

**MEMPHIS CENTER CITY COMMISSION
AND RELATED ENTITIES
COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2010 and 2009**

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MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

GOVERNANCE OFFICIALS

Year Ended June 30, 2010

**Memphis and Shelby County Center City Commission
Board of Directors**

Bobbi Gillis, Chairman	Ernest Strickland, Vice Chairman
Mark C. Hendricks, Secretary	Stuart McGehee, Treasurer
Isaac Northern	Diane Spears
Al Lyons	George Little, City Mayor Representative
Janis Fullilove, City Council Liaison	Edith Kelly-Green
Jennifer Hagerman	Edward Stanton, III
Richard Copeland, Director of Planning and Development	Barbara Cooper, State Representative
	JW Gibson, County Commissioner

**Memphis and Shelby County Center City Development Corporation
Board of Directors**

Craig Dillihunt, Chairman	Bobbi Gillis, CCC Chairman
Ernest Strickland, CCC Vice Chairman	Mark C. Hendricks, CCC Secretary
Eric Mathews	Jay Lindy
Angel Price	Melvin Jones
Zakiyyah Langford	

**Memphis and Shelby County Center City Revenue Finance Corporation
Board of Directors**

Lucy Shaw, Chairman	Wesley Grace, Vice Chairman
Robert Spence, Secretary	Martin Truitt, Treasurer
Walter Person	Carla Peacher-Ryan
Brandy Johnson-Ward	Dana Burkett
Luke Yancey, IV	

**Memphis and Shelby County Downtown Parking Authority
Board of Directors**

Odell Horton, Chairman	Mary Sharp, Secretary
Cathy Simmons, Treasurer	John Stokes
Lane Carrick	Casey Lipford
Brandon Bryant	

Administrative Officials

Paul H. Morris, President, CEO	Jim Street, VP Admin. & Finance, CFO
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Memphis Center City Commission
and Related Entities
Memphis, Tennessee

We have audited the accompanying combined statements of financial position of the Memphis Center City Commission and Related Entities (Commission) as of June 30, 2010 and 2009, and the related combined statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2010 and 2009, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 19, 2010 on our consideration of the Commission's 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 6-11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements. The accompanying list of Governance Officials and the combining schedules are supplementary information presented for purposes of additional analysis of the basic combined financial statements rather than to present the financial position and results of operations of the individual entities, and are not a required part of the basic combined financial statements of the Commission. This information is the responsibility of the Commission's management. The combining schedules have been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic combined financial statements taken as a whole. The list of Governance Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Zorcola Kaplan, PLLC

Germantown, Tennessee
October 19, 2010

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010

As management of the Center City Commission and Related Entities (Center City Commission), we offer readers of the organizations' financial statements this narrative and analysis of the financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Center City Commission and Related Entities Financial Statements, which begin on page 13.

The Center City Commission 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 Center City Commission exceeded its liabilities at the close of the most recent fiscal year by \$19,641,369 - an increase from the prior fiscal year of \$1,989,460 – or 11%. Most of that amount has been designated for specific purposes by the boards.

During the year

The organizations' total assets increased by \$763,019, or 2%.

Current assets decreased by \$3,606,620, or -29%.

Current liabilities increased by \$24,042, or 1%.

The total liabilities decreased by \$1,226,441, or -5%.

Operating revenue decreased by \$329,569, or -4%.

Operating expense decreased by \$187,806, or -4%.

The Annual Report

This annual report consists of a series of financial statements. The Statement of Financial Position, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows provide information of the combined activities of the Center City Commission as a whole. The supplementary information provided on pages 32-35 reflects the activity of the individual entities that make up the combined totals.

Our analysis of the Center City Commission as a whole follows. The Combined Statements of Financial Position (page 13) and Combined Statements of Revenues, Expenses and Changes in Net Assets (page 14) include all assets, liabilities, revenues and expenses of the Center City Commission 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, 2010 are taken into account, regardless of when cash is received or paid. The two statements report the Center City Commission's net assets and changes in them. The Center City Commission's net assets – the difference between assets and liabilities – can be viewed as one way to measure its financial health or financial position.

The Statements of Cash Flows (pages 15-16) 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 Financial Statements (pages 17-30) provide additional information that is essential to the complete understanding of the data provided in the statements.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year Ended June 30, 2010

The supplemental information (pages 32-35) is provided to identify the financial impact of the variety of activities of the individual entities that comprise the Center City Commission.

Financial Analysis

Combined and Condensed Statements of Financial Position

	June 30,		Increase (Decrease)
	<u>2010</u>	<u>2009</u>	
Current Assets	\$ 8,844,629	\$ 12,451,249	\$ (3,606,620)
Other Assets	<u>36,503,250</u>	<u>32,133,611</u>	<u>4,369,639</u>
Total Assets	<u>\$ 45,347,879</u>	<u>\$ 44,584,860</u>	<u>\$ 763,019</u>
Current Liabilities	\$ 2,715,179	\$ 2,691,137	\$ 24,042
Long Term Liabilities	<u>22,991,371</u>	<u>24,241,854</u>	<u>(1,250,483)</u>
Total Liabilities	<u>25,706,550</u>	<u>26,932,991</u>	<u>(1,226,441)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	5,499,262	1,464,019	4,035,243
Unrestricted -			
Designated	13,407,286	14,923,389	(1,516,103)
Undesignated	<u>734,781</u>	<u>1,264,461</u>	<u>(529,680)</u>
Total Net Assets	<u>19,641,329</u>	<u>17,651,869</u>	<u>1,989,460</u>
Total Liabilities and Net Assets	<u>\$ 45,347,879</u>	<u>\$ 44,584,860</u>	<u>\$ 763,019</u>

Current Assets decreased overall due to the Downtown Parking Authority spending cash held for construction of the Barbaro Flats Garage on Main Street. Current Assets held by Center City Development Corporation decreased due to public improvement development grants paid during the year and new retail incentives paid.

Other Assets increased for the Downtown Parking Authority due to construction in progress on the Barbaro Flats Garage, for CCRFC in the Pilot Extension Fund and CCDC for streetscape improvements. Center City Commission assets decreased due to depreciation expense.

Current Liabilities of the Downtown Parking Authority increased because of the increased current maturities of long-term debt. Current Liabilities for the Center City Development Corporation decreased due to accounts payable related to streetscape construction.

Long-Term Liabilities decreased due to the debt service payments at CCC, Crump Building, and the Downtown Parking Authority.

Net Assets designated for specific purposes are associated with future commitments of the Center City Development Corporation, the Center City Revenue and Finance Corporation and the Parking Authority related to their programs in subsequent periods. The commitments included approved development loans, public infrastructure projects, funds committed for debt service, various development incentive programs, and construction projects.

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

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year Ended June 30, 2010

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. SFAS No. 157 established 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.

The estimated fair value of the Commission'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 Commission 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.

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.

Combined Statements of Revenues, Expenses and Changes in Net Assets

Operating Revenue decreased primarily in Administration Revenue at Center City Revenue and Finance Corporation related to Pilot Fees revenues decreasing due to the poor economic environment during the year and at the Downtown Parking Authority related to the development fee of \$250,000 earned in 2009. Operating Revenue increased for CCC related to CBID assessment fees paid in 2010.

Operating Expense changes included a decrease primarily at CCDC due to a decrease in development grants paid in 2010 compared to 2009 and professional fees incurred in Professional Fees paid by the Parking Authority. Those reductions were partially offset by increases in operating expense at the Center City Commission related to retirement and replacement of the CCC President and an increase in advertising expense due to the retail business marketing campaign.

Non-Operating Revenue/Expense changes are primarily related to entity transfers that off-set each other and decreases in interest income.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year Ended June 30, 2010

Combined Statements of Revenues, Expenses and Changes in Net Assets

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>
Operating Revenues			
Administration	\$ 3,888,981	\$ 4,089,483	\$ (200,502)
CBID Assessment	2,744,129	2,615,517	128,612
Development	30,026	256,966	(226,940)
Marketing	52,426	76,160	(23,734)
Operations	34,604	27,598	7,006
Parking Management	1,198,909	1,212,920	(14,011)
Total	<u>7,949,075</u>	<u>8,278,644</u>	<u>(329,569)</u>
Operating Expenses			
Salaries and Benefits	1,743,430	1,676,826	66,604
Advertising	265,200	126,798	138,402
Business and Community Relations	8,804	9,193	(389)
Conferences and Travel	21,015	35,760	(14,745)
Depreciation and Amortization	993,354	971,470	21,884
Event Production	189,578	202,276	(12,698)
Insurance	72,494	74,162	(1,668)
Office Expenses	152,987	111,389	41,598
Other Personnel Expense	193,299	200,956	(7,657)
Parking Management	620,205	646,383	(26,178)
Planning and Development	162,240	567,870	(405,630)
Professional Fees	262,903	294,464	(31,561)
Rent	317,095	319,759	(2,664)
Repairs and Maintenance	81,987	80,911	1,076
Search and Relocation	51,078	1,626	49,452
Subscriptions and Dues	6,200	9,832	(3,632)
Total	<u>5,141,869</u>	<u>5,329,675</u>	<u>(187,806)</u>
Operating Income	<u>2,807,206</u>	<u>2,948,969</u>	<u>(141,763)</u>
Non-Operating Revenue (Expense)			
Interest Income	74,306	197,059	(122,753)
Net Increase (Decrease) in Investments	15,624	36,385	(20,761)
Interest Expense	(907,676)	(940,436)	32,760
Total	<u>(817,746)</u>	<u>(706,992)</u>	<u>(110,754)</u>
Net Income	1,989,460	2,241,977	(252,517)
Total Assets - Beginning	<u>17,651,869</u>	<u>15,409,892</u>	<u>2,241,977</u>
Total Assets - Ending	<u>\$ 19,641,329</u>	<u>\$ 17,651,869</u>	<u>\$ 1,989,460</u>

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year Ended June 30, 2010

Combined Statements of Cash Flows

	2010	2009	Increase (Decrease)
Cash Flows from Operating Activities:			
Cash received from customers	\$ 8,128,756	\$ 8,391,748	\$ (262,992)
Cash paid to suppliers	(2,530,324)	(2,083,789)	(446,535)
Cash paid to employees	(1,743,430)	(1,676,826)	(66,604)
Net Cash Provided by Operating Activities	3,855,002	4,631,133	(776,131)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(3,446,488)	(3,763,861)	317,373
Disposed of capital assets	-	86,537	(86,537)
Unamortized bond issuance cost	21,523	21,524	(1)
Proceeds from 2008 bond issuance	-	5,200,000	(5,200,000)
Proceeds from capital lease, net	24,168	-	24,168
Debt repayment	(1,606,277)	(775,472)	(830,805)
Interest payment	(646,542)	(644,454)	(2,088)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(5,653,616)	124,274	(5,777,890)
Cash Flows from Investing Activities:			
Cash earned on investments	89,930	282,423	(192,493)
Proceeds from the sale of investments	260,396	88,173	172,223
Purchases of investments	(370,408)	-	(370,408)
Transfers to designated cash and cash equivalents	(1,764,355)	266,209	(2,030,564)
Loans made under the Development Loan Program	(356,264)	(322,000)	(34,264)
Collections of loans receivable	244,558	177,302	67,256
Net Cash Provided by (Used in) Investing Activities	(1,896,143)	492,107	(2,388,250)
Net Change in Cash and Cash Equivalents	(3,694,757)	5,247,514	(8,942,271)
Cash and Cash Equivalents, Beginning of Year	11,646,693	6,399,179	5,247,514
Cash and Cash Equivalents, End of Year	\$ 7,951,936	\$ 11,646,693	\$ (3,694,757)

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year Ended June 30, 2010

Combined Statements of Cash Flows (continued)

	2010	2009	Increase (Decrease)
Cash and Cash Equivalents, End of Year			
Consists of:			
Undesignated cash and cash equivalents	\$ 2,322,114	\$ 2,745,379	\$ (423,265)
Designated cash and cash equivalents	5,629,822	8,901,314	(3,271,492)
Total	\$ 7,951,936	\$ 11,646,693	\$ (3,694,757)
Reconciliation of Operating Income to Net			
Cash Provided by Operating Activities:			
Operating income	\$ 2,807,206	\$ 2,948,969	\$ (141,763)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	993,354	971,470	21,884
(Increase) decrease in assets:			
Accounts receivables	(19,854)	118,317	(138,171)
Prepaid expenses	(20,238)	(6,495)	(13,743)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(94,648)	601,387	(696,035)
Other liabilities	(10,353)	2,698	(13,051)
Reserves	199,535	(5,213)	204,748
Net Cash Provided by Operating Activities	\$ 3,855,002	\$ 4,631,133	\$ (776,131)

The decrease in cash received from Operating Activities is due to Fees related to new Pilots by the Center City Revenue and Finance Corporation and decreases in accrued expenses related to construction projects by Center City Development Corporation and the Parking Authority.

The decrease in funds used for Capital and Related Financing Activities was related to the bond issue in 2009 for the construction of the Barbaro Flats Garage and debt service payments made on that bond issue.

Transfers of designated cash and cash equivalents occurred in the PILOT extension funds of CCRFC.

Requests for Information

This financial report is designed to provide a general overview of the Center City Commission finances 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:

Center City Commission
Vice President of Administration and Finance, CFO
114 N. Main Street
Memphis, TN 38103
E-mail: street@downtownmemphis.com

COMBINED FINANCIAL STATEMENTS

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

COMBINED STATEMENTS OF FINANCIAL POSITION

Year Ended June 30,

ASSETS		
	<u>2010</u>	<u>2009</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,322,114	\$ 2,745,379
Designated cash and cash equivalents	5,629,822	8,901,314
Loans receivable, current portion	393,213	323,645
Accounts receivable	84,596	64,742
Deferred charges	322,849	344,372
Prepaid expenses	92,035	71,797
Total current assets	<u>8,844,629</u>	<u>12,451,249</u>
NON-CURRENT ASSETS:		
Investments	483,818	364,840
Designated investments	-	8,966
Designated PILOT trust funds	7,777,464	6,013,109
Loans receivable, less current portion	1,332,263	1,290,125
Land	2,044,013	2,044,013
Improvements in progress	7,600,873	4,819,642
Depreciable assets, net of accumulated depreciation	<u>17,264,819</u>	<u>17,592,916</u>
Total non-current assets	<u>36,503,250</u>	<u>32,133,611</u>
TOTAL ASSETS	<u><u>\$ 45,347,879</u></u>	<u><u>\$ 44,584,860</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 972,536	\$ 1,067,184
Other liabilities	6,762	17,115
Current portion of capital lease payable	4,220	-
Current maturities of long-term debt	<u>1,731,661</u>	<u>1,606,838</u>
Total current liabilities	<u>2,715,179</u>	<u>2,691,137</u>
LONG-TERM LIABILITIES:		
Accrued interest	2,862,612	2,601,478
Reserves for contingencies	454,197	254,662
Capital lease payable, less current portion	19,948	-
Long-term debt, less current portion	<u>19,654,614</u>	<u>21,385,714</u>
Total long-term liabilities	<u>22,991,371</u>	<u>24,241,854</u>
TOTAL LIABILITIES	<u>25,706,550</u>	<u>26,932,991</u>
NET ASSETS:		
Invested in capital assets, net of related debt	5,499,262	1,464,019
Unrestricted -		
Board designated	13,407,286	14,923,389
Other unrestricted	<u>734,781</u>	<u>1,264,461</u>
Total net assets	<u>19,641,329</u>	<u>17,651,869</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 45,347,879</u></u>	<u><u>\$ 44,584,860</u></u>

The accompanying notes are an integral part of these financial statements.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

Year Ended June 30,

	2010	2009
OPERATING REVENUES:		
Administrative income	\$ 3,888,981	\$ 4,089,483
Central Business Improvement District Assessment	2,744,129	2,615,517
Development income	30,026	256,966
Marketing income	52,426	76,160
Operations income	34,604	27,598
Parking garage management	1,198,909	1,212,920
Total Operating Revenues	7,949,075	8,278,644
OPERATING EXPENSES:		
Salaries and benefits	1,743,430	1,676,826
Advertising	265,200	126,798
Business community relations	8,804	9,193
Conferences and travel	21,015	35,760
Depreciation and amortization	993,354	971,470
Event production	189,578	202,276
Insurance	72,494	74,162
Office expenses	152,987	111,389
Other personnel expenses	193,299	200,956
Parking garage management fees	620,205	646,383
Planning and development	162,240	567,870
Professional fees	262,903	294,464
Rent expense	317,095	319,759
Repairs and maintenance	81,987	80,911
Search and relocation expenses	51,078	1,626
Subscriptions and dues	6,200	9,832
Total Operating Expenses	5,141,869	5,329,675
OPERATING INCOME	2,807,206	2,948,969
NON-OPERATING REVENUES (EXPENSES):		
Interest income	74,306	197,059
Net increase in the fair value of investments	15,624	36,385
Interest expense	(907,676)	(940,436)
Total Non-Operating Revenues (Expenses)	(817,746)	(706,992)
INCREASE IN NET ASSETS	1,989,460	2,241,977
TOTAL NET ASSETS - BEGINNING	17,651,869	15,409,892
TOTAL NET ASSETS - ENDING	\$ 19,641,329	\$ 17,651,869

The accompanying notes are an integral part of these financial statements.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

COMBINED STATEMENTS OF CASH FLOWS

Year Ended June 30,

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 8,128,756	\$ 8,391,748
Cash paid to suppliers for goods and services	(2,530,324)	(2,083,789)
Cash paid to employees for services	<u>(1,743,430)</u>	<u>(1,676,826)</u>
Net Cash Provided By (Used In) Operating Activities	<u>3,855,002</u>	<u>4,631,133</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(3,446,488)	(3,763,861)
Disposal of capital assets	-	86,537
Unamortized bond issuance costs	21,523	21,524
Proceeds from 2008 bond issuance	-	5,200,000
Proceeds from capital lease, net	24,168	-
Debt repayment	(1,606,277)	(775,472)
Interest payments	<u>(646,542)</u>	<u>(644,454)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(5,653,616)</u>	<u>124,274</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash earned on investments	89,930	282,423
Proceeds from sales of investments	260,396	88,173
Purchase of investments	(370,408)	-
Transfers to designated cash and cash equivalents	(1,764,355)	266,209
Loans made under Development Loan Program	(356,264)	(322,000)
Collections on loans receivable	<u>244,558</u>	<u>177,302</u>
Net Cash Provided By (Used In) Investing Activities	<u>(1,896,143)</u>	<u>492,107</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,694,757)	5,247,514
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,646,693</u>	<u>6,399,179</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,951,936</u>	<u>\$ 11,646,693</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR CONSIST OF:		
Undesignated cash and cash equivalents	\$ 2,322,114	\$ 2,745,379
Designated cash and cash equivalents	<u>5,629,822</u>	<u>8,901,314</u>
TOTAL	<u>\$ 7,951,936</u>	<u>\$ 11,646,693</u>

The accompanying notes are an integral part of these financial statements.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

COMBINED STATEMENTS OF CASH FLOWS (Continued)

Year Ended June 30,

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 2,807,206	\$ 2,948,969
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	993,354	971,470
(Increase) decrease in assets:		
Accounts receivables	(19,854)	118,317
Prepaid expenses	(20,238)	(6,495)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(94,648)	601,387
Other liabilities	(10,353)	2,698
Reserves	199,535	(5,213)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,855,002</u>	<u>\$ 4,631,133</u>

The accompanying notes are an integral part of these financial statements.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS

Year Ended June 30, 2010 and 2009

NOTE 1 – ORGANIZATION

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

- The Memphis Center City Commission (the "Commission") was formed in January 1977 by the Council of the City of Memphis, Tennessee. Shelby County became a partner in the organization shortly thereafter. The purpose of the Commission is to represent an official partnership between the governments of the City of Memphis and Shelby County, Tennessee and the private business community. The Commission promotes, manages, and coordinates the comprehensive redevelopment of the center city area. The Commission 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.
- Crump Building, Inc. ("CBI") is a corporation owned by CCDC and was created in June 1997 to own and manage the real estate activities of The Crump Building located at 114 North Main Street. The Commission moved their offices to The Crump Building in September, 1997. CBI, a for-profit corporation, is subject to federal and state income tax.
- 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.

The annual operating funds for the Commission 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 Commission operating expenses over operating revenues, if any.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Commission are prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The Commission adopted GASB Statement #20, "Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Accounting", and elected to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

Cash and Cash Equivalents

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

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

Year Ended June 30, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Commission provides for depreciation using the straight-line method over the estimated useful lives of the assets, ranging from 2 – 40 years. Expenditures over \$500, for single items, and \$1,000, for groups of items, are capitalized.

Income Taxes

Except for Crump Building, Inc., no provision for federal and state income taxes has been provided since the Commission is an agency established under the ordinances of the City of Memphis. Crump Building, Inc. accounts for income taxes in accordance with the FASB Accounting Standards Codification Subtopic 740-10 regarding Income Taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the period in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Basis of Presentation

The Combined financial statements include the accounts of Memphis Center City Commission, Memphis Center City Revenue Finance Corporation, Memphis Center City Development Corporation, Downtown Parking Authority, and Crump Building, Inc.

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.

Reclassifications

Certain reclassifications have been made to the prior year financial statement numbers in order for them to conform to the current year presentation.

NOTE 3 - CASH AND CASH EQUIVALENTS

A. Designated Cash and Cash Equivalents

Designated cash and cash equivalents includes the Development Loan Program (see Note 4), the Public Improvements Program, 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. The Public Improvements Program is committed to certain downtown development projects for related public improvements and provides funds from Payment In Lieu of Taxes ("PILOT") fees for eligible improvements within the public right-of-way.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

Year Ended June 30, 2010 and 2009

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The designated cash and cash equivalent balances as of June 30, are designated for the following:

	<u>2010</u>	<u>2009</u>
Development Loan Program	\$ 841,310	\$ 819,486
Parking Garage Debt Service	3,193,507	6,062,976
Parking Garage Capital Reserve	118,708	103,288
Parking Garage Operating Reserve	42,680	42,525
Parking Garage Rental	315,000	315,000
PILOT Trust Funds	8,773,138	7,008,634
Public Improvement Program	<u>122,943</u>	<u>562,514</u>
Total	<u>\$ 13,407,286</u>	<u>\$ 14,914,423</u>

The funds included in the above programs are reflected in the accompanying combined Statement of Financial Position as follows:

	<u>2010</u>	<u>2009</u>
Current Assets	\$ 5,629,822	\$ 8,901,314
Non-current Assets	<u>7,777,464</u>	<u>6,013,109</u>
Total	<u>\$ 13,407,286</u>	<u>\$ 14,914,423</u>

Designated funds consist of the following:

<u>Custodian</u>	<u>Cash Instrument</u>	<u>2010</u>	<u>2009</u>
Deutsche Bank Trust Company Americas	Goldman Sachs Financial Square Treasury Obligations Mutual Funds	\$ 8,773,138	\$ 7,008,634
SunTrust Bank	Business Money Market Accounts	3,193,507	6,062,976
State of Tennessee, Treasury Department	State of Tennessee Local Government Investment Pool	1,164,519	1,394,166
First Tennessee Bank	Fidelity Government Portfolio	<u>276,123</u>	<u>448,647</u>
Total designated funds		<u>\$ 13,407,286</u>	<u>\$ 14,914,423</u>

B. Undesignated Cash and Cash Equivalents

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

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

Year Ended June 30, 2010 and 2009

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Undesignated funds consist of the following:

<u>Custodian</u>	<u>Cash Instrument</u>	<u>2010</u>	<u>2009</u>
First Alliance Bank	Checking Account	\$ 57,026	\$ 56,367
State of Tennessee Treasury Department	State of Tennessee Local Government Investment Pool	2,235,355	2,670,393
SunTrust Bank	Checking Account	29,733	18,619
		<u>\$ 2,322,114</u>	<u>\$ 2,745,379</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 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; which at June 30, 2010 was made up of four (4) loans. Loans determined to be uncollectible are written off when the debtor no longer exists (e.g. bankrupt, expired, etc.). The Commission doesn't write the loan off if the individual or entity can have a judgment placed against them that may ultimately be collected.

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Loans receivable consists of the following:		
Amount due as of year end	\$ 1,825,196	\$ 1,764,770
Less: allowance for doubtful accounts	<u>(99,720)</u>	<u>(151,000)</u>
	1,725,476	1,613,770
Less: current portion of loans receivable	<u>(393,213)</u>	<u>(323,645)</u>
Long-term loans receivable	<u>\$ 1,332,263</u>	<u>\$ 1,290,125</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. SFAS No. 157 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.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

Year Ended June 30, 2010 and 2009

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

- 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.

The estimated fair value of the Commission'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 Commission 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. These assets measured at fair value on a recurring basis are summarized in the table below:

	<u>Fair Value</u>	<u>Fair Value Measurements Using:</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
June 30, 2010			
Fixed income bonds	\$ 364,840	\$ 364,840	\$ -
Development loans	1,825,196	-	1,825,196
Total	<u>\$ 2,190,036</u>	<u>\$ 364,840</u>	<u>\$ 1,825,196</u>
June 30, 2009			
Fixed income bonds	\$ 364,840	\$ 364,840	\$ -
Certificate of deposit	8,966	8,966	-
Development loans	1,764,770	-	1,764,770
Total	<u>\$ 2,138,576</u>	<u>\$ 373,806</u>	<u>\$ 1,764,770</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 following table provides further details of the Level 3 fair value measurements.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

Year Ended June 30, 2010 and 2009

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

June 30, 2010

Beginning balance	\$ 1,764,770
Issuances and collections, net	<u>60,426</u>
Ending balance	<u><u>\$ 1,825,196</u></u>

June 30, 2009

Beginning balance	\$ 1,469,072
Issuances and collections, net	<u>295,698</u>
Ending balance	<u><u>\$ 1,764,770</u></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 Commission 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 Commission has the ability and generally has the intention to hold all investments until their respective maturity dates. The average maturity of the Commission's pooled cash and investments as of June 30, 2009, was approximately 20 months. If it becomes necessary or strategically prudent for the Commission to sell a security prior to maturity, the Commission'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 Commission'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. Investments in any one issuer that represents 5% or more of total investments (except for U.S. Treasury securities, mutual funds, and external investment pools) are as follows:

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

Year Ended June 30, 2010 and 2009

NOTE 6 -- INVESTMENTS (Continued)

	Carrying Amount	
	2010	2009
FHLB-STEP, 1.125 %, due July 23, 2012	\$ 75,023	\$ -
FHLB, 3.050 %, due October 22, 2010	50,437	51,484
FHLB, 2.050 %, due August 10, 2012	25,351	-
FNMA, 1.550 %, due October 5, 2012	50,125	-
FHLB, 1.500 %, due December 10, 2012	100,156	-
FHLMC, 2.000%, due March 16, 2011	-	50,308
FHLMC, 2.000%, due December 30, 2011	-	25,045
FNMA, 2.100 %, due September 23, 2011	-	50,110
FNMA, 2.000 %, due December 30, 2011	-	25,000
Total	\$ 301,092	\$ 201,947

As of June 30, 2010, the Commission had total undesignated fixed income investments of \$483,818, with credit rating and maturities as follows:

Type of Investments	Credit Rating	Maturity				Carrying Value
		Under 30 Days	31-180 Days	181-365 Days	1-5 Years	
FHLB	Aaa	\$ 75,023	\$ 50,437	\$ -	\$ 125,508	\$ 250,968
FHLMC	Aaa	-	-	-	50,125	50,125
Corporate	A1	-	10,045	-	20,717	30,762
Corporate	A2	-	-	20,456	58,332	78,788
Corporate	A3	-	-	20,560	21,569	42,129
Corporate	Baa1	-	10,043	-	21,003	31,046
		\$ 75,023	\$ 70,525	\$ 41,016	\$ 297,254	\$ 483,818

As of June 30, 2009, the Commission had total undesignated fixed income investments of \$364,840, with credit rating and maturities as follows:

Type of Investments	Credit Rating	Maturity				Carrying Value
		Under 30 Days	31-180 Days	181-365 Days	1-5 Years	
FHLB	Aaa	\$ -	\$ -	\$ -	\$ 51,484	\$ 51,484
FHLMC	Aaa	-	-	-	75,353	75,353
FNMA	Aaa	-	-	-	95,263	95,263
Corporate	Aa2	-	-	-	10,492	10,492
Corporate	Aa3	-	10,047	-	-	10,047
Corporate	A1	-	10,071	-	-	10,071
Corporate	A2	-	15,178	10,023	21,398	46,599
Corporate	A3	-	-	15,510	20,812	36,322
Corporate	Baa1	-	-	-	10,702	10,702
Corporate	Baa2	-	8,957	-	-	8,957
Corporate	Baa3	-	-	9,550	-	9,550
		\$ -	\$ 44,253	\$ 35,083	\$ 285,504	\$ 364,840

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

Year Ended June 30, 2010 and 2009

NOTE 6 – INVESTMENTS (Continued)

The Development Loan Program undesignated investments as of June 30, 2010 are carried at fair value and include the following investments:

	Carrying Amount	
	2010	2009
Bank One Corporation, 7.875%, due August 1, 2010	\$ 10,045	\$ -
Commonwealth Edison, 4.740%, due August 15, 2010	10,043	-
John Deere Capital Corp., 4.000%, due March 15, 2011	10,109	-
Diageo Finance BV, 3.875 %, due April 1, 2011	10,157	10,246
Rochester Gas & Electric, 6.950%, due April 1, 2011	10,403	-
Morgan Stanley, 6.750 %, due April 15, 2011	10,346	10,476
FHLB-STEP, 1.125 %, due July 23, 2012	75,023	-
FHLB, 3.050 %, due October 22, 2010	50,437	51,484
FHLB, 2.050 %, due August 10, 2012	25,351	-
FNMA, 1.550 %, due October 5, 2012	50,125	-
FHLB, 1.500 %, due December 10, 2012	100,156	-
General Dynamics Corp., 1.800%, due July 15, 2011	10,068	-
McCormick & Co., 5.800%, due July 15, 2011	10,470	-
BB & T Corporaton, 3.100%, due July 28, 2011	10,168	-
BellSouth Corporation, 6.000%, due October 15, 2011	15,924	-
National Rural Utilities, 7.250%, March 1, 2012	10,966	10,922
Pfizer, Inc., 4.450%, March 15, 2012	10,550	10,492
Praxair, Inc., 6.375%, due April 1, 2012	10,905	-
M & T Bank Corp., 5.375%, due May 24, 2012	10,637	-
Science Applications, 6.250 %, due July 1, 2012	10,932	10,566
Southern Power, 6.250 %, due July 15, 2012	10,887	10,702
Thermo Fisher Scientific, 2.150%, December 28, 2012	10,116	-
American General Finance, 4,000%, due December 15, 2009	-	8,957
Becton Dickison, 7.150%, due October 1, 2009	-	15,178
Cons Edison Co of NY, 8.125%, due May 1, 2010	-	10,476
Deere Capital Corp VR, 2.169%, due February 26, 2010	-	10,023
FHLMC. 2.000%, due December 30, 2011	-	25,045
FHLMC. 2.000%, due March 16, 2011	-	50,308
FNMA, 2.000 %, due August 10, 2011	-	15,047
FNMA, 2.100 %, due September 23, 2011	-	50,110
FNMA, 2.000 %, due December 30, 2011	-	25,000
FNMA, 4.000 %, due April 28, 2014	-	5,106
IBM Corporation, 4.250%, due September 15, 2009	-	10,071
JP Morgan Chase & Co., 3.800%, due October 2, 2009	-	10,047
PNC Funding Corporation, 4.50%, due March 10, 2010	-	5,034
Textron Financial Corporation, 4.600%, due May 3, 2010	-	9,550
Total	\$ 483,818	\$ 364,840

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

Year Ended June 30, 2010 and 2009

NOTE 7 – CAPITAL ASSETS, NET

Capital assets, as of June 30, 2010, consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 2,044,013	\$ -	\$ -	\$ 2,044,013
Constuction in progress	4,819,642	2,781,231		7,600,873
Total nondepreciable capital assets	<u>6,863,655</u>	<u>2,781,231</u>	<u>-</u>	<u>9,644,886</u>
Depreciable Capital Assets:				
Building	17,540,900	-	-	17,540,900
Streetscape improvements	4,520,143	602,627	-	5,122,770
Leasehold improvements	770,589	16,566	-	787,155
Furniture and equipment	728,608	46,064	-	774,672
Total depreciable capital assets	<u>23,560,240</u>	<u>665,257</u>	<u>-</u>	<u>24,225,497</u>
Accumulated depreciation:				
Building	(4,225,049)	(581,798)	-	(4,806,847)
Streetscape improvements	(835,281)	(321,432)	-	(1,156,713)
Leasehold improvements	(224,733)	(59,266)	-	(283,999)
Furniture and equipment	(682,261)	(30,858)	-	(713,119)
Total accumulated depreciation	<u>(5,967,324)</u>	<u>(993,354)</u>	<u>-</u>	<u>(6,960,678)</u>
Total Depreciable Capital Assets, net	<u>17,592,916</u>	<u>(328,097)</u>	<u>-</u>	<u>17,264,819</u>
Intangible asset:				
Internet domain name	13,000	-	-	13,000
Amortization:				
Internet domain name	(13,000)	-	-	(13,000)
Intangible asset, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets, net	<u>\$ 24,456,571</u>	<u>\$ 2,453,134</u>	<u>\$ -</u>	<u>\$ 26,909,705</u>

Depreciation expense was \$993,354 for the year ended June 30, 2010.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

Year Ended June 30, 2010 and 2009

NOTE 7 – CAPITAL ASSETS, NET (Continued)

Capital assets, as of June 30, 2009, consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 2,130,550	\$ -	\$ (86,537)	\$ 2,044,013
Construction in progress	1,144,563	3,675,079	-	4,819,642
Total nondepreciable capital assets	<u>3,275,113</u>	<u>3,675,079</u>	<u>(86,537)</u>	<u>6,863,655</u>
Depreciable Capital Assets:				
Building	17,531,700	9,200	-	17,540,900
Streetscape improvements	4,520,143		-	4,520,143
Leasehold improvements	697,286	73,303	-	770,589
Furniture and equipment	722,329	6,279	-	728,608
Total depreciable capital assets	<u>23,471,458</u>	<u>88,782</u>	<u>-</u>	<u>23,560,240</u>
Accumulated depreciation:				
Building	(3,644,479)	(580,570)	-	(4,225,049)
Streetscape improvements	(533,938)	(301,343)	-	(835,281)
Leasehold improvements	(168,252)	(56,481)	-	(224,733)
Furniture and equipment	(649,185)	(33,076)	-	(682,261)
Total accumulated depreciation	<u>(4,995,854)</u>	<u>(971,470)</u>	<u>-</u>	<u>(5,967,324)</u>
Intangible asset:				
Internet domain name	13,000	-	-	13,000
Amortization:				
Internet domain name	<u>(13,000)</u>	<u>-</u>	<u>-</u>	<u>(13,000)</u>
Intangible asset, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets, net	<u><u>\$ 21,750,717</u></u>	<u><u>\$ 2,792,391</u></u>	<u><u>\$ (86,537)</u></u>	<u><u>\$ 24,456,571</u></u>

Depreciation expense was \$971,470 for the year ended June 30, 2009.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

Year Ended June 30, 2010 and 2009

NOTE 8 – LONG-TERM DEBT

Long-term debt consisted of the following as of June 30:

	<u>2010</u>	<u>2009</u>
<p>Taxable revenue serial bonds 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 commencing June 1, 2005. The interest on the serial bonds varies from 3.09% to 4.09%. There are two term bonds with interest rates of 5% and 5.8%. The term bonds were sold at a discount and the yield effective interest rates are 5.05% and 5.9%. The bonds mature at various dates through June 1, 2025. The term bonds are 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. The bonds maturing on or after December 1, 2015 can be redeemed at the option of the Bond Trustee on or after December 1, 2014. A discount of \$63,102 for 2010 and \$67,309 for 2009 has been applied to the note balance in order to show it at present value.</p>	\$ 8,631,898	\$ 9,002,691
<p>Taxable revenue bond series 2008 issued pursuant to a Trust Indenture secured by revenue from the Pilot Extension Fund, for the construction cost of the 100 S Main Garage project. Interest is payable semi-annually on June 5 and December 5 of each year, commencing June 5, 2009. The interest rate is 5.15% per annum. The bond matures December 5, 2015. The bond is subject to a mandatory sinking fund not less than the principal next to become due pursuant to the terms of the indenture.</p>	4,310,394	5,153,979
<p>Borrowings from the City of Memphis for the construction of the Peabody Place Garage. Balance will accrue 5.05% simple interest beginning when the construction is complete. 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 *

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

Year Ended June 30, 2010 and 2009

NOTE 8 – LONG-TERM DEBT (Continued)

	<u>2010</u>	<u>2009</u>
Borrowings from the City of Memphis for Streetscape Improvement Projects recommended by Center City Commission's Streetscape Master Plan and the Center City Commission's Way Funding Master Plan. Interest is payable in November and May of each year at a rate of 4%. The note is secured by \$500,000 in additional CBID special assessment fees.	2,700,000	3,030,000
5.375% note payable to a bank, due in 180 monthly installments of \$8,149, maturing June 1, 2018. The loan is secured by a first mortgage deed of trust on the Crump Building.	<u>623,983</u>	<u>685,882</u>
	21,386,275	22,992,552
Less: current portion	<u>(1,731,661)</u>	<u>(1,606,838)</u>
Total Long-term debt	<u>\$ 19,654,614</u>	<u>\$ 21,385,714</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, 2010 and 2009, the accrued interest payable is \$2,822,616 and \$2,564,054, respectively, and is included in Long-Term Liabilities in the accompanying Combined Statement of Financial Position.

Estimated principal payments due in each of the next five fiscal years and thereafter are as follows:

Year Ending June 30,		
2010	\$ -	\$ 1,606,838
2011	1,731,661	1,735,245
2012	1,818,840	1,818,840
2013	1,912,633	1,912,633
2014	2,006,634	2,006,634
2015	1,214,836	1,214,836
Thereafter	<u>12,764,773</u>	<u>12,764,835</u>
	21,449,377	23,059,861
Less: discount to present value	(63,102)	(67,309)
Less: current portion	<u>(1,731,661)</u>	<u>(1,606,838)</u>
Total long-term debt	<u>\$ 19,654,614</u>	<u>\$ 21,385,714</u>

NOTE 9 – LEASES

The Commission entered into a five (5) year capital lease/purchase agreement with Business Communications of Memphis, Inc. in May 2010, for a new Toshiba 200IP telephone system. Under the terms of the lease/purchase agreement, monthly payments of \$491 are to be made, beginning June 30, 2010 and ending May 31, 2015.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

Year Ended June 30, 2010 and 2009

NOTE 9 – LEASES (Continued)

The Commission leases some of its office equipment under agreements classified as operating leases. Also, the Commission occupies office space in the Crump Building under the agreement calling for lease payments equal to the debt plus 15% on the Crump Building loan plus building expenses relating to the Commission's occupancy. Total lease related expense was \$427,440 for the years ended June 30, 2010 and 2009.

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 expires in 2018, but can be renewed for an additional ten years. 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.

Minimum future lease payments under capital and non-cancelable operating leases having remaining terms in excess of one year are as follows:

Year Ending June 30,	<u>2010</u>	<u>2009</u>
2010	\$ -	\$ 427,440
2011	431,660	427,440
2012	431,989	427,440
2013	338,644	333,740
2014	320,287	315,000
2015	320,208	315,000
Thereafter	<u>945,000</u>	<u>945,000</u>
Total minimum future rental payments	<u>\$ 2,787,788</u>	<u>\$ 3,191,060</u>

NOTE 10 – RETIREMENT PLAN

On July 31, 1987, the Commission established a defined contribution retirement plan for all salaried employees, effective August 1, 1986. The Commission contributes 5% of each participant's annual salary. Participants vest in 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, 2010 and 2009 were \$63,008 and \$64,686, respectively.

NOTE 11 – CONTINGENCIES AND COMMITMENTS

The Center City Revenue Finance Corporation (CCRFC) also 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.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

Year Ended June 30, 2010 and 2009

NOTE 12 – RISK MANAGEMENT

The Commission 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 Commission'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 three years.

NOTE 13 – INCOME TAXES

Crump Building, Inc. is a taxable corporation. The company's deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax assets consist of the following:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Net operating loss carry forward	\$ 21,031	\$ 34,385
Unused investment tax credit	193,587	193,587
Property and equipment	(17,387)	(3,029)
Valuation allowance	<u>(197,231)</u>	<u>(224,943)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

Crump Building, Inc. at June 30, 2010, has a federal net operating loss carryover of \$61,856, which can be carried forward to 2023.

NOTE 14 – RESERVES FOR CONTINGENCIES

The 1997 Development Agreement between the Downtown Parking Authority and Belz Enterprises requires the following reserves:

	<u>2010</u>	<u>2009</u>
Operating reserve	\$ 42,680	\$ 42,525
Capital Reserve	118,708	103,288
Potential refunds of Central Business Improvement District assessments resulting from property revaluations	<u>292,809</u>	<u>108,849</u>
Total	<u>\$ 454,197</u>	<u>\$ 254,662</u>

COMBINING FINANCIAL STATEMENTS

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2010

ASSETS

	Memphis Center City Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation	Crump Building, Inc.	Memphis Center City Parking Authority	Total
CURRENT ASSETS:						
Cash and cash equivalents	\$ 518,233	\$ 1,193,075	\$ -	\$ -	\$ 610,806	\$ 2,322,114
Designated cash and cash equivalents	-	964,253	-	-	4,665,569	5,629,822
Loans receivable, current portion	-	393,213	-	-	-	393,213
Accounts receivable	49,603	-	-	-	34,993	84,596
Deferred charges	-	-	-	-	322,849	322,849
Prepaid expenses	16,796	-	45,497	-	29,742	92,035
Total current assets	584,632	2,550,541	45,497	-	5,663,959	8,844,629
NON-CURRENT ASSETS:						
Investments	-	483,818	-	-	-	483,818
Designated PILOT trust funds	-	-	7,777,464	-	-	7,777,464
Loans receivable, less current portion	-	1,332,263	-	-	-	1,332,263
Land	-	-	-	-	2,044,013	2,044,013
Improvements in progress	-	-	-	-	7,600,873	7,600,873
Depreciable assets, net of accumulated depreciation	4,413,494	582,537	-	463,514	11,805,274	17,264,819
Total non-current assets	4,413,494	2,398,618	7,777,464	463,514	21,450,160	36,503,250
TOTAL ASSETS	\$ 4,998,126	\$ 4,949,159	\$ 7,822,961	\$ 463,514	\$ 27,114,119	\$ 45,347,879

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:						
Accounts payable and accrued expenses	\$ 75,887	\$ 4,895	\$ 20,789	\$ 18,372	\$ 852,593	\$ 972,536
Other liabilities	10,310	1,500	-	-	(5,048)	6,762
Current portion of capital lease payable	4,220	-	-	-	-	4,220
Current maturities of long-term debt	340,000	-	-	65,245	1,326,416	1,731,661
Total current liabilities	430,417	6,395	20,789	83,617	2,173,961	2,715,179
LONG-TERM LIABILITIES:						
Accrued interest	18,000	-	-	-	2,844,612	2,862,612
Reserves for contingencies	292,809	-	-	-	161,388	454,197
Capital lease payable, less current portion	19,948	-	-	-	-	19,948
Long-term debt, less current portion	2,360,000	-	-	558,737	16,735,877	19,654,614
Total long-term liabilities	2,690,757	-	-	558,737	19,741,877	22,991,371
TOTAL LIABILITIES	3,121,174	6,395	20,789	642,354	21,915,838	25,706,550
NET ASSETS:						
Invested in capital assets, net of related debt	1,689,327	582,537	-	(160,469)	3,387,867	5,499,262
Unrestricted -						
Board designated	-	964,253	7,777,464	-	4,665,569	13,407,286
Other unrestricted	187,625	3,395,974	24,708	(18,371)	(2,855,155)	734,781
Total net assets	1,876,952	4,942,764	7,802,172	(178,840)	5,198,281	19,641,329
TOTAL LIABILITIES AND NET ASSETS	\$ 4,998,126	\$ 4,949,159	\$ 7,822,961	\$ 463,514	\$ 27,114,119	\$ 45,347,879

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2009

ASSETS

	Memphis Center City Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation	Crump Building, Inc.	Downtown Parking Authority	Total
CURRENT ASSETS:						
Cash and cash equivalents	\$ 527,436	\$ 1,538,676	\$ -	\$ -	\$ 679,267	\$ 2,745,379
Designated cash and cash equivalents	-	1,382,000	-	-	7,519,314	8,901,314
Loans receivable, current portion	-	323,645	-	-	-	323,645
Accounts receivable	16,072	-	-	-	48,670	64,742
Deferred charges	-	-	-	-	344,372	344,372
Prepaid expenses	28,813	-	24,396	-	18,588	71,797
Total current assets	572,321	3,244,321	24,396	-	8,610,211	12,451,249
NON-CURRENT ASSETS:						
Investments	-	364,840	-	-	-	364,840
Designated investments	-	-	8,966	-	-	8,966
Designated PILOT trust funds	-	-	6,013,109	-	-	6,013,109
Loans receivable, less current portion	-	1,290,125	-	-	-	1,290,125
Land	-	-	-	-	2,044,013	2,044,013
Improvements in progress	-	479,749	-	-	4,339,893	4,819,642
Depreciable assets, net of accumulated depreciation	4,786,306	-	-	526,744	12,279,866	17,592,916
Total non-current assets	4,786,306	2,134,714	6,022,075	526,744	18,663,772	32,133,611
TOTAL ASSETS	\$ 5,358,627	\$ 5,379,035	\$ 6,046,471	\$ 526,744	\$ 27,273,983	\$ 44,584,860

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:						
Accounts payable and accrued expenses	\$ 112,069	\$ 141,575	\$ 20,485	\$ -	\$ 793,055	\$ 1,067,184
Other liabilities	7,000	-	-	-	10,115	17,115
Current maturities of long-term debt	330,000	-	-	61,838	1,215,000	1,606,838
Total current liabilities	449,069	141,575	20,485	61,838	2,018,170	2,691,137
LONG-TERM LIABILITIES:						
Accrued interest	20,200	-	-	-	2,581,278	2,601,478
Reserves for contingencies	108,849	-	-	-	145,813	254,662
Long-term debt, less current portion	2,700,000	-	-	624,044	18,061,670	21,385,714
Total long-term liabilities	2,829,049	-	-	624,044	20,788,761	24,241,854
TOTAL LIABILITIES	3,278,118	141,575	20,485	685,882	22,806,931	26,932,991
NET ASSETS:						
Invested in capital assets, net of related debt	1,756,306	479,749	-	(159,138)	(612,898)	1,464,019
Unrestricted -						
Board designated	-	1,382,000	6,022,075	-	7,519,314	14,923,389
Other unrestricted	324,203	3,375,711	3,911	-	(2,439,364)	1,264,461
Total net assets	2,080,509	5,237,460	6,025,986	(159,138)	4,467,052	17,651,869
TOTAL LIABILITIES AND NET ASSETS	\$ 5,358,627	\$ 5,379,035	\$ 6,046,471	\$ 526,744	\$ 27,273,983	\$ 44,584,860

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS**

Year Ended June 30, 2010

	Memphis Center City Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation	Crump Building, Inc.	Downtown Parking Authority	Elimination	Total
OPERATING REVENUES:							
Administrative income	\$ -	\$ -	\$ 3,888,981	\$ -	\$ -	\$ -	\$ 3,888,981
CBID assessment	2,744,129	-	-	-	-	-	2,744,129
Development income	-	30,026	-	-	-	-	30,026
Marketing income	52,426	-	-	-	-	-	52,426
Operations income	34,604	-	-	-	-	-	34,604
Parking garage management	-	-	-	-	1,198,909	-	1,198,909
Real estate income	-	-	-	112,440	-	(112,440)	-
Total Operating Revenues	2,831,159	30,026	3,888,981	112,440	1,198,909	(112,440)	7,949,075
OPERATING EXPENSES:							
Salaries and benefits	1,743,430	-	-	-	-	-	1,743,430
Advertising	265,200	-	-	-	-	-	265,200
Business community relations	7,144	481	690	-	489	-	8,804
Conferences and travel	21,015	-	-	-	-	-	21,015
Depreciation and amortization	422,219	20,089	-	63,230	487,816	-	993,354
Event production	189,578	-	-	-	-	-	189,578
Insurance	27,262	-	-	-	45,232	-	72,494
Office expenses	148,036	-	-	3,206	1,745	-	152,987
Other personnel expenses	188,837	-	-	-	4,462	-	193,299
Parking garage management fees	-	-	-	-	620,205	-	620,205
Planning and development	105,650	56,590	-	-	-	-	162,240
Professional fees	50,422	47,686	105,844	3,771	55,180	-	262,903
Rent expense	114,535	-	-	-	315,000	(112,440)	317,095
Repairs and maintenance	80,976	-	-	-	1,011	-	81,987
Search and relocation expenses	51,078	-	-	-	-	-	51,078
Subscriptions and dues	6,200	-	-	-	-	-	6,200
Total Operating Expenses	3,421,582	124,846	106,534	70,207	1,531,140	(112,440)	5,141,869
OPERATING INCOME (LOSS)	(590,423)	(94,820)	3,782,447	42,233	(332,231)	-	2,807,206
NON-OPERATING REVENUE (EXPENSES):							
Interest income	4,246	55,173	-	-	14,887	-	74,306
Net increase (decrease) in the fair value of investments	-	14,690	764	-	170	-	15,624
Interest expense	(112,559)	-	-	(35,945)	(759,172)	-	(907,676)
Net transfers in (out)	495,179	(269,739)	(2,007,025)	(25,990)	1,807,575	-	-
Total Non-Operating Revenues (Expenses)	386,866	(199,876)	(2,006,261)	(61,935)	1,063,460	-	(817,746)
CHANGE IN NET ASSETS	(203,557)	(294,696)	1,776,186	(19,702)	731,229	-	1,989,460
TOTAL NET ASSETS - BEGINNING	2,080,509	5,237,460	6,025,986	(159,138)	4,467,052	-	17,651,869
TOTAL NET ASSETS - ENDING	\$ 1,876,952	\$ 4,942,764	\$ 7,802,172	\$ (178,840)	\$ 5,198,281	\$ -	\$ 19,641,329

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
Year Ended June 30, 2009

	Memphis Center City Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation	Crump Building, Inc.	Downtown Parking Authority	Elimination	Total
OPERATING REVENUES:							
Administrative income	\$ -	\$ -	\$ 4,089,483	\$ -	\$ -	\$ -	\$ 4,089,483
CBID assessment	2,615,517	-	-	-	-	-	2,615,517
Development income	-	6,966	-	-	250,000	-	256,966
Marketing income	76,160	-	-	-	-	-	76,160
Operations income	27,598	-	-	-	-	-	27,598
Other operating income	-	-	-	-	-	-	-
Parking garage management	-	-	-	-	1,212,920	-	1,212,920
Real estate income	-	-	-	112,440	-	(112,440)	-
Total Operating Revenues	2,719,275	6,966	4,089,483	112,440	1,462,920	(112,440)	8,278,644
OPERATING EXPENSES:							
Salaries and benefits	1,676,826	-	-	-	-	-	1,676,826
Advertising	126,798	-	-	-	-	-	126,798
Business community relations	6,574	992	704	-	923	-	9,193
Conferences and travel	35,760	-	-	-	-	-	35,760
Depreciation and amortization	423,955	-	-	63,230	484,285	-	971,470
Event production	202,276	-	-	-	-	-	202,276
Insurance	28,121	-	-	-	46,041	-	74,162
Office expenses	110,365	39	69	-	916	-	111,389
Other personnel expenses	200,956	-	-	-	-	-	200,956
Parking garage management fees	-	-	-	-	646,383	-	646,383
Planning and development	65,652	502,218	-	-	-	-	567,870
Professional fees	36,400	31,468	99,847	2,073	124,676	-	294,464
Rent expense	117,199	-	-	-	315,000	(112,440)	319,759
Repairs and maintenance	69,501	-	-	-	11,410	-	80,911
Search and relocation expenses	1,626	-	-	-	-	-	1,626
Subscriptions and dues	9,832	-	-	-	-	-	9,832
Total Operating Expenses	3,111,841	534,717	100,620	65,303	1,629,634	(112,440)	5,329,675
OPERATING INCOME (LOSS)	(392,566)	(527,751)	3,988,863	47,137	(166,714)	-	2,948,969
NON-OPERATING REVENUE							
(EXPENSES):							
Interest income	34,855	107,354	-	-	54,850	-	197,059
Net increase (decrease) in the fair value of investments	-	12,594	20,540	-	3,251	-	36,385
Interest expense	(125,400)	-	-	(39,128)	(775,908)	-	(940,436)
Net transfers	483,111	435,335	(6,475,302)	(12,583)	5,569,439	-	-
Total Non-Operating Revenues (Expenses)	392,566	555,283	(6,454,762)	(51,711)	4,851,632	-	(706,992)
CHANGE IN NET ASSETS	-	27,532	(2,465,899)	(4,574)	4,684,918	-	2,241,977
TOTAL NET ASSETS - BEGINNING	2,080,509	5,209,928	8,491,885	(154,564)	(217,866)	-	15,409,892
TOTAL NET ASSETS - ENDING	\$ 2,080,509	\$ 5,237,460	\$ 6,025,986	\$ (159,138)	\$ 4,467,052	\$ -	\$ 17,651,869



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**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
Memphis Center City Commission
And Related Entities
Memphis, Tennessee

We have audited the combined financial statements of the Memphis Center City Commission and Related Entities (Commission), as of and for the year ended June 30, 2010, and have issued our report thereon dated October 19, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, noncompliance with which could have a direct and material effect on the determination of 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*.

This report is intended for the information and use of the audit committee, management, others within the Commission, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Zoccola Kaplan, PLLC

Germantown, Tennessee
October 19, 2010

**MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
INDEPENDENT AUDITORS' GENERAL COMMENTS
AND OTHER SUPPORTING DATA**

June 30, 2010

Required disclosures related to the auditor

Name of Lead Auditor:	W. Marcus Rountree
Firm:	Zoccola Kaplan, PLLC
Firm Address:	6800 Poplar Avenue, Suite 210, Germantown, TN 38138
Firm Telephone Number:	(901) 523-8283
Firm Federal I.D. Number:	62-1152935

All other supporting data has been presented elsewhere in this report.