

MEMPHIS RIVER PARKS PARTNERSHIP, INC.
FINANCIAL STATEMENTS

June 30, 2024



Memphis River Parks Partnership, Inc.
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Memphis River Parks Partnership, Inc.
Management and Governance Officials
June 30, 2024

Management Staff

Carol Coletta, President & CEO

* Art Davis, Chief Operating Officer/CFO

Board of Directors

Tyree Daniels	Board Chairman
Ray Pohlman	Immediate Past Chairman
Robert Clark	Board Vice Chairman
Tammy LoCascio	Assistant Secretary
Sam Cantor	Board Treasurer
Gregory M. Duckett	Chairperson Emeritus
Calvin Anderson	Secretary
Bruce B. Hopkins	Board Member
Robert Craddock	Board Member
Alan Crone	Board Member
JW Gibson II	Board Member
Liz Gilliland	Board Member
Billy Orgel	Board Member
Amity Schuyler	Board Member
Teresa Sloyan	Board Member
Van D. Turner, Jr.	Board Member
Kevin Woods	Board Member
Gary K. Wunderlich, Jr.	Board Member
Shanea McKinney	Board Member
Kim Jordan	Board Member
Eric Brown	Board Member
Michelle McKissack	Board Member
Gabe Franceschi	Board Member
Bruce McMullen	Board Member
Molly Wexler	Board Member
Max Wondries	Board Member
Cathy Lynch	Board Member
Tom Grimes	Board Member
Philip Spinosa	Board Member
Jen Andrews	Board Member - Ex-Officio
Chandell Ryan	Board Member - Ex-Officio
Penelope Huston	Board Member - Ex-Officio

*Individual designated with financial oversight

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Memphis River Parks Partnership, Inc.
Memphis, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Memphis River Parks Partnership, Inc. (the "Organization", a nonprofit organization), which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 financial statements. Such information is the responsibility of management and, although not a part of the basic 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 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 financial statements, and other knowledge we obtained during our audit of the basic 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's basic financial statements. The schedule of functional expenses, the schedule of changes in long-term debt, and the schedule of changes in lease obligations, principal and interest requirements by fiscal year are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of management and governance officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Watkins Wilburall, PLLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee
November 11, 2024

MEMPHIS RIVER PARKS PARTNERSHIP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2024

Management's Discussion and Analysis

This section of the Memphis River Parks Partnership, Inc. (the "Organization") annual financial report presents our discussion and analysis of the Organization's financial performance during the fiscal year ended June 30, 2024. This section should be read in conjunction with financial statements and accompanying notes, which follow this section.

The Organization is a 501(c)(3) non-profit founded in 2000 in Memphis, TN. The Organization's mission is working with and for the people of Memphis to trigger the transformative power of the river. The Organization's vision is to create a world-class waterfront destination rooted in the unique history and character of Memphis that showcases the Mississippi River's power and majesty and binds us together as a community.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Organization's financial statements. The financial report includes financial statements, notes to the financial statements as required and other supplementary information. The statement of net position presents information on the Organization's assets and liabilities. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating. The statement of revenues, expenses, and changes in net position presents information on activities as well as other cash sources and cash payments such as investment income and capital additions.

MEMPHIS RIVER PARKS PARTNERSHIP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2024

Financial Highlights

	<u>Net Position as of June 30</u>	
	<u>2024</u>	<u>2023</u>
Current assets	\$ 23,329,485	\$ 20,409,178
Capital assets, net	850,145	738,921
Other Assets	<u>2,477,480</u>	<u>4,355,662</u>
Total assets	26,657,110	25,503,761
Current liabilities	11,552,037	8,104,021
Long-term liabilities	<u>13,436,115</u>	<u>10,079,171</u>
Total liabilities	24,988,152	18,183,192
Investment in capital assets	270,975	95,789
Restricted for Tom Lee Park	-	1,817,370
Unrestricted net position	<u>1,397,983</u>	<u>5,407,410</u>
Total net position	<u>\$ 1,668,958</u>	<u>\$ 7,320,569</u>

	<u>Changes in Net Position for the Years Ended June 30</u>	
	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 5,388,283	\$ 7,691,426
Operating expenses	<u>11,056,601</u>	<u>28,519,514</u>
Operating loss	(5,668,318)	(20,828,088)
Non-operating revenue and expenses	<u>16,707</u>	<u>35,531</u>
Change in net position	<u>\$ (5,651,611)</u>	<u>\$ (20,792,557)</u>

MEMPHIS RIVER PARKS PARTNERSHIP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2024

Operating and Non-Operating Revenues

The Organization's total operating revenue was \$5,334,636 for the year ended June 30, 2024.

City of Memphis Management Contracts – The Organization operates under management contracts with the City of Memphis. For Fiscal Year 2024, the contracts amount to \$3,099,000.

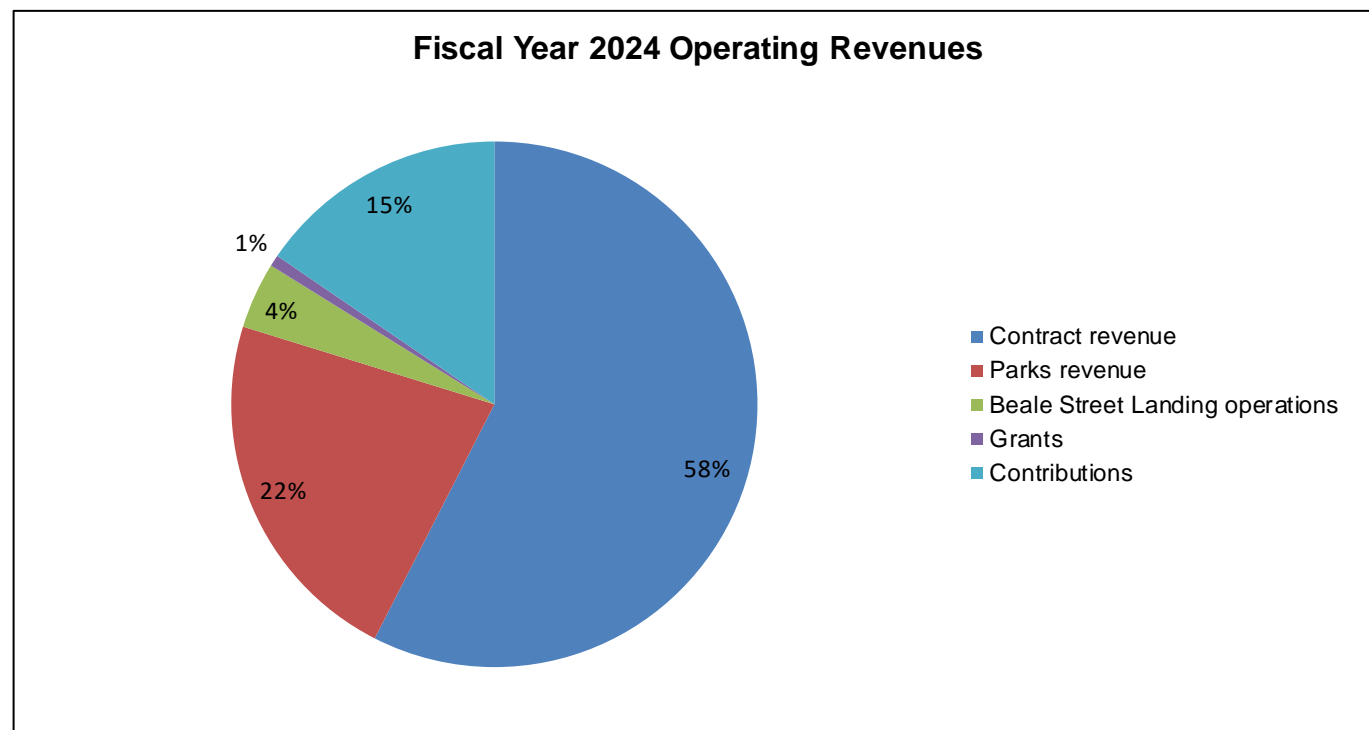
Earned Income – The Organization earned additional revenue through admissions, facility and park rentals, retail sales, parking, concerts, boat dockings, and property leases. For Fiscal Year 2024, this revenue amounts to \$1,365,580.

Grants and Donations – As a non-profit organization, the Organization also applies for philanthropic grants and individual donations. For Fiscal year 2024, these generated \$832,264 in contributions and \$37,792 in grants.

Non-Operating Revenue – The Organization earned non-operating revenue from investment income of \$16,707 in the current year.

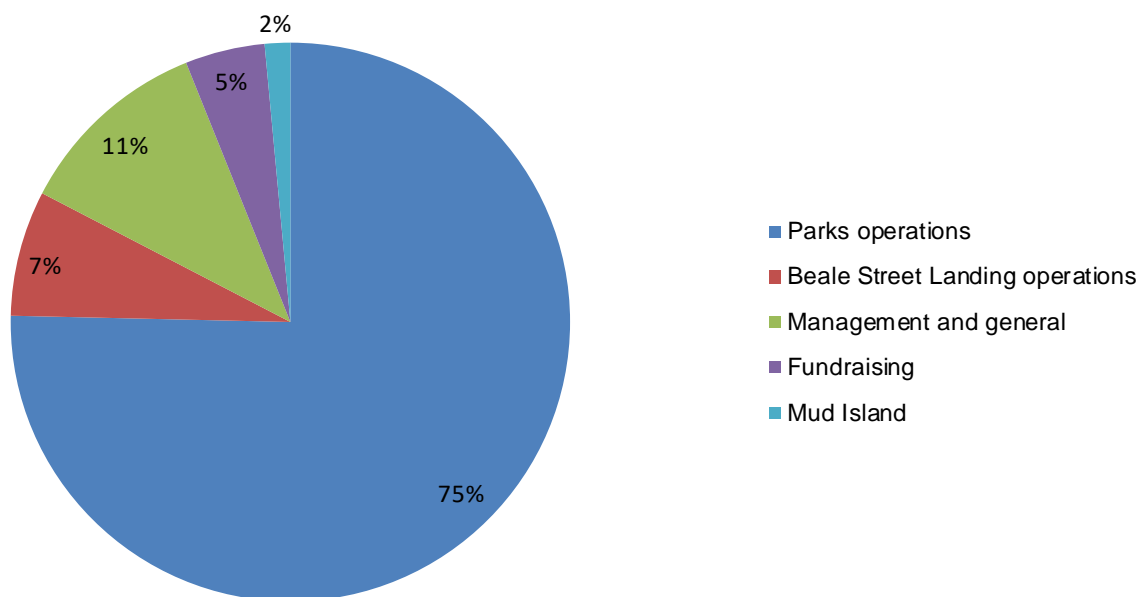
Operating Expenses

Operating expenses of the Organization decreased to \$11,056,601 for Fiscal Year 2024 compared with \$28,519,514 for Fiscal Year 2023. This decrease is primarily due to the completion of the Tom Lee Park design and renovations in Fiscal Year 2024.

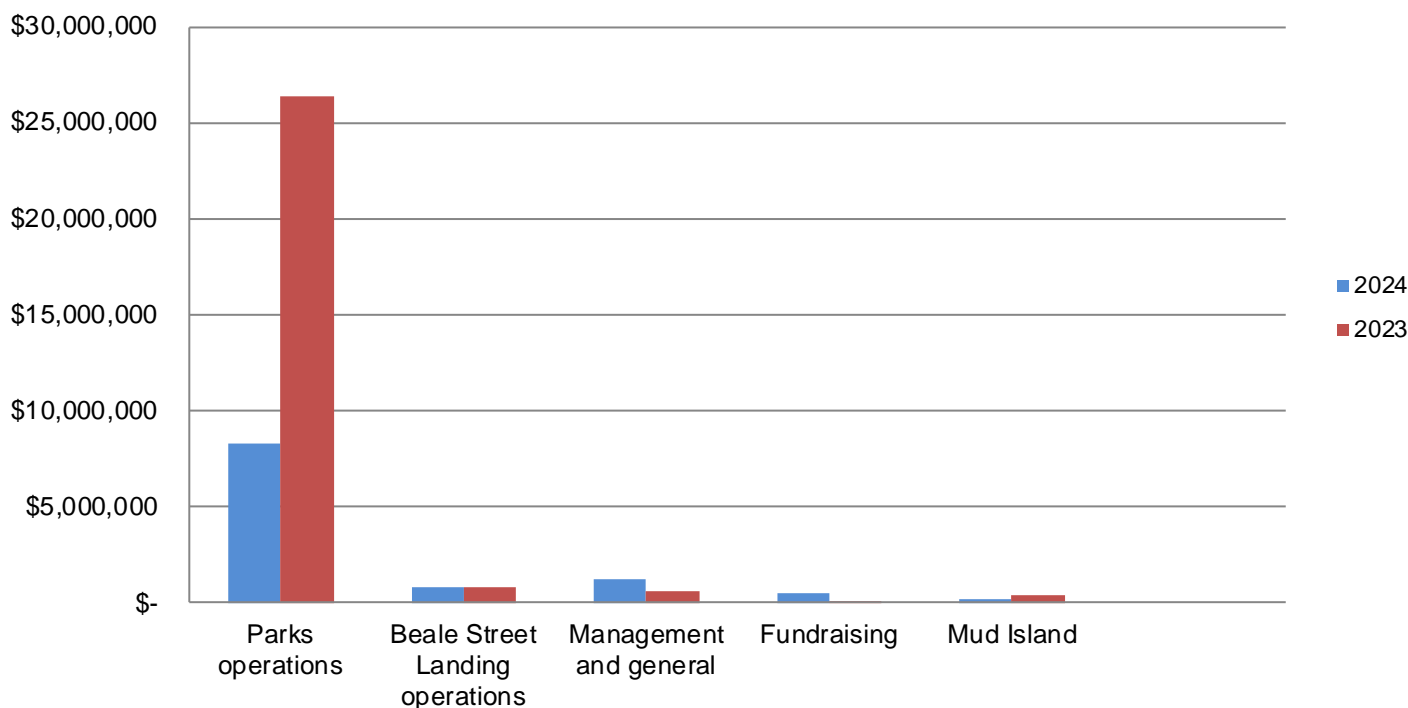


MEMPHIS RIVER PARKS PARTNERSHIP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2024

Fiscal Year 2024 Operating Expenses



Fiscal Year 2024 vs. Fiscal Year 2023 Operating Expenses



MEMPHIS RIVER PARKS PARTNERSHIP, INC.
STATEMENT OF NET POSITION

June 30, 2024

ASSETS

Current Assets

Cash and cash equivalents	\$ 11,031,781
Accounts receivable, net	9,230,866
Pledges receivable	1,912,471
Prepaid expenses	144,282
Investments	1,010,085
Total current assets	<u>23,329,485</u>

Capital Assets

Furniture and equipment	405,658
Leasehold improvements	26,850
Land	90,350
Right-of-use assets	643,132
	<u>1,165,990</u>
Less: accumulated depreciation and amortization	<u>(315,845)</u>
Total capital assets, net	850,145

Other Assets

Deposits	2,480
Pledges receivable - long term	2,475,000
Total other assets	<u>2,477,480</u>
Total assets	<u><u>\$ 26,657,110</u></u>

LIABILITIES

Current Liabilities

Accounts payable	\$ 1,408,723
Accrued payroll	106,471
Other accrued expenses	111,784
Unearned revenue	9,590,554
Refundable advance	186,591
Customer deposits	64,859
Current portion of lease liability	83,055
Total current liabilities	<u>11,552,037</u>

Long-Term Liabilities

Line of credit	12,940,000
Lease liability, net of current portion	496,115
Total liabilities	<u>24,988,152</u>

NET POSITION

Net investment in capital assets	270,975
Unrestricted	1,397,983
Total net position	<u><u>\$ 1,668,958</u></u>

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

MEMPHIS RIVER PARKS PARTNERSHIP, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2024

Operating Revenues:	
Contract revenue	\$ 3,099,000
Parks revenue	1,199,509
Beale Street Landing operations	219,718
State and foundation grants	37,792
Contributions	<u>832,264</u>
Total operating revenues	5,388,283
 Operating Expenses:	
Program Services:	
Parks operations	8,332,076
Beale Street Landing operations	803,189
Mud Island	162,895
Management and general	1,248,947
Fundraising	<u>509,494</u>
Total operating expenses	<u>11,056,601</u>
 Operating loss	(5,668,318)
 Non-operating Revenues:	
Interest income	<u>16,707</u>
 Change in net position	(5,651,611)
 Total net position, beginning of year	<u>7,320,569</u>
 Total net position, end of year	<u><u>\$ 1,668,958</u></u>

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

MEMPHIS RIVER PARKS PARTNERSHIP, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2024

Cash Flows From Operating Activities:	
Receipts from services	\$ 6,989,344
Proceeds from donations	4,514,437
Proceeds from grants	37,792
Payments to suppliers	(11,916,032)
Payments to employees	(1,820,141)
Other receipts	14,259
Net cash used for operating activities	<u>(2,180,341)</u>
Cash Flows From Capital and Related Financing Activities:	
Proceeds from line of credit	6,940,000
Repayments to line of credit	(3,500,000)
Purchases of capital assets	(151,229)
Payments to reduce lease liability	(63,962)
Net cash provided by capital and related financing activities	<u>3,224,809</u>
Cash Flows From Investing Activities:	
Proceeds from sale of investments	307,016
Purchase of investments	(1,000,000)
Net cash used for non-operating activities	<u>(692,984)</u>
Net increase in cash and cash equivalents	351,484
Cash and cash equivalents, at beginning of the year	10,680,297
Cash and cash equivalents, at end of the year	<u><u>\$ 11,031,781</u></u>
Reconciliation of the Change in Net Position to Net Cash	
Used for Operating Activities:	
Operating loss	\$ (5,668,318)
Adjustments to Change in Net Position to Net Cash	
Provided By (Used For) Operating Activities:	
Depreciation and amortization	130,826
In-kind contribution of fixed assets	(90,821)
Changes in Operating Assets and Liabilities:	
Accounts receivable (including long-term portion)	(6,742,566)
Unconditional promises to give	6,772,994
Prepaid expenses	(9,560)
Deposits	(1,818)
Accounts payable	(2,725,404)
Accrued payroll	6,294
Other accrued expenses	(81,728)
Deferred revenue	6,331,903
Refundable advance	(116,402)
Customer deposits	14,259
Total adjustments	<u>3,447,972</u>
Net cash used for operating activities	<u><u>\$ (2,180,341)</u></u>

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

MEMPHIS RIVER PARKS PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Memphis River Parks Partnership, Inc. (the “Organization”) is a non-profit organization formed in February 2000 to operate for the benefit of, to assist in the development of, and to carry out certain public services for the City of Memphis, Tennessee. The Organization acts in promoting, encouraging, and assisting economic development in the City of Memphis, with a focus on the Memphis riverfront. Based on the described purpose of the Organization’s programs existing for the exclusive benefit of the City of Memphis, the financial reporting of the Organization should be in compliance with the reporting requirements of the Governmental Accounting Standards Board (GASB).

Measurement Focus, Basis, and Method of Accounting

The Organization functions like an enterprise fund. Enterprise funds account for operations (a) that are financed and operated in a manner similar to private enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Therefore, the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of when the related cash transaction takes place.

The Organization distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Organization’s principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, it is the policy of the Organization to generally consider restricted amounts to have been reduced first.

The statement of net position presents information on the Organization’s assets, liabilities, with differences presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted. Restricted net position is further classified as either net position restricted by enabling or net position that is otherwise restricted.

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 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.

In-Kind Contributions

Donated materials and services are recorded as contributions at their estimated fair values at the date of donation. Donated services are required to be recognized in the financial statements if the services either create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if they were not donated. The Organization received \$90,821 in donated materials during 2024.

Concentrations and Credit Risks

Three sources made up approximately 77% of the Organization's receivables at June 30, 2024 and one source comprised approximately 57% of the Organization's revenues for the year then ended.

Credit risks primarily relate to cash and cash equivalents. The Organization's bank deposits, consistent with State statutes, are covered by the Federal Depository Insurance Organization (FDIC) or by a multiple financial institution collateral pool administered by the Treasurer of the State of Tennessee.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Receivables

Receivables are primarily due from the City of Memphis and foundations located in the Memphis metropolitan area. The Organization's management performs continual credit evaluations of its contracts to identify amounts that are uncollectible, and those amounts are written off when all collection attempts have been exhausted. Interest is not charged on accounts that are past due.

Pledges receivable and accounts receivable that are expected to be collected within one year are recorded at net realizable value.

Investments

Purchased investments are carried at their fair market values in the statement of net position. Donated investments are recorded at fair value at the date of donation. Net investment return is reported in the statement of revenues, expenses and changes in net position as interest income and consists of interest and dividend income, realized and unrealized gains and losses, less related investment advisory fees.

Capital Assets

The Organization records capital assets at cost or fair market value when donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is 3 to 10 years. Acquisitions of property and equipment in excess of \$5,000 are capitalized.

Right of Use Assets

The Organization has recorded right of use lease assets as a result of implementing Governmental Accounting Standards Board Statement No. 87, Leases. The right of use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right of use assets are amortized on a straight-line basis over the life of the related lease.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as a public charity.

Advertising Costs

The Organization expenses all advertising costs as incurred. No amounts have been capitalized. Advertising expense for the period ended June 30, 2024 was \$106,598.

Functional Expenses

The costs of providing the various programs and other activities have been summarized in the statement of revenues, expenses, and changes in net position. Expenses that can be identified with a specific program or support service are charged directly to their natural expenditure classification. Certain costs common to several functions have been allocated among the programs and supporting services benefited. Management and general expenses are those not directly identifiable with any specific function, but which provide for the overall support and direction of the Organization.

Date of Management's Review

The Organization evaluated its June 30, 2024 financial statements for subsequent events through November 11, 2024, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2024 was as follows:

Years Ending June 30	
2025	\$ 1,941,873
2026	2,025,000
2027	175,000
2028	75,000
2029	75,000
2030-2031	125,000
	<u>\$ 4,416,873</u>

The allowance for doubtful accounts totaled \$29,402 on June 30, 2024.

NOTE 3 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the most advantageous market at the measurement date. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities the Organization has the ability to access.
- Level 2 – Inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.
- Level 3 – Unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to management's assessment of the quality, risk, or liquidity profile of the asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024.

Money market funds: Valued at amortized cost, which approximates fair value.

Common stock: Valued at the closing price reported on the stock exchange on which they are traded.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2024:

	Level 1	Level 2	Level 3	Total
Certificate of deposit	\$ -	\$ 1,010,085	\$ -	\$ 1,010,085
	\$ -	\$ 1,010,085	\$ -	\$ 1,010,085

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance June 30, 2023	Additions	Disposals	Balance June 30, 2024
Furniture and equipment	\$ 163,608	\$ 242,050	\$ -	\$ 405,658
Leasehold improvements	26,850	-	-	26,850
Land	90,350	-	-	90,350
Right-of-use assets	643,132	-	-	643,132
	923,940	242,050	-	1,165,990
Less: accumulated depreciation and amortization	(185,019)	(130,826)	-	(315,845)
Total capital assets, net	\$ 738,921	\$ 111,224	\$ -	\$ 850,145

NOTE 5 – CITY OF MEMPHIS MANAGEMENT CONTRACT

For year ended June 30, 2024, the Organization had contracts with the City of Memphis. Management fees received by the Organization from the City were approximately \$3,099,000 for the 2024 fiscal year.

Certain City of Memphis assets are used by the Organization to manage the properties. These assets are owned by the City and as such are not included in the Organization's financial statements.

Parks Administration

Parks administration includes management of Mud Island River Park and other riverside parks owned by the City of Memphis. The Organization is partially reimbursed for costs associated with the management of the parks as described above. Mud Island River Park revenues and expenses are reflected in parks revenue on the statement of revenues, expenses, and changes in net position.

NOTE 6 – CITY OF MEMPHIS DESIGN AND CONSTRUCTION CONTRACTS

All construction oversight by the Organization is handled in a two-stage process. The Organization contracts with the City of Memphis to carry out projects which have completed the City of Memphis approval process. Once the design contract with the City of Memphis is in place, the Organization selects a design firm based on qualifications to manage the design effort. When the design phase is complete, the Organization then requests bids and contracts with firms who will complete the construction of the project.

NOTE 7 – RISK MANAGEMENT

The Organization purchases commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, employee health and accident, and worker's compensation. Payments of premiums for these policies are recorded as expenses of the Organization. Insurance settlements have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage compared to prior years.

NOTE 8 – DEBT AND OTHER FINANCING ARRANGEMENTS

Line of Credit

In December 2022, the Organization entered into a non-revolving line of credit agreement with a bank for \$20,000,000, with an adjustable interest rate of the CME Group term secured overnight financing rate (SOFR) plus 2.5%, compounded monthly. At June 30, 2024, the interest rate was 7.84%. The Organization is obligated to pay monthly interest-only payments until December 2025. Beginning in December 2025, in addition to the monthly interest payments, the Organization is obligated to pay annual principal payments in an amount equal to 25% of the outstanding principal balance as of December 2024 through maturity in December 2028. The line of credit is secured by the proceeds from the Organization's capital campaign.

The outstanding balance as of June 30, 2024 was \$12,940,000.

Leases

In 2024 the Organization entered into a lease agreement for its office space. The lease liability was computed using an incremental borrowing rate of 1.99% through maturity in August 2030.

Principal and interest payments due on the leases are as follows:

Years Ending June 30	Principal	Interest	Total Payments
2025	\$ 83,055	\$ 10,772	\$ 93,827
2026	87,091	9,083	96,174
2027	91,259	7,312	98,571
2028	95,601	5,457	101,058
2029	100,077	3,514	103,591
Thereafter	122,087	1,524	123,611
	<u>\$ 579,170</u>	<u>\$ 37,662</u>	<u>\$ 616,832</u>

Lease liability activity for the year ended June 30, 2024.was as follows:

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024	Due Within One Year
Building lease	<u>\$ 643,132</u>	<u>\$ -</u>	<u>\$ (63,962)</u>	<u>\$ 579,170</u>	<u>\$ 83,055</u>

NOTE 9 – RETIREMENT PLAN

The Organization has adopted and administers the Memphis River Parks Partnership, Inc. 401(k) Plan (a defined contribution retirement plan) covering all of its permanent, full-time employees who have met certain age and length of service requirements. At three years of service, an employee is 100% vested in the Organization's contributions. One year of service will be earned for purposes of vesting if the employee is credited with 1,000 hours of service during the plan year. If an employee is terminated or leaves the organization, the non-vested portion of that employee's account will be forfeited and used to offset plan expenses or may be used to reduce the employer or matching contribution. The Organization contributes 3% of each eligible employee's compensation each year, as well as a 50% match on employee elective contributions up to 3% of the employee's compensation. The Organization's contributions for the year ended June 30, 2024 amounted to \$41,865. There were no forfeitures and there was a payable in the amount of \$33,386 to the plan as of, and for the year ended June 30, 2024.

SUPPLEMENTARY SCHEDULES

MEMPHIS RIVER PARKS PARTNERSHIP, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2024

	Program Services				Management and General	Fundraising	Total
	Parks Operations	Mud Island	Beale St. Landing Operations	Total Program Services			
Advertising and marketing	\$ 15,109	\$ 344	\$ 36	\$ 15,489	\$ -	\$ 91,106	\$ 106,595
Bank charges	711	6	-	717	1,006	-	1,723
Building and equipment rent	22,344	-	3,732	26,076	6,118	-	32,194
Depreciation	42,118	-	-	42,118	88,708	-	130,826
Dues and subscriptions	-	373	-	373	11,100	-	11,473
Employee benefits	174,375	-	-	174,375	40,090	55,670	270,135
Employee compensation	1,004,604	-	-	1,004,604	230,970	320,726	1,556,300
Fuel	17,257	-	-	17,257	-	-	17,257
Fundraising	282,223	-	-	282,223	-	23,758	305,981
Insurance	233,734	46,000	5,000	284,734	29,678	-	314,412
Interest expense	-	-	-	-	636,769	-	636,769
Landscaping services	587,051	10,453	11,853	609,357	-	-	609,357
Maintenance agreements	-	53,639	7,914	61,553	-	-	61,553
Materials and supplies	114,770	6,888	5,317	126,975	8,300	879	136,154
Non-recurring capital	5,551,688	9,250	-	5,560,938	-	-	5,560,938
Park maintenance	62,639	150,886	15,083	228,608	-	-	228,608
Postage	66	-	-	66	682	-	748
Professional services	56,202	38,867	20,646	115,715	181,803	-	297,518
Programming	84	-	-	84	-	17,355	17,439
Taxes and licenses	3,540	280	540	4,360	1,853	-	6,213
Telephone and communication	31,441	5,574	4,966	41,981	-	-	41,981
Travel and entertainment	2,222	-	-	2,222	11,870	-	14,092
Uniforms	6,275	-	-	6,275	-	-	6,275
Utilities	123,623	480,629	87,808	692,060	-	-	692,060
Total functional expenses	<u>\$ 8,332,076</u>	<u>\$ 803,189</u>	<u>\$ 162,895</u>	<u>\$ 9,298,160</u>	<u>\$ 1,248,947</u>	<u>\$ 509,494</u>	<u>\$ 11,056,601</u>

MEMPHIS RIVER PARKS PARTNERSHIP, INC.
SCHEDULE OF CHANGES IN LONG-TERM DEBT
For the Year Ended June 30, 2024

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 1, 2023	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2024	Due Within One Year
First Horizon Line of Credit	\$ 20,000,000	7.79%	12/12/2022	12/12/2028	<u>\$ 9,500,000</u>	<u>\$ 6,940,000</u>	<u>\$ (3,500,000)</u>	<u>\$ -</u>	<u>\$ 12,940,000</u>	<u>\$ -</u>

MEMPHIS RIVER PARKS PARTNERSHIP, INC.
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS AND LEASE OBLIGATIONS, PRINCIPAL, AND INTEREST REQUIREMENTS BY
FISCAL YEAR
For the Year Ended June 30, 2024

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 1, 2023	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2024	Due Within One Year
Building lease	\$ 643,132	1.99%	8/7/2022	8/31/2030	<u>\$ 643,132</u>		<u>\$ (63,962)</u>	<u>\$ -</u>	<u>\$ 579,170</u>	<u>\$ 83,056</u>

Years Ending June 30	Principal	Interest	Total Payments
2025	\$ 83,055	\$ 10,772	\$ 93,827
2026	87,091	9,083	96,174
2027	91,259	7,312	98,571
2028	95,601	5,457	101,058
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2030	122,087	1,524	123,611
	<u>\$ 579,170</u>	<u>\$ 37,662</u>	<u>\$ 616,832</u>

**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
Memphis River Parks Partnership, Inc.

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 financial statements of Memphis River Parks Partnership, Inc. (the “Organization”, a nonprofit organization), which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 11, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s 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 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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 financial statements. 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 organization'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 "Watkins Wilkerson, PLLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee
November 11, 2024

Memphis River Parks Partnership, Inc.
Summary Schedule of Current Year Audit Findings
June 30, 2024

None noted.

Memphis River Parks Partnership, Inc.
Summary Schedule of Prior Year Audit Findings
June 30, 2024

None noted.