

**MILE HIGH UNITED WAY CURTIS PARK**

**Financial Statements  
and  
Independent Auditors' Report  
June 30, 2015 and 2014**



**MILE HIGH UNITED WAY CURTIS PARK**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Mile High United Way Curtis Park  
Denver, Colorado

We have audited the accompanying financial statements of Mile High United Way Curtis Park, which are comprised of the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **AUDITORS' 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. 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 auditors' 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 auditors consider 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.

To the Board of Directors  
Mile High United Way Curtis Park  
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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 financial statements referred to above present fairly, in all material respects, the financial position of Mile High United Way Curtis Park as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

EKS&H LLLP

EKS&H LLLP

October 16, 2015  
Denver, Colorado

# MILE HIGH UNITED WAY CURTIS PARK

## Statements of Financial Position

	June 30,	
	2015	2014
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 135,724	\$ 5,246
Restricted cash	196,537	4,853,836
Due from Mile High United Way	<u>-</u>	<u>1,678,415</u>
Total current assets	<u>332,261</u>	<u>6,537,497</u>
Non-current assets		
Property and equipment		
Land	1,534,934	1,534,934
Building	17,914,509	-
Furniture and fixtures	819,261	-
Less accumulated depreciation and amortization	<u>(450,119)</u>	<u>-</u>
Property and equipment, net	19,818,585	1,534,934
Construction in progress	-	12,556,831
Deferred financing costs, net	<u>377,792</u>	<u>395,534</u>
Total non-current assets	<u>20,196,377</u>	<u>14,487,299</u>
Total assets	<u>\$ 20,528,638</u>	<u>\$ 21,024,796</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accrued liabilities	\$ 52,251	\$ -
Deferred rental income	<u>53,750</u>	<u>-</u>
Total current liabilities	<u>106,001</u>	<u>-</u>
Non-current liabilities		
Long-term debt	18,483,000	18,483,000
Due to Mile High United Way	<u>95,393</u>	<u>-</u>
Total liabilities	<u>18,684,394</u>	<u>18,483,000</u>
Commitments and contingencies		
Net assets		
Unrestricted	<u>1,844,244</u>	<u>2,541,796</u>
Total net assets	<u>1,844,244</u>	<u>2,541,796</u>
Total liabilities and net assets	<u>\$ 20,528,638</u>	<u>\$ 21,024,796</u>

See notes to financial statements.

# MILE HIGH UNITED WAY CURTIS PARK

## Statements of Activities

	For the Years Ended	
	June 30,	
	<u>2015</u>	<u>2014</u>
Revenues - unrestricted		
Contributions from Mile High United Way	\$ -	\$ 3,025,143
Rental income	122,950	-
Interest	<u>1,638</u>	<u>6,124</u>
Total revenues - unrestricted	<u>124,588</u>	<u>3,031,267</u>
Expenses		
Depreciation and amortization	467,861	6,704
Operations	187,781	8,969
Interest	158,764	-
Professional fees	7,734	73,798
Start-up costs	<u>-</u>	<u>400,000</u>
Total expenses	<u>822,140</u>	<u>489,471</u>
Change in unrestricted net assets	(697,552)	2,541,796
Net assets - unrestricted, beginning of year	<u>2,541,796</u>	<u>-</u>
Net assets - unrestricted, end of year	<u>\$ 1,844,244</u>	<u>\$ 2,541,796</u>

See notes to financial statements.

## MILE HIGH UNITED WAY CURTIS PARK

### Statements of Cash Flows

	For the Years Ended June 30,	
	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (697,552)	\$ 2,541,796
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	467,861	6,704
Contributed land	-	(1,000,000)
Changes in assets and liabilities		
Due to/from Mile High United Way	1,773,808	(1,678,415)
Accrued liabilities	52,251	-
Deferred rental income	<u>53,750</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>1,650,118</u>	<u>(129,915)</u>
Cash flows from investing activities		
Purchase of property and equipment	(6,176,939)	(13,091,765)
Change in restricted cash	<u>4,657,299</u>	<u>(4,853,836)</u>
Net cash used in investing activities	<u>(1,519,640)</u>	<u>(17,945,601)</u>
Cash flows from financing activities		
Proceeds from issuance of debt	-	18,483,000
Debt issuance costs paid	<u>-</u>	<u>(402,238)</u>
Net cash provided by financing activities	<u>-</u>	<u>18,080,762</u>
Net increase in cash and cash equivalents	130,478	5,246
Cash and cash equivalents - beginning of year	<u>5,246</u>	<u>-</u>
Cash and cash equivalents - end of year	<u>\$ 135,724</u>	<u>\$ 5,246</u>

#### Supplemental disclosure of cash flow information:

Cash paid for interest for the years ended June 30, 2015 and 2014 was \$158,764 and \$0, respectively.

See notes to financial statements.

# MILE HIGH UNITED WAY CURTIS PARK

## Notes to Financial Statements

### **Note 1 - Description of Business and Summary of Significant Accounting Policies**

Mile High United Way Curtis Park ("Curtis Park") was formed in May 2013 to construct, finance, and own the Mile High United Way Morgridge Center for Community Change (the "Center"). The Center was opened in September 2014 by Mile High United Way ("MHUW") as its headquarters and as a community hub. During the year ended June 30, 2015, the Center hosted over 900 meetings and events, resulting in approximately 23,000 individuals from the non-profit, government, and business community using the Center. MHUW leases and operates the facilities included in the Center under an operating lease. MHUW is the sole voting member of Curtis Park and appoints the members to the Board of Directors.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

#### Cash and Cash Equivalents

Curtis Park considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Curtis Park continually monitors its positions with, and the credit quality of, the financial institutions with which it invests.

#### Restricted Cash

Restricted cash consists of amounts funded by notes payable and deposited into the construction disbursement account to be advanced and used for the construction of the Center as well as reserves held for community development entities ("CDEs") asset management fees.

#### Property and Equipment

Property consists of the land, building, and furniture and fixtures of the Center. Construction of the Center was completed in September 2014, at which time the assets were placed into service and began depreciating. The assets are depreciated utilizing the straight-line method over the estimated useful lives of the assets, ranging from 3 to 35 years. Depreciation expense was \$450,119 for the year ended June 30, 2015.

#### Rental Revenue

Curtis Park recognizes rental revenue on a monthly basis, during the rental period as defined under the terms of the lease agreement. Prepaid rent amounts received are recorded as deferred rental income and recognized during the rental period to which they apply.



# MILE HIGH UNITED WAY CURTIS PARK

## Notes to Financial Statements

### **Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)**

#### Income Taxes

Curtis Park is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Curtis Park is subject to federal income tax on any unrelated business taxable income.

Curtis Park applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2015 and 2014. If incurred, interest and penalties associated with tax positions would be recorded in the period assessed as operations expense. No interest or penalties have been assessed as of June 30, 2015 and 2014.

#### Classes of Net Assets

The balances and activities of Curtis Park have been segregated into classes according to the nature of the activity and related restrictions imposed by funding sources and designations approved by the Board of Directors.

#### *Unrestricted Net Assets*

This class is used to account for resources for which Curtis Park has discretionary control.

#### *Temporarily Restricted Net Assets*

This class is used to account for amounts administered by Curtis Park that are stipulated by donors for specific operating purposes or for future periods. Curtis Park does not currently maintain any temporarily restricted net assets.

#### *Permanently Restricted Net Assets*

This class is used to account for monies that must be maintained permanently by Curtis Park as required by the donor. Curtis Park does not currently maintain any permanently restricted net assets.

# MILE HIGH UNITED WAY CURTIS PARK

## Notes to Financial Statements

### **Note 2 - Long-Term Debt**

#### NMTC Financing

In order to raise funds for the construction of the Center, MHUW and Curtis Park entered into financing arrangements ("Agreements") with investors using new markets tax credits ("NMTC Financing"). In connection with the NMTC Financing, MHUW lent to the Fund approximately \$12,882,000. Third-party NMTC investors invested approximately \$6,118,000 into MHUW Investment Fund, LLC (the "Fund") in exchange for new markets tax credits. As part of the NMTC Financing, the Fund invested a portion of the funds into three qualified community development entities ("CDEs"). The CDEs loaned to Curtis Park substantially all of the proceeds of investments made in them by the Fund, net of fees of \$517,000, in the aggregate amount of approximately \$18,483,000 ("Project Loans"), and Curtis Park executed and delivered to the CDEs loan agreements, promissory notes, and deeds of trusts in connection with the Project Loans. The new market tax credits have a seven-year compliance period.

In December 2013, Curtis Park received the proceeds of six notes payable from three separate CDEs related to the NMTC Financing. Three of the notes payable total \$12,882,000. The remaining three notes payable total \$5,601,000. The combined total of the six notes payable is \$18,483,000, all of which was used to build the Center. The notes payable accrue interest at 1.1453% and require quarterly interest-only payments through February 2021. Beginning in March 2021, quarterly principal and interest payments will be made through September 11, 2043, at which time all remaining notes payable balances become due. The notes payable are secured by deeds of trust on the property and assignment of leases and rents. MHUW pays rent to Curtis Park to cover the debt servicing payments required under the notes payable.

The three notes payable totaling \$5,601,000 have put and call options that can be exercised at the end of the NMTC Financing seven-year compliance period. If either option is exercised, MHUW will purchase the third-party NMTC investor interests in the MHUW Investment Fund, LLC at an amount as defined in the Agreements. Once the option is exercised and the agreed upon consideration is paid, all notes payable related to the NMTC Financing will be considered settled in full and ownership of the Center will transfer from Curtis Park to MHUW.

#### Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the NMTC Financing. These costs are being amortized over the term of the long-term debt using the straight-line method. Amortization expense recognized during the years ended June 30, 2015 and 2014 was \$17,742 and \$6,704, respectively.

### **Note 3 - Related Party Transactions**

MHUW entered into a lease agreement with Curtis Park for the Center that commenced in September 2014. The lease requires escalating payments through maturity in December 2034 and allows for two five-year renewal periods. During the year ended June 30, 2015, Curtis Park recognized lease income of \$122,950 from MHUW.

# MILE HIGH UNITED WAY CURTIS PARK

## Notes to Financial Statements

### **Note 3 - Related Party Transactions (continued)**

Future lease payments under the lease are as follows:

#### Year Ending June 30.

2016	\$	216,075
2017		218,236
2018		220,419
2019		222,623
2020		274,365
Thereafter		<u>15,109,920</u>
	\$	<u>16,261,638</u>

During the year ended June 30, 2014, MHUW contributed property to Curtis Park valued at \$1,534,934 in exchange for \$534,934. The remaining \$1,000,000 was recorded as a contribution on the statement of activities. As of June 30, 2014, MHUW committed to contribute an additional \$2,025,143 to Curtis Park in conjunction with the NMTC Financing. This amount was paid to Curtis Park during the year ended June 30, 2015.

Curtis Park reimbursed MHUW \$300,000 for costs incurred by MHUW in the sale of its former building during the year ended June 30, 2014, which is included within start-up costs on the statements of activities.

As part of the construction of the Center, Curtis Park entered into a Development Services Agreement (the "Agreement") with MHUW pursuant to which MHUW provided certain services with respect to overseeing the development of the Center. As a significant amount of these services had been performed by MHUW as of June 30, 2014 and no default of the Agreement is expected, Curtis Park has recorded the \$100,000 developer fee expense within start-up costs on the statement of activities for the year ended June 30, 2014. The developer fee is to be paid as cash flows are available as defined in the Agreement. As of June 30, 2015, \$95,393 was due to MHUW for the developer fee.

### **Note 4 - Subsequent Events**

Curtis Park has evaluated all subsequent events through the date of the auditors' report, which is the date the financial statements were available for issuance. There were no material subsequent events that required recognition or additional disclosure in these financial statements.