



Downtown Memphis Commission and Related Entities
Combined Financial Statements
June 30, 2015 and 2014

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

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Downtown Memphis Commission (DMC)

Bob Lundy, Chairman	Ernest Strickland
Carl Person, Vice Chairman	Rick Copeland
Sharon Leicham, Secretary	George Little
Isaac Northern, Treasurer	Bobbi Gillis
Rep. Barbara Cooper	Terry Woodard
Councilman Bill Boyd	Deni Carr Reilly
Commissioner Van Turner	George Shadroui
Al Lyons	

Center City Revenue Finance Corporation (CCRFC)

Luke Yancy, IV, Chairman	Gayla Burks
Carla Peacher-Ryan, Vice Chair	Bobbi Gillis
Walter Person, Treasurer	Dana Burkett
Marija Sokolov-Nelson, Secretary	Brandy Johnson-Ward
Sean Norris	

Center City Development Corporation (CCDC)

Eric Mathews, Chairman	Tanja Mitchell
Terence Patterson, Treasurer	Bob Lundy
Andre Jones, Secretary	Melvin Jones
Carl Person	Sharon Leicham
Michael Chance	

Design Review Board (DRB)

David Schuermann, Chairman	Roderick DeBerry
Ray Brown, Vice Chair	Carl Person
William (Bill) Denton, Secretary	Suhair Lauck
Nancy Jane Baker (non-voting)	Joyce Selina Love Rebecca Conrad

Downtown Parking Authority (DPA)

Odell Horton, Chairman	Graham Askew
Mary Sharp, Secretary	Rick Wagers, Treasurer
Brandon Bryant, Vice Chairman	Donnell Cobbins
C. Farris DeBoard	

Administrative Officials

Paul H. Morris, President CEO



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined financial statements of the Downtown Memphis Commission and Related Entities, which comprise the combined statement of position, as of and for the years ended June 30, 2015 and 2014, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 combined financial position of the Downtown Memphis Commission and Related Entities as of June 30, 2015 and 2014, and the changes in its net position and its 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 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 opinions on the combined financial statements that collectively comprise the Downtown Memphis Commission and Related Entities' basic combined financial statements. The schedule of governance officials and the combining financial statements 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015, 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 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 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 Downtown Memphis Commission and Related Entities' internal control over financial reporting and compliance.

Cam Wright Blount PLLC

Memphis, Tennessee
November 19, 2015

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, 2015 and 2014. 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 \$38,390,183 - an increase from the prior fiscal year of \$3,786,817 – or 11%.

During the Year

- The organizations' total assets increased by \$2,889,969 or 5%.
- Current assets increased by \$649,299 or 7%.
- Current liabilities increased by \$47,840 or 3%.
- The total liabilities decreased by \$896,848 or 4%.
- Operating revenue increased by \$1,740,625 or 15%.
- Operating expense increased by \$1,723,155 or 25%.

The Annual Report

This annual report consists of a series of financial statements. The Combined Statements of Net Position, Combined Statements of Activities, 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 Activities 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, 2015 are taken into account, regardless of when cash is received or paid. The two statements report the DMC's net assets and changes in them. The DMC's net assets – 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 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, 2015 and 2014***Financial Analysis****Combined and Condensed Statements of Net Position as of June 30, 2015**

	2015	2014	Increase (Decrease)
Current assets	\$ 10,451,787	\$ 9,802,488	\$ 649,299
Other assets	48,075,756	45,835,086	2,240,670
Total assets	\$ 58,527,543	\$ 55,637,574	\$ 2,889,969
Current liabilities	\$ 1,553,901	\$ 1,506,061	\$ 47,840
Long-term liabilities	18,583,459	19,528,147	(944,688)
Total liabilities	20,137,360	21,034,208	(896,848)
Net position:			
Net investments in capital assets	15,339,170	14,892,293	446,877
Unrestricted	23,051,013	19,711,073	3,339,940
Total net position	38,390,183	34,603,366	3,786,817
Total liabilities and net position	\$ 58,527,543	\$ 55,637,574	\$ 2,889,969

Current assets increased from the prior year for the Downtown Memphis Commission due to additional cash held by the Parking Authority as a result of increased parking garage management fees, and additional cash held by the Center City Development Corporation from an increase in grants.

Other assets increased due to increased Pilot Extension Fund revenue for CCRFC offset by reductions from the depreciation of fixed assets and repayment of development loans.

Current liabilities increased slightly for all entities in current maturities of long term debt and accounts payable.

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 assets increased for all entities except the DPA. The net assets for DPA decreased due to depreciation of garages as well as increased accrued interest. 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, 2015 and 2014***Financial Analysis (Continued)****Combined and Condensed Statements of Net Position as of June 30, 2014**

	2014	2013	Increase (Decrease)
Current assets	\$ 9,802,488	\$ 8,862,803	\$ 939,685
Other assets	45,835,086	43,840,425	1,994,661
Total assets	\$ 55,637,574	\$ 52,703,228	\$ 2,934,346
Current liabilities	\$ 1,506,061	\$ 1,494,516	\$ 11,545
Long-term liabilities	19,528,147	20,355,335	(827,188)
Total Liabilities	21,034,208	21,849,851	(815,643)
Net position:			
Net investments in capital assets	14,892,293	15,177,766	(285,473)
Unrestricted	19,711,073	15,675,611	4,035,462
Total net position	34,603,366	30,853,377	3,749,989
Total liabilities and net position	\$ 55,637,574	\$ 52,703,228	\$ 2,934,346

Current assets increased from the prior year for the Downtown Memphis Commission in cash and cash equivalents related to operating cash held at year end and an increase in the cash reserve held. Accounts receivable also increased from the reimbursement due the DMC from Beale Street operations. Current assets increased for Center City Development Corporation as funds received from Center City Revenue Finance Corporation exceeded expenditures for new development and loan repayment exceeded new loans during the year. Downtown Parking Authority cash on hand increased from positive cash flow for garage operations.

Other assets increased due to increased Pilot Extension Fund revenue for CCRFC offset by reductions from the depreciation of fixed assets.

Current liabilities increased slightly for all entities in current maturities of long term debt and accounts payable.

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 assets increased for all entities except the DPA. 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, 2015 and 2014

Financial Analysis (Continued)

Combined Statements of Activities as of June 30, 2015

	2015	2014	Increase (Decrease)
OPERATING REVENUE			
Administrative income	\$ 6,826,198	\$ 5,783,190	\$ 1,043,008
Central Business Improvement District			
Assessment	2,853,343	3,112,375	(259,032)
Development income	4,200	5,290	(1,090)
Marketing income	-	7,723	(7,723)
Operations income	1,108,875	344,833	764,042
Parking Management	2,309,121	2,107,701	201,420
Total Operating Revenues	13,101,737	11,361,112	1,740,625
OPERATING EXPENSES			
Salaries and benefits	1,553,230	1,532,066	21,164
Advertising	37,855	98,170	(60,315)
Business community relations	7,963	621,079	(613,116)
Conferences and travel	35,090	3,830	31,260
Depreciation and amortization	1,574,160	1,553,165	20,995
Event production	140,231	123,184	17,047
Insurance	109,134	113,331	(4,197)
Office expenses	135,567	157,439	(21,872)
Other personnel expense	473,746	444,547	29,199
Parking garage management fees	819,600	817,908	1,692
Planning and development	2,610,681	246,392	2,364,289
Professional fees	599,500	635,475	(35,975)
Rent expense	323,196	319,245	3,951
Repairs and maintenance	164,165	198,876	(34,711)
Subscriptions and dues	10,793	7,049	3,744
Total Operating Expenses	8,594,911	6,871,756	1,723,155
OPERATING INCOME	4,506,826	4,489,356	17,470
NON-OPERATING REVENUE (EXPENSE)			
Interest income	105,360	134,228	(28,868)
Interest expense	(825,369)	(873,595)	48,226
Total Non-Operating Revenues (Expenses)	(720,009)	(739,367)	19,358
CHANGES IN NET POSITION	3,786,817	3,749,989	36,828
TOTAL NET POSITION - BEGINNING	34,603,366	30,853,377	3,749,989
TOTAL NET POSITION - ENDING	\$ 38,390,183	\$ 34,603,366	\$ 3,786,817

Financial Analysis (Continued)

Operating revenue increased due to an increase in Pilot Extension Fund revenue for CCRFC and because of the non-recurring grant received by CCDC in 2015 for the Main2Main project.

Operating expense increased due to higher planning and development expense by the CCDC for a City of Memphis Blight Remediation Project and additional expenditures for the Main2Main Project.

Non-operating revenue/expense saw little change from the previous year.

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Management's Discussion and Analysis

For the Years Ended June 30, 2015 and 2014

Combined Statements of Activities as of June 30, 2014

	2014	2013	Increase (Decrease)
OPERATING REVENUE			
Administrative income	\$ 5,783,190	\$ 4,352,811	\$ 1,430,379
Central Business Improvement			
District Assessment	3,112,375	2,662,183	450,192
Development income	5,290	9,907	(4,617)
Marketing income	7,723	9,400	(1,677)
Operations income	344,833	2,033,241	(1,688,408)
Parking Management	2,107,701	2,243,695	(135,994)
Total Operating Revenues	11,361,112	11,311,237	49,875
OPERATING EXPENSES			
Salaries and benefits	1,532,066	1,583,709	(51,643)
Advertising	98,170	45,714	52,456
Business community relations	621,079	963,212	(342,133)
Conferences and travel	3,830	1,160	2,670
Depreciation and amortization	1,553,165	1,528,424	24,741
Event production	123,184	137,665	(14,481)
Insurance	113,331	110,580	2,751
Office expenses	157,439	143,594	13,845
Other personnel expense	444,547	449,052	(4,505)
Parking garage management fees	817,908	995,429	(177,521)
Planning and development	246,392	226,166	20,226
Professional fees	635,475	494,272	141,203
Rent expense	319,245	318,523	722
Repairs and maintenance	198,876	171,688	27,188
Subscriptions and dues	7,049	6,950	99
Total Operating Expenses	6,871,756	7,176,138	(304,382)
OPERATING INCOME	4,489,356	4,135,099	354,257
NON-OPERATING REVENUE (EXPENSE)			
Interest income	134,228	110,584	23,644
Interest expense	(873,595)	(918,365)	44,770
Total Non-Operating Revenues (Expenses)	(739,367)	(807,781)	68,414
CHANGES IN NET POSITION	3,749,989	3,327,319	422,671
TOTAL NET POSITION - BEGINNING	30,853,377	27,526,059	3,327,318
TOTAL NET POSITION - ENDING	\$ 34,603,366	\$ 30,853,377	\$ 3,749,989

Financial Analysis (Continued)

Operating revenue remained essentially the same for 2014 however the mix changed. Pilot Extension Fund revenue increased for CCRFC while CCDC revenue decreased because of the non-recurring grant received in 2013.

Operating expense decrease related to lower grant expenditures by CCRFC for the Main2Main Project for 2014 and lower operating expenses and maintenance for the parking garages.

Non-operating revenue/expense saw increased interest income for CCDC and reduced interest expense for all entities.

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 N. Main Street
Memphis, TN 38103
E-mail: oswalt@downtownmemphis.com

Combined Financial Statements

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Combined Statements of Net Position

For the Years Ended June 30, 2015 and 2014

ASSETS	2015	2014
Current Assets:		
Cash and cash equivalents	\$ 7,384,381	\$ 5,956,002
Designated cash and cash equivalents	2,131,112	2,870,465
Loans receivable, current portion	277,648	461,723
Accounts receivable	388,810	220,811
Deferred charges	215,232	236,756
Prepaid expenses	54,604	56,731
Total current assets	10,451,787	9,802,488
Non-Current Assets:		
Investments	635,881	638,125
Designated PILOT trust funds	15,877,702	12,664,987
Loans receivable, less current portion	1,047,079	1,139,491
Land	2,668,522	2,668,522
Depreciable assets, net of accumulated depreciation	27,846,572	28,723,961
Total non-current assets	48,075,756	45,835,086
Total assets	58,527,543	55,637,574
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	490,297	427,619
Other liabilities	41,215	9,793
Capital lease payable	-	5,208
Current maturities of long-term debt	1,022,389	1,063,441
Total current liabilities	1,553,901	1,506,061
Long-Term Liabilities:		
Accrued interest	4,121,083	3,865,189
Reserves for contingencies	308,841	231,417
Long-term debt, less current portion	14,153,535	15,431,541
Total long-term liabilities	18,583,459	19,528,147
Total liabilities	20,137,360	21,034,208
NET POSITION		
Net Position:		
Net investment in capital assets	15,339,170	14,892,293
Unrestricted	23,051,013	19,711,073
Total net position	\$ 38,390,183	\$ 34,603,366

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Combined Statements of Activities

For the Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues:		
Administrative income	\$ 6,826,198	\$ 5,783,190
Central Business Improvement District Assessment	2,853,343	3,112,375
Development income	4,200	5,290
Marketing income	-	7,723
Operations income	1,108,875	344,833
Parking garage management	2,309,121	2,107,701
Total operating revenues	13,101,737	11,361,112
Operating Expenses:		
Salaries and benefits	1,553,230	1,532,066
Advertising	37,855	98,170
Business community relations	7,963	621,079
Conferences and travel	35,090	3,830
Depreciation and amortization	1,574,160	1,553,165
Event production	140,231	123,184
Insurance	109,134	113,331
Office expenses	135,567	157,439
Other personnel expenses	473,746	444,547
Parking garage management fees	819,600	817,908
Planning and development	2,610,681	246,392
Professional fees	599,500	635,475
Rent expense	323,196	319,245
Repairs and maintenance	164,165	198,876
Subscriptions and dues	10,793	7,049
Total operating expenses	8,594,911	6,871,756
Operating income	4,506,826	4,489,356
Non-Operating Revenues (Expenses)		
Interest income	105,360	134,228
Interest expense	(825,369)	(873,595)
Total non-operating revenues (expenses)	(720,009)	(739,367)
Change in net position	3,786,817	3,749,989
Total net position - beginning	34,603,366	30,853,377
Total net position - ending	\$ 38,390,183	\$ 34,603,366

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Combined Statements of Cash Flows

For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities:		
Cash received from customers	\$ 13,011,162	\$ 11,277,079
Cash paid to suppliers for goods and services	(5,371,292)	(3,718,311)
Cash paid to employees for services	(1,553,230)	(1,532,066)
Net cash provided by operating activities	6,086,640	6,026,702
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(713,660)	(270,815)
Adjustment of fixed assets	16,887	16,391
Payments on capital lease	(5,208)	(5,287)
Principal payments on long-term debt	(1,297,534)	(986,459)
Interest payments	(569,475)	(617,602)
Net cash from (used for) capital and related financing activities	(2,568,990)	(1,863,772)
Cash Flows from Investing Activities:		
Cash earned on investments	105,360	134,228
Sale of investments	218,012	238,197
Purchase of investments	(215,768)	(334,305)
Transfers (to) from designated PILOT trust funds	(3,212,715)	(3,350,488)
Issuance of loans under Development Loan Program	(130,000)	(143,000)
Collections on loans receivable under Development Loan Program	406,487	275,461
Net cash from (used by) investing activities	(2,828,624)	(3,179,907)
Net change in cash and cash equivalents	689,026	983,023
Cash and cash equivalents, beginning of the year	8,826,467	7,843,444
Cash and cash equivalents, end of the year	\$ 9,515,493	\$ 8,826,467
Cash and cash equivalents at June 30 consists of the following:		
Undesignated cash and cash equivalents	\$ 7,384,381	\$ 5,956,002
Designated cash and cash equivalents	2,131,112	2,870,465
Total	\$ 9,515,493	\$ 8,826,467

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES**Combined Statements of Cash Flows (continued)****For the Years Ended June 30, 2015 and 2014**

	2015	2014
Reconciliation of Net Income to Net Cash Provided by		
Operating Activities:		
Operating income	\$ 4,506,826	\$ 4,489,356
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,574,162	1,553,165
(Increase) decrease in assets:		
Accounts receivables	(167,999)	(63,857)
Prepaid expenses	2,127	106,405
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	62,678	(39,991)
Other liabilities	31,422	1,800
Reserves	77,424	(20,176)
Net cash provided by operating activities	\$ 6,086,640	\$ 6,026,702

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.
- 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 DMC moved their offices to The Crump Building in September, 1997. Prior to July 1, 2014, CBI was a for-profit corporation subject to federal and state income tax. Effective July 1, 2014, the corporation was dissolved. For the year ended June 30, 2015, the accounts of Crump Building, Inc. were combined with those of the Memphis (CCDC) Center City Development Corporation. Prior to July 1, 2014, a separate set of books was maintained for Crump Building, Inc. Therefore, when referring to the combining statements of net position and activities included in this report as supplementary information, one will note that there is financial information exhibited under the heading "Crump Building, Inc." for the year ended June 30, 2014, and that there is no such information exhibited for the year ended June 30, 2015, as it has been combined with that of CCDC.
- 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 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.

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 assets are available, the DMC will first apply restricted resources to such expense. In the statement of activities, 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.

The DMC does not utilize encumbrance accounting. GASB 63 amends certain provisions of GASB 34 by changing the net assets concept to net position. Further, the introduction of deferred inflows and outflows of resources is added to the standard balance sheet as follows:

Note 2 – Summary of Accounting Policies (continued)Deferred Outflows / Inflows of Resources

In accordance with GASB 63, in addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Commission has no items that meet this criterion. Also, in addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Commission has no items that meet the criterion for this category.

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 2 – 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 combining financial statements include the accounts of Downtown Memphis Commission, Memphis Center City Revenue Finance Corporation, Memphis Center City Development Corporation, and Downtown Parking Authority for the year ended June 30, 2015. For the year ended June 30, 2014, financial data for Crump Building, Inc. is exhibited separately whereas for the year ended June 30, 2015 such data has been combined with that of Memphis Center City Development Corporation.

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.

Subsequent Events

For the year ended June 30, 2015, the DMC has evaluated subsequent events for potential recognition and disclosure through November 19, 2015, the date the financial statements were approved for issuance.

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2015 and 2014

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.

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

	2015	2014
Development Loan Program	\$ 1,600,428	\$ 2,401,121
Chisca Garage Reserve	45,361	-
Parking Garage Capital Reserve	125,697	110,591
Parking Garage Operating Reserve	44,626	43,753
Parking Garage Rental	315,000	315,000
PILOT Trust Funds	15,877,702	12,664,987
Total	\$ 18,008,814	\$ 15,535,452

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

	2015	2014
Current Assets	\$ 2,131,112	\$ 2,870,465
Non-current Assets	15,877,702	12,664,987
Total designated unrestricted net position	\$ 18,008,814	\$ 15,535,452

Designated funds consist of the following:

Custodian	Cash Instrument	2015	2014
U.S. Bank	Goldman Sachs Financial Square Treasury Obligations Mutual Funds	\$ 15,877,702	\$ 12,664,987
State of Tennessee, Treasury Department	State of Tennessee Local Government Investment Pool	1,315,684	2,469,344
First Tennessee Bank	Fidelity Government Portfolio	815,428	401,121
Total designated funds		\$ 18,008,814	\$ 15,535,452

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2015 and 2014

Note 3 – Cash and Cash Equivalents (continued)

Undesignated funds consist of the following:

Custodian	Cash Instrument	2015	2014
First Alliance Bank	Checking Account	\$ 58,680	\$ 58,440
State of Tennessee Treasury Department	State of Tennessee Local Government Investment Pool	7,024,716	5,699,494
SunTrust Bank	Checking Account	300,885	198,068
Bank Tennessee	Checking Account	100	-
Total undesignated funds		\$ 7,384,381	\$ 5,956,002

Note 4 – Loan Receivable

The CCDDC 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, 2015, the reserve was set at 3% of total loans outstanding 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.

Loans receivable consists of the following:

	2015	2014
Amount due as of year end	\$ 1,370,688	\$ 1,692,714
Less: allowance for doubtful accounts	(45,961)	(91,500)
	1,324,727	1,601,214
Less: current portion of loans receivable	(277,648)	(461,723)
Long-term loans receivable	\$ 1,047,079	\$ 1,139,491

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.

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 DMC'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 DMC 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:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
June 30, 2015			
Fixed income bonds	\$ 416,827	\$ 416,827	\$ -
Mutual funds	91,011	91,011	-
Common stock	128,043	128,043	-
Development loans	1,324,727	-	1,324,727
Total	\$1,960,608	\$ 635,881	\$ 1,324,727
June 30, 2014			
Fixed income bonds	\$ 423,524	\$ 423,524	\$ -
Mutual funds	92,250	92,250	-
Common stock	122,351	122,351	-
Development loans	1,601,214	-	1,601,214
Total	\$2,239,339	\$ 638,125	\$ 1,601,214

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.

Note 5 – Fair Value Measurements (continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3):

June 30, 2015	
Beginning balance	\$ 1,601,214
Issuances and collections, net	(276,487)
Ending balance	
	\$ 1,324,727
June 30, 2014	
Beginning balance	\$ 1,733,675
Issuances and collections, net	(132,461)
Ending balance	
	\$ 1,601,214

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 DMC 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 DMC has the ability and generally has the intention to hold all investments until their respective maturity dates. The average maturity of the DMC's pooled cash and investments as of June 30, 2015, was approximately 41 months. If it becomes necessary or strategically prudent for the DMC to sell a security prior to maturity, the DMC'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 DMC'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, 2015 and 2014

Note 6 – Investments (continued)

As of June 30, 2015, the DMC had total investments of \$635,881, 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	\$ -	\$ 150,107	\$ -	\$ 10,121	\$ -	\$ 160,228
FHLB - STEP	Aaa	-	-	-	-	9,759	9,759
Corporate	Aaa	-	-	-	10,126	4,905	15,031
Corporate	A2	10,000	-	-	-	-	10,000
Corporate	A3	-	8,061	-	-	-	8,061
Corporate	Baa1	-	-	-	10,005	-	10,005
Corporate	Baa2	-	-	-	25,843	-	25,843
Corporate	Baa3	-	-	-	10,760	-	10,760
Municipal Bonds	Aaa	-	-	5,153	-	10,151	15,304
Municipal Bonds	A1	-	-	-	15,733	-	15,733
Municipal Bonds	A3	-	10,174	-	-	5,192	15,366
Municipal Bonds	Aa1	5,000	-	-	5,266	-	10,266
Municipal Bonds	Aa2	-	-	-	16,015	5,296	21,311
Municipal Bonds	Aa3	-	-	-	15,708	10,710	26,418
Municipal Bonds	Ba1	-	-	-	10,000	-	10,000
Municipal Bonds	NR	-	-	-	52,742	-	52,742
Total fixed income		15,000	168,342	5,153	182,319	46,013	416,827
<u>Other Investments</u>							
Mutual funds		-	-	-	-	-	91,011
Common stock		-	-	-	-	-	128,043
Total		\$ 15,000	\$ 168,342	\$ 5,153	\$ 182,319	\$ 46,013	\$ 635,881

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2015 and 2014

Note 6 – Investments (continued)

As of June 30, 2014, the DMC had total investments of \$638,125, 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	Carrying Value
<u>Fixed Income</u>						
FNMA	Aaa	\$ -	\$ -	\$ -	\$ 160,216	\$ 160,216
Corporate	Aaa	-	24,997	-	40,438	\$ 65,435
Corporate	A1	-	-	12,211	5,482	17,693
Corporate	A2	-	-	10,113	-	10,113
Corporate	A3	-	-	10,142	8,353	18,495
Corporate	Aa1	-	10,084	-	-	10,084
Corporate	Aa2	-	-	10,114	5,536	15,650
Corporate	Aa3	-	-	10,193	35,519	45,712
Corporate	Baa1	-	-	-	4,970	4,970
Corporate	Baa2	-	-	15,093	21,634	36,727
Corporate	Baa3	-	-	-	11,032	11,032
Corporate	NR	-	-	-	27,397	27,397
Total fixed income		-	35,081	67,866	320,577	423,524
<u>Other Investments</u>						
Mutual Funds		-	-	-	-	92,250
Common Stock		-	-	-	-	122,351
Total		\$ -	\$ 35,081	\$ 67,866	\$ 320,577	\$ 638,125

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2015 and 2014

Note 6 – Investments (continued)

The Development Loan Program undesignated investments as of June 30, 2015 and 2014, are carried at fair value and include the following:

	2015	2014
Arden Realty LP, 5.250%, due March 01, 2015	\$ -	\$ 12,211
Citigroup Inc, 2.650%, due March 02, 2015	-	10,142
US Bancorp MTN, 3.150%, due March 04, 2015	-	10,193
Natl Bank Canada, 1.500%, due June 26, 2015	-	10,114
PNC Funding Corporation, 4.250%, due September 21, 2015	8,061	8,353
FNMA, 0.375%, due December 21, 2015	150,107	150,163
Massachusetts by Etm, 5.500%, due July 01, 2016	5,251	5,521
Hospira Inc, 6.050%, due March 30, 2017	10,760	11,032
Philadelphia PA, 4.000%, due June 15, 2017	5,280	5,482
Massachusetts St, 5.000%, due September 1, 2014	-	10,084
Citigroup MTN V-Q, 2.184%, due December 28, 2014	-	9,997
Williams Partners LP, 3.800%, due February 15, 2015	-	5,096
Arizona St Pre, 4.125%, due August 1, 2015	-	30,103
UNUM Group, 7.125%, due September 30, 2016	10,680	11,326
Grand Rapids MI, 4.500%, due July 1, 2015	5,000	-
Warren IA WTR DIST, 4.750%, due December 1, 2015	10,174	-
Wake Co NC Go, 5.000%, due March 1, 2016	5,153	-
Guam Govt, 5.500%, due July 1, 2016	10,000	-
Cambell Co KY, 4.500%, due August 1, 2016	10,430	-
Teton Co ID, 4.375%, due September 15, 2016	10,453	-
Orange County FL, 6.250%, due October 1 2016	16,031	-
Virginia St, 4.500%, due November 1 2016	10,527	-
Wisconsin St, 4.500%, due May 1, 2017	16,015	-
Honolulu City, 4.000%, due July 1, 2017	5,266	-
Exxon Mobile Corp, 2.397%, due March 6, 2022	4,905	-
Viacom Inc, 2.500%, December 15, 2016	10,153	10,308
Cincinnati OH Econ, 3.600%, due November 1, 2017	5,278	5,416
Amazon.Com Inc, 1.200%, due November 29, 2017	4,977	4,970
Waco TX Hlth, 4.250%, due August 1, 2021	5,192	-
Louisiana St, 4.500%, due June 1, 2027	10,710	-
Bank of NY Mellon MTN, 2.100%, due August 1, 2018	10,126	10,142
FNMA, 1.625%, due November 27, 2018	10,121	10,053
FHLB V-A, 1.375%, due October 25, 2022	9,759	9,554
Baltimore Cnt MD, 5.000%, due September 1, 2033	10,506	10,994
Gilead Sciences Inc, 2.050%, due April 4, 2019	5,028	-
Celgene Corp, 2.250%, due May 15, 2019	5,010	-
Metro Council MN, 4.375%, due December 1, 2027	10,151	10,538
Baltimore MD Pre, 4.500%, due September 1, 2016	10,427	10,882
Regional Tran Co, 5.000%, due November 1, 2036	5,296	5,536
Schaumburg IL, 5.000%, due December 1, 2038	-	10,204

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2015 and 2014

Note 6 – Investments (continued)

	2015	2014
Wells Fargo MTN, 1.500%, due July 1, 2015	\$ 10,000	\$ 10,113
iShares Core U.S. Aggregate	6,346	6,564
iShares Intermediate Credit	39,190	39,668
iShares IBOXX HY Corp Bond	3,552	3,808
SPDR Barclays S/T Corporate Bond ETF	41,922	42,210
GE Capital Bk Inc, 0.400%, due September 26, 2014	-	24,997
AT&T, Inc.	-	1,591
Bank of America Corp	5,872	5,303
Cisco Systems, Inc.	8,238	7,455
Coca Cola Co	4,511	4,871
CSX Corp	3,755	3,543
Deere & Co.	7,764	7,244
eBay Inc Com	3,012	2,503
Verizon Communications	1,492	-
McDonalds Corp	2,852	-
Apache Corp	4,610	-
EMC Corp/Mass	4,618	4,609
Exxon Mobil Corp.	4,160	5,034
Ford Motor Co DEL 'new'	6,004	6,896
Freeportmcmoran Copper and Gold, Inc.	4,655	7,300
General Electric Corp.	7,041	6,964
HollyFrontier Corporation	4,696	4,806
J.P. Morgan Chase & Co.	10,503	8,931
Marathon Oil Corp.	-	7,186
Merck & Co Inc.	2,847	2,893
Microsoft Corp.	2,649	2,502
Mondelez International, Inc.	8,228	7,522
Oracle Corp.	6,045	6,080
Procter & Gamble Co.	3,130	3,144
Qualcomm Inc	3,132	3,960
U.S. Bancorp New	5,859	5,848
Alerian MLP ETF	1,945	2,375
iShares Core MSCI EAFE ETF	6,705	-
iShares S&P Pref Stk	3,721	3,791
Total	\$ 635,881	\$ 638,125

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2015 and 2014

Note 7 – Capital Assets, Net

Capital assets, as of June 30, 2015, consisted of the following:

	Beginning Balance	Additions	Transfers and Retirements	Adjustments	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 2,668,522	\$ -	\$ -	\$ -	\$ 2,668,522
Depreciable Capital Assets:					
Building	31,435,191	475,000	-	(16,889)	31,893,302
Streetscape improvements	6,543,492	-	-	-	6,543,492
Leasehold improvements	1,855,834	7,660	-	-	1,863,494
Furniture and equipment	1,281,697	231,000	-	-	1,512,697
Total depreciable capital assets	41,116,214	713,660	-	(16,889)	41,812,985
Accumulated Depreciation:					
Building	(7,480,209)	(851,698)	-	-	(8,331,907)
Streetscape improvements	(3,311,454)	(444,987)	-	-	(3,756,441)
Leasehold improvements	(576,001)	(162,168)	-	-	(738,169)
Furniture and equipment	(1,024,589)	(115,307)	-	-	(1,139,896)
Total accumulated depreciation	(12,392,253)	(1,574,160)	-	-	(13,966,413)
Total depreciable capital assets,	28,723,961	(860,500)	-	(16,889)	27,846,572
Intangible asset:					
Internet domain name	13,000	-	-	-	13,000
Amortization:					
Internet domain name	(13,000)	-	-	-	(13,000)
Intangible asset, net	-	-	-	-	-
Total capital assets, net	\$31,392,483	\$ (860,500)	\$ -	\$ (16,889)	\$30,515,094

Depreciation expense was \$1,574,160 and \$1,553,161 for the years ended June 30, 2015 and 2014, respectively.

Note 8 – Long-Term Debt

Long-term debt consisted of the following as of June 30, 2015 and 2014:

	2015	2014
<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 \$42,067 for 2015 and \$46,274 for 2014 has been applied to the note balance in order to show it at present value.</p>	\$ 6,525,062	\$ 6,997,766
<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 *
<p>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.</p>	850,000	1,250,000
<p>4.46% note payable to Bank Tennessee for purchase of the First Parking Garage by the Downtown Parking Authority. Payments of principal and interest of \$18,757 are due monthly, maturing June 5, 2032.</p>	2,680,862	2,782,204

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Notes to the Combined Financial Statements

June 30, 2015 and 2014

Note 8 – Long-Term Debt (continued)

	2015	2014
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. This loan was paid off on April 30, 2015.	-	345,012
	15,175,924	16,494,982
Less: current portion	(1,022,389)	(1,063,441)
Total Long-term debt	\$ 14,153,535	\$ 15,431,541

* 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, 2015 and 2014, the accrued interest payable is \$4,115,416 and \$3,856,856, 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:

	Total Payment	Interest	Principal
Year Ending June 30,			
2016	\$ 1,603,658	\$ 581,269	\$ 1,022,389
2017	1,616,321	539,043	1,077,278
2018	1,180,679	503,290	677,389
2019	1,192,036	474,303	717,733
2020	1,196,462	443,141	753,321
2021-2025	7,548,753	1,698,872	5,849,881
2026-2030	-	-	-
2031-2035	14,404,890	9,284,890	5,120,000
	\$ 28,742,799	\$ 13,524,808	15,217,991
Less: discount to present value			(42,067)
Less: current portion			(1,022,389)
Total long-term debt			\$ 14,153,535

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES*Notes to the Combined Financial Statements**June 30, 2015 and 2014***Note 8 – Long-Term Debt (continued)**

Changes in long-term debt during the year ended June 30, 2015 and 2014, are as follows:

	2015	2014
Total beginning balance of long-term debt (including current portion)	\$ 16,541,256	\$ 17,553,445
Payments during year	(1,319,058)	(1,007,982)
Other	(4,207)	(4,207)
Ending balance	15,217,991	16,541,256
Less - Discount to present value	(42,067)	(46,274)
- Current Portion	(1,022,389)	(1,063,441)
Total ending balance	\$ 14,153,535	\$ 15,431,541

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 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 operating leases having remaining terms in excess of one year for the years ending June 30, 2015, are as follows:

2016	\$ 315,000
2017	315,000
2018	315,000
Total minimum future rental payments	\$ 945,000

Note 10 – Retirement Plan

On July 31, 1987, the DMC established a defined contribution retirement plan for all salaried employees, effective August 1, 1986. The DMC 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, 2015 and 2014 were \$58,468 and \$57,726, 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.

Note 12 – Risk Management

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

Note 13 – Reserves for Contingencies

The 1997 Development Agreement between the Downtown Parking Authority and Belz Enterprises requires the following reserves at June 30, 2015 and 2014:

	2015	2014
Operating reserve	\$ 44,626	\$ 43,753
Capital Reserve	125,697	110,591
Potential refunds of Central Business Improvement District assessments resulting from property revaluations	138,517	77,073
Total	\$ 308,840	\$ 231,417

Supplementary Information

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Combining Statement of Net Position

June 30, 2015

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation (CCRFC)	Crump Building, Inc.	Downtown Parking Authority (DPA)	Elimination	Total
ASSETS							
Current Assets:							
Cash and cash equivalents	\$ 1,230,086	\$ 3,274,753	\$ -	\$ -	\$ 2,879,542	\$ -	\$ 7,384,381
Designated cash and cash equivalents	-	1,600,428	-	-	530,684	-	2,131,112
Loans receivable, current portion	-	277,648	-	-	-	-	277,648
Accounts receivable	250,674	-	-	-	138,136	-	388,810
Deferred charges	-	-	-	-	215,232	-	215,232
Prepaid expenses	12,199	3,160	-	-	39,245	-	54,604
Total current assets	1,492,959	5,155,989	-	-	3,802,839	-	10,451,787
Non-Current Assets:							
Investments	-	635,881	-	-	-	-	635,881
Designated PILOT trust funds	-	-	15,877,702	-	-	-	15,877,702
Loans receivable, less current portion	-	1,047,079	-	-	-	-	1,047,079
Loan receivable from DPA	-	-	1,927,828	-	-	(1,927,828)	-
Land	-	174,124	-	-	2,494,398	-	2,668,522
Depreciable assets, net	2,466,790	559,271	-	-	24,820,511	-	27,846,572
Total non-current assets	2,466,790	2,416,355	17,805,530	-	27,314,909	(1,927,828)	48,075,756
Total assets	\$ 3,959,749	\$ 7,572,344	\$ 17,805,530	\$ -	\$ 31,117,748	\$ (1,927,828)	\$ 58,527,543

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Combining Statement of Net Position (continued)

June 30, 2015

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation (CCRFC)	Crump Building, Inc.	Downtown Parking Authority (DPA)	Elimination	Total
LIABILITIES AND NET POSITION							
Current Liabilities:							
Accounts payable and accrued expenses	\$ 97,372	\$ 16,920	\$ 24,922	\$ -	\$ 351,083	\$ -	\$ 490,297
Other liabilities	-	35,000	-	-	6,215	-	41,215
Current maturities of long-term debt	415,000	-	-	-	607,389	-	1,022,389
Total current liabilities	512,372	51,920	24,922	-	964,687	-	1,553,901
Long-term liabilities:							
Accrued interest	5,667	-	-	-	4,115,416	-	4,121,083
Reserves for contingencies	138,517	-	-	-	170,324	-	308,841
Long-term debt, less current portion	435,000	-	-	-	13,718,535	-	14,153,535
Loan payable to CCRFC	-	-	-	-	1,927,828	(1,927,828)	-
Total long-term liabilities	579,184	-	-	-	19,932,103	(1,927,828)	18,583,459
Total liabilities	1,091,556	51,920	24,922	-	20,896,790	(1,927,828)	20,137,360
Net Position:							
Net investment in capital assets	1,616,790	733,395	-	-	12,988,985	-	15,339,170
Unrestricted	1,251,403	6,787,029	17,780,608	-	(2,768,027)	-	23,051,013
Total net position	2,868,193	7,520,424	17,780,608	-	10,220,958	-	38,390,183
Total liabilities and net position	\$ 3,959,749	\$ 7,572,344	\$ 17,805,530	\$ -	\$ 31,117,748	\$ (1,927,828)	\$ 58,527,543

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Combining Statement of Net Position

June 30, 2014

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation (CCRFC)	Crump Building, Inc.	Downtown Parking Authority (DPA)	Elimination	Total
ASSETS							
Current Assets:							
Cash and cash equivalents	\$ 1,225,154	\$ 3,734,911	\$ -	\$ -	995,937	\$ -	\$ 5,956,002
Designated cash and cash equivalents	-	752,862	-	-	2,117,603	-	2,870,465
Loans receivable, current portion	-	461,723	-	-	-	-	461,723
Accounts receivable	88,533	-	-	-	132,278	-	220,811
Deferred charges	-	-	-	-	236,756	-	236,756
Prepaid expenses	12,748	-	-	-	43,983	-	56,731
Total current assets	1,326,435	4,949,496	-	-	3,526,557	-	9,802,488
Non-Current Assets:							
Investments	-	638,125	-	-	-	-	638,125
Designated PILOT trust funds	-	-	12,664,987	-	-	-	12,664,987
Loans receivable, less current portion	-	1,139,491	-	-	-	-	1,139,491
Loan receivable from DPA	-	-	1,948,861	-	-	(1,948,861)	-
Land	-	174,124	-	-	2,494,398	-	2,668,522
Depreciable assets, net	2,906,567	423,743	-	238,876	25,154,775	-	28,723,961
Total non-current assets	2,906,567	2,375,482	14,613,848	238,876	27,649,173	(1,948,861)	45,835,086
Total assets	\$ 4,233,002	\$ 7,324,979	\$ 14,613,848	\$ 238,876	\$ 31,175,730	\$ (1,948,861)	\$ 55,637,574

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Combining Statement of Net Position (continued)

June 30, 2014

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation (CCRFC)	Crump Building, Inc.	Downtown Parking Authority (DPA)	Elimination	Total
LIABILITIES AND NET POSITION							
Current Liabilities:							
Accounts payable and accrued expenses	\$ 46,324	\$ 2,054	\$ 12,650	\$ -	\$ 366,591	\$ -	\$ 427,619
Other liabilities	-	-	-	-	9,793	-	9,793
Current portion of capital lease payable	5,208	-	-	-	-	-	5,208
Current maturities of long-term debt	400,000	-	-	80,857	582,584	-	1,063,441
Total current liabilities	451,532	2,054	12,650	80,857	958,968	-	1,506,061
Long-Term Liabilities:							
Accrued interest	8,333	-	-	-	3,856,856	-	3,865,189
Reserves for contingencies	77,073	-	-	-	154,344	-	231,417
Long-term debt, less current portion	850,000	-	-	264,155	14,317,386	-	15,431,541
Loan payable to CCRFC	-	-	-	-	1,948,861	(1,948,861)	-
Total long-term liabilities	935,406	-	-	264,155	20,277,447	(1,948,861)	19,528,147
Total liabilities	1,386,938	2,054	12,650	345,012	21,236,415	(1,948,861)	21,034,208
Net Position							
Net investment in capital assets	1,651,359	597,867	-	(106,136)	12,749,203	-	14,892,293
Unrestricted	1,194,705	6,725,058	14,601,198	-	(2,809,888)	-	19,711,073
Total net position	2,846,064	7,322,925	14,601,198	(106,136)	9,939,315	-	34,603,366
Total liabilities and net position	\$ 4,233,002	\$ 7,324,979	\$ 14,613,848	\$ 238,876	\$ 31,175,730	\$ (1,948,861)	\$ 55,637,574

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Combining Statement of Activities

For the Year Ended June 30, 2015

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation	Crump Building, Inc.	Downtown Parking Authority	Elimination	Total
Operating Revenues:							
Administrative income	\$ 46,529	\$ -	\$ 6,779,669	\$ -	\$ -	\$ -	\$ 6,826,198
CBID assessment	2,853,343	-	-	-	-	-	2,853,343
Development income	-	4,200	-	-	-	-	4,200
Operations income	5,354	1,103,345	-	-	176	-	1,108,875
Parking garage management	-	-	-	-	2,309,121	-	2,309,121
Real estate income	-	95,940	-	-	-	(95,940)	-
Total operating revenues	2,905,226	1,203,485	6,779,669	-	2,309,297	(95,940)	13,101,737
Operating Expenses:							
Salaries and benefits	1,553,230	-	-	-	-	-	1,553,230
Advertising	37,855	-	-	-	-	-	37,855
Business community relations	7,963	-	-	-	-	-	7,963
Conferences and travel	35,090	-	-	-	-	-	35,090
Depreciation and amortization	439,777	103,348	-	-	1,031,035	-	1,574,160
Event production	125,731	14,500	-	-	-	-	140,231
Insurance	26,479	8,622	-	-	74,033	-	109,134
Office expenses	134,554	2	-	-	1,011	-	135,567
Other personnel expenses	208,399	-	-	-	265,347	-	473,746
Parking garage management fees	-	-	-	-	819,600	-	819,600
Planning and development	55,108	2,555,573	-	-	-	-	2,610,681
Professional fees	210,323	80,743	206,461	-	101,973	-	599,500
Rent expense	103,817	-	-	-	315,319	(95,940)	323,196
Repairs and maintenance	146,504	2,694	-	-	14,967	-	164,165
Subscriptions and dues	10,793	-	-	-	-	-	10,793
Total operating expenses	3,095,623	2,765,482	206,461	-	2,623,285	(95,940)	8,594,911
Operating income (loss)	(190,397)	(1,561,997)	6,573,208	-	(313,988)	-	4,506,826

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Combining Statement of Activities (continued)

For the Year Ended June 30, 2015

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation	Crump Building, Inc.	Downtown Parking Authority	Elimination	Total
Non-Operating Revenue (Expenses):							
Interest income	2,058	43,736	-	-	59,566	-	105,360
Interest expense	(39,532)	(10,332)	-	-	(775,505)	-	(825,369)
Net transfers in (out)	250,000	1,726,092	(3,393,798)	106,136	1,311,570	-	-
Total non-operating revenues (expenses)	212,526	1,759,496	(3,393,798)	106,136	595,631	-	(720,009)
Change in net position	22,129	197,499	3,179,410	106,136	281,643	-	3,786,817
Total net position - beginning	2,846,064	7,322,925	14,601,198	(106,136)	9,939,315	-	34,603,366
Total net position - ending	\$ 2,868,193	\$ 7,520,424	\$ 17,780,608	\$ -	\$ 10,220,958	\$ -	\$ 38,390,183

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Combining Statement of Activities

For the Year Ended June 30, 2014

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation	Crump Building, Inc.	Downtown Parking Authority	Elimination	Total
Operating Revenues:							
Administrative income	\$ 33,811	\$ -	\$ 5,749,379	\$ -	\$ -	\$ -	\$ 5,783,190
CBID assessment	3,112,375	-	-	-	-	-	3,112,375
Development income	-	5,290	-	-	-	-	5,290
Marketing income	7,723	-	-	-	-	-	7,723
Operations income	23,471	321,299	-	-	63	-	344,833
Parking garage management	-	-	-	-	2,107,701	-	2,107,701
Real estate income	300	-	-	112,440	-	(112,740)	-
Total operating revenues	3,177,680	326,589	5,749,379	112,440	2,107,764	(112,740)	11,361,112
Operating Expenses:							
Salaries and benefits	1,532,066	-	-	-	-	-	1,532,066
Advertising	80,447	17,723	-	-	-	-	98,170
Business community relations	7,869	427	612,357	-	426	-	621,079
Conferences and travel	3,830	-	-	-	-	-	3,830
Depreciation and amortization	434,958	40,334	-	63,014	1,014,859	-	1,553,165
Event production	123,184	-	-	-	-	-	123,184
Insurance	29,929	-	-	-	83,402	-	113,331
Office expenses	154,818	1,295	-	198	1,128	-	157,439
Other personnel expenses	204,578	-	-	-	239,969	-	444,547
Parking garage management fees	-	-	-	-	817,908	-	817,908
Planning and development	35,609	210,783	-	-	-	-	246,392
Professional fees	164,798	62,367	313,988	6,598	87,724	-	635,475
Rent expense	116,985	-	-	-	315,000	(112,740)	319,245
Repairs and maintenance	126,961	27,925	-	-	43,990	-	198,876
Subscriptions and dues	7,049	-	-	-	-	-	7,049
Total operating expenses	3,023,081	360,854	926,345	69,810	2,604,406	(112,740)	6,871,756
Operating income (loss)	154,599	(34,265)	4,823,034	42,630	(496,642)	-	4,489,356

DOWNTOWN MEMPHIS COMMISSION AND RELATED ENTITIES

Combining Statement of Activities (continued)

For the Year Ended June 30, 2014

	Downtown Memphis Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation	Crump Building, Inc.	Downtown Parking Authority	Elimination	Total
Non-Operating Revenue (Expenses):							
Interest income	1,648	72,555	-	-	60,025	-	134,228
Interest expense	(55,744)	-	-	(14,530)	(803,321)	-	(873,595)
Net transfers in (out)	217,613	600,819	378,901	(17,613)	(1,179,720)	-	-
Total non-operating revenues (expenses)	163,517	673,374	378,901	(32,143)	(1,923,016)	-	(739,367)
Change in net position	318,116	639,109	5,201,935	10,487	(2,419,658)	-	3,749,989
Total net position - beginning	2,527,948	6,683,816	9,399,263	(116,623)	12,358,973	-	30,853,377
Total net position - ending	\$ 2,846,064	\$ 7,322,925	\$ 14,601,198	\$ (106,136)	\$ 9,939,315	\$ -	\$ 34,603,366

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 statement of financial position as of June 30, 2015, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated November 19, 2015.

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 opinion 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.

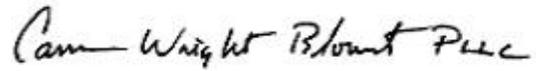
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Memphis, Tennessee
November 19, 2015