

MILE HIGH UNITED WAY CURTIS PARK

**Financial Statements
and
Independent Auditors' Report
June 30, 2017 and 2016**



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, 2017 and 2016, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Mile High United Way Curtis Park
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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, 2017 and 2016, 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.

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October 18, 2017
Denver, Colorado

MILE HIGH UNITED WAY CURTIS PARK

Statements of Financial Position

	June 30,	
	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 90,838	\$ 87,567
Restricted cash	<u>126,889</u>	<u>161,717</u>
Total current assets	<u>217,727</u>	<u>249,284</u>
Non-current assets		
Land	1,534,934	1,534,934
Building	17,914,509	17,914,509
Furniture and fixtures	819,261	819,261
Less accumulated depreciation and amortization	<u>(1,692,173)</u>	<u>(1,071,146)</u>
Total non-current assets	<u>18,576,531</u>	<u>19,197,558</u>
Total assets	<u>\$ 18,794,258</u>	<u>\$ 19,446,842</u>
Liabilities and Net Assets		
Non-current liabilities		
Long-term debt, net	\$ 18,143,580	\$ 18,124,394
Due to Mile High United Way	<u>119,568</u>	<u>135,204</u>
Total liabilities	18,263,148	18,259,598
Commitments and contingencies		
Net assets		
Unrestricted	<u>531,110</u>	<u>1,187,244</u>
Total liabilities and net assets	<u>\$ 18,794,258</u>	<u>\$ 19,446,842</u>

See notes to financial statements.

MILE HIGH UNITED WAY CURTIS PARK

Statements of Activities

	For the Years Ended	
	June 30,	
	<u>2017</u>	<u>2016</u>
Revenues - unrestricted		
Rent	\$ 218,781	\$ 216,614
Interest	<u>298</u>	<u>279</u>
Total revenues - unrestricted	<u>219,079</u>	<u>216,893</u>
Expenses		
Depreciation and amortization	621,027	621,027
Operations	10,000	10,000
Interest	230,872	230,872
Professional fees	<u>13,314</u>	<u>11,994</u>
Total expenses	<u>875,213</u>	<u>873,893</u>
Change in unrestricted net assets	(656,134)	(657,000)
Net assets - unrestricted, beginning of year	<u>1,187,244</u>	<u>1,844,244</u>
Net assets - unrestricted, end of year	<u>\$ 531,110</u>	<u>\$ 1,187,244</u>

See notes to financial statements.

MILE HIGH UNITED WAY CURTIS PARK

Statements of Cash Flows

	For the Years Ended June 30,	
	2017	2016
Cash flows from operating activities		
Change in net assets	\$ (656,134)	\$ (657,000)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	621,027	621,027
Amortization of debt issuance costs	19,186	19,186
Changes in assets and liabilities		
Due to Mile High United Way	(15,636)	39,811
Accrued liabilities	-	(52,251)
Deferred rental income	-	(53,750)
Net cash used in operating activities	(31,557)	(82,977)
Net change in cash, cash equivalents, and restricted cash	(31,557)	(82,977)
Cash, cash equivalents, and restricted cash - beginning of year	249,284	332,261
Cash, cash equivalents, and restricted cash - end of year	\$ 217,727	\$ 249,284

Cash, cash equivalents, and restricted cash are presented in the statements of financial position as follows:

	June 30,	
	2017	2016
Cash and cash equivalents	\$ 90,838	\$ 87,567
Restricted cash	126,889	161,717
	\$ 217,727	\$ 249,284

Supplemental disclosure of cash flow information:

Cash paid for interest for each of the years ended June 30, 2017 and 2016 was \$211,686.

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, 2017, the Center hosted approximately 780 meetings and events, resulting in approximately 28,600 individuals from the non-profit, government, and business communities 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 reserve amounts held for community development entities' asset management fees.

Property and Equipment

Property and equipment consist of the land, building, and furniture and fixtures of the Center. 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 \$621,027 for each of the years ended June 30, 2017 and 2016.

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, 2017 and 2016. 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, 2017 and 2016.

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

Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment applies to not-for-profit entities. The amendment reduces the classes of net assets to net assets with donor restrictions and net assets without donor restrictions; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for all fiscal years beginning after December 15, 2017. Entities should apply the amendment in this update retrospectively to all periods presented.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU No. 2014-09 will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America when it becomes effective. The new standard is effective for all fiscal years beginning after December 15, 2018. Early application is allowed for annual fiscal-year periods beginning after December 15, 2016.

Curtis Park is currently evaluating the impact of the new standards above on the financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendment requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendment is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Curtis Park has implemented this amendment for the year ended June 30, 2017.

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Notes to Financial Statements

Note 2 - Long-Term Debt

New Markets Tax Credits 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"). Third-party NMTC investors invested approximately \$6,118,000 into the MHUW Investment Fund, LLC (the "Fund") in exchange for new markets tax credits. In connection with the NMTC Financing, MHUW lent to the Fund approximately \$12,882,000. 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.

Curtis Park incurred costs in connection with the NMTC Financing. These costs are being amortized over the term of the long-term debt using the effective interest method. Unamortized costs of \$339,420 and \$358,606 as of June 30, 2017 and 2016, respectively, have been netted against the notes payable in the statements of financial position.

The notes payable 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 Financing investor interests in the Fund 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.

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 years ended June 30, 2017 and 2016, Curtis Park recognized lease income of \$218,781 and \$216,614, respectively, from MHUW.

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Notes to Financial Statements

Note 3 - Related Party Transactions (continued)

Future lease payments under the lease are as follows:

Year Ending June 30.

2018	\$	220,419
2019		222,623
2020		274,365
2021		662,500
2022		1,005,000
Thereafter		<u>13,442,420</u>
	\$	<u>15,827,327</u>

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. The developer fee of \$100,000 is to be paid as cash flows are available as defined in the Agreement. As of June 30, 2017 and 2016, \$65,818 and \$81,454, respectively, 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 to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.