, due July 19, 2021	34,000	33,111
FFCB, 1.350%, due August 2, 2019	29,980	29,643
iShares Core S&P U.S. Value	29,741	28,182
Beaumont TX Pre, 4.500%, due March 1, 2027	25,510	26,099
Pennsylvania St HSG, 1.400%, due April 1, 2020	24,990	24,825
FNMA PL, 3.000%, due June 1, 2027	21,997	-
Fresb Multi CMO V-M, 3.670%, due September 25, 2025	21,194	-
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	19,523
FHLMC MTN V-S, 1.300%, due August 27, 2021	19,913	19,400
Carlyle Group LP 5.875% PFD	19,336	18,816
iShares Core S&P 500 ETF	19,159	17,748
Affiliated Managers Group, 5.875%, PFD	18,603	-
Wells Fargo & Co, 5.625% PFD	18,567	18,248
JP Morgan Chase & Co	17,329	16,151
Gilead Sciences Inc	16,890	17,710
Cisco Systems, Inc.	16,419	12,909
Pennsylvania St Pre, 6.000%, due December 1, 2034	15,982	16,483
Plains All Amer Pipeline, 4.500%, due December 15, 2026	15,967	14,683
Martin Marietta, 4.250%, due July 2, 2024	15,923	-
Home Bancshares V-Q, 5.625%, April 15, 2027	15,442	15,446
Micron Technology, 5.500%, due February 1, 2025	15,431	-
Pseg Power LLC, 4.150%, due September 15, 2021	15,413	15,289
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	15,340	14,559
NetApp Inc, 3.300%, Due September 29, 2024	15,270	14,331
Microchip Technology, 3.922%, due June 1, 2021	15,269	15,025
Abbott Laboratories, 2.900%, due November 30, 2021	15,249	14,764
New York St Dorm Aut, 2.700%, due February 15, 2021	15,124	14,894

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2019 and 2018

(continued)	2019	2018
Morgan Stan MTN V-Q, 3.831%, due April 11, 2023	\$ 15,088	\$ -
Corona-Norco CA Sch, 7.343%, due August 1, 2035	15,059	15,755
JP Morgan Chase V-Q, 3.003%, due March 9, 2021	15,022	15,047
Becton Dickinson, 2.404%, due June 5, 2020	14,989	-
Bank of Montreal, 1.900%, due August 27, 2021	14,905	14,346
Regions Finl, 3.200%, due February 8, 2021	14,152	-
AT&T Inc 5.350 PFD	13,205	12,580
Intl Bk Recon & Develop, 1.500%, due March 15, 2021	12,986	12,722
AT&T Broadband Corp, 9.455%, due November 15, 2022	12,318	12,293
FFCB, 1.360%, due October 28, 2019	10,967	10,840
Mondelez International, Inc.	10,780	8,200
Chevron Corporation	10,577	10,747
Marvell Technology, 4.200%, due June 22, 2023	10,414	9,998
Verizon Communications	10,398	9,156
Occidental Petroleum Corp, 4.100%, due February 1, 2021	10,229	10,233
United Tech Corp, 3.350%, due August 16, 2021	10,221	-
Delta Air Lines Inc	10,215	8,917
Humana Inc, 2.900%, due December 15, 2022	10,141	9,715
Can Imperial Bk, 2.550%, due June 16, 2022	10,109	9,672
Lazard Group LLC, 3.625%, due March 1, 2027	10,108	9,370
CVS Health Corp	10,081	-
Honolulu City HI, 6.050%, due September 1, 2026	10,060	10,383
First Tennessee Bank, 2.950%, due December 1, 2019	10,011	-
Bank of America Corp	10,005	9,726
Halfmoon Parent V-Q, 3.487%, due July 15, 2023	9,991	-
Eqf Corp, 2.500%, due October 1, 2020	9,974	9,771
Duke Energy Florida, 1.850%, due January 15, 2020	9,964	9,822
FNMA, 1.450%, due September 15, 2020	9,944	9,746
Alphabet Inc CL A	9,745	10,163
CSX Corp	8,898	7,335
Real Estate Select Sect SPDR	8,825	7,850
Procter & Gamble Co.	8,772	6,245
Microsoft Corp.	8,038	5,917
FHLMC MTN, 1.750%, due June 29, 2020	7,974	-
Athene Hldg LTD PFD Ser A	7,920	-
Qualcomm Inc	7,607	5,612
Macy S Inc	7,511	13,101
U.S. Bancorp New	7,074	6,753
iShares Core MSCI EAFE ETF	7,061	7,288
Hernet CA Unif Sch, 2.739%, due October 1, 2023	7,057	-
Bk of America Corp, 5.375%, PFD Ser KK	6,861	-
iShares Core U.S. Aggregate Bond	6,681	6,379
JPMorgan Chase, 6.150%, PFD Series Bb	6,288	6,372
Tristate Capital Hldgs PFD Ser B	6,178	-

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2019 and 2018

(continued)	2019	2018
Qualcomm Inc V-Q, 3.313%, due January 30, 2023	\$ 6,019	\$ 5,984
Coca Cola Co	5,856	5,044
Stifel Finl Corp, 6.250%, PFD Ser B	5,192	-
Brunswick Corp, 6.375%, PFD	5,178	-
Citigroup Inc, 3.400%, due May 1, 2026	5,175	4,738
Ford Motor Co DEL 'new'	5,115	5,535
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	5,007	5,004
FHLMC MTN, 1.750%, due July 27, 2020	4,991	4,917
Broadcom Corp, 2.375%, due January 15, 2020	4,991	-
FFCB, 1.850%, due March 23, 2021	4,974	4,886
General Electric Corp.	4,536	5,880
Merck & Co Inc.	4,193	3,035
HanesBrands Inc	4,047	5,175
Exxon Mobil Corp.	3,832	4,137
iShares Preferred & Income SEC	3,501	3,582
Walt Disney Company	3,491	2,620
Apache Corp	3,476	5,610
Synchrony Financial	3,016	2,904
Freeport-McMoRan Inc	2,903	4,315
Alerian MLP ETF	2,463	2,525
eBay Inc	1,975	1,813
Schlumberger LTD	1,788	3,016
Dell Technologies, Inc.	610	1,607
U.S. Treasury Notes, 1.375%, due July 31, 2018	-	114,959
FFCB, 1.170%, due May 16, 2019	-	49,500
Indiana Bond Bank, 4.302%, due August 1, 2018	-	25,042
FHLMC, 1.750%, due May 30, 2019	-	24,861
Torrington CT, 6.600%, due December 1, 2027	-	20,342
JP Morgan Chase V-Q, 3.564%, due October 29, 2020	-	15,288
Anacortes WA Util, 4.129%, due December 1, 2018	-	15,096
Beulah AL Util Pre, 4.500%, due July 1, 2040	-	15,000
Harris Cnty TX, 1.818%, due October 1, 2018	-	14,991
Twenty-First Century Fox Inc CL A	-	11,926
Washington St Pre, 5.375%, due October 1, 2031	-	10,097
Bank of NY Mellon MTN, 2.100%, due August 1, 2018	-	9,996
FNMA, 1.625%, due November 27, 2018	-	9,980
Estrn Michigan Univ, 7.110%, due February 15, 2034	-	5,140
Celgene Corp, 2.250%, due May 15, 2019	-	4,976
Gilead Sciences Inc, 2.050%, due April 1, 2019	-	4,976
Express Scripts, 2.250%, due June 15, 2019	-	4,964
Paypal Holdings Inc.	-	4,164
Bank of Amer Crp, 5.989%, due July 29, 2049	-	1,004
Total	\$ 1,912,980	\$ 1,785,941

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2019 and 2018

Note 7 – Capital assets, net

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 improvements	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	13,000	16,362	-	29,362
Total capital assets being depreciated or amortized	40,099,231	86,652	-	40,185,883
Accumulated depreciation and amortization:				
Buildings	(10,891,862)	(793,066)	-	(11,684,928)
Streetscape improvements	(5,062,634)	(403,248)	-	(5,465,882)
Leasehold improvements	(1,193,113)	(143,777)	-	(1,336,890)
Furniture and equipment	(1,543,109)	(161,406)	-	(1,704,515)
Intangibles: Website & internet domain	(13,000)	-	-	(13,000)
Total accumulated depreciation and amortization	(18,703,718)	(1,501,497)	-	(20,205,215)
Total capital assets being depreciated or amortized, net	21,395,513	(1,414,845)	-	19,980,668
Total capital assets, net	\$ 24,064,035	\$ (1,414,845)	\$ -	\$ 22,649,190

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2019 and 2018

Capital assets as of June 30, 2018, 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	6,503,747	17,492	-	6,521,239
Leasehold improvements	2,222,999	4,520	-	2,227,519
Furniture and equipment	1,759,803	87,196	-	1,846,999
Intangible: Internet domain name	13,000	-	-	13,000
Total capital assets being depreciated or amortized	39,990,023	109,208	-	40,099,231
Accumulated depreciation and amortization:				
Buildings	(10,051,739)	(840,123)	-	(10,891,862)
Streetscape improvements	(4,623,872)	(438,762)	-	(5,062,634)
Leasehold improvements	(1,041,886)	(151,227)	-	(1,193,113)
Furniture and equipment	(1,410,830)	(132,279)	-	(1,543,109)
Intangible: Internet domain name	(13,000)	-	-	(13,000)
Total accumulated depreciation and amortization	(17,141,327)	(1,562,391)	-	(18,703,718)
Total capital assets being depreciated or amortized, net	22,848,696	(1,453,183)	-	21,395,513
Total capital assets, net	\$ 25,517,218	\$ (1,453,183)	\$ -	\$ 24,064,035

Note 8 – Long-term debt

Long-term debt consisted of the following as of June 30, 2019 and 2018:

	2019	2018
<p>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 \$25,225 for 2019 and \$29,437 for 2018 has been applied to the note balance in order to show it at present value.</p>	\$ 4,324,775	\$ 4,915,563
<p>Borrowings from the City of Memphis for the construction of the Peabody Place Garage. Balance accrues 5.05% 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. *</p>	5,120,000	5,120,000
<p>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. Payments of principal and interest of \$18,757 are due monthly, maturing June 5, 2032.</p>	2,226,888	2,344,234
	11,671,663	12,379,797
Less: unamortized debt expense	(129,139)	(150,662)
	11,542,524	12,229,135
Less: current portion	(754,010)	(718,392)
Total long-term debt	\$ 10,788,514	\$ 11,510,743

* 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, 2019 and 2018, the accrued interest payable is \$5,149,656 and \$4,891,096, respectively, and is included in Long-Term Liabilities in the accompanying Combined Statement of Financial Position.

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2019 and 2018

Annual debt service requirements to maturity are as follows:

	Total Payment	Interest	Principal
Year Ending June 30,			
2020	\$ 1,084,261	\$ 330,251	\$ 754,010
2021	1,086,850	286,968	799,882
2022	1,082,266	241,243	841,023
2023	1,085,360	192,918	892,442
2024	1,080,991	141,836	939,155
2025-2029	1,979,499	266,851	1,712,648
2030-2034	681,010	43,282	637,728
2035	14,146,330	9,026,330	5,120,000
	\$ 22,226,567	\$ 10,529,679	11,696,888
Less: discount on bond			(25,225)
Less: current portion			(754,010)
Less: unamortized debt expense			(129,139)
Total long-term debt			\$ 10,788,514

Changes in long-term debt during the years ended June 30, 2019 and 2018, are as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Bonds/notes payable	\$ 12,409,234	\$ -	\$ (712,346)	\$ 11,696,888	\$ 754,010
Discount on bond	(29,437)	-	4,212	(25,225)	-
Unamortized debt expense	(150,662)	-	21,523	(129,139)	-
	\$ 12,229,135	\$ -	\$ (686,611)	\$ 11,542,524	\$ 754,010
	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Bonds/notes payable	\$ 13,086,748	\$ -	\$ (677,514)	\$ 12,409,234	\$ 718,392
Discount on bond	(33,649)	-	4,212	(29,437)	-
Unamortized debt expense	(172,186)	-	21,524	(150,662)	-
	\$ 12,880,913	\$ -	\$ (651,778)	\$ 12,229,135	\$ 718,392

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.

The DMC has a non-cancelable operating lease for equipment which began September 1, 2014, and is a five-year term with monthly payments of \$1,116.

The DMC has an operating lease for equipment which began March 1, 2015, and is a five-year term with monthly payments of \$1,365.

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

2020	\$	327,159
2021		315,000
2022		315,000
2023		315,000
2024		315,000
2025-2028		1,260,000
Total future minimum lease payments		\$ 2,847,159

Lease expense was \$355,811 and \$351,635 for the years ended June 30, 2019 and 2018, respectively.

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 years ended June 30, 2019 and 2018, were \$65,048 and \$60,060, respectively.

At June 30, 2019 and 2018, 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.

At June 30, 2019, CCDC had the following commitments not yet funded totaling \$7,769,169: \$3,437,506 in Development Grants, \$2,306,765 in Development Loans, \$1,332,308 in Exterior Improvement Grants, \$16,000 in a Forgivable Loan, and \$676,590 in other various commitments.

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

For the years ended June 30, 2019 and 2018, DMC had potential refunds of Central Business Improvement District assessments resulting from property revaluations of \$82,141 and \$95,278, respectively.

The 1997 Development Agreement between the Downtown Parking Authority and Belz Enterprises requires the following reserves at June 30, 2019 and 2018:

	2019	2018
Operating reserve	\$ 47,975	\$ 45,623
Capital reserve	30,625	15,095
Total	\$ 78,600	\$ 60,718

Supplementary Information

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Combining Statement of Net Position

June 30, 2019

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation (CCRFC)	Downtown Parking Authority (DPA)	Elimination	Total
ASSETS						
Current assets:						
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	316,834	-	53,538	132,751	-	503,123
Prepaid expenses	50,569	1,895	-	20,044	-	72,508
Total current assets	2,416,909	7,138,240	108,105	3,283,714	-	12,946,968
Non-current assets:						
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
Loan 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
Total non-current assets	939,507	3,392,301	33,306,815	33,760,985	(12,619,950)	58,779,658
Total assets	\$ 3,356,416	\$ 10,530,541	\$ 33,414,920	\$ 37,044,699	\$ (12,619,950)	\$ 71,726,626

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Combining Statement of Net Position (continued)

June 30, 2019

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation (CCRFC)	Downtown Parking Authority (DPA)	Elimination	Total
LIABILITIES AND NET POSITION						
Current liabilities:						
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
Total current liabilities	365,348	43,841	217,610	1,195,502	-	1,822,301
Long-term liabilities:						
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)	-
Total long-term liabilities	82,141	-	-	28,636,720	(12,619,950)	16,098,911
Total liabilities	447,489	43,841	217,610	29,832,222	(12,619,950)	17,921,212
Net position:						
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
Total net position	2,908,927	10,486,700	33,197,310	7,212,477	-	53,805,414
Total liabilities and net position	\$ 3,356,416	\$ 10,530,541	\$ 33,414,920	\$ 37,044,699	\$ (12,619,950)	\$ 71,726,626

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Combining Statement of Net Position

June 30, 2018

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation (CCRFC)	Downtown Parking Authority (DPA)	Elimination	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,741,304	\$ 5,683,805	\$ 138,455	\$ 8,120,568	\$ -	\$ 15,684,132
Designated cash and cash equivalents	-	102,595	-	1,005,718	-	1,108,313
Loans receivable, current portion	-	86,323	-	94,473	-	180,796
Accounts receivable	163,459	-	51,141	117,163	-	331,763
Prepaid expenses	48,424	2,509	-	34,654	-	85,587
Total current assets	1,953,187	5,875,232	189,596	9,372,576	-	17,390,591
Non-current assets:						
Investments	-	1,785,941	-	-	-	1,785,941
Designated PILOT trust funds	-	-	16,210,593	-	-	16,210,593
Loans receivable, less current portion	-	608,623	-	7,724,608	-	8,333,231
Loan receivable from DPA	-	-	12,715,813	-	(12,715,813)	-
Capital assets not being depreciated	-	174,124	-	2,494,398	-	2,668,522
Capital assets being depreciated or amortized, net	1,284,060	322,846	-	19,788,607	-	21,395,513
Total non-current assets	1,284,060	2,891,534	28,926,406	30,007,613	(12,715,813)	50,393,800
Total assets	\$ 3,237,247	\$ 8,766,766	\$ 29,116,002	\$ 39,380,189	\$ (12,715,813)	\$ 67,784,391

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Combining Statement of Net Position (continued)

June 30, 2018

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation (CCRFC)	Downtown Parking Authority (DPA)	Elimination	Total
LIABILITIES AND NET POSITION						
Current liabilities:						
Accounts payable and accrued expenses	\$ 233,042	\$ 7,647	\$ 435,414	\$ 1,576,506	\$ -	\$ 2,252,609
Current maturities of long-term debt	-	-	-	718,392	-	718,392
Total current liabilities	233,042	7,647	435,414	2,294,898	-	2,971,001
Long-term liabilities:						
Accrued interest	-	-	-	4,891,096	-	4,891,096
Reserves for contingencies	95,278	-	-	60,718	-	155,996
Long-term debt, less current portion	-	-	-	11,510,743	-	11,510,743
Loan payable to CCRFC	-	-	-	12,715,813	(12,715,813)	-
Total long-term liabilities	95,278	-	-	29,178,370	(12,715,813)	16,557,835
Total liabilities	328,320	7,647	435,414	31,473,268	(12,715,813)	19,528,836
Net position:						
Net investment in capital assets	1,284,060	496,970	-	10,053,870	-	11,834,900
Unrestricted	1,624,867	8,262,149	28,680,588	(2,146,949)	-	36,420,655
Total net position	2,908,927	8,759,119	28,680,588	7,906,921	-	48,255,555
Total liabilities and net position	\$ 3,237,247	\$ 8,766,766	\$ 29,116,002	\$ 39,380,189	\$ (12,715,813)	\$ 67,784,391

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	Downtown Parking Authority	Elimination	Total
Operating revenues:						
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 revenues	3,753,526	24,330	9,062,429	2,024,547	-	14,864,832
Operating expenses:						
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 expense	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	4,110,919	1,531,732	544,697	3,043,237	-	9,230,585
Operating income (loss)	(357,393)	(1,507,402)	8,517,732	(1,018,690)	-	5,634,247

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

*Combining Statement of Revenues, Expenses,
and Changes in Fund Net Position (continued)*

For the Year Ended June 30, 2019

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation	Downtown Parking Authority	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)	302,903	2,986,809	(4,051,010)	761,298	-	-
Total non-operating revenues (expenses)	357,393	3,234,983	(4,001,010)	324,246	-	(84,388)
Change in net position	-	1,727,581	4,516,722	(694,444)	-	5,549,859
Total net position - beginning	2,908,927	8,759,119	28,680,588	7,906,921	-	48,255,555
Total net position - ending	\$ 2,908,927	\$ 10,486,700	\$ 33,197,310	\$ 7,212,477	\$ -	\$ 53,805,414

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

*Combining Statement of Revenues, Expenses,
and Changes in Fund Net Position*

For the Year Ended June 30, 2018

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation	Downtown Parking Authority	Elimination	Total
Operating revenues:						
Administrative income	\$ -	\$ -	\$ 6,186,398	\$ 1,440	\$ -	\$ 6,187,838
Central Business Improvement District Assessment	3,689,949	-	-	-	-	3,689,949
Development income	-	10,800	-	-	-	10,800
Marketing income	5,000	-	-	-	-	5,000
Operations income	21,500	18,949	-	-	-	40,449
Parking garage management	-	-	-	2,007,258	-	2,007,258
Total operating revenues	3,716,449	29,749	6,186,398	2,008,698	-	11,941,294
Operating expenses:						
Salaries and benefits	2,116,084	-	-	-	-	2,116,084
Advertising	45,166	-	-	-	-	45,166
Business community relations	21,482	-	-	-	-	21,482
Conferences and travel	24,556	-	-	-	-	24,556
Depreciation and amortization	406,946	104,739	-	1,050,706	-	1,562,391
Event production	224,094	23,758	-	-	-	247,852
Insurance	64,786	6,218	-	73,422	-	144,426
Office expenses	177,862	709	-	751	-	179,322
Other personnel expenses	26,148	-	-	257,613	-	283,761
Parking garage management fees	-	-	-	853,055	-	853,055
Planning and development	147,022	1,333,889	-	-	-	1,480,911
Professional fees	239,111	53,231	347,662	143,022	-	783,026
Rent expense	49,453	-	-	315,000	-	364,453
Repairs and maintenance	221,603	-	-	5,662	-	227,265
Subscriptions and dues	7,657	-	-	-	-	7,657
Total operating expenses	3,771,970	1,522,544	347,662	2,699,231	-	8,341,407
Operating income (loss)	(55,521)	(1,492,795)	5,838,736	(690,533)	-	3,599,887

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

*Combining Statement of Revenues, Expenses,
and Changes in Fund Net Position (continued)*

For the Year Ended June 30, 2018

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation	Downtown Parking Authority	Elimination	Total
Non-operating revenue (expenses):						
Interest income	41,213	160,695	23,169	101,996	-	327,073
Interest expense	-	-	-	(694,917)	-	(694,917)
Net transfers in (out)	14,308	2,367,120	(3,181,428)	800,000	-	-
Total non-operating revenues (expenses)	55,521	2,527,815	(3,158,259)	207,079	-	(367,844)
Change in net position	-	1,035,020	2,680,477	(483,454)	-	3,232,043
Total net position - beginning	2,908,927	7,724,099	26,000,111	8,390,375	-	45,023,512
Total net position - ending	\$ 2,908,927	\$ 8,759,119	\$ 28,680,588	\$ 7,906,921	\$ -	\$ 48,255,555

Non-Financial Information



**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, 2019 and 2018, 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 4, 2019.

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.

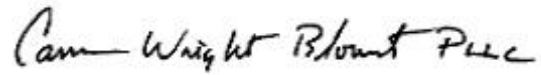
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink that reads "Cam Wright Blount PLLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee
December 4, 2019

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

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

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Schedule of Prior Year Findings and Questioned Costs

June 30, 2018

No matters were reported as findings for the fiscal year ended June 30, 2018.