



**Office of the Washington State Auditor  
Pat McCarthy**

March 18, 2021

Council  
Historic Seattle Preservation and Development Authority  
Seattle, Washington

**Contracted CPA Firm's Audit Report on Financial Statements**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Historic Seattle Preservation and Development Authority for the fiscal years ended December 31, 2019 and 2018. The Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

**HISTORIC SEATTLE PRESERVATION AND  
DEVELOPMENT AUTHORITY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**



[CLAconnect.com](http://CLAconnect.com)

**WEALTH ADVISORY  
OUTSOURCING  
AUDIT, TAX, AND  
CONSULTING**

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>11</b>
<b>STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>	<b>13</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>14</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>16</b>
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>36</b>



## INDEPENDENT AUDITORS' REPORT

Council  
Historic Seattle Preservation and Development Authority  
Seattle, Washington

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Historic Seattle Preservation and Development Authority, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Historic Seattle Preservation and Development Authority'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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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***

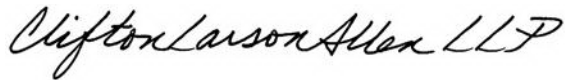
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Historic Seattle Preservation and Development Authority as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 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 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2020, on our consideration of Historic Seattle Preservation and Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Historic Seattle Preservation and Development Authority's 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 Preservation and Development Authority's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Bellevue, Washington  
July 17, 2020

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019 AND 2018**

**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, 2019.

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

**2019 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.

In 2019, Historic Seattle implemented many of the tactics that serve as the foundation of our 5-year strategic plan. One of the core principles of our plan, authored in 2018, is to strengthen the preservation movement in Seattle by thoughtfully engaging with other organizations and community members. Throughout 2019 we deliberately partnered with others to strengthen our advocacy campaign to save the Showbox on First Avenue, the RoyVue Apartments on Capitol Hill, and the Garden House on Beacon Hill. We partnered with the Washington Trust for Historic Preservation, 4Culture and the King County's Historic Preservation Program to close on the purchase of the Ronnei-Raum house in Fall City, and we assembled an Advisory Committee from Good Shepherd Center tenants to help select an architect for the seismic retrofit of the property. In 2019, we demonstrated that the preservation community is stronger if we work together.

**ADVOCACY**

Our advocacy team of Eugenia Woo and Jeff Murdock were instrumental leaders in the successful grass-roots advocacy campaign to save the RoyVue Apartments on Capitol Hill. They worked with the building tenants and the Capitol Hill Historical Society to successfully designate the property a City of Seattle Landmark.

Historic Seattle staff also led a multi-disciplinary effort to try to save the Sullivan House, also on Capitol Hill. We worked with consultants to develop a series of site and development scenarios and created financial models analyzing development and operating costs. We presented these findings to the City of Seattle's Landmarks Preservation Board and Staff with the hope that our feasibility study would help to save the structure.

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019 AND 2018**

**2019 HIGHLIGHTS (CONTINUED)**

**ADVOCACY (CONTINUED)**

Saving the Showbox, located at 1426 First Avenue, continued to be a focus of our advocacy efforts throughout the year. In May 2019, Historic Seattle announced its intention to purchase the property. In July, thanks to the good work of our consultant, Northwest Vernacular, the building was designated a City of Seattle Landmark. In October, in partnership with Seattle Theater Group (STG), we presented a letter of interest to the owner to purchase the property. STG is the largest non-profit arts organization in the Puget Sound region and operates The Paramount, The Moore, and The Neptune Theatres. Throughout the year, our staff worked tirelessly to help to organize, inspire and inform a large grassroots constituency that formed to save the property and its historic performance use.

**REAL ESTATE OPERATIONS AND DEVELOPMENT**

Historic Seattle continued to provide high quality stewardship of 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.

2019 continued to be an important year for the stabilization of operations at Washington Hall. Substantially completed in June 2016, the Hall's anchor partners, 206 Zulu, Voices Rising, and Hidmo Cypher, worked diligently throughout the year to curate their own programs while offering the space within the building to other arts, culture, and community organizations.

Our apartment buildings, Bel Boy, Heg-Phillips, and Victorian Row continued to provide 41 affordable housing units to the low-income residents. The Good Shepherd Center continued to offer below-market office, classroom, and meeting space to a variety of tenants as well as six artist housing units with rents set as affordable for the low-income residents. The Cadillac Hotel continued to house the National Park Service's Klondike Gold Rush Museum, while rent from the single-family residence, Egan House, continued to support the stewardship of this mid-century modern City of Seattle Landmark. It should be noted that a very low vacancy rate was experienced across our portfolio of properties during 2019.

Historic Seattle continued to make substantive progress on the design for the seismic retrofit of the Good Shepherd Center. Building upon the preliminary design by structural engineers, Swenson Say Faget, Historic Seattle called upon building tenants to join an Advisory Committee. This Committee assisted with the selection of an architect. The architect has and will continue to lead the project design as we move forward with fundraising, scope prioritization, bidding, contractor selection, permitting and construction administration.

Historic Seattle staff also spent time during the year negotiating and finalizing a Purchase and Sale Agreement with the Fall City Masonic Temple Corporation and closing on the purchase of the Ronnei-Raum House. 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 Fall City. In 2019, 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.

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019 AND 2018**

**2019 HIGHLIGHTS (CONTINUED)**

**EDUCATIONAL PROGRAMMING**

Our new Education Program Manager, Henry Holden, led the effort to simultaneously offer traditionally popular tours and lectures while introducing new topics in two, six-month segments.

Tours included the Louisa Hotel in Seattle's Chinatown-International District, the "Making of Queer Seattle" tour in Pioneer Square, the gardens at the Good Shepherd Center in Wallingford, a bike tour from Ballard to the University of Washington, the Admiral's House in Discovery Park, Seattle's waterfront led by David Williams, First Hill led by Larry Kreisman, Capitol Hill apartments led by Diana James, an exclusive peak inside the George Matzen house in the Queen Anne neighborhood, and a "Plates, Pours and Preservation" tour of the Georgetown neighborhood by John Bennett.

Lectures and panel discussions included American fireplace mosaics by Theodore Ellison, "There Goes the Gayborhood!," the "Prairie School and the Pacific Northwest" presented by Richard Kronick, and "Seattle's Historic Theaters" presented by Larry Kreisman.

Our quarterly members meetings were held in a variety of locations throughout the city. The winter meeting was held at the Showbox, and the University Masonic Lodge in the University District hosted constituents in the spring. The newly renovated and restored ARTS space within King Street Station was the site of our summer meeting, and the Mt. Zion Baptist Church in the Central District was an inspiring venue for our fall meeting.

In addition to the comprehensive list of programs highlighted above, we also offered a wide-range of hands-on and interactive activities including our 5<sup>th</sup> Annual Apple Tasting at the Good Shepherd Center, a three part advocacy workshop focusing on tools and strategies, landmark nominations, and researching historic properties. We offered a historic window restoration workshop at Washington Hall, a trivia night at the Six Arms on Capitol Hill, a "Rock and Rally" event in support of our efforts to save the Showbox, and a curated art show and sale at the Palace Theater and Art Bar in Georgetown.

**COMMUNITY AFFAIRS**

Historic Seattle celebrated the well-deserved preservation victories of others during our annual Preservation Awards Benefit on September 19 at the Georgetown Ballroom. Not only were the 200 individuals in attendance offered an inspiring group of award winners, Benjamin Gibbard of Death Cab for Cutie and The Postal Service performed, and Cynthia Brothers of Vanishing Seattle served as master of ceremonies for the event. Award winners included: The State Hotel (Best Preservation Project), Friends of Little Saigon (Community Advocacy), Alki Homestead (Beth Chave Community Investment), the Washington Street Boat Landing, Ainsworth & Dunn Building, and Fire Station 5 (each for Preserving Neighborhood Character), Bob Hale (Preservation Champion), and Sam Farrazaino (Best in Neighborhood: Georgetown). This was our first year featuring a specific neighborhood – Georgetown – for the benefit and other public programming.



**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019 AND 2018**

**2019 HIGHLIGHTS (CONTINUED)**

**COMMUNITY AFFAIRS (CONTINUED)**

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 2018. 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 is committed to building 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 2018, these organizations included, but were not limited to, the Washington Trust for Historic Preservation, the National Trust for Historic Preservation, the City of Seattle, King County Historic Preservation Program, Friends of Mukai, Southwest Seattle Historical Society, Cascadia Art Museum, Wing Luke Museum, Garden Conservancy Northwest Network, 4Culture, Historic Seattle Arts and Crafts Guild, Seattle City Light, Seattle Department of Transportation, the University of Washington, DOCOMOMO WEWA, National Park Service and the Frye Art Museum.

**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  
DECEMBER 31, 2019 AND 2018**

**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. This audit report is for the years 2019 and 2018.

**USING THIS ANNUAL REPORT**

In addition to the Management's Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Position provides information on the assets and liabilities of Historic Seattle. The Statement of Revenues, Expenses, and Changes in Net Position presents information on how Historic Seattle's position changed during the year. Also included is the Statement of Cash Flows. These statements appear on pages 11 through 15.

**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, amounts owed, 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  
DECEMBER 31, 2019 AND 2018**

**FINANCIAL ANALYSIS**

	2019	2018	2017
Current Assets	\$ 1,841,200	\$ 1,601,191	\$ 1,666,977
Noncurrent Assets	6,615,213	6,647,585	6,695,412
Capital Assets, Net	<u>18,565,050</u>	<u>18,920,828</u>	<u>19,384,678</u>
Total Assets	\$ 27,021,463	\$ 27,169,604	\$ 27,747,067
Current Liabilities	\$ 882,719	\$ 556,723	\$ 560,264
Long-Term Liabilities	<u>16,077,392</u>	<u>16,401,293</u>	<u>16,712,241</u>
Total Liabilities	\$ 16,960,111	\$ 16,958,016	\$ 17,272,505
Net Investment in Capital Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 2,271,447	\$ 2,374,706	\$ 2,597,156
Restricted	451,496	299,356	431,935
Unrestricted	<u>7,338,409</u>	<u>7,537,526</u>	<u>7,445,471</u>
Total Net Investment in Capital Assets	<u>\$ 10,061,352</u>	<u>\$ 10,211,588</u>	<u>\$ 10,474,562</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 12 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 \$150,236 in 2019 and decreased by \$262,974 in 2018. The decrease in net position during 2019, as compared to 2018, was primarily attributable to an increase in receipt of grants and contributions for a seismic retrofit of the Good Shepherd Center. The decrease in net position during 2018 as compared to 2017, was attributable to a decrease in receipt of grants and contributions for capital activities after completion of the work on Washington Hall, and a slight increase in repairs and maintenance expense.

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019 AND 2018**

**FINANCIAL ANALYSIS, CONTINUED**

The results of operations for Historic Seattle are presented below:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues:			
Commercial and Residential Tenant Revenues	\$ 2,689,445	\$ 2,619,745	\$ 2,536,998
Event Fees and Membership Dues	91,536	67,416	71,310
Grants and Donations	111,489	69,269	187,141
Consulting Fees	26,575	21,351	1,582
Other	78,770	75,753	26,814
Operating Expenses:			
Salaries, Benefits, and Payroll Taxes	(1,052,594)	(982,488)	(974,441)
Operating, Maintenance, and Utilities	(1,029,836)	(1,007,248)	(983,980)
Other Operating Expenses	(315,362)	(291,300)	(243,346)
Depreciation	<u>(744,050)</u>	<u>(718,583)</u>	<u>(726,928)</u>
Net Operating Loss	(144,027)	(146,085)	(104,850)
Nonoperating Revenues:			
Grants and Donations, Including Forgiveness of Debt and Deferred Loan Interest	74,869	104,022	106,457
Interest Income and Gain on Beneficial Interest in Assets Held by Community Foundations	93,110	88,647	89,919
Nonoperating Expenses:			
Interest Expense	<u>(339,051)</u>	<u>(357,058)</u>	<u>(379,581)</u>
Net Nonoperating Loss	<u>(171,072)</u>	<u>(164,389)</u>	<u>(183,205)</u>
Loss Before Capital Contributions	(315,099)	(310,474)	(288,055)
Capital Contributions	<u>164,863</u>	<u>47,500</u>	<u>87,901</u>
Change in Net Position	(150,236)	(262,974)	(200,154)
Net Position - Beginning of Year	<u>10,211,588</u>	<u>10,474,562</u>	<u>10,674,716</u>
Net Position - End of Year	<u>\$ 10,061,352</u>	<u>\$ 10,211,588</u>	<u>\$ 10,474,562</u>

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.

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019 AND 2018**

**FINANCIAL ANALYSIS, CONTINUED**

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, 2019 and 2018, amounts to \$18,565,050 and \$18,920,828, 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 8.

Historic Seattle's real estate activity is financed, in part, by long-term debt secured by real estate. Historic Seattle had \$15,983,567 and \$16,305,411 of outstanding debt at December 31, 2019 and 2018, respectively. Additional information on Historic Seattle's debt can be found in Note 12.

**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 FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,551,063	\$ 1,353,310
Security Deposits	28,604	18,827
Accounts Receivable	132,064	139,584
Pledges Receivable	154	2,156
Prepaid Expenses	61,564	61,343
Other Assets	42,956	-
Inventory	<u>24,795</u>	<u>25,971</u>
Total Current Assets	1,841,200	1,601,191
<b>NONCURRENT ASSETS</b>		
Deferred Rent Asset	53,860	61,706
Reserves	448,794	417,244
Restricted Cash	119,862	177,457
Note Receivable	5,981,400	5,981,400
Beneficial Interest in Assets Held by Community Foundation	11,297	9,778
Non-Depreciable Capital Assets	2,582,856	2,287,775
Depreciable Capital Assets	27,484,918	27,391,938
Accumulated Depreciation	<u>(11,502,724)</u>	<u>(10,758,885)</u>
Capital Assets, Net (Note 8)	18,565,050	18,920,828
Total Noncurrent Assets	<u>25,180,263</u>	<u>25,568,413</u>
 Total Assets	 <u><u>\$ 27,021,463</u></u>	 <u><u>\$ 27,169,604</u></u>

See accompanying Notes to Financial Statements.

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 66,638	\$ 67,751
Accrued Expenses	67,745	53,771
Security Deposits	68,721	58,324
Prepaid Rent and Event Fees	71,038	54,591
Advance for Fall City Development	272,504	-
Current Portion of Notes Payable	<u>336,073</u>	<u>322,286</u>
Total Current Liabilities	882,719	556,723
<b>LONG-TERM LIABILITIES</b>		
Deferred Interest	429,898	418,168
Notes Payable	<u>15,647,494</u>	<u>15,983,125</u>
Total Long-Term Liabilities	<u>16,077,392</u>	<u>16,401,293</u>
Total Liabilities	16,960,111	16,958,016
<b>NET POSITION</b>		
Net Investment in Capital Assets	2,271,447	2,374,706
Restricted	451,496	299,356
Unrestricted	<u>7,338,409</u>	<u>7,537,526</u>
Total Net Position	<u>10,061,352</u>	<u>10,211,588</u>
Total Liabilities and Net Position	<u><u>\$ 27,021,463</u></u>	<u><u>\$ 27,169,604</u></u>

See accompanying Notes to Financial Statements.

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Rents	\$ 2,689,445	\$ 2,619,745
Consulting Fees	26,575	21,351
Membership Dues	35,845	27,190
Operating Grants and Donations	111,489	69,269
Event Revenue	55,691	40,226
Other	<u>78,770</u>	<u>75,753</u>
Total Operating Revenues	2,997,815	2,853,534
<b>OPERATING EXPENSES</b>		
Salaries, Benefits, and Taxes	1,052,594	982,488
Professional Fees	118,145	65,108
Property Management Fees	198,678	164,036
Office Expense and Other	131,038	146,687
Event Expense	54,612	62,699
Insurance and Taxes	146,285	144,147
Conferences and Training	8,026	5,458
Depreciation	744,050	718,583
Maintenance and Utilities	684,873	699,065
Bad Debt Expense	<u>3,541</u>	<u>11,348</u>
Total Operating Expenses	<u>3,141,842</u>	<u>2,999,619</u>
<b>CHANGE IN NET POSITION FROM OPERATIONS</b>	(144,027)	(146,085)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grants and Donations	70,717	99,870
Interest Revenue	91,326	89,355
Forgiveness of Deferred Loan Interest	4,152	4,152
Gain (Loss) on Beneficial Interest in Assets Held by Community Foundation	1,784	(708)
Interest Expense and Loan Closing Costs	<u>(339,051)</u>	<u>(357,058)</u>
Total Nonoperating Income (Loss) Before Capital Grants and Contributions	(171,072)	(164,389)
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<u>164,863</u>	<u>47,500</u>
<b>CHANGE IN NET POSITION</b>	(150,236)	(262,974)
Net Position - Beginning of Year	<u>10,211,588</u>	<u>10,474,562</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 10,061,352</u></u>	<u><u>\$ 10,211,588</u></u>

See accompanying Notes to Financial Statements.



**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Tenants	\$ 2,721,878	\$ 2,606,566
Receipts from Donors and Fundraising Events	111,489	69,269
Receipts from Members and Customers	196,881	164,520
Payments to Suppliers	(1,345,567)	(1,299,529)
Payments to Employees	<u>(1,038,620)</u>	<u>(992,412)</u>
Net Cash Provided by Operating Activities	646,061	548,414
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipts from Donors	<u>70,717</u>	<u>99,870</u>
Net Cash Provided by Noncapital Financing Activities	70,717	99,870
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>		
Receipt of Grants and Donations Restricted for Capital Purposes	166,865	45,744
Payments for Land, Buildings, Furniture, and Equipment	(388,061)	(254,733)
Payments on Notes Payable	(49,340)	(308,743)
Interest and Loan Closing Costs Paid on Capital Debt	<u>(366,125)</u>	<u>(341,176)</u>
Net Cash Used by Capital and Financing Activities	(636,661)	(858,908)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Withdrawals from (Deposits to) Restricted Cash	57,595	55,613
Deposits to Reserves	(31,550)	(28,419)
Withdrawals from Reserves	-	16,018
Interest Received	<u>91,591</u>	<u>89,618</u>
Net Cash Provided by Investing Activities	<u>117,636</u>	<u>132,830</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	197,753	(77,794)
Cash and Cash Equivalents - Beginning of Year	<u>1,353,310</u>	<u>1,431,104</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 1,551,063</u></u>	<u><u>\$ 1,353,310</u></u>

See accompanying Notes to Financial Statements.

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Position from Operations	\$ (144,027)	\$ (146,085)
Adjustments to Reconcile Change in Net Position from Operations to Net Cash Provided by Operating Activities:		
Depreciation	744,050	718,583
Deferred Rent Asset Change	7,846	3,644
(Increase) Decrease in Operating Assets:		
Accounts Receivable	7,520	(13,807)
Prepaid Expenses	(221)	4,389
Inventory	1,176	1,691
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	12,861	(16,985)
Security Deposits, Net	620	(2,775)
Prepaid Rent and Event Fees	16,447	(241)
Net Cash Provided by Operating Activities	<u>\$ 646,272</u>	<u>\$ 548,414</u>

See accompanying Notes to Financial Statements.

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 NATURE OF THE ORGANIZATION**

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.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 17). 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.

**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.

**Restricted Net Position**

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

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

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted Net Position (Continued)**

Resources were restricted for the following purposes at December 31:

	2019	2018
Restoration Projects	\$ 187,438	\$ 223,496
Other Projects	264,058	75,860
Total	<u>\$ 451,496</u>	<u>\$ 299,356</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.

**Inventory**

Inventory, valued at cost, consists of materials and costs related to a publication released in 2014.

**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 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 2019 and 2018.

**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.

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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 public programs, and residential and commercial rental services in connection with Historic Seattle's principal ongoing operations. 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.

**Revenue Recognition**

Rent is recorded at gross rental revenue at full occupancy. Vacancy loss is deducted from gross rent potential to reflect actual occupancy. Rental revenue is recognized monthly as earned.

**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.

**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 3 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, 2019 and 2018 was \$28,604 and \$18,827, respectively.

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 4 PLEDGES RECEIVABLE**

Unconditional pledges receivable are recorded when the pledges are received. No discount has been applied as it is immaterial. Historic Seattle records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. At December 31, 2019 and 2018, no allowance for doubtful accounts was recorded.

Pledges are expected to be collected in the following periods:

	2019	2018
Less than One Year	\$ 154	\$ 2,156
Less: Allowance for Doubtful Accounts	-	-
Total	<u>\$ 154</u>	<u>\$ 2,156</u>

**NOTE 5 RESERVES**

Historic Seattle is required, under certain loan agreements, to fund from available cash flows replacement and operating reserves for its various buildings. Additional reserves can be set aside when not required by a loan agreement. The balance of these reserves at December 31, 2019 and 2018 was \$448,794 and \$417,244, respectively.

**NOTE 6 RESTRICTED CASH**

Related to the New Markets Tax Credit financing for the renovation of Washington Hall, and certain loans received, Washington Hall QALICB is required to maintain restricted cash accounts. Funds in the loan disbursement account were restricted for rehabilitation costs of Washington Hall and required approvals per the disbursing agreement. Funds in the fee and expense reserve account are restricted for paying certain fees during the seven-year New Markets Tax Credit compliance period and are released according to the fee and expense agreement.

The accounts had the following balance at December 31:

	2019	2018
Fee and Expense Reserve Account	<u>\$ 119,862</u>	<u>\$ 177,457</u>

This account serves as collateral for the notes payable to Seattle Subsidiary Investment Fund IX, LLC (see Note 12).

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 7 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. 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.

**NOTE 8 CAPITAL ASSETS**

The activity in the capital asset accounts for Historic Seattle for 2019 and 2018 was as follows:

	Beginning Balance 2019	Increase	Decrease	Ending Balance 2019
Building	\$ 27,186,762	\$ 92,980	\$ -	\$ 27,279,742
Land	2,115,434	-	-	2,115,434
Furniture and Equipment	205,176	-	-	205,176
Nondepreciable Assets - Historical Artifacts and Preservation Easement	68,047	-	-	68,047
Construction in Progress	104,294	309,841	(14,760)	399,375
	<u>\$ 29,679,713</u>	<u>\$ 402,821</u>	<u>\$ (14,760)</u>	<u>\$ 30,067,774</u>
	Beginning Balance 2019	Increase	Decrease	Ending Balance 2019
Accumulated Depreciation, Buildings	\$ 10,647,378	\$ 748,662	\$ (20,020)	\$ 11,376,020
Accumulated Depreciation, Furniture and Equipment	111,507	18,753	(3,556)	126,704
	<u>\$ 10,758,885</u>	<u>\$ 767,415</u>	<u>\$ (23,576)</u>	<u>\$ 11,502,724</u>
Capital Assets, Net				<u>\$ 18,565,050</u>

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 8 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance 2018	Increase	Decrease	Ending Balance 2018
Building	\$ 26,898,621	\$ 288,141	\$ -	\$ 27,186,762
Land	2,115,434	-	-	2,115,434
Furniture and Equipment	205,176	-	-	205,176
Nondepreciable Assets - Historical Artifacts and Preservation Easement	68,047	-	-	68,047
Construction in Progress	137,702	163,408	(196,816)	104,294
	<u>\$ 29,424,980</u>	<u>\$ 451,549</u>	<u>\$ (196,816)</u>	<u>\$ 29,679,713</u>
	Beginning Balance 2018	Increase	Decrease	Ending Balance 2018
Accumulated Depreciation, Buildings	\$ 9,939,002	\$ 728,396	\$ (20,020)	\$ 10,647,378
Accumulated Depreciation, Furniture and Equipment	101,300	13,763	(3,556)	111,507
	<u>\$ 10,040,302</u>	<u>\$ 742,159</u>	<u>\$ (23,576)</u>	<u>\$ 10,758,885</u>
Capital Assets, Net				<u>\$ 18,920,828</u>

**NOTE 9 LEASES**

**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.

Minimum rentals to be received from the operating lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 18,250
2021	18,980
2022	19,739
2023	20,529
2024	21,350
2025 - 2029	120,262
2030 - 2033	114,715
Total	<u>\$ 333,825</u>



**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 9 LEASES (CONTINUED)**

**Good Shepherd Center**

Historic Seattle owns the Good Shepherd Center, a historic building in the Wallingford district of Seattle. It is used primarily as office space for nonprofit organizations and schools as well as residential artist studios. Historic Seattle leases the building to 32 tenants. 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 Historic Seattle's leased assets at December 31, 2019 was \$28,761,542 and \$18,079,969, respectively. The cost and carrying amount of Historic Seattle's leased assets at December 31, 2018 was \$28,676,914 and \$18,719,399, respectively. Depreciation expense for 2019 and 2018, related to the leased assets, was \$717,569 and \$699,019, respectively.

Minimum rentals to be received from noncancelable operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 1,984,401
2021	1,860,705
2022	1,699,786
2023	1,418,218
2024	1,091,865
2025	566,910
Total	<u>\$ 8,621,884</u>

**NOTE 10 BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

Historic Seattle Preservation Foundation (the Foundation) has established The Historic Seattle Preservation Foundation Designated Fund (the Fund) at The Seattle Foundation, whereby the Foundation is the sole beneficiary. The Seattle Foundation has authority and control over the assets of the Fund, and the income derived therefrom, and also has the sole discretion to determine the timing and amount of distributions from the assets of the Fund.

At December 31, 2019 and 2018, the value of the fund was \$11,297 and \$9,778, respectively. During 2019 and 2018, a gain (loss) of \$1,784 and \$(708), respectively, was recorded in these statements. Administrative fees for 2019 and 2018 were \$250.

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 11 ADVANCE FOR FALL CITY DEVELOPMENT**

During 2019, the Cultural Development Authority of King County advanced funding for the purchase and rehabilitation of a house in Fall City, which is to be preserved and sold. At sale, the advanced funds will be repaid. The property is recorded in capital assets at December 31, 2019.

**NOTE 12 NOTES PAYABLE**

	<u>2019</u>	<u>2018</u>
<b>Egan House</b>		
Note payable, Beneficial Bank, original amount \$150,000; 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 4.43% at December 31, 2019; interest rate on final payment based on Five Year Treasury Constant Maturity; matures November 15, 2027; collateralized by the Egan House	\$ 142,963	\$ 146,466
<b>Cadillac Rehabilitation LLC</b>		
Note payable, Beneficial State Bank, original amount \$4,650,000, issued December 15, 2015, bears interest at 4.4%; monthly payments of \$35,479 began January 2016; matures December 2030	3,691,348	3,947,161
<b>Good Shepherd Center</b>		
Note payable, Key Bank, bears interest at 4.32%; monthly payments of \$5,509; matures June 21, 2022	804,348	834,512
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	126,465	130,362

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 12 NOTES PAYABLE (CONTINUED)**

	<u>2019</u>	<u>2018</u>
<b>Bel Boy Apartments</b>		
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	\$ 415,087	\$ 415,087
<b>Victorian Row Apartments</b>		
Note payable, City of Seattle, bears interest at 1%; principal and accrued interest due at maturity, July 22, 2032	672,841	672,841
Note payable, Beneficial Bank, original amount \$350,000; 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	338,071	344,036
<b>William B. Phillips/Heg House Apartments</b>		
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	440,003	440,003
Note payable to Washington State Department of Commerce, noninterest bearing, annual payments of \$4,000, remaining principal due at maturity, December 31, 2043	96,000	100,000

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 12 NOTES PAYABLE (CONTINUED)**

	2019	2018
<b>Washington Hall</b>		
Note payable (Loan A), Seattle Subsidiary Investment Fund IX, LLC, original amount of \$5,981,400, 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, original amount of \$2,658,600, 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
Nonrevolving line of credit, Beneficial State Bank, original amount of \$1,950,000, 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%, at December 31, 2019, interest rate was 4.68%; 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	141,142	159,644
Total	15,983,567	16,305,411
Less: Current Portion	(336,073)	(322,286)
Total Notes Payable	\$ 15,647,494	\$ 15,983,125

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, which was 4.5% at December 31, 2019, and at prime plus 1% on any unpaid principal balance of the loan. Required monthly payments are interest only through maturity. The line of credit matures September 26, 2020 and is collateralized by the Dearborn House. No balance was outstanding on the line of credit as of December 31, 2019 or 2018, and there was no activity in either 2019 or 2018.

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 12 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, 2019:

Notes Payable	Beginning Balance 2019	Additions	Reductions	Ending Balance 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 Shepherd 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	-
Beneficial State Bank	159,644	-	18,502	141,142	20,018
Total Notes Payable	<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**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 12 NOTES PAYABLE (CONTINUED)**

Following are the changes in notes payable for the year ended December 31, 2018:

Notes Payable	Beginning Balance 2018	Additions	Reductions	Ending Balance 2018	Current Portion
Cadillac Hotel:					
Beneficial State Bank	\$ 4,189,956	\$ -	\$ 242,795	\$ 3,947,161	\$ 254,891
Egan House:					
Beneficial Bank	149,742	-	3,276	146,466	3,559
Good Shepherd Center:					
Key Bank	865,671	-	31,159	834,512	30,634
City of Seattle	475,299	-	-	475,299	-
Washington State	134,219	-	3,857	130,362	3,896
BelBoy Apartments:					
City of Seattle	415,087	-	-	415,087	-
Victorian Row Apartments:					
City of Seattle	672,841	-	-	672,841	-
Beneficial Bank	349,569	-	5,533	344,036	6,098
William B. Phillips/Heg House Apartments:					
City of Seattle	440,003	-	-	440,003	-
Washington State	104,000	-	4,000	100,000	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	-
Beneficial State Bank	177,767	-	18,123	159,644	19,208
<b>Total Notes Payable</b>	<b>\$ 16,614,154</b>	<b>\$ -</b>	<b>\$ 308,743</b>	<b>\$ 16,305,411</b>	<b>\$ 322,286</b>

Future principal and interest payments are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 336,073	\$ 302,927
2021	351,405	288,439
2022	1,071,075	260,920
2023	627,067	228,001
2024	644,955	211,068
2025 - 2029	3,521,101	760,973
2030 - 2034	3,567,486	810,355
2035 - 2039	1,723,214	259,721
2040 - 2044	1,820,076	158,862
2045 - 2049	1,845,816	52,392
<b>Total</b>	<b>\$ 15,508,268</b>	<b>\$ 3,333,658</b>

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 2020 through 2041, a total of \$141,337 of interest is expected to be forgiven.

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 13 DEFERRED COMPENSATION PLAN**

Historic Seattle offers all regular full-time and part-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Historic Seattle contributes 3% of all full-time employees' salaries. Full-time employees are eligible after six months of employment. Historic Seattle's contributions in 2019 and 2018 totaled \$20,483 and \$17,468, respectively.

**NOTE 14 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 \$1,966,838. 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, 2019 and 2018, the uninsured and uncollateralized cash balances totaled \$1,055,144 and \$671,103, respectively.

**NOTE 15 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.

**NOTE 16 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, 2019 and 2018, no such adjustments were made.

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 16 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

During December 2018, Historic Seattle signed a \$250,000 purchase agreement for a house to be rehabilitated, landmark designated, and resold in King County, Washington. The purchase of the property closed in May 2019. Funds were provided in 2019 by the Cultural Development Authority of King County, with a portion of the sale proceeds to be repaid to them after sale of the home. Subsequent to year end, Historic Seattle stopped rehabilitation and sold the home to a buyer. Proceeds from the sale were returned to the Cultural Development Authority of King County.

**NOTE 17 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 2, 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 7). 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 11). 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**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 18 CONDENSED COMBINING INFORMATION**

The following is the condensed combining information for the blended component units of Historic Seattle for the years ended December 31, 2019 and 2018.

Condensed statement of net position, December 31, 2019:

	Historic Seattle	Foundation	Cadillac Rehabilitation LLC	Washington Hall QALICB	Eliminations	Total December 31, 2019
Current Assets	\$ 492,612	\$ 910,672	\$ 265,174	\$ 182,804	\$ (10,062)	\$ 1,841,200
Noncurrent Assets	418,200	5,992,697	60,563	143,753	-	6,615,213
Noncurrent Assets, Related Party	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
Total Assets	<u>\$ 10,592,337</u>	<u>\$ 6,959,769</u>	<u>\$ 6,359,260</u>	<u>\$ 8,978,490</u>	<u>\$ (5,868,393)</u>	<u>\$ 27,021,463</u>
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, Related Party	-	2,287,348	979,039	-	(3,266,387)	-
Total Liabilities	<u>\$ 4,652,260</u>	<u>\$ 2,300,670</u>	<u>\$ 5,339,775</u>	<u>\$ 8,657,733</u>	<u>\$ (3,990,327)</u>	<u>\$ 16,960,111</u>
Net Position:						
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
Total Net Position	<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>

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 18 CONDENSED COMBINING INFORMATION (CONTINUED)**

Condensed statement of revenues, expenses, and changes in net position, December 31, 2019:

	Historic Seattle	Foundation	Cadillac Rehabilitation LLC	Washington Hall QALICB	Eliminations	Total December 31, 2019
Operating Revenues:						
Tenant Revenues	\$ 1,760,364	\$ -	\$ 754,269	\$ 174,812	\$ -	\$ 2,689,445
Event Fees and Membership Dues	348	91,188	-	-	-	91,536
Grants and Donations	21,139	90,350	-	-	-	111,489
Consulting Fees	84,261	-	-	-	(57,686)	26,575
Other	34,434	6,689	7,267	-	-	48,390
Operating Expenses	(1,928,877)	(105,336)	(179,798)	(211,087)	57,686	(2,367,412)
Depreciation	(336,158)	(211)	(234,882)	(196,375)	23,576	(744,050)
Net Operating Gain (Loss)	(364,489)	82,680	346,856	(232,650)	23,576	(144,027)
Nonoperating Revenues:						
Grants and Donations	116,293	70,717	-	114,805	(226,946)	74,869
Interest Income and Gain on Beneficial Interest in Assets Held by Community Foundation	99,059	90,609	552	661	(97,771)	93,110
Gain on Investments in Limited Liability Company	112,557	-	-	-	(112,557)	-
Nonoperating Expenses:						
Interest Expense	(82,718)	(32,853)	(234,851)	(86,400)	97,771	(339,051)
Grant Expense	(100,775)	(126,171)	-	-	226,946	-
Net Nonoperating Gain (Loss)	144,416	2,302	(234,299)	29,066	(112,557)	(171,072)
Gain (Loss) Before Capital Contributions	(220,073)	84,982	112,557	(203,584)	(88,981)	(315,099)
Capital Contributions	14,863	150,000	-	-	-	164,863
Change in Net Position	(205,210)	234,982	112,557	(203,584)	(88,981)	(150,236)
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>

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 18 CONDENSED COMBINING INFORMATION (CONTINUED)**

Condensed statement of cash flows, December 31, 2019:

	Historic Seattle	Foundation	Cadillac Rehabilitation LLC	Washington Hall QALICB	Eliminations	Total December 31, 2019
Net Cash Provided (Used) by:						
Operating Activities	\$ (213,754)	\$ 79,998	\$ 554,950	\$ 224,867	\$ -	\$ 646,061
Noncapital Financing Activities	11,366	(55,454)	-	114,805	-	70,717
Capital and Related Financing Activities	(6,380)	119,149	(580,279)	(341,922)	172,771	(636,661)
Investing Activities	<u>154,308</u>	<u>89,090</u>	<u>51,356</u>	<u>(4,347)</u>	<u>(172,771)</u>	<u>117,636</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(54,460)	232,783	26,027	(6,597)	-	197,753
Cash and Cash Equivalents - Beginning of Year	<u>486,924</u>	<u>617,326</u>	<u>170,634</u>	<u>78,426</u>	<u>-</u>	<u>1,353,310</u>
Cash and Cash Equivalents - End of Year	<u>\$ 432,464</u>	<u>\$ 850,109</u>	<u>\$ 196,661</u>	<u>\$ 71,829</u>	<u>\$ -</u>	<u>\$ 1,551,063</u>

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 18 CONDENSED COMBINING INFORMATION (CONTINUED)**

Condensed statement of net position, December 31, 2018:

	Historic Seattle	Foundation	Cadillac Rehabilitation LLC	Washington Hall QALICB	Eliminations	Total December 31, 2018
Current Assets	\$ 542,281	\$ 667,703	\$ 238,835	\$ 152,372	\$ -	\$ 1,601,191
Noncurrent Assets	402,979	5,991,178	53,772	199,656	-	6,647,585
Noncurrent Assets, Related Party	4,878,998	50,000	-	-	(4,928,998)	-
Capital Assets, Net	4,714,671	6,611	6,262,226	8,819,478	(882,158)	18,920,828
Total Assets	\$ 10,538,929	\$ 6,715,492	\$ 6,554,833	\$ 9,171,506	\$ (5,811,156)	\$ 27,169,604
Current Liabilities	\$ 274,620	\$ 4,027	\$ 270,911	\$ 7,165	\$ -	\$ 556,723
Long-Term Liabilities	4,119,022	-	4,356,149	8,640,000	(713,878)	16,401,293
Long-Term Liabilities, Related Party	-	2,287,348	1,020,845	-	(3,308,193)	-
Total Liabilities	\$ 4,393,642	\$ 2,291,375	\$ 5,647,905	\$ 8,647,165	\$ (4,022,071)	\$ 16,958,016
Net Position:						
Invested in Capital Assets, Net of Related Debt	\$ 528,253	\$ 6,611	\$ 1,084,975	\$ 356,935	\$ 397,932	\$ 2,374,706
Restricted	-	293,360	-	5,996	-	299,356
Unrestricted	5,617,034	4,124,146	(178,047)	161,410	(2,187,017)	7,537,526
Total Net Position	\$ 6,145,287	\$ 4,424,117	\$ 906,928	\$ 524,341	\$ (1,789,085)	\$ 10,211,588

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 18 CONDENSED COMBINING INFORMATION (CONTINUED)**

Condensed statement of revenues, expenses and changes in net position, December 31, 2018:

	Historic Seattle	Foundation	Cadillac Rehabilitation LLC	Washington Hall QALICB	Eliminations	Total December 31, 2018
Operating Revenues:						
Tenant Revenues	\$ 1,704,143	\$ -	\$ 750,710	\$ 164,892	\$ -	\$ 2,619,745
Event Fees and Membership Dues	300	67,116	-	-	-	67,416
Grants and Donations	13,750	55,519	-	-	-	69,269
Consulting Fees	78,853	-	-	-	(57,502)	21,351
Other	40,832	33,114	-	1,807	-	75,753
Operating Expenses	(1,791,319)	(133,724)	(235,829)	(177,655)	57,491	(2,281,036)
Depreciation	(312,893)	-	(234,449)	(194,817)	23,576	(718,583)
Net Operating Gain (Loss)	(266,334)	22,025	280,432	(205,773)	23,565	(146,085)
Nonoperating Revenues:						
Grants and Donations	243,461	99,162	30,000	85,911	(355,220)	103,314
Interest income and Gain on Beneficial Interest in Assets Held by Community Foundation	102,915	87,662	403	645	(102,270)	89,355
Gain on Investments in Limited Liability Company	58,463	-	-	-	(58,463)	-
Nonoperating Expenses:						
Interest Expense	(87,705)	(32,853)	(252,370)	(86,400)	102,270	(357,058)
Grant Expense	(85,911)	(269,309)	-	-	355,220	-
Net Nonoperating Gain (Loss)	231,223	(115,338)	(221,967)	156	(58,463)	(164,389)
Gain (Loss) Before Capital Contributions	(35,111)	(93,313)	58,465	(205,617)	(34,898)	(310,474)
Capital Contributions	15,000	32,500	-	-	-	47,500
Change in Net Position	(20,111)	(60,813)	58,465	(205,617)	(34,898)	(262,974)
Net Position - Beginning of Year	6,165,398	4,484,930	848,463	729,958	(1,754,187)	10,474,562
Net Position - End of Year	<u>\$ 6,145,287</u>	<u>\$ 4,424,117</u>	<u>\$ 906,928</u>	<u>\$ 524,341</u>	<u>\$ (1,789,085)</u>	<u>\$ 10,211,588</u>

**HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 18 CONDENSED COMBINING INFORMATION (CONTINUED)**

Condensed statement of cash flows, December 31, 2018:

	Historic Seattle	Foundation	Cadillac Rehabilitation LLC	Washington Hall QALICB	Eliminations	Total December 31, 2018
Net Cash Provided (Used) by:						
Operating Activities	\$ 10,328	\$ 23,006	\$ 499,911	\$ 15,169	\$ -	\$ 548,414
Noncapital Financing Activities	153,398	(169,439)	30,000	85,911	-	99,870
Capital and Related Financing Activities	(283,651)	(2,109)	(584,780)	(165,638)	177,270	(858,908)
Investing Activities	<u>175,308</u>	<u>87,925</u>	<u>51,019</u>	<u>(4,152)</u>	<u>(177,270)</u>	<u>132,830</u>
Net Increase (Decrease) in Cash and Cash Equivalents	55,383	(60,617)	(3,850)	(68,710)	-	(77,794)
Cash and Cash Equivalents - Beginning of Year	<u>431,541</u>	<u>677,943</u>	<u>174,484</u>	<u>147,136</u>	<u>-</u>	<u>1,431,104</u>
Cash and Cash Equivalents - End of Year	<u>\$ 486,924</u>	<u>\$ 617,326</u>	<u>\$ 170,634</u>	<u>\$ 78,426</u>	<u>\$ -</u>	<u>\$ 1,353,310</u>



**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**

Council  
Historic Seattle Preservation and Development Authority  
Seattle, Washington

We have audited, 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, the financial statements of the business-type activities of Historic Seattle Preservation and Development Authority (the Organization) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Historic Seattle Preservation and Development Authority's basic financial statements, and have issued our report thereon dated July 17, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Historic Seattle Preservation and Development Authority'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 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 may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Historic Seattle Preservation and Development Authority'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 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 cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Bellevue, Washington  
July 17, 2020