

**HISTORIC SEATTLE PRESERVATION AND  
DEVELOPMENT AUTHORITY**

Financial Statements

December 31, 2020 and 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Council of  
Historic Seattle Preservation and Development Authority  
Seattle, Washington

We have audited the accompanying financial statements of the business-type activities of Historic Seattle Preservation and Development Authority (Historic Seattle), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Historic Seattle's basic financial statements as listed in the table of contents.

### **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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Historic Seattle as of December 31, 2020, and its change in net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

Accounting principles generally accepted in the United States require that management's discussion and analysis on pages 3 to 9 be presented to supplement the basic financial statements. Such information, 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, 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 20, 2021, on our consideration of Historic Seattle's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Historic Seattle's internal control over financial reporting and compliance.

### **Prior Period Financial Statements**

The financial statements of Historic Seattle as of December 31, 2019, were audited by other auditors whose report dated July 17, 2020, expressed an unmodified opinion on those statements.

*Greenwood Ohlund*

Seattle, Washington  
May 20, 2021

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the financial performance of Historic Seattle Preservation and Development Authority (Historic Seattle) presents a narrative overview and analysis of the financial activities of Historic Seattle for the year ended December 31, 2020.

This information should be considered in conjunction with Historic Seattle's financial statements and notes to the financial statements, which follow.

### FINANCIAL HIGHLIGHTS

Historic Seattle was chartered in 1973 by the City of Seattle as a public corporation organized pursuant to Chapter 177, Laws of 1971 (RCW 35.21.660 and 35.21.670). Historic Seattle was created as a legal entity through which citizens may participate in preservation of the historic heritage of the City of Seattle for the mutual pride of all citizens and the creation of a more livable environment. Historic Seattle is an advocate for, and active participant in, thoughtful and meaningful preservation and rehabilitation of historic buildings, landscapes, and architectural artifacts. Our mission is to save meaningful places to foster lively communities.

Despite the COVID-19 pandemic, Historic Seattle sensitively adapted to new challenges faced throughout the year. As soon as the scope, scale and potential impact of the pandemic became apparent in March 2020, Historic Seattle staff quickly made important and noteworthy adjustments principally in real estate operations and education programming. Historic Seattle made the conscious decision to decrease specific operating expenses at our properties and delay several scheduled capital improvement projects.

As the magnitude of the pandemic came into focus, staff recognized the value and importance of continuing to create and cultivate community. It was important to stay connected to our constituency in new and creative ways. We also recognized the value of our constituents staying connected to each other. Our education programming pivoted from traditional ways to deliver experiential content. Staff moved away from face-to-face engagement and began to instead utilize virtual platforms to encourage connectivity, growth and understanding. Historic Seattle's education programs changed from tours and in-person lectures to more interactive and easily accessible discussions and book clubs, held virtually.

The pandemic's impact not only forced Historic Seattle's staff to re-imagine how we maintain and operate our properties and offer education programs, but we also had to make notable adjustments in the way we conduct advocacy. Despite a temporary construction slow-down, the pressure placed on saving historic structures in Seattle remained intense and consistent. Like our education programs, staff had to pivot from conventional face-to-face interaction to virtual platforms to conduct nearly all advocacy activities.

In summary, despite the challenges presented by the COVID-19 crisis, Historic Seattle adapted both internally and externally. We continued to use our 5-year strategic plan as a guide and compass for our work. Although our methods were not traditional, we creatively executed on a core principle of our plan: to strengthen the preservation movement in Seattle by thoughtfully engaging with other organizations and community members.

### ADVOCACY

Our advocacy team continued to be instrumental leaders in successful grassroots advocacy efforts to save meaningful places to foster lively communities.

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

On February 10, 2020 Historic Seattle staff gathered with other dedicated (and crafty) individuals at the Showbox for our sixth annual Heart Bomb. Attendees created Valentine tributes in support of the building's preservation and continued use. Thanks to strong and passionate community effort coupled with Historic Seattle's timely submittal of a Landmark nomination, the property was designated a City of Seattle Landmark in 2019. Landmark designation does not protect the property until controls and incentives are negotiated and placed. Extensions were requested by the property owner, and unfortunately the pandemic prevented negotiations throughout the year. Not only did the pandemic delay the potential placement of controls protecting the property, COVID-19 forced the cancelation of all events at the Showbox. Throughout 2020, Historic Seattle continued to advocate for the preservation of the property and provided support to Showbox staff who lost income.

Our advocacy efforts also focused on preserving the La Quinta Apartments on Capitol Hill and the Hahn Building on First Avenue. Historic Seattle staff assisted with the creation of landmark nominations for the properties and developed communication strategies for members of the Viva La Quinta and Save the Market Entrance community groups.

### **REAL ESTATE OPERATIONS AND DEVELOPMENT**

Historic Seattle continued to steward its properties including the Bel Boy Apartments, Cadillac Hotel, Dearborn House, Egan House, Good Shepherd Center, Heg-Phillips Apartments, Victorian Row Apartments, and Washington Hall.

Historic Seattle staff quickly recognized the threat to earned income posed by the pandemic and made the necessary adjustments to our property operations and maintenance activities. Staff also wrote a detailed, COVID-19 operations plan outlining protocols and guidelines for each property. In addition, masks were distributed, and hand sanitizing stations installed in all of the properties.

COVID-19 severely curtailed the ability of our anchors partners at Washington Hall to continue their capacity and operations growth since the project was substantially completed in 2016. Activity at the Good Shepherd Center and the Cadillac Hotel also either halted entirely or saw a significant decline. As a result of this major interruption in business, several tenants struggled throughout the year to pay rent.

Our apartment buildings, Bel Boy, Heg-Phillips, and Victorian Row continued to provide 41 affordable housing units to low-income residents, and the Good Shepherd Center continued to offer six, affordable housing units to local artists. Our tenant renting the Egan House continued to support the stewardship of this mid-century modern, City of Seattle Landmark. The pandemic had a negative impact on the revenue earned and forced an increase in vacancy rates at our residential properties.

Although tenants were occasionally late or unable to pay rent and vacancy rates rose at our properties, the impact of the pandemic underscored the importance of having a diversified portfolio: affordable and market rate housing, as well as performance, office, and museum space. Income loss associated with one type of property (ie. performance space) is offset by steady and stable revenue from another property type (ie. office).

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Historic Seattle continued to make substantive progress on the seismic retrofit of the Good Shepherd Center. Our architect, BuildingWork, used the preliminary design by structural engineers, Swenson Say Faget, and developed a prioritized scope of work. Historic Seattle then received an itemized cost from a general contractor. Staff then used this cost as the basis for a grant application that was submitted to the State of Washington's Heritage Capital grant program. In August 2020, the grant panel recommended full funding for not only Historic Seattle's seismic project, but 35 other projects across the state.

Historic Seattle staff also successfully made improvements to and sold the Ronnei-Raum House in Fall City. This project was funded by the Preservation Action Fund, a \$2M grant awarded to Historic Seattle by 4Culture in 2016. The Ronnei-Raum House is a single-family, 800 square feet, 2-bedroom, 1-bathroom home built in 1904. In 2019, Historic Seattle staff successfully nominated and designated the property a King County Landmark, hired a consultant to design the new septic system, received a septic permit from King County and began to bid the installation of the new system. In 2020, Historic Seattle installed the septic system, placed a preservation easement preserving the exterior façade and site, and sold the property to a Fall City resident to complete the rehabilitation of the property. Historic Seattle received the pre-determined developer fee for the work and recapitalized the Preservation Action Fund with net sales proceeds.

Historic Seattle, in partnership with Seattle Parks and Recreation, applied for and received a tentative award of \$1,512,700 from the Conservation Futures Tax Levy. These funds in conjunction with a \$250,000 received from the City of Seattle's Department of Neighborhoods, will go toward the potential purchase of the Turner-Koepf House (aka Garden House) located at 2336 15th Avenue South in the Beacon Hill neighborhood of Seattle. Historic Seattle staff diligently worked throughout the year to identify additional potential sources of equity and strategized with our real estate broker to formulate an offer that may compel the current owner to sell the property.

In addition to the Garden House, Historic Seattle staff also continued to negotiate with Seattle Parks and Recreation to become the next responsible steward of the Belltown Cottages. A business plan was developed and presented to Parks staff and negotiations focused on the terms and conditions to be included within a management / use agreement between the parties.

### EDUCATIONAL PROGRAMMING

Pre-pandemic, in-person events included a lecture on architect Gordon Walker and tours of the Burke Museum, Ainsworth and Dunn Building, and University Avenue in Seattle's U-District. Our sixth annual, advocacy-focused Heart Bomb event displayed the community's heart-felt admiration for the Showbox.

The COVID-19 pandemic forced staff to dramatically alter the way we offer education programming to our constituents. New virtual platforms were utilized to explore a variety of topics including a lecture on our advocacy efforts on the Roy Vue Apartments and the Sullivan House, a presentation on the architect Robert Reichert, and a lecture on Seattle's Locks and Ship Canal. Topics also included Olmsted in Seattle: Creating a Park System for a Modern City, an in-depth, behind-the-scenes look inside the Showbox and a lecture on Seattle's Stained Glass.

Virtual platforms were also used to provide more interactive experiences for our audience including our quarterly members meetings, a virtual book club on the *Death and Life of Great American Cities* by Jane Jacobs, an heirloom apple tasting event, and a discussion that followed a self-guided tour of Seattle's Chinatown-International District.

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### COMMUNITY AFFAIRS

Historic Seattle not only internally adapted to the stark realities of the COVID-19 pandemic, but staff also recognized the impact experienced by our external partners and tenants. In response to the financial hardships faced by many of the individuals and organizations that lease space at our properties, staff created an emergency rent relief fund in October 2020. Historic Seattle's constituents, members and supporters were inspired to match a generous gift from the Raynier Foundation. By the conclusion of 2020, nearly \$100,000 was contributed to the fund. Tenants will be asked to apply and rent relief funds will be distributed in at least three rounds throughout the first half of 2021.

Although our traditional in-person Preservation Awards Benefit was not held in 2020, Historic Seattle celebrated the well-deserved preservation victories of others utilizing our social media platforms. 2020 Preservation Award winners were Building 9 at Magnuson Park (Best Preservation Project Award), Lincoln High School (Beth Chave Rehabilitation Award), Louisa Hotel (Community Investment Award), South Park Yacht Club (Preserving Neighborhood Character Award), Town Hall (Exemplary Stewardship Award), Dan Say (Preservation Champion Award), and Wa Na Wari (Community Advocacy Award).

Historic Seattle continued to explore new and improved ways to engage, educate, and motivate our constituency in both print and electronic formats. Our newsletter, Preservation News, continued to offer timely and meaningful highlights of our activities. We found that a more focused communications strategy, that began in 2016, with attention to combining timely advocacy issues and organizational successes with fundraising appeals and programming, continued to yield successful results through 2020. We continued to use our website and social media platforms (Facebook, Instagram, Twitter and the Preservation in Progress blog) to reach the broader community.

Historic Seattle continued to build partnerships with other organizations to produce and promote programs and events and to expand advocacy for, and education related to, historic preservation in King County and nationally. In 2020, these organizations included the National Preservation Partners Network, National Trust for Historic Preservation, State of Washington Department of Archeology and Historic Preservation, WSU Tree Fruit Research and Extension Program, Dragon's Head Cider, Greenwood Cider, Press Then Press, Save the RoyVue, Capitol Hill Historical Society, Washington Trust for Historic Preservation, the City of Seattle, King County Historic Preservation Program, Friends of Mukai, Southwest Seattle Historical Society, Seattle Theater Group, 4Culture, Seattle City Light, Seattle Department of Transportation, the University of Washington, DOCOMOMO WEWA, National Park Service and the Frye Art Museum.

Historic Seattle was and continues to be committed to making tangible progress in resolving the lack of diversity in our staffing, governance, and storytelling. One such step is the creation of the recurring blog titled Seattle's Full Story, which launched in August 2020. We actively solicited compensated content for Seattle's Full Story from Black, Indigenous, and People of Color community members. Submissions told BIPOC stories of Seattle's history and/or preservation. The format was not limited to a traditional article format. We encouraged all forms of expression and storytelling: photography, poem, song, and video.

### VOLUNTEERS

Historic Seattle volunteers contributed hundreds of hours of service on the Historic Seattle Council, Historic Seattle Preservation Foundation Board, and on committees including Real Estate, Audit, Advocacy/Education, Awards Benefit, and Executive.



# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION TO THE FINANCIAL STATEMENTS

The financial statements include the activities of Historic Seattle, Historic Seattle Preservation Foundation (the Foundation), Cadillac Rehabilitation LLC, and Washington Hall QALICB. The operations of Historic Seattle, the Foundation, Cadillac Rehabilitation Services LLC, and Washington Hall QALICB are grouped into one business-type fund for financial reporting purposes.

All statements are prepared on the accrual basis of accounting. This means that financial transactions are recognized and reported in the financial statements when the transactions occur, regardless of the timing of related cash flows.

### USING THESE FINANCIAL STATEMENTS

In addition to the Management's Discussion and Analysis, these financial statements include the Statement of Net Position, which provides information on the assets and liabilities of Historic Seattle, the Statement of Revenues, Expenses, and Changes in Fund Net Position, which presents information on how Historic Seattle's position changed during the year, and the Statement of Cash Flows. These statements appear on pages 10 through 12.

### BASIC FINANCIAL STATEMENTS

The Statement of Net Position presents a snapshot view of information on the assets of Historic Seattle, the liabilities they owe, and the net difference. This statement measures Historic Seattle's financial position, assets, liabilities, and resulting net position. All changes in net position are reported as soon as they occur, regardless of the timing of related cash flows. Over time, increases or decreases in Historic Seattle's net position can be one indicator of whether Historic Seattle's financial condition is improving or deteriorating. Other non-financial factors need to be taken into consideration to assess the overall financial health of Historic Seattle, such as changes in funding and the condition of operating assets.

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding Historic Seattle's financial position.

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS

	2020	2019	2018
Current Assets	\$ 2,060,674	\$ 1,906,357	\$ 1,601,191
Noncurrent Assets	6,470,070	6,550,056	6,647,585
Capital Assets, net	<u>17,713,699</u>	<u>18,565,050</u>	<u>18,920,828</u>
Total assets	26,244,443	27,021,463	27,169,604
Current Liabilities	600,494	882,719	556,723
Long-Term Liabilities	<u>15,740,755</u>	<u>16,077,392</u>	<u>16,401,293</u>
Total liabilities	16,341,249	16,960,111	16,958,016
Net Position			
Invested in capital assets, net of related debt	2,216,067	2,271,447	2,374,706
Restricted	404,382	451,496	299,356
Unrestricted	<u>7,282,745</u>	<u>7,338,409</u>	<u>7,537,526</u>
Total net position	<u>\$ 9,903,194</u>	<u>\$ 10,061,352</u>	<u>\$ 10,211,588</u>

The assets of Historic Seattle consist primarily of capital assets, its buildings and building improvements. This is consistent with Historic Seattle's mission to preserve and rehabilitate historic buildings, landscapes, and architectural artifacts. Capital assets are shown net of depreciation. Other assets include cash reserves for repairs and replacements and restricted cash.

The liabilities consist primarily of long-term debt that was used to purchase, develop, and rehabilitate historic buildings. Many of these loans, provided by governmental entities, have below market interest rates and do not require annual debt service. See Note 7 for a more complete discussion.

The difference between total assets and total liabilities, net position, is one indicator of financial health. Net position decreased by \$158,158 in 2020 and decreased by \$150,236 in 2019.

The results of operations for Historic Seattle are presented below:

	2020	2019	2018
Operating Revenues	\$ 2,827,885	\$ 2,997,815	\$ 2,823,845
Operating Expenses	<u>(2,933,250)</u>	<u>(3,141,842)</u>	<u>(2,928,595)</u>
Change in net position from operations	(105,365)	(144,027)	(104,750)
Nonoperating Revenues and Expenses, net	(52,793)	(171,072)	(183,205)
Capital Grants	<u>-</u>	<u>164,863</u>	<u>87,901</u>
Change in net position	<u>\$ (158,158)</u>	<u>\$ (150,236)</u>	<u>\$ (200,054)</u>

# **HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Operating revenues are generated principally from rental income, as well as event and membership fees, and consulting fees. In addition, it is typical for Historic Seattle to raise nonoperating and capital grants to fund renovations at the real estate properties that it owns.

Salaries, benefits and payroll taxes, operating, maintenance, and utilities are the largest operating expenses of Historic Seattle. Other operating expenses include insurance, office expenses, professional fees, and event expenses. Interest expense, primarily from the long-term financing of the properties owned by Historic Seattle, is also a significant expense. A portion of the interest expense, under the terms of the financing, is deferred and will eventually be forgiven as the properties are managed in compliance with the loan agreements.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

Historic Seattle's investment in capital assets as of December 31, 2020 and 2019, amounts to \$17,713,669 and \$18,565,050, respectively. This investment in capital assets includes real estate, furniture and equipment, and other assets. Additional information on Historic Seattle's capital assets can be found in Note 5.

Historic Seattle's real estate activity is financed, in part, by long-term debt secured by real estate. Historic Seattle had \$15,657,189 and \$15,983,567 of outstanding debt at December 31, 2020 and 2019, respectively. Additional information on Historic Seattle's debt can be found in Note 7.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Historic Seattle's finances for all those with an interest in Historic Seattle's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Historic Seattle Preservation and Development Authority, 1117 Minor Avenue, Seattle, Washington 98101.

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## STATEMENTS OF NET POSITION

December 31, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 1,628,991	\$ 1,551,063
Security deposits	65,273	28,604
Accounts receivable	179,785	185,924
Contributions receivable	131,731	154
Prepaid expenses and other assets	63,797	115,817
Inventory	<u>18,543</u>	<u>24,795</u>
Total current assets	2,088,120	1,906,357
Reserves	427,407	448,794
Restricted Cash	61,263	119,862
Note Receivable	5,981,400	5,981,400
Capital Assets, net	<u>17,713,699</u>	<u>18,565,050</u>
Total assets	<u>\$ 26,271,889</u>	<u>\$ 27,021,463</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 68,370	\$ 66,638
Accrued expenses	81,617	67,745
Security deposits	65,273	68,721
Prepaid rent and event fees	54,618	71,038
Advance for Fall City development	-	272,504
Current portion of notes payable	<u>358,062</u>	<u>336,073</u>
Total current liabilities	627,940	882,719
Deferred Interest	441,628	429,898
Notes Payable, net of current portion	<u>15,299,127</u>	<u>15,647,494</u>
Total liabilities	16,368,695	16,960,111
Net Position		
Invested in capital assets, net of related debt	2,216,067	2,271,447
Restricted	404,382	451,496
Unrestricted	<u>7,282,745</u>	<u>7,338,409</u>
Total net position	<u>9,903,194</u>	<u>10,061,352</u>
Total liabilities and net position	<u>\$ 26,271,889</u>	<u>\$ 27,021,463</u>

*See accompanying notes to financial statements.*

## HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION For the Years Ended December 31, 2020 and 2019

	2020	2019
Operating Revenues		
Rents	\$ 2,554,129	\$ 2,689,445
Consulting fees	17,599	26,575
Event and membership dues	32,395	91,536
Operating grants	207,456	111,489
Other revenue	16,306	78,770
Total operating revenues	2,827,885	2,997,815
Operating Expenses		
Salaries, benefits, and taxes	1,126,999	1,052,594
Professional fees	91,283	118,145
Property and asset management fees	170,162	198,678
Office expense and other	160,426	131,038
Event expense	13,077	54,612
Insurance and taxes	126,115	146,285
Conference and training	2,161	8,026
Depreciation	724,796	744,050
Maintenance and utilities	513,796	684,873
Bad debts	4,435	3,541
Total operating expenses	2,933,250	3,141,842
Change in net position from operations	(105,365)	(144,027)
Nonoperating Revenues (Expenses)		
Grants	205,431	74,869
Interest income	90,989	93,110
Loss on sale of capital assets	(17,423)	-
Interest expense and debt issuance costs	(331,790)	(339,051)
Net nonoperating revenues (expenses)	(52,793)	(171,072)
Change in net position before capital grants	(158,158)	(315,099)
Capital Grants	-	164,863
<b>Change in net position</b>	<b>(158,158)</b>	<b>(150,236)</b>
Net position, beginning of year	10,061,352	10,211,588
Net position, end of year	<b>\$ 9,903,194</b>	<b>\$ 10,061,352</b>

*See accompanying notes to financial statements.*

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Receipts from tenants	\$ 2,503,731	\$ 2,721,878
Receipts from donors	75,879	111,489
Receipts from members and customers	66,300	196,881
Payments to suppliers	(1,021,451)	(1,345,567)
Payments to employees	(1,113,127)	(1,038,620)
Net cash flows from operating activities	511,332	646,061
Cash Flows from Noncapital Financing Activity		
Receipts from donors	205,431	70,717
Cash Flows from Capital and Financing Activities		
Receipt of capital grants	-	166,865
Payments for capital assets purchases	(208,868)	(388,061)
Proceeds from sale of capital asset	318,000	-
Payments on notes payable	(326,378)	(49,340)
Repayment of advance for Fall City development	(272,504)	-
Interest and debt issuance costs paid	(320,060)	(366,125)
Net cash flows from capital and financing activities	(809,810)	(636,661)
Cash Flows from Investing Activities		
Withdrawals from restricted cash, net	58,599	57,595
Withdrawals from (deposits to) reserves, net	21,387	(31,550)
Interest received	90,989	91,591
Net cash flows from investing activities	170,975	117,636
<b>Net change in cash and cash equivalents</b>	<b>77,928</b>	<b>197,753</b>
Cash and cash equivalents, beginning of the year	1,551,063	1,353,310
Cash and cash equivalents, end of the year	\$ 1,628,991	\$ 1,551,063
Reconciliation of Change in Net Position to Net Cash Provided from Operating Activities		
Change in net position from operations	\$ (105,365)	\$ (144,027)
Adjustments to reconcile change in net position from operations to net cash provided by operating activities		
Depreciation	724,796	744,050
Bad debts	4,435	3,541
Change in operating assets and liabilities		
Accounts and contributions receivable	(129,873)	3,979
Prepaid expenses, other assets, and inventory	21,603	8,801
Accounts payable and accrued expenses	12,156	13,481
Prepaid rent and event fees	(16,420)	16,236
Net cash flows from operating activities	\$ 511,332	\$ 646,061

*See accompanying notes to financial statements.*

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### **Note 1 – Operations and Summary of Significant Accounting Policies**

#### *Operations*

Historic Seattle Preservation and Development Authority (Historic Seattle, HSPDA, or the Organization) is a public governmental corporation established by a charter issued by the City of Seattle for the preservation and enhancement of historic sites and structures within Seattle. Historic Seattle can buy, own, and sell real property, borrow or lend funds, receive and administer federal, state, local, or private funds, and collect charges for services rendered.

#### *Reporting Entity*

These statements include the accounts of Historic Seattle and its component units: Historic Seattle Preservation Foundation (the Foundation), Cadillac Rehabilitation LLC, and Washington Hall QALICB. These entities are reported as blended component units because their activities exclusively benefit Historic Seattle.

Washington Hall QALICB was formed in April 2015, in conjunction with the New Markets Tax Credit financing transaction that closed on June 17, 2015 (Note 11). Washington Hall QALICB holds the Washington Hall building and underlying land as assets and leases the building to community organizations and other entities for performance, gathering, rehearsal, meeting and office space.

#### *Basis of Accounting*

The financial statements of Historic Seattle have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. These financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded when incurred, regardless of the timing of cash flows. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### *Use of Estimates in the Preparation of Financial Statements*

The preparation of financial statements in conformity with governmental 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.

#### *Net Investment in Capital Assets*

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### *Restricted Net Position*

Net position should be reported as restricted when constraints placed on net position use are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Net position is restricted for the following purposes at December 31:

	2020	2019
Restoration projects	\$ 202,078	\$ 356,176
Rent relief	127,634	30,000
Other projects	74,670	65,320
	<u>\$ 404,382</u>	<u>\$ 451,496</u>

### *Unrestricted Net Position*

All net position not reported in other categories.

### *Cash and Cash Equivalents*

For the purpose of the statement of cash flows, Historic Seattle considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents. Reserves and restricted cash are not included in cash and cash equivalents.

### *Security Deposits*

Security deposits for commercial tenants are included with cash and cash equivalents pursuant to the lease agreements. Security deposits for residential tenants are segregated in a separate bank account; the balance at December 31, 2020 and 2019 was \$65,273 and \$28,604, respectively.

### *Inventory*

Inventory, valued at cost, consists of materials and costs related to a publications.

### *Capital Assets and Depreciation*

Property and equipment are recorded at cost. Improvements with a cost of more than \$5,000 are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Interest costs incurred during the construction period are capitalized and added to the cost of the related building. Depreciation has been computed on the straight-line basis for furnishings and equipment over five to seven years and for buildings and improvements over 10 to 40 years.



# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

Historic Seattle reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2020 and 2019.

### *Advance for Fall City Development*

During 2019, 4Culture advanced funding from its Preservation Action Fund for the purchase and rehabilitation of a house in Fall City, which is to be preserved and sold. During 2020, the house was sold, resulting in a loss from sale of capital assets of \$17,423. Proceeds from the sale were used to repay the advance from King County.

### *Donated Property, Equipment, and Services*

Donations of property, equipment, and services are recorded as support at their estimated acquisition value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

### *Classification of Revenues and Expenses*

Historic Seattle distinguishes operating revenues and expenses from nonoperating and capital items in the preparation of its financial statements. Operating revenues and expenses generally result from providing rental services, public programs, and advocacy. The principal operating revenues include rental and management fees. The operating expenses include property management, professional fees and other expenses related to providing rental services. Revenues and expenses not meeting this broad definition are reported as nonoperating and capital revenues and expenses.

### *Revenues and Receivables*

Historic Seattle receives regular monthly income from residential and commercial tenants under operating leases. Revenue is recognized in accordance with the lease agreement rather than on the straight-line method over the lease term, as management believes the difference would be immaterial. 39% and 36% of total operating revenues were earned from two tenants during the years ended December 31, 2020 and 2019, respectively.

Rent revenue received in advance of the rental service period are recognized as unearned revenue.

Consulting and event revenues are recognized as revenue when the service is provided or the event takes place.

Membership dues are considered contributory, as little to no exchange of goods or services exists and is, therefore, recognized when the payment is received.

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

Contributions are recognized when all conditions have been met and, therefore, becomes unconditional.

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Based on prior experience, management has determined that expected losses on balances outstanding are immaterial at December 31, 2020 and 2019. Accordingly, no allowance for doubtful accounts has been recorded.

### *Federal Income Tax*

Historic Seattle was granted tax-exempt status in 1985 under Section 115 of the Internal Revenue Code. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

### *Reclassifications*

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

### **Note 2 – Reserves**

Historic Seattle is required, under certain loan agreements, to fund replacement and operating reserves for its various buildings. The balance of these reserves at December 31, 2020 and 2019 was \$427,407 and \$448,794, respectively.

### **Note 3 – Restricted Cash**

In accordance with the New Markets Tax Credit financing, Washington Hall QALICB is required to maintain fee and expense restricted cash accounts during the seven-year New Markets Tax Credit compliance period. Funds are released according to the fee and expense agreement. The balance of these restricted cash balances at December 31, 2020 and 2019 was \$61,623 and \$119,862, respectively.

This account serves as collateral for the notes payable to Seattle Subsidiary Investment Fund IX, LLC (see Note 7).

### **Note 4 – Note Receivable**

Historic Seattle Preservation Foundation acted as the Leverage Lender to the New Markets Tax Credit financing transaction which provided funding for the rehabilitation of Washington Hall. On June 17, 2015, the Foundation entered into a loan agreement with Twain Investment Fund 81, LLC, lending the LLC \$5,981,400. The principal amount of the loan represents the appraised value of the Washington Hall property and the sum of funds raised through our Capital Campaign to assist with the cost of the rehabilitation. The note matures June 30, 2048 and bears interest at 1.4363%. Payments are semi-annual, on June 10 and December 10. Payments are interest only through December 10, 2022. Beginning with the payment due on June 10, 2023, semi-annual amortizing payments of \$140,484 are due on each payment date.

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

The note is collateralized by an assignment of Twain Investment Fund 81, LLCs membership interest in Seattle Subsidiary Investment Fund IX, LLC, the sub-CDE (Community Development Entity) that provided the New Markets Tax Credit allocation to the Washington Hall transaction. If the requirements of the New Markets Tax Credit program are met during the required seven-year holding period, this loan will be forgiven in 2022.

Interest earned from this note receivable was \$85,911 for both of the years ended December 31, 2020 and 2019.

### Note 5 – Capital Assets

Capital asset activity consisted of the following for 2020 and 2019:

	<u>December 31, 2019</u>	<u>Additions</u>	<u>Retirements and Tranfers</u>	<u>December 31, 2020</u>
Building	\$ 26,507,914	\$ 78,991	\$ -	\$ 26,586,905
Furniture and equipment	192,312	5,140	-	197,452
Accumulated depreciation	<u>(11,276,830)</u>	<u>(724,796)</u>	<u>-</u>	<u>(12,001,626)</u>
	15,423,396	(640,665)	-	14,782,731
Nondepreciable assets				
Land	2,675,333	-	-	2,675,333
Historical artifacts and preservation easement	66,946	-	-	66,946
Construction in progress	<u>399,375</u>	<u>124,737</u>	<u>(335,423)</u>	<u>188,689</u>
Capital assets, net	<u>\$ 18,565,050</u>	<u>\$ (515,928)</u>	<u>\$ (335,423)</u>	<u>\$ 17,713,699</u>
	<u>December 31, 2018</u>	<u>Additions</u>	<u>Retirements and Tranfers</u>	<u>December 31, 2019</u>
Building	\$ 26,414,934	\$ 78,220	\$ 14,760	\$ 26,507,914
Furniture and equipment	192,312	-	-	192,312
Accumulated depreciation	<u>(10,532,991)</u>	<u>(767,415)</u>	<u>23,576</u>	<u>(11,276,830)</u>
	16,074,255	(689,195)	38,336	15,423,396
Nondepreciable assets				
Land	2,675,333	-	-	2,675,333
Historical artifacts and preservation easement	66,946	-	-	66,946
Construction in progress	<u>104,294</u>	<u>309,841</u>	<u>(14,760)</u>	<u>399,375</u>
Capital assets, net	<u>\$ 18,920,828</u>	<u>\$ (379,354)</u>	<u>\$ 23,576</u>	<u>\$ 18,565,050</u>

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 6 – Leases (Historic Seattle is the Lessor)

#### *Mutual Life Building*

Historic Seattle leases the Mutual Life building to a third party under an operating lease. The lease provides an option to purchase which may be exercised by the tenant at any time during the term of the lease or within 30 days after the expiration of the lease. The lease expires December 31, 2033.

#### *Good Shepherd Center*

Historic Seattle leases 32 separate spaces to tenants within the Good Shepherd Center, a historic building in the Wallingford district of Seattle. Leased space is primarily used as office space for nonprofit organizations and schools as well as residential artist studios. The leases, the majority of which expire over the next three years, contain rent escalation clauses of 3% to 5% per year.

#### *Other Properties*

Historic Seattle also owns other properties, including three residential properties providing affordable housing, a single-family residence, a commercial building and a performance hall, which are leased to an additional 48 individuals or businesses.

The cost and carrying amount of all Historic Seattle's leased assets at December 31, 2020 was \$27,486,081 and \$16,457,171, respectively.

Minimum rentals to be received from noncancelable operating leases from all leased properties are as follows for the years ending December 31:

2021	\$ 2,012,435
2022	1,755,600
2023	1,475,084
2024	1,149,708
2025	594,434
2026-2030	125,073
2031-2033	87,700
	<hr/>
	\$ 7,200,034

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 7 – Notes Payable

Notes payable are as follows at December 31:

	2020	2019
<b>Egan House</b>		
Note payable to Beneficial Bank; monthly payment of principal and interest of \$840 with interest rate of 4.5% for the first 60 months starting December 15, 2017, then 59 consecutive monthly payments of principal and interest of \$852 with interest rate of Five Year Treasury Constant Maturity plus 2.75%, which was 3.11% at December 31, 2020; interest rate on final payment based on Five Year Treasury Constant Maturity; matures November 15, 2027; collateralized by the Egan House	\$ 139,353	\$ 142,963
<b>Cadillac Rehabilitation LLC</b>		
Note payable, Beneficial State Bank, issued December 15, 2015, bears interest at 4.4%; monthly payments of \$35,479 began January 2016; matures December 2030	3,425,343	3,691,348
<b>Good Shepherd Center</b>		
Note payable, Key Bank, bears interest at 4.32%; monthly payments of \$5,509; matures June 21, 2022	772,936	804,348
Note payable, City of Seattle, bears interest at 1%; if Historic Seattle remains in compliance with the terms of the loan, no further interest accrues after July 2021; lender will forgive repayment of 5% of the interest beginning July 2022 and for each year thereafter; matures July 2, 2041, or earlier without penalty; the borrower may extend the maturity date for up to seven, 5-year periods; in 2076, the unpaid principal and any remaining interest will be forgiven	475,299	475,299
Note payable, Washington State Department of Commerce, interest at 1%; payments were deferred until August 31, 2008, at which time annual payments of \$5,200 began and continue for 39 years, to August 31, 2047. 2020 payment deferred by lender to 2021	126,465	126,465

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 7 – Notes Payable, continued

	2020	2019
<b>Belboy Apartments</b>		
<p>Note payable, City of Seattle, bears interest at 1%; interest accrued the first 20 years through December 2009; if Historic Seattle remains in compliance with the terms of the loan agreement, lender will forgive repayment of 5% of the interest beginning 2010 and for each year thereafter until maturity, December 22, 2029; the borrower may extend the maturity date for up to four, 5-year periods; in year 20, the unpaid principal and any remaining interest will be payable</p>	\$ 415,087	\$ 415,087
<b>Victorian Row Apartments</b>		
<p>Note payable, City of Seattle, bears interest at 1%; principal and accrued interest due at maturity, July 22, 2032</p>	672,841	672,841
<p>Note payable to Beneficial Bank; monthly payment of principal and interest of \$1,789 with interest rate of 4.5% for the first 84 months starting December 15, 2017, then monthly payments of principal and interest of \$1,831 with interest rate of Seven Year Treasury Constant Maturity plus 2.5%, which was 4.18% at December 31, 2019; rate to adjust every seven years based on rate at date of last payment in the cycle; matures November 15, 2047; collateralized by the Victorian Row Apartments</p>	331,960	338,071
<b>William B. Phillips/Heg House Apartments</b>		
<p>Note payable, City of Seattle, bears interest at 1% simple interest per annum, principal and interest due at maturity, December 4, 2032, secured by deed of trust</p>	440,003	440,003
<p>Note payable to Washington State Department of Commerce, noninterest bearing, annual payments of \$4,000, remaining principal due at maturity, December 31, 2043. 2020 payment deferred by lender to 2021</p>	96,000	96,000

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 7 – Notes Payable, continued

	2020	2019
<b>Washington Hall</b>		
Note payable (Loan A), Seattle Subsidiary Investment Fund IX, LLC, issued June 17, 2015, interest at 1%; semi-annual interest only payments through December 2022, semi-annual amortizing payments of \$253,335 beginning June 2023 until maturity, December 2049; if requirements of the New Markets Tax Credit financing are met during the required seven-year holding period, loan will be forgiven 2022	\$ 5,981,400	\$ 5,981,400
Note payable (Loan B), Seattle Subsidiary Investment Fund IX, LLC, issued June 17, 2015, interest at 1%; semi-annual interest only payments through December 2022, semi-annual amortizing payments of \$112,602 beginning June 2023 until maturity, December 2049; if requirements of the New Markets Tax Credit financing are met during the required seven-year holding period, loan will be forgiven 2022	2,658,600	2,658,600
<b>Dearborn House</b>		
Nonrevolving line of credit, Beneficial State Bank, issued April 27, 2015; variable interest based upon the Federal Reserve Bank’s Three Year Treasury Constant Maturity Index plus 3%, with a floor of 4.25%, resulting in a rate of 4.25% at December 31, 2020; monthly interest only payments through October 2016, principal was paid down as Washington Hall capital campaign contributions were collected from funders and donors; converted to term loan November 2016 with monthly amortizing payments sufficient to fully repay remaining principal and interest by maturity, April 2026; collateralized by the Dearborn House	121,902	141,142
Total	15,657,189	15,983,567
Less: current portion	(358,062)	(336,073)
	\$ 15,299,127	\$ 15,647,494

HSPDA opened a revolving line of credit with Beneficial State Bank in the amount of \$1,000,000, which was issued September 26, 2017. This line of credit bears interest at prime rate plus 0.75%, and a floor of 4.0%, resulting in a rate of 4.0% at December 31, 2020. Required monthly payments are interest only through maturity. The line of credit matures September 26, 2023 and is collateralized by the Dearborn House. No balance was outstanding on the line of credit as of December 31, 2020 or 2019, and there was no activity in either 2020 or 2019.

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 7 – Notes Payable, continued

Substantially all loans are secured by deeds of trust on the related buildings. Interest has not been imputed on any of the above notes payable that carry below-market rate interest as they are payable to governmental entities and carry legal restrictions.

Following are the changes in notes payable for the year ended December 31, 2020:

Note Payable	December 31, 2019	Additions	Reductions	December 31, 2020	Current Portion
<b>Cadillac Hotel</b>					
Beneficial State Bank	\$ 3,691,348	\$ -	\$ (266,005)	\$ 3,425,343	\$ 280,881
<b>Egan House</b>					
Beneficial Bank	142,963	-	(3,610)	139,353	3,797
<b>Good Sheperd Center</b>					
Key Bank	804,348	-	(31,412)	772,936	30,170
City of Seattle	475,299	-	-	475,299	-
Washington State	126,465	-	-	126,465	7,912
<b>Belboy Apartments</b>					
City of Seattle	415,087	-	-	415,087	-
<b>Victorian Row Apartments</b>					
City of Seattle	672,841	-	-	672,841	-
Beneficial Bank	338,071	-	(6,111)	331,960	6,440
<b>William B. Phillips/Heg House Apartments</b>					
City of Seattle	440,003	-	-	440,003	-
Washington State	96,000	-	-	96,000	8,000
<b>Washington Hall</b>					
Seattle Subsidiary Investment Fund IX, LLC	5,981,400	-	-	5,981,400	-
Seattle Subsidiary Investment Fund IX, LLC	2,658,600	-	-	2,658,600	-
<b>Dearborn House</b>					
Beneficial State Bank	141,142	-	(19,240)	121,902	20,862
	<u>\$ 15,983,567</u>	<u>\$ -</u>	<u>\$ (326,378)</u>	<u>\$ 15,657,189</u>	<u>\$ 358,062</u>



# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

Following are the changes in notes payable for the year ended December 31, 2019:

Note Payable	December 31, 2018	Additions	Reductions	December 31, 2019	Current Portion
Cadillac Hotel					
Beneficial State Bank	\$ 3,947,161	\$ -	\$ 255,813	\$ 3,691,348	\$ 266,035
Egan House					
Beneficial Bank	146,466	-	3,503	142,963	3,723
Good Sheperd Center					
Key Bank	834,512	-	30,164	804,348	31,984
City of Seattle	475,299	-	-	475,299	-
Washington State	130,362	-	3,897	126,465	3,935
Belboy Apartments					
City of Seattle	415,087	-	-	415,087	-
Victorian Row Apartments					
City of Seattle	672,841	-	-	672,841	-
Beneficial Bank	344,036	-	5,965	338,071	6,378
William B. Phillips/Heg					
House Apartments					
City of Seattle	440,003	-	-	440,003	-
Washington State	100,000	-	4,000	96,000	4,000
Washington Hall					
Seattle Subsidiary Investment					
Fund IX, LLC	5,981,400	-	-	5,981,400	-
Seattle Subsidiary Investment					
Fund IX, LLC	2,658,600	-	-	2,658,600	-
Dearborn House					
Beneficial State Bank	159,644	-	18,502	141,142	20,018
	<u>\$ 16,305,411</u>	<u>\$ -</u>	<u>\$ 321,844</u>	<u>\$ 15,983,567</u>	<u>\$ 336,073</u>

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

Future principal and interest payments are as follows for the years ending December 31:

	Principal	Interest
2021	\$ 358,062	\$ 291,661
2022	1,076,728	262,148
2023	628,832	229,006
2024	646,871	210,964
2025	665,734	192,102
2026-2030	3,989,686	682,617
2031-2035	2,759,222	650,518
2036-2040	1,740,916	242,019
2041-2045	2,310,557	229,985
2046-2049	1,480,581	34,334
	<u>\$ 15,657,189</u>	<u>\$ 3,025,354</u>

The above schedule does not reflect forgivable principal and interest owed to the City of Seattle. A loan of \$475,299 is expected to be forgiven July 2076 and during the years 2021 through 2041, a total of \$137,185 of interest is expected to be forgiven.

### **Note 8 – Concentration of Credit Risk**

Cash held by Historic Seattle includes cash and cash equivalents, security deposits, restricted cash, and reserves whose bank balances at several financial institutions total \$2,229,309 at December 31, 2020. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its cash balances, and therefore does not maintain a written risk policy related to such balances. At December 31, 2020 the uninsured and uncollateralized cash balances totaled \$1,752,026.

### **Note 9 – Risk Management**

Historic Seattle is exposed to risks commonly associated with the ownership and rental of real property. Risks including bodily injury, property damage by fire and forces of nature; loss of assets from theft and employee dishonesty; and liability for employees' conduct are mitigated by a combination of insurance, training and policies and procedures.

Historic Seattle has obtained insurance coverage through a commercial insurance broker with the exception of workers compensation insurance and unemployment insurance which are provided by agencies of the state of Washington. Insurance coverage has not significantly changed from prior years. Property loss coverage is on a historical replacement cost basis with a deductible of \$25,000 per occurrence. Settled claims have not exceeded coverage purchased during the past three years.

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### **Note 10 – Commitments and Contingencies**

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed cost, including amounts already collected, may constitute a liability for Historic Seattle. The amounts, if any, of expenditures, which may be disallowed by the grantor, are recorded at the time that such amounts can be reasonably determined, normally upon notification of the government agency. During the years ended December 31, 2020 and 2019, no such adjustments were made.

### **Note 11 – New Markets Tax Credit Financing**

In June 2015, the Organization entered into a New Markets Tax Credit (NMTC) transaction to help finance the rehabilitation of Washington Hall. As mentioned in Note 1, Washington Hall QALICB was formed for the purpose of facilitating the NMTC transaction as a Qualified Active Low Income Community Business (QALICB).

The New Markets Tax Credit Program was designed to stimulate investment and economic growth in low-income communities by offering a seven-year, 39% federal tax credit for Qualified Equity Investments (QEI) made through investment vehicles known as Community Development Entities (CDE). CDEs use capital derived from tax credits to make loans to or investments in businesses and projects in low-income areas.

As part of the transaction, the Foundation committed to lend \$5,981,400 to Twain Investment Fund 81, LLC (Investment Fund) (Note 4). The amount borrowed at closing on June 17, 2015; amounted to \$8,640,000 (Loan A for \$5,981,400 and Loan B for \$2,658,600, see Note 7). This transaction generated \$2,658,600 of funding for the rehabilitation of the Washington Hall building.

The Organization (collectively Historic Seattle, the Foundation, and Washington Hall QALICB) has no control or economic interest in the assets of either the QEI or the CDEs. The QEI is controlled and wholly owned by U.S. Bancorp Community Development Corporation (U.S. Bancorp CDC) and the Investment Fund controls and funds the CDE.

To earn the tax credit the QEI must remain invested in the CDE for a seven-year period. The Foundation and U.S. Bancorp CDC have entered into a put/call option agreement to take place at the end of the seven-year period. Under the agreement, U.S. Bancorp CDC can exercise a put option to sell all interest in the QEI for \$1,000 to the Foundation. If U.S. Bancorp CDC does not exercise the put option within 180 days of the seven-year period, the Foundation can exercise a call option to purchase the interest of the QEI at an appraised fair market value.

# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 12 – Condensed Combining Information

The following is the condensed combining information for the blended component units of Historic Seattle for the years ended December 31, 2020 and 2019.

The following is the condensed statement of net position at December 31, 2020:

	Historic Seattle	Foundation	Cadillac Rehabilitation LLC	Washington Hall QALICB	Eliminations	Total December 31, 2020
<b>Assets</b>						
Current assets	\$ 605,897	\$ 890,370	\$ 423,454	\$ 140,953	\$ -	\$ 2,060,674
Noncurrent assets	398,642	5,981,400	-	90,028	-	6,470,070
Noncurrent assets, inter-entity	5,080,576	50,000	-	-	(5,130,576)	-
Capital assets, net	4,201,814	6,400	5,798,641	8,541,850	(835,006)	17,713,699
<b>Total assets</b>	<b>\$ 10,286,929</b>	<b>\$ 6,928,170</b>	<b>\$ 6,222,095</b>	<b>\$ 8,772,831</b>	<b>\$ (5,965,582)</b>	<b>\$ 26,244,443</b>
<b>Liabilities and Net Position</b>						
Current liabilities	\$ 301,913	\$ 6,858	\$ 284,404	\$ 7,319	\$ -	\$ 600,494
Long-term liabilities	3,956,293	-	3,144,462	8,640,000	-	15,740,755
Long-term liabilities, inter-entity	50,000	2,287,348	1,601,202	-	(3,938,550)	-
<b>Total liabilities</b>	<b>4,308,206</b>	<b>2,294,206</b>	<b>5,030,068</b>	<b>8,647,319</b>	<b>(3,938,550)</b>	<b>16,341,249</b>
<b>Net position</b>						
Invested in capital assets, net of related debt	118,340	6,400	1,293,208	(36,887)	835,006	2,216,067
Restricted	-	404,382	-	-	-	404,382
Unrestricted	5,860,383	4,223,182	(101,181)	162,399	(2,862,038)	7,282,745
<b>Total net position</b>	<b>5,978,723</b>	<b>4,633,964</b>	<b>1,192,027</b>	<b>125,512</b>	<b>(2,027,032)</b>	<b>9,903,194</b>
<b>Total liabilities and net position</b>	<b>\$ 10,286,929</b>	<b>\$ 6,928,170</b>	<b>\$ 6,222,095</b>	<b>\$ 8,772,831</b>	<b>\$ (5,965,582)</b>	<b>\$ 26,244,443</b>

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# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

The following is the condensed statement of revenues, expenses, and changes in fund net position for the year ended December 31, 2020:

	Historic Seattle	Foundation	Cadillac Rehabilitation LLC	Washington Hall QALICB	Eliminations	Total December 31, 2020
<b>Operating Revenues (Expenses)</b>						
Rents	\$ 1,743,934	\$ -	\$ 758,143	\$ 52,052	\$ -	\$ 2,554,129
Consulting fees	17,599	-	-	-	-	17,599
Inter-entity management fees	57,813	-	-	-	(57,813)	-
Event and membership dues	235	32,160	-	-	-	32,395
Operating grants	58,565	148,891	-	-	-	207,456
Other revenues	14,082	2,224	-	-	-	16,306
Depreciation	(315,776)	-	(234,882)	(197,714)	23,576	(724,796)
Other operating expenses	(1,894,933)	(61,205)	(131,377)	(178,752)	57,813	(2,208,454)
Net operating gain (loss)	(318,481)	122,070	391,884	(324,414)	23,576	(105,365)
<b>Nonoperating Revenues (Expenses)</b>						
Grants	104,547	100,884	-	-	-	205,431
Interest income	1,042	89,205	533	209	-	90,989
Inter-entity grant revenue and other	440,484	-	-	215,360	(655,844)	-
Inter-entity grants expense	(85,910)	(304,406)	-	-	390,316	-
Loss on disposal of capital assets	(17,423)	-	-	-	-	(17,423)
Interest expense and debt issuance costs	(85,613)	(32,888)	(219,875)	(86,400)	92,986	(331,790)
Net nonoperating revenues (expense)	357,127	(147,205)	(219,342)	129,169	(172,542)	(52,793)
Change in net position before capital grants	38,646	(25,135)	172,542	(195,245)	(148,966)	(158,158)
Capital Grants	-	-	-	-	-	-
Change in net position	<b>38,646</b>	<b>(25,135)</b>	<b>172,542</b>	<b>(195,245)</b>	<b>(148,966)</b>	<b>(158,158)</b>
Net position, beginning of year	5,940,077	4,659,099	1,019,485	320,757	(1,878,066)	10,061,352
Net position, end of year	<u>\$ 5,978,723</u>	<u>\$ 4,633,964</u>	<u>\$ 1,192,027</u>	<u>\$ 125,512</u>	<u>\$ (2,027,032)</u>	<u>\$ 9,903,194</u>

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# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

The following is the condensed statement of net position at December 31, 2019:

	Historic Seattle	Foundation	Cadillac Rehabilitation LLC	Washington Hall QALICB	Eliminations	Total December 31, 2019
<b>Assets</b>						
Current assets	\$ 497,206	\$ 910,672	\$ 325,737	\$ 182,804	\$ (10,062)	\$ 1,906,357
Noncurrent assets	413,606	5,992,697	-	143,753	-	6,550,056
Noncurrent assets, inter-entity	4,949,749	50,000	-	-	(4,999,749)	-
Capital assets, net	4,731,776	6,400	6,033,523	8,651,933	(858,582)	18,565,050
<b>Total assets</b>	<b>\$ 10,592,337</b>	<b>\$ 6,959,769</b>	<b>\$ 6,359,260</b>	<b>\$ 8,978,490</b>	<b>\$ (5,868,393)</b>	<b>\$ 27,021,463</b>
<b>Liabilities and Net Position</b>						
Current liabilities	\$ 590,181	\$ 13,322	\$ 271,545	\$ 17,733	\$ (10,062)	\$ 882,719
Long-term liabilities	4,062,079	-	4,089,191	8,640,000	(713,878)	16,077,392
Long-term liabilities, inter-entity	-	2,287,348	979,039	-	(3,266,387)	-
<b>Total liabilities</b>	<b>4,652,260</b>	<b>2,300,670</b>	<b>5,339,775</b>	<b>8,657,733</b>	<b>(3,990,327)</b>	<b>16,960,111</b>
<b>Net position</b>						
Invested in capital assets, net of related debt	599,659	6,400	1,187,085	131,795	346,508	2,271,447
Restricted	-	451,496	-	-	-	451,496
Unrestricted	5,340,418	4,201,203	(167,600)	188,962	(2,224,574)	7,338,409
<b>Total net position</b>	<b>5,940,077</b>	<b>4,659,099</b>	<b>1,019,485</b>	<b>320,757</b>	<b>(1,878,066)</b>	<b>10,061,352</b>
<b>Total liabilities and net position</b>	<b>\$ 10,592,337</b>	<b>\$ 6,959,769</b>	<b>\$ 6,359,260</b>	<b>\$ 8,978,490</b>	<b>\$ (5,868,393)</b>	<b>\$ 27,021,463</b>

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# HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

The following is the condensed statement of revenues, expenses, and changes in fund net position for the year ended December 31, 2019:

	Historic Seattle	Foundation	Cadillac Rehabilitation LLC	Washington Hall QALICB	Eliminations	Total December 31, 2019
<b>Operating Revenues (Expenses)</b>						
Rents	\$ 1,760,364	\$ -	\$ 754,269	\$ 174,812	\$ -	\$ 2,689,445
Consulting fees	26,575	-	-	-	-	26,575
Inter-entity management fees	57,686	-	-	-	(57,686)	-
Event and membership dues	348	91,188	-	-	-	91,536
Operating grants	21,139	90,350	-	-	-	111,489
Other revenues	34,434	6,689	7,267	-	-	48,390
Depreciation	(336,158)	(211)	(234,882)	(196,375)	23,576	(744,050)
Other operating expenses	(1,928,877)	(105,336)	(179,798)	(211,087)	57,686	(2,367,412)
Net operating gain (loss)	(364,489)	82,680	346,856	(232,650)	23,576	(144,027)
<b>Nonoperating Revenues (Expenses)</b>						
Grants	116,293	70,717	-	-	(112,141)	74,869
Interest income	1,288	90,609	552	661	-	93,110
Inter-entity grant revenue and other	210,328	-	-	114,805	(325,133)	-
Inter-entity grants expense	(100,775)	(126,171)	-	-	226,946	-
Interest expense and debt issuance costs	(82,718)	(32,853)	(234,851)	(86,400)	97,771	(339,051)
Net nonoperating revenues (expense)	144,416	2,302	(234,299)	29,066	(112,557)	(171,072)
Change in net position before capital grants	(220,073)	84,982	112,557	(203,584)	(88,981)	(315,099)
Capital Grants	14,863	150,000	-	-	-	164,863
Change in net position	<b>(205,210)</b>	<b>234,982</b>	<b>112,557</b>	<b>(203,584)</b>	<b>(88,981)</b>	<b>(150,236)</b>
Net position, beginning of year	6,145,287	4,424,117	906,928	524,341	(1,789,085)	10,211,588
Net position, end of year	<u>\$ 5,940,077</u>	<u>\$ 4,659,099</u>	<u>\$ 1,019,485</u>	<u>\$ 320,757</u>	<u>\$ (1,878,066)</u>	<u>\$ 10,061,352</u>

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**SUPPLEMENTAL REPORT IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**



INDEPENDENT AUDITORS' 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 Council of  
Historic Seattle Preservation and Development Authority  
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial auditing standards generally accepted in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Historic Seattle Preservation and Development Authority (Historic Seattle) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Historic Seattle's basic financial statements and have issued our report thereon dated May 20, 2021.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Historic Seattle's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Historic Seattle's internal control. Accordingly, we do not express an opinion on the effectiveness of Historic Seattle's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management of employees, on 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 controls, 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 weakness or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weakness may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Historic Seattle'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Amanda O'Rourke, CPA  
Matt Smith, CPA



### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Greenwood Ohlund*

Seattle, Washington  
May 20, 2021