
Mile High United Way Curtis Park

Financial Report
June 30, 2019

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Independent Auditor's Report

To the Board of Directors
Mile High United Way Curtis Park

We have audited the accompanying financial statements of Mile High United Way Curtis Park (Curtis Park), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities and changes in net deficit and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 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, 2019 and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2, Mile High United Way Curtis Park adopted the provisions under Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of July 1, 2018 and applied it retrospectively to all years presented. Our opinion is not modified with respect to this matter.

To the Board of Directors
Mile High United Way Curtis Park

Report on Prior Year Financial Statements

The financial statements of Mile High United Way Curtis Park as of June 30, 2018 were audited by EKS&H LLLP, whose report dated October 17, 2018 expressed an unqualified opinion on those statements. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

December 11, 2019

Mile High United Way Curtis Park

Statement of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 107,838	\$ 97,505
Restricted cash and cash equivalents	57,286	92,081
Total current assets	165,124	189,586
Noncurrent 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	2,905,198	2,302,820
Total noncurrent assets	17,363,506	17,965,884
Total assets	\$ 17,528,630	\$ 18,155,470
Liabilities and Net Deficit		
Noncurrent Liabilities		
Long-term debt - Net	\$ 18,181,952	\$ 18,162,766
Due to Mile High United Way	85,398	102,227
Total noncurrent liabilities	18,267,350	18,264,993
Net Deficit - Without donor restrictions	(738,720)	(109,523)
Total liabilities and net deficit	\$ 17,528,630	\$ 18,155,470

Mile High United Way Curtis Park

Statement of Activities and Changes in Net Deficit

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenue - Without donor restrictions		
Rent	\$ 223,178	\$ 220,968
Interest	511	2,362
Total revenue without donor restrictions	<u>223,689</u>	<u>223,330</u>
Expenses		
Program expenses:		
Depreciation	602,378	610,647
Interest	230,872	230,872
Repairs and maintenance	10,000	10,000
Professional fees	9,636	12,444
Total expenses	<u>852,886</u>	<u>863,963</u>
Change in Net Deficit	(629,197)	(640,633)
Net Deficit without Donor Restrictions - Beginning of year	<u>(109,523)</u>	531,110
Net Deficit without Donor Restrictions - End of year	<u><u>\$ (738,720)</u></u>	<u><u>\$ (109,523)</u></u>

Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net deficit	\$ (629,197)	\$ (640,633)
Adjustments to reconcile change in net deficit to net cash and cash equivalents from operating activities:		
Depreciation	602,378	610,647
Amortization of debt issuance costs to interest expense	19,186	19,186
Changes in operating assets and liabilities that used cash and cash equivalents - Due to Mile High United Way	(16,829)	(17,341)
Net Decrease in Cash and Cash Equivalents - Net cash and cash equivalents used in operating activities	(24,462)	(28,141)
Cash and Cash Equivalents - Beginning of year	189,586	217,727
Cash and Cash Equivalents - End of year	\$ 165,124	\$ 189,586
Statement of Financial Position Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 107,838	\$ 97,505
Restricted cash and cash equivalents	57,286	92,081
Total cash and cash equivalents	\$ 165,124	\$ 189,586
Supplemental Cash Flow Information - Cash paid for interest	\$ 211,686	\$ 211,686

Note 1 - Nature of Business

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 (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, 2019, the Center hosted approximately 700 meetings and events, resulting in approximately 20,000 individuals from the nonprofit, government, and business communities using the Center. MHUW is the sole voting member of Curtis Park and appoints the members to the board of directors. MHUW leases and operates the facilities included in the Center under an operating lease.

Note 2 - Significant Accounting Policies

Adoption of Accounting Pronouncement

As of July 1, 2018 and applied retrospectively, Curtis Park adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. In addition, the underwater portion of donor-restricted endowments is now reported as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by Curtis Park, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As allowed under the new standard, Curtis Park has elected to omit the disclosures about liquidity and availability of resources for periods prior to the period of adoption.

Classification of Net Assets

Net assets of Curtis Park are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of Curtis Park.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Curtis Park or by the passage of time. Curtis Park did not have any net assets with donor restrictions as of June 30, 2019 and 2018.

Cash Equivalents

For the purpose of the accompanying financial statements, Curtis Park considers all highly liquid investments purchased with original maturities 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 are recorded at cost and 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 for property and equipment totaled \$602,378 and \$610,647 for the years ended June 30, 2019 and 2018, respectively.

Note 2 - Significant Accounting Policies (Continued)

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.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net deficit. Due to the nature of operations of Curtis Park, all expenses are reflected as program expenses. There are no fundraising or general and administrative activities performed in Curtis Park.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Curtis Park is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Curtis Park and recognize a tax liability if Curtis Park has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS) or other applicable taxing authorities. Management has analyzed the tax positions taken by Curtis Park and has concluded that, as of June 30, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. Curtis Park is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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, 2019 and 2018. 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, 2019 and 2018.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 11, 2019, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

Curtis Park has \$107,838 of cash and cash equivalents that constitutes its financial assets available within one year of the June 30, 2019 to meet cash needs for general expenditure. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Lease income from MHUW covers substantially all operating costs, except for depreciation. As a result, depreciation expense causes Curtis Park to incur annual net losses and an accumulated net deficit. It is the intention of MHUW to continue to lease and provide cash flows as needed for the operation of Curtis Park for the foreseeable future.

Note 4 - 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 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 at 1 percent interest, which matures in September 2043 and is reflected as a note receivable by MHUW. 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 (the "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, which will expire in December 2020.

In December 2013, Curtis Park received the proceeds of six notes payable from three separate CDEs related to the NMTC Financing, totaling \$18,483,000, all of which was used to build the Center. The notes payable accrue interest at 1.1453 percent 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 \$301,048 and \$320,234 as of June 30, 2019 and 2018, respectively, have been netted against the notes payable in the statement of financial position.

The NMTC third-party investment of \$6,118,000 has 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 MHUW Investment Fund, LLC. The put option has a purchase price of \$1,000, and the call option amount would be determined at fair market value, as defined in the agreement. 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 may transfer from Curtis Park to MHUW.

Note 5 - Related Party Transactions

The following is a description of transactions between Curtis Park and related parties:

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, 2019 and 2018, Curtis Park recognized lease income of \$223,178 and \$220,968, respectively, from MHUW.

Note 5 - Related Party Transactions (Continued)

Future lease payments under the lease are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2020	\$ 274,365
2021	662,500
2022	1,005,000
2023	1,015,050
2024	1,025,200
Thereafter	<u>11,402,170</u>
Total	<u>\$ 15,384,285</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, 2019 and 2018, \$29,423 and \$48,477, respectively, was due to MHUW for the developer fee.

As of June 30, 2019 and 2018, Curtis Park owed MHUW \$55,975 and \$53,750, respectively for reimbursed costs.