



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

November 4, 2021

Board of Directors
Seattle Chinatown International District 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 and compliance with federal grant requirements of the Seattle Chinatown International District Preservation and Development Authority for the fiscal year ended December 31, 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 or the Seattle Chinatown International District Preservation and Development Authority's compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

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

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**SEATTLE CHINATOWN-INTERNATIONAL
DISTRICT PRESERVATION AND
DEVELOPMENT AUTHORITY**

**FINANCIAL STATEMENTS
AND
COMPLIANCE REPORT
YEAR ENDED DECEMBER 31, 2018**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Seattle Chinatown-International District Preservation and Development Authority
Seattle, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities (primary government) and the aggregate discretely presented component units of the Seattle Chinatown-International District Preservation and Development Authority (the Authority) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the 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 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 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 respective financial position of the business-type activities and the aggregate discretely presented component units of the Seattle Chinatown-International District Preservation and Development Authority as of December 31, 2018, and the respective changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 12 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2019 on our consideration of the 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 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 the Authority's internal control over financial reporting and compliance.

Finney, Hill & Company, P.S.

June 20, 2019
Seattle, Washington

SEATTLE CHINATOWN INTERNATIONAL DISTRICT PRESERVATION AND DEVELOPMENT AUTHORITY

Management's Discussion and Analysis December 31, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

The Seattle Chinatown International District Preservation and Development Authority (the Authority) is pleased to present its basic financial statements for the fiscal year ending December 31, 2018, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires the inclusion of three basic financial statements: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. In addition, GAAP requires the inclusion of a Management's Discussion and Analysis (MD&A) section as required supplementary information.

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ending December 31, 2018 with comparative data from the year ending December 31, 2017. Please read it in conjunction with the Authority's basic financial statements, which immediately follow this section.

The basic financial statements provide both long-term and short-term information about the Authority's overall financial condition. Following the basic financial statements are notes that both explain some of the information in the basic financial statements and provide more detailed data.

As provided for under GAAP, the Authority uses the accrual basis of accounting to prepare its basic financial statements. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses, including depreciation, are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of the Authority are included in the Statement of Net Position.

There are three broad government fund categories: governmental, proprietary and fiduciary. Proprietary funds are used to account for services provided on a total or partial cost-recovery basis to parties outside the government. The Authority falls under the proprietary fund category.

FINANCIAL HIGHLIGHTS

- Assets of the Authority exceeded liabilities and deferred inflows of resources at December 31, 2018 by \$19,065,084 (net position). Of this amount, \$6,625,497 (unrestricted net position) may be used to meet the Authority's ongoing obligations.
- The Authority provided 192 unique clients 13,064 days of health and recreation activities through the Adult Day Program and served seniors 19,436 meals through the affordable meal program.
- \$657,952 of contributions and grants were received by the Authority in 2018 and used to directly benefit the neighborhood, including the provision of business technical assistance to over 70 businesses, helping at least 5 property owners with improvements to their buildings, the management of alley improvement projects, neighborhood marketing, and public safety.

**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**

**Management's Discussion and Analysis
December 31, 2018**

- At the end of 2018 the Authority was providing co-working space to a mix of 32 small businesses and individuals at Hing Hay CoWorks, its collaborative workspace and community development hub at the Bush Hotel, where it also hosted a range of events for local entrepreneurs, freelancers, startups, and community members and organizations, including tax preparation classes, legal consultations, financial advice for startup companies and an annual arts fair featuring local vendors, musicians and food carts.
- The Authority develops real estate projects and partners with other nonprofit agencies and private partners to assist with development projects. In 2018, the Authority consulted on one private development project and partnered with three other nonprofits to help bring affordable housing to the district, provide predevelopment on a site for a senior care services (PACE) program and assist with some program elements of the Landmark project in Little Saigon. The Authority also assisted a nonprofit in the renovation of their facility.
- In December 2018, The Authority, along with Capitol Hill Housing, entered into a predevelopment agreement with Seattle Housing Authority to develop 192 apartments of affordable family housing and an early learning facility for working families in and around the communities of Yesler Terrace, Little Saigon, and the Central District.
- The Authority maintained 100% occupancy of its commercial spaces at December 31, 2018, including the signing of 5 new leases with desirable businesses.
- Throughout 2018 the Authority continued its role as the Property Manager for the Louisa Hotel, a building undergoing renovations and set to open in June 2019.
- In April 2018 the Authority completed residential corridor renovations at the historic Bush Hotel. It plans to replace the roof of this building in 2020.
- In December 2018, the Authority entered into a Purchase and Sale Agreement to sell Transferable Development Rights above the Bush Hotel. The Sale occurred in February 2019 (see Note 16 to Financial Statements – Subsequent Events).
- The Authority refinanced a loan with The Commerce Bank of Washington on May 7, 2018 with favorable interest rate savings. This loan, along with a pre-existing loan from the City of Seattle, were assigned to SCIDpda Bush Hotel QALICB, LLC in 2018 and are now captured as part of the discretely presented component units (see Note 13 to Financial Statements).
- The Authority paid off its Line of Credit in January 2018.
- In August 2018 the Authority adopted an investment policy to provide increased investment return with additional security while meeting its daily cash flow requirements. It subsequently identified and invested its cash surpluses, including investing in a number of CDs with varying maturity dates, and opened a Local Government Investment Pool account.
- The Authority upgraded its property management software in August 2018, which includes its financial management software.

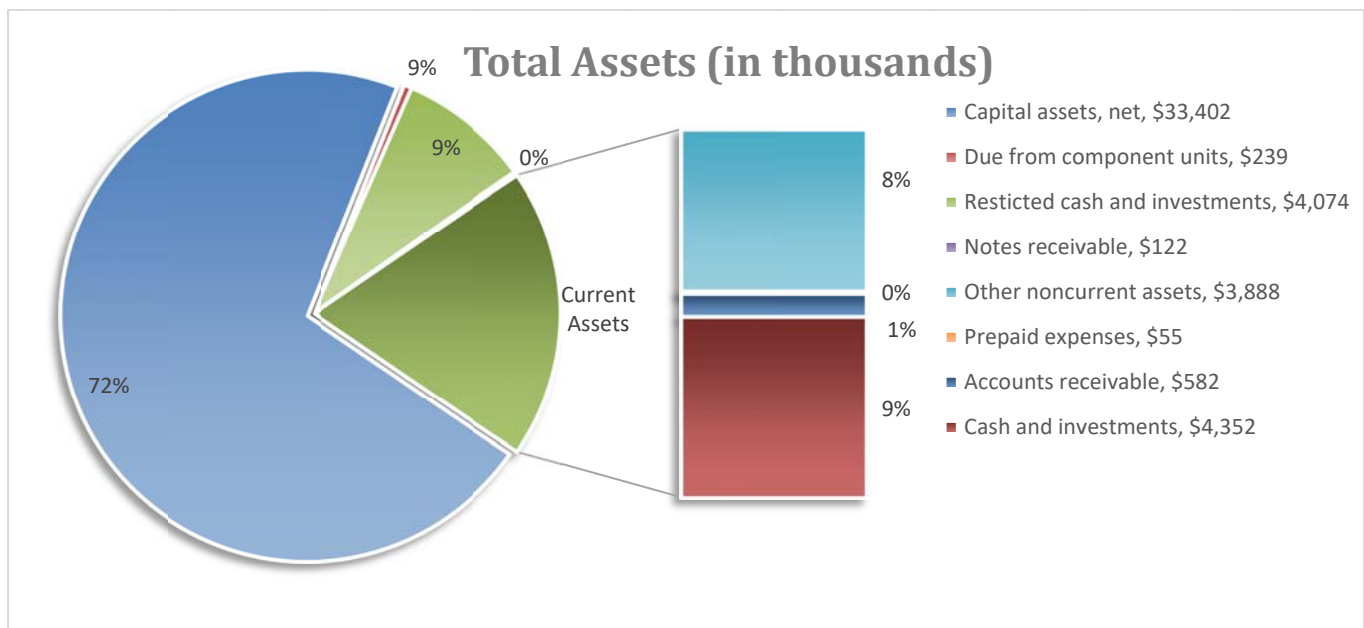
**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**

**Management's Discussion and Analysis
December 31, 2018**

FINANCIAL ANALYSIS

Statement of Net Position

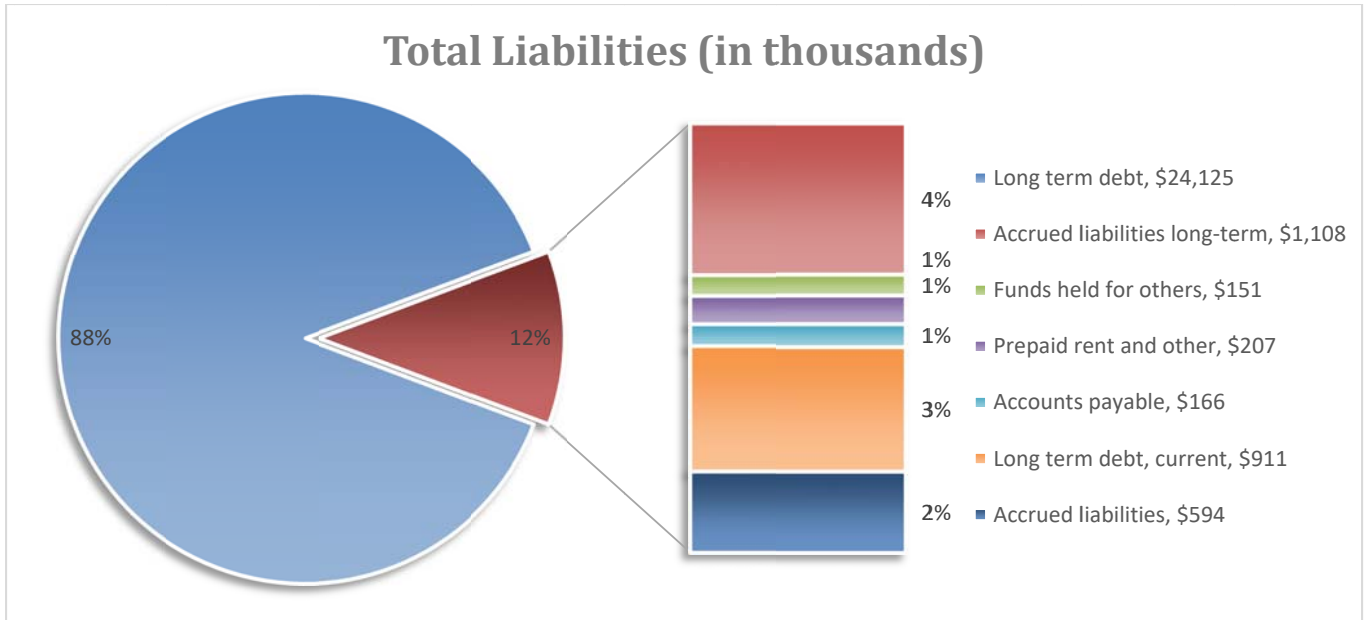
The Statement of Net Position presents the financial position of the Authority at the end of the fiscal year. The purpose of the Statement of Net Position is to give the financial statement readers a snapshot of the fiscal condition of the Authority as of a certain point in time. It presents end-of-year data for assets, liabilities and deferred inflow of resources and net position (assets minus liabilities plus deferred inflow of resources). Also shown is the sum of total liabilities, deferred inflow of resources and net position which equals total assets.



Total assets of the Authority were \$46,714,923 at December 31, 2018 compared to \$49,842,271 at December 31, 2017. Assets decreased by \$3,127,348. Current assets increased by \$1,313,380 as cash was received on notes receivable from component units and made available to the Authority. Noncurrent assets decreased by \$4,440,728; \$2,615,914 of which is in Other Assets, also as cash was received on notes receivable from component units and as two loans from outside lenders via component units were assigned directly to the component units. Capital assets decreased due to the depreciation of assets held by the Authority and offset by capital asset purchases. Current assets are comprised of several categories. Cash and investments include the Authority's cash, cash equivalents and investment account balances. Accounts receivable include services contract receivables, grant receivables and receivables from tenants and other governments. Prepaid expenses are also assets of the Authority. The noncurrent assets are certain investments, capital assets, notes receivable and amounts due from related parties. Capital assets include land, buildings, and equipment and are shown net of accumulated depreciation.

**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**

**Management's Discussion and Analysis
December 31, 2018**



Total liabilities of the Authority were \$27,261,208 at December 31, 2018 compared to \$30,794,653 at December 31, 2017. Current and noncurrent liabilities decreased by a combined total of \$3,533,445 due to payments made reducing outstanding debt and to the assignment of two loans to component units. Current liabilities include accounts payable and other accrued liabilities, funds held for others, prepaid rent, and the current portions of long term debt. A liability is considered to be current if it is due within one year. Noncurrent liabilities are made up of the long-term portion of the accrued liabilities, long term debt and bonds payable.

Deferred inflow of resources represents a deferred gain resulting from the advanced refunding of the Authority's Series 2007 and 2002 Special Obligation Bonds. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the debt. This gain is amortized over the shorter of the life of the refunded or refunding debt.

Total net position increased by \$437,323 from the prior year. This represents the Authority's equity, a portion of which is restricted for certain uses. Net position is divided into three major categories. The first category, invested in capital assets, net of related debt shows the Authority's equity in land, structures, construction in progress, and equipment, net of related capital debt outstanding. The next net position category is restricted net position. These assets have external limitations on the way in which they may be used. The last category is unrestricted net position. Unrestricted net position represents assets that are available to be used for any lawful and prudent purpose.

**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**

**Management's Discussion and Analysis
December 31, 2018**

Condensed Statement of Net Position

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Assets		
Current assets	\$5,790,954	\$4,477,574
LT Restricted cash and investments	3,272,089	3,890,001
Capital assets, net	33,402,157	34,609,019
Other assets	4,249,723	6,865,677
Total assets	<u>46,714,923</u>	<u>49,842,271</u>
Liabilities		
Current liabilities	2,028,037	1,892,677
Noncurrent liabilities	<u>25,233,171</u>	<u>28,901,976</u>
Total liabilities	<u>27,261,208</u>	<u>30,794,653</u>
Deferred inflow of resources		
	388,631	419,857
Net Position		
Invested in capital assets, net of debt	8,366,068	6,719,777
Restricted	4,073,519	4,729,751
Unrestricted	<u>6,625,497</u>	<u>7,178,233</u>
Total net position	<u>19,065,084</u>	<u>18,627,761</u>
Total liabilities, net position and deferred inflows	<u>\$46,714,923</u>	<u>\$49,842,271</u>

**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**

**Management's Discussion and Analysis
December 31, 2018**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The purpose of the Statement of Revenues, Expenses and Changes in Net Position is to present the revenues earned by the Authority, both operating and non-operating, and the expenses incurred, operating and non-operating and any other revenues, expenses, gains, and losses received or spent by the Authority.

The Authority considers operating revenues and expenses to be generated by service agreements, rental operations and the provision of administrative services to third parties. Service agreements revenue includes services provided by the Authority to seniors in assisted living, daytime health and recreation services, and an affordable meal program. These revenues are offset by the senior care operations and nutrition services expenses. Service agreements revenue also includes revenue earned by the Authority in connection with property development projects. Rental income represents amounts received for providing housing to the Authority's tenants as well as subsidies received from the U.S. Department of Housing and Urban Development (HUD). Rental operations expenses are those incurred to maintain the housing units and provide other services for the tenants of the Authority. Revenues and expenses for administrative fees and property management services represent amounts earned and expended by the Authority for property management services.

Non-operating revenues include funds received for which goods and services are not provided, for example, contributions, interest income and investment income. Revenues from grants are also included in this category. The Authority receives grant funding from federal, state and local governments as well as from corporations. Non-operating expenses include interest expense, debt forgiveness and gains or losses from investments. Capital contributions represent funds received from individuals, foundations, corporations and other government entities for the Authority's capital activities.

**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**

**Management's Discussion and Analysis
December 31, 2018**

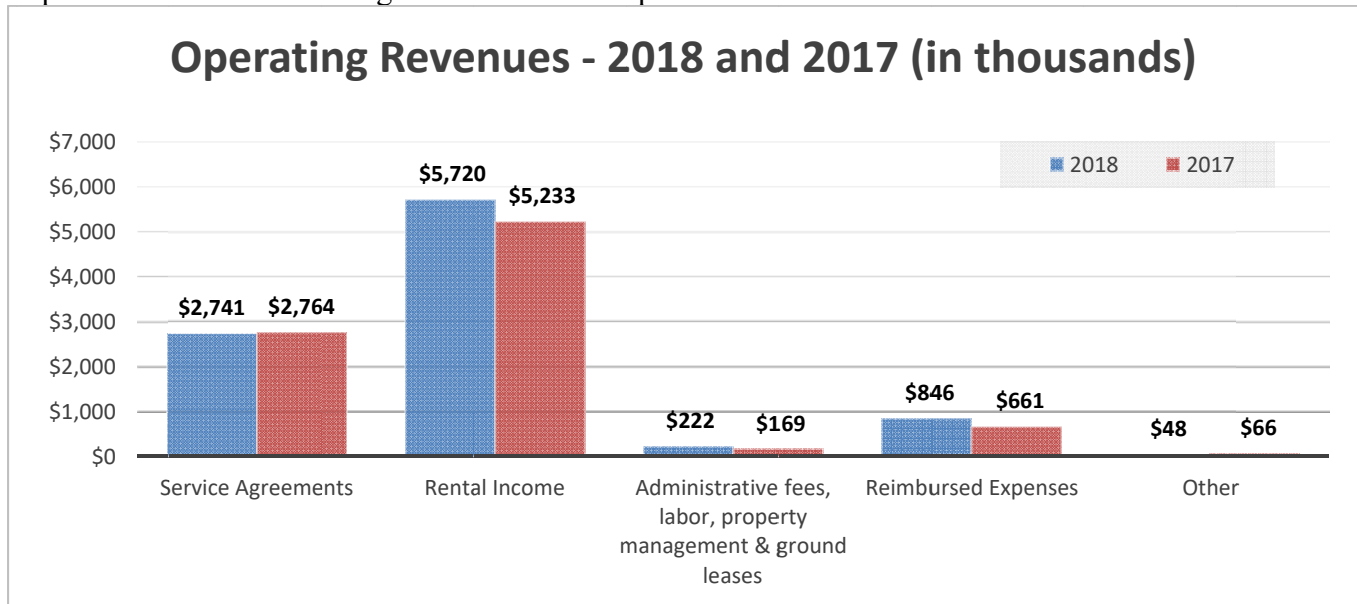
Statement of Revenues, Expenses, and Changes in Net Position

	December 31, 2018	December 31, 2017
Operating Revenues		
Service agreements	\$ 2,740,993	\$ 2,764,269
Rental income	4,874,115	4,571,851
Administrative fees, property management and ground leases	222,186	169,253
Reimbursed expenses	845,521	660,824
Other	47,926	66,313
Total operating revenues	<u>8,730,741</u>	<u>8,232,510</u>
Operating Expenses		
Rental operations	2,171,109	2,138,951
Property management, project and community development	1,569,855	1,288,101
Senior care operations	2,889,991	2,387,609
Nutrition services	116,580	73,038
General administration	944,838	654,233
Depreciation and amortization	1,403,052	1,396,279
Total operating expenses	<u>9,095,425</u>	<u>7,938,211</u>
Income (loss) from operations before other income (expense)	(364,684)	294,299
Nonoperating Revenues (expenses)		
Contributions and grants - operational support	657,952	699,549
Interest income	91,755	238,038
Interest expense	(527,047)	(981,162)
Other	579,347	(8,142)
Other income (expense), net	<u>802,007</u>	<u>(51,717)</u>
Change in net position	<u>437,323</u>	<u>242,582</u>
Net position, beginning of year	<u>18,627,761</u>	<u>18,385,179</u>
Net position, end of year	<u><u>\$ 19,065,084</u></u>	<u><u>\$ 18,627,761</u></u>

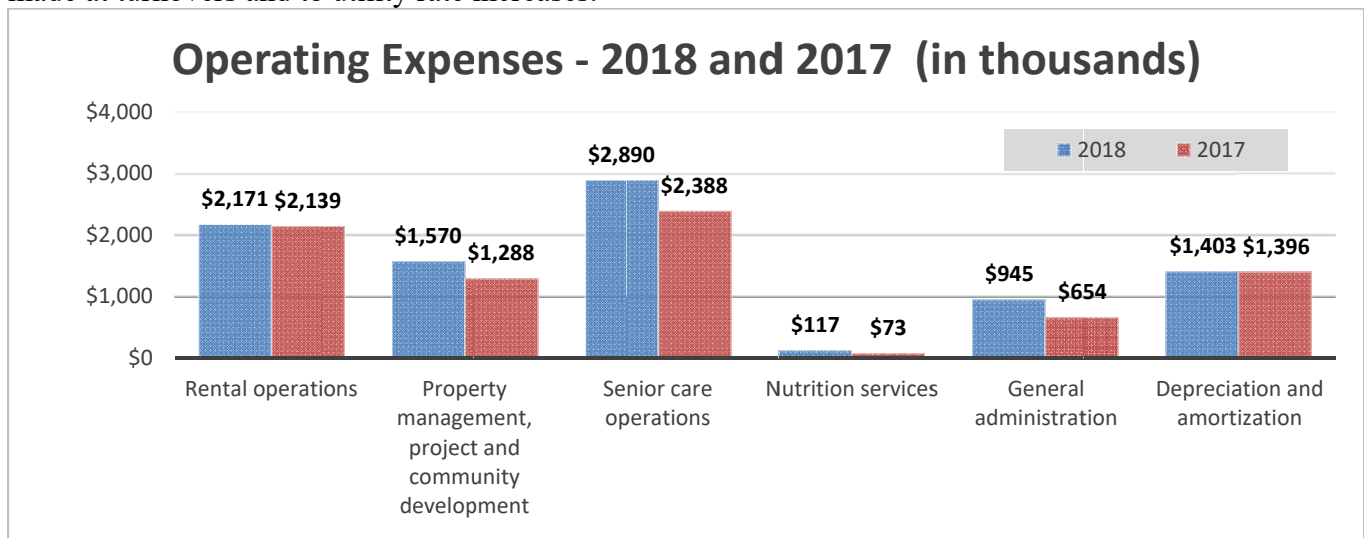
**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**

**Management's Discussion and Analysis
December 31, 2018**

Overall, operating revenues increased 6.1% or \$498,231 from 2017 to 2018. Service Agreements revenue decreased slightly. Rental income increased \$302,264 due to increased rental rates for both residential and commercial properties. Administrative fees, labor, property management, ground leases and other revenue increased \$52,933 due to increased labor costs. Reimbursed expenses increased \$184,697 due to improvements in NNN billing and reconciliation processes.



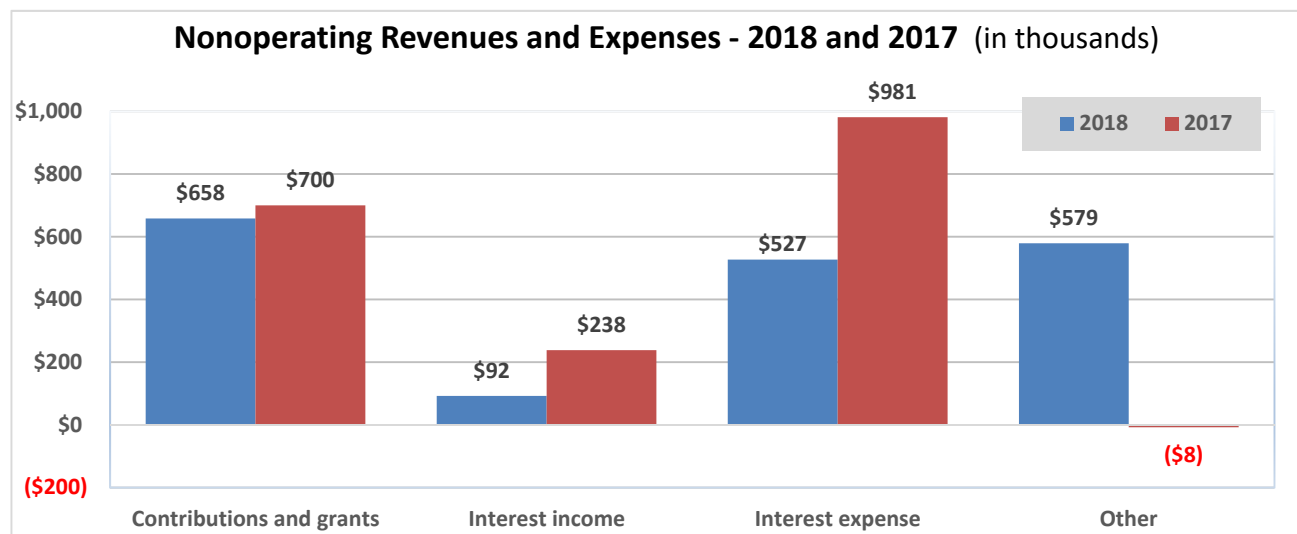
Operating expenses increased by 14.6% or \$1,157,214 from 2017 to 2018. All categories except depreciation and amortization increased due to labor costs. This was due to several factors including the minimum wage increase, increasing employee compensation and benefits, and implementing an employee incentive plan. Rental operations expense increase of \$32,158 was also due unit improvements made at turnovers and to utility rate increases.



SEATTLE CHINATOWN INTERNATIONAL DISTRICT PRESERVATION AND DEVELOPMENT AUTHORITY

Management's Discussion and Analysis December 31, 2018

Non-operating revenues (expenses) represent income earned and expenses incurred that are derived from sources not related to the typical activities of the Authority. Contributions and grant revenue comes from amounts contributed to the Authority by individuals and businesses, as well as city, state and federal government agencies. Reductions in interest income and expense were due to the 2017 bond refunding of the 2007 bond series and the assignment of two loans to a component unit. Other nonoperating revenue and expense increased by \$579,347 due to a lease termination with a component unit.



CAPITAL ASSET AND DEBT ADMINISTRATION

The table below shows the Authority's capital assets, net of depreciation, at the end of the fiscal year as compared to the end of the previous fiscal year.

	December 31, 2018	December 31, 2017
Capital assets not being depreciated:		
Land	\$1,234,600	\$1,234,600
Construction in progress	75,026	25,123
	<u>1,309,626</u>	<u>1,259,723</u>
Depreciable capital assets:		
Buildings and improvements	50,474,578	50,351,900
Furniture and equipment	1,011,827	1,006,319
	<u>51,486,405</u>	<u>51,358,219</u>
Less accumulated depreciation	<u>(19,393,874)</u>	<u>(18,008,923)</u>
Total capital assets being depreciated, net	<u>32,092,531</u>	<u>33,349,296</u>
Total capital assets, net	<u><u>\$33,402,157</u></u>	<u><u>\$34,609,019</u></u>

Note 7 to the Authority's basic financial statements provides additional detail regarding the changes in capital assets during the year ended December 31, 2018.

**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**

**Management's Discussion and Analysis
December 31, 2018**

The Authority's long-term debt was \$25,036,089 at December 31, 2018 compared to \$27,889,242 at December 31, 2017. Long-term debt decreased by \$2,853,153. In addition to the assignment of two loans to a component unit as referenced in Financial Highlights above, Note 9 to the Authority's basic financial statements provides additional detail regarding the debt changes during the year ended December 31, 2018.

ECONOMIC FACTORS AFFECTING THE AUTHORITY'S FUTURE

The Authority is primarily at risk from economic, political and governmental decisions beyond its control. Three factors that could impact the Authority's ongoing stability are changes to the HUD Section 8 operating subsidies, the Medicaid reimbursements for assisted living and adult day programs, and the mandated increase to the City of Seattle minimum wage. Although the development, ownership, and management of low income affordable housing remain stable, the margins are slim. The Authority would be challenged by decisions of the city, state or federal governments to reduce either subsidies or reimbursements or increase unfunded mandates.

The Authority has benefited from the strong economy in the Seattle, Washington area. With the surging residential rental rates, affordable housing is more necessary than ever. In 2018, the Authority achieved 100% occupancy of its commercial spaces; remaining affordable to businesses that might otherwise be priced out of the commercial rental market. Because of its proximity to downtown and the football and baseball stadiums, as well as the transit richness of the neighborhood, the Seattle Chinatown International District has become a focus area for development. In addition to the development work that occurred in 2018 and was referred to in the Financial Highlights section, the Authority continues working with its existing partnerships to help bring affordable housing to the district and develop a site for a PACE program.

In addition to increased development activity, the Authority has been able to take advantage of favorable interest rates on borrowed funds through downward interest rate adjustments on notes payable as well as a 2014 bond refunding of the 2002 bond series and 2017 bond refunding of the 2007 bond series. Some of the economic relief gained through the refunding of the bonds was used to pay down existing debt and make improvements to facilities in an effort to benefit residents and lower ongoing operating costs.

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information presented in this report or requests for additional information, including copies of component unit audit reports, should be addressed to Veronica Wood, Deputy Director, SCIDpda, P.O. Box 3302, Seattle, WA 98114.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
STATEMENT OF NET POSITION
December 31, 2018

ASSETS

	Primary Government	Component Units
Current assets:		
Cash and cash equivalents	\$ 3,603,830	199,180
Investments	498,620	-
Restricted cash and investments, current	1,051,439	-
Receivables:		
Grants, contributions and contracts	341,300	-
Property management	240,858	46,359
Prepaid expenses and deposits	54,907	2,844
Total current assets	<u>5,790,954</u>	<u>248,383</u>
Noncurrent assets:		
Investments	250,009	-
Restricted cash and investments	3,022,080	138,695
Capital assets, net	33,402,157	5,561,297
Notes receivable	122,293	-
Due from component units	239,214	-
Other noncurrent assets	3,888,216	69,317
Total noncurrent assets	<u>40,923,969</u>	<u>5,769,309</u>
Total assets	<u>\$ 46,714,923</u>	<u>6,017,692</u>

(continued)

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

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
STATEMENT OF NET POSITION – CONTINUED
December 31, 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<u>Primary Government</u>	<u>Component Units</u>
Current liabilities:		
Current portion of long-term debt and bonds payable	\$ 910,863	126,785
Accounts payable	165,568	555
Accrued liabilities	593,599	101,323
Tenant security deposits	150,648	8,400
Prepaid rent and other	207,359	-
Total current liabilities	<u>2,028,037</u>	<u>237,063</u>
Long-term liabilities:		
Accrued liabilities	1,107,945	-
Long-term debt, net of current portion	24,125,226	2,247,579
Total long-term liabilities	<u>25,233,171</u>	<u>2,247,579</u>
Total liabilities	<u>27,261,208</u>	<u>2,484,642</u>
Deferred inflows of resources:		
Deferred bond refunding gain, net	388,631	-
Net position:		
Invested in capital assets, net of debt	8,366,068	1,832,486
Restricted	4,073,519	4,023,613
Unrestricted	6,625,497	(2,323,049)
Total net position	<u>19,065,084</u>	<u>3,533,050</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 46,714,923</u>	<u>6,017,692</u>

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

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
Year Ended December 31, 2018

	Primary Government	Component Units
Operating revenues:		
Service agreements	\$ 2,740,993	-
Rental income	4,874,115	474,930
Administrative fees, property management and ground leases	222,186	-
Reimbursed expenses	845,521	-
Other	47,926	-
Total operating revenues	<u>8,730,741</u>	<u>474,930</u>
Operating expenses:		
Rental operations	2,171,109	-
Property management, project and community development	1,569,855	-
Senior care operations	2,889,991	-
Nutrition services	116,580	-
General administration	944,838	76,949
Depreciation	1,403,052	184,742
Total operating expenses	<u>9,095,425</u>	<u>261,691</u>
Operating income (loss)	(364,684)	213,239
Nonoperating revenues (expenses):		
Contributions and grants	657,952	182,752
Interest income	91,755	1,308
Interest expense	(527,047)	(107,935)
Other	579,347	(975,133)
Total nonoperating revenues (expenses), net	<u>802,007</u>	<u>(899,008)</u>
Contributions and distributions:		
Partner and member capital contributions	-	1,750,000
Total contributions (distributions), net	<u>-</u>	<u>1,750,000</u>
Change in net position	437,323	1,064,231
Net position, beginning of year	<u>18,627,761</u>	<u>2,468,819</u>
Net position, end of year	<u><u>\$ 19,065,084</u></u>	<u><u>3,533,050</u></u>

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

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
STATEMENT OF CASH FLOWS
Increase (Decrease) In Cash and Cash Equivalents
Year Ended December 31, 2018

	<u>Primary Government</u>	<u>Component Units</u>
Cash flows from operating activities:		
Cash received from service agreements and tenants	\$ 8,751,777	414,326
Cash paid for goods, services and employees	<u>(7,621,683)</u>	<u>(105,235)</u>
Net cash provided by (used in) operating activities	<u>1,130,094</u>	<u>309,091</u>
Cash flows from noncapital financing activities:		
Borrowing (repayment) on line of credit	(25,000)	-
Contributions, net	<u>657,952</u>	<u>68,849</u>
Net cash provided by (used in) noncapital financing activities	<u>632,952</u>	<u>68,849</u>
Cash flows from capital financing activities:		
Payments of bonds and notes payable	(1,638,879)	(1,912,053)
Borrowing on note payable	2,500	-
Capital contributions	-	1,750,000
Capital expenditures	(234,078)	(63,202)
Payments of interest	<u>(527,047)</u>	<u>(107,935)</u>
Net cash provided by (used in) capital financing activities	<u>(2,397,504)</u>	<u>(333,190)</u>
Cash flows from investing activities:		
Sale (purchase) of investments, net	323,074	(28,098)
Repayment from (advances to) limited partnership and LLC	1,086,071	-
Proceeds from sale of capital assets, net	37,888	-
Interest on investments	<u>91,755</u>	<u>1,308</u>
Net cash provided by (used in) investing activities	<u>1,538,788</u>	<u>(26,790)</u>
Net increase (decrease) in cash and cash equivalents	904,330	17,960
Cash and cash equivalents at beginning of year	<u>2,699,500</u>	<u>181,220</u>
Cash and cash equivalents at end of year	<u>\$ 3,603,830</u>	<u>199,180</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net operating income (loss)	\$ (364,684)	213,239
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	1,403,052	184,742
(Increase) decrease in assets:		
Receivables	(120,052)	(60,604)
Prepaid expenses, deposits and other	5,840	1,134
Increase (decrease) in liabilities:		
Accounts payable	(44,323)	(35,655)
Accrued liabilities	<u>250,261</u>	<u>6,235</u>
Total adjustments	<u>1,494,778</u>	<u>95,852</u>
Net cash provided by (used in) operating activities	<u>\$ 1,130,094</u>	<u>309,091</u>
Non-cash transactions that would have been reported if the transactions had involved a cash exchange:		
Assignment of note receivable and note payable to City of Seattle	\$1,248,000	
Lease agreement termination	\$ 861,230	

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

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - ORIGIN, PURPOSE AND AUTHORITY

The Seattle Chinatown-International District Preservation and Development Authority (SCIDpda) is a public authority. The SCIDpda was established by a charter issued by the City of Seattle (City) on December 16, 1975. The purpose of the SCIDpda is to preserve, promote and develop the Seattle Chinatown-International District as a vibrant community and unique ethnic neighborhood.

The SCIDpda has the power to acquire, improve, sponsor, manage, construct and lease real estate projects, sell or transfer its real or personal property, lend and borrow money, and issue bonds or secure financial assistance, including securing of matching funds from the Federal Government for SCIDpda projects and activities.

The SCIDpda operates several properties and programs under the following descriptions:

▲ Legacy House

Legacy House provides multi-cultural senior housing and services. Legacy House offers a unique model in the State of Washington by serving 100% low income seniors, integrating assisted living and adult day health and care programs while offering culturally appropriate services to an ethnically diverse clientele. Legacy House programs include 75 independent and assisted living apartments and an on-site day health/care program. All of the Legacy House residents/clients are Asian, the majority of whom are limited and/or non-English speaking.

▲ Nutrition Services

The SCIDpda's Nutrition Services program meets the nutritional and social needs of over 300 low-income community elders a year by providing fresh and affordable Asian-style meals each weekday through a Congregate Meal Program.

▲ International District Village Square Phase 1

The International District Village Square 1 facility was opened in June of 1998. The facility provides centralized resources for health and dental care, mental health, social services, pre-school and childcare, employment, senior advocacy, supportive care and housing. The facility is a mixed-use project containing low-income elderly housing, retail uses and social and health service agency offices.

▲ International District Village Square Phase 2

The International District Village Square Phase 2 was opened in May of 2004. The facility is a mixed-use project containing low-income housing, community center, library, parking and commercial space.

▲ Property Management

SCIDpda manages over 400 units of low income housing and over 200,000 square feet of affordable commercial/retail space.

▲ Real Estate Development

SCIDpda develops real estate projects such as International District Village Square Phase 1 and 2, the New Central Hotel and the Bush Hotel. SCIDpda also partners with other agencies to assist with development projects both within the Chinatown International District and outside. Some of those projects include a health care clinic in North Seattle, a Landmark project in Little Saigon and the build out of Hing Hay Coworks.

▲ Hing Hay Coworks

Hing Hay Coworks is a productive gathering place for small business owners centrally located in the Bush Hotel in the heart of Seattle's Chinatown. The build out of the co-working space was possible due to a grant obtained from the Washington State Department of Commerce. The focus of the co-working space is to bring small business entrepreneurs together to work creatively and collaboratively to grow their businesses.

▲ Community Initiatives

Community Initiatives is the external-facing department of the SCIDpda. Formerly known as IDEA Space, Community Initiatives focuses on projects that aim to revitalize the neighborhood and support economic growth. Its impact areas include Chinatown, Japantown and Little Saigon, which altogether comprise the neighborhood area known as the CID.

▲ Core Services Department

The Core Services Department promotes non-profit social services and cultural arts programs, enhances the Asian character and economic vitality of the community's retail/commercial area, and meets the housing needs of low-income residents.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The SCIDpda is governed by a Board of up to seventeen members. Four of the Board members are appointed by the Mayor of the City of Seattle, the remaining Board members are elected by a majority vote of the Board. All members of the SCIDpda's Board must be confirmed by the Seattle City Council. The City of Seattle does not consider the SCIDpda to be a component unit of the City of Seattle.

Financial Statement Presentation

The financial statements of the SCIDpda have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as established by the Governmental Accounting Standards Board (GASB). For financial reporting purposes the Authority is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis method of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

In determining how to define the reporting entity, management has considered all potential component units. The determination to include a component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting and Financial Reporting Standards and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. These criteria include: financial accountability; appointment of a voting majority; imposition of will; financial benefit to or burden on a primary organization; financial accountability as a result of fiscal dependency; potential for dual inclusion; and organizations included in the reporting entity although the primary organization is not financially accountable.

During 2018, there was only a single fund in existence, the operating fund. The operating fund includes unrestricted resources and represents the portion of funds that are available for support of SCIDpda operations. The operating fund has been divided into several properties and programs: Property Management, Real Estate Development, Legacy House, Nutrition Services, Fundraising, Community Initiatives, Bush Hotel (blended component unit), New Central Hotel (blended component unit), International District Village Square Phase 1 and the International District Village Square Phase 2. Inter-departmental charges for rent, utility charges and administrative fees have been eliminated in the accompanying statement of revenues, expenses, and changes in net position. Inter-departmental receivable and payable balances have also been eliminated in the accompanying statement of net position.

The financial statements include the accounts of SCIDpda's blended component units, SCIDpda New Central Manager, Inc., SCIDpda New Central Apartments, Inc., SCIDpda New Central Commercial, Inc., SCIDpda Bush Residential, LLC, New Central Hotel LLC, New Central Master Tenant LLC, SCIDpda Bush Hotel Commercial, Inc., and IDVS2 Family Housing LLC (see Note 14). These wholly owned entities were created to provide a mechanism for SCIDpda's redevelopment of various properties in the international district and are considered to be direct extensions of the SCIDpda. SCIDpda exercises complete management and financial control over these entities and their financial activities are blended into SCIDpda's basic financial statements.

The Chinatown International District Preservation and Development Association (CIDPDA) is a legally separate tax-exempt component unit of the SCIDpda (see Note 13) with a distinct and separate board. The CIDPDA acts primarily as a fund-raising organization to supplement the resources that are available to SCIDpda and because its resources can only be used by or for the benefit of SCIDpda, the CIDPDA is considered a component unit of the SCIDpda and is discretely presented in SCIDpda's financial statements. Copies of their separate financial statements can be obtained by contacting the SCIDpda. CIDPDA is the sole owner of BH Manager, Inc., and BH Manager, Inc. is therefore combined with the CIDPDA financial data. BH Manager, Inc. is the managing member and majority owner of SCIDpda Bush Hotel QALICB, LLC. Therefore, the SCIDpda Bush Hotel QALICB, LLC is consolidated into BH Manager, Inc.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Principles

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. There was no impact to the Authority's financial statements as a result of implementing this statement.

GASB Statement No. 85, *Omnibus 2017*, includes amendments to certain existing literature to address issues in multiple pronouncements that individually would not justify a separate statement. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and applications, and postemployment benefits. There was no impact to the Authority's financial statements as a result of implementing this statement.

New Accounting Standards To Be Adopted in Future Years

GASB Statement No. 84, *Fiduciary Activities*, is effective for reporting periods beginning after December 15, 2018. This statement defines criteria for identifying activities that state and local governments should report as fiduciary activities and how they should be reported.

GASB Statement No. 87, *Leases*, is effective for reporting periods beginning after December 15, 2019. Its objective is to improve accounting and financial reporting for leases by governments by establishing a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset. It requires recognition of certain lease assets and liabilities that were previously classified as operating.

GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*, is effective for reporting periods beginning after December 15, 2019. This GASB statement requires that interest costs incurred during construction be expensed.

GASB Statement No. 90, *Majority Equity Interests*, is effective for reporting periods beginning after December 15, 2018. This Statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently.

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for reporting periods beginning after December 15, 2020. This Statement will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The SCIDpda management is currently evaluating these new standards to determine what impact, if any, they will have on the authority.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets and Depreciation

Land, buildings, building improvements, office equipment and furniture are stated at cost. The buildings, equipment and furniture are depreciated using the straight-line method over the estimated useful lives of the respective assets, as follows:

Equipment	3 to 10 years
Building improvements	10 to 50 years
Buildings	23 to 50 years

The SCIDpda follows a policy of capitalizing all capital asset additions which exceed \$5,000 and the expected lives exceed one year.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Rental Operation Costs

All costs incurred in the rental operation of a project are expensed as incurred.

Capitalized Interest

The SCIDpda has a policy of capitalizing interest as a component of the cost of buildings constructed for its own use. During 2018, total interest incurred by the SCIDpda was \$527,047, all of which was charged to nonoperating expenses.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position, when applicable, will report a section for deferred outflows or inflows of resources. The SCIDpda has a deferred gain on refunding debt which qualifies for reporting as a deferred inflow of resources. A deferred gain on refunding debt results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Development Costs

The SCIDpda has a policy of capitalizing as a cost of that property certain project costs which are clearly associated with the acquisition, development and construction of the real estate project.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the SCIDpda considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Notes Receivable and Notes Payable

Many of the notes carry below market interest rates and/or contain provisions for deferral or forgiveness of interest or principal. Such notes and related interest amounts are recorded in the financial statements according to the terms of the notes. No adjustment to market rates has been made due to the compliance requirements that must be met for forgiveness or deferral to occur. Forgiveness of debt and related accrued interest for notes payable will be recorded as income in accordance with terms of the various loan agreements.

Revenue Recognition

The SCIDpda records revenue for all exchange and non-exchange transactions earned and in which all eligibility requirements have been satisfied, if measurable and probable of collection. The SCIDpda considers operating revenues and expenses to be those generated by service agreements, rental operations and the provision of administrative services to third parties.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Materials and Equipment

Donated materials or equipment, when received, are reflected as contributions in the accompanying financial statements at their estimated fair market values at the date of receipt.

Compensated Absences

SCIDpda employees are entitled to certain compensated absences based upon their length of employment. The SCIDpda accrues compensated absences as they are earned.

Fair Value of Financial Instruments

The SCIDpda has accounted for all investments at fair value on the statement of net position. Cash deposits are carried at cost, which approximates fair value.

Budgets

The SCIDpda's Board formally reviews and approves the annual budget, however, it is not a legally adopted budget.

NOTE 3 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the SCIDpda to concentrations of credit risk consist principally of cash and cash equivalents. The SCIDpda places cash and cash equivalents with various financial institutions. Accounts at each institution are insured up to limits established by the Federal Deposit Insurance Corporation. The SCIDpda has not experienced any losses and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4 - CASH, RESTRICTED CASH AND INVESTMENTS

The SCIDpda is authorized to invest in obligations of the U.S. Treasury and U.S. agencies, government money market funds, repurchase agreements, reverse repurchase agreements, certificates of deposit and bankers' acceptances.

Classification

Cash and investments held as long-term operating reserves or for the future payment of long-term liabilities are classified as non-current assets. Cash and investments legally or contractually restricted as to their use are classified as restricted.

Cash, cash equivalents and investments held by the SCIDpda at December 31, 2018 were:

	Cash and Cash Equivalents	Investments	Total
Deposits - unrestricted	\$ 3,603,830	-	3,603,830
Deposits - restricted	1,555,752	-	1,555,752
Certificates of deposit - unrestricted	-	748,629	748,629
Certificates of deposit - restricted	-	582,545	582,545
Government money market funds - restricted	1,935,222	-	1,935,222
	<u>\$ 7,094,804</u>	<u>1,331,174</u>	<u>8,425,978</u>

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial risk, concentration of credit risk, and foreign currency risk may affect both equity and fixed-income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. The SCIDpda's cash and investments are subject to several types of risk, which are examined in more detail below:

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 4 - CASH, RESTRICTED CASH AND INVESTMENTS (continued)

Credit Risk

Fixed-income securities are subject to credit risk, which is the risk that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause prices to decline. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation, and/or adverse political developments. A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies such as Moody's Investors Service or Standard and Poor's. The lower the rating, the greater the chance that the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government and certificates of deposit, are not considered to have credit risk and therefore are not rated.

The SCIDpda has no investment policy that would limit its investment choices, except as noted in the State statute.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the SCIDpda will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The SCIDpda does not have a policy for custodial credit risk. At year end, SCIDpda did not have any securities which were held by the counterparty's trust department or agent but not in the SCIDpda's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Securities issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, and other pooled investments are excluded from this review. Investments in the various investment pools managed by the State are external investment pools and are not subject to concentration of credit risk. There is no concentration of any single individual issuer of equity or non-U.S. government fixed income securities that comprise more than five percent of total investments. The SCIDpda does not have a policy regarding concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the possibility that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect a deposit or investment's fair value. The SCIDpda has no exposure to foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the value of fixed-income securities will decline because of rising interest rates. The prices of fixed-income securities with a longer time to maturity tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter maturities. The SCIDpda's investment policy does not restrict investment maturities.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the SCIDpda's deposits may not be returned to it. The SCIDpda does not have a deposit policy for custodial credit risk. At year end, the SCIDpda had \$7,094,804 of bank deposits (checking accounts, savings accounts, and government money market funds). All deposits in excess of FDIC insurance limit of \$250,000 are covered by the Public Deposit Protection Commission of the State of Washington established under Chapter 39.58 of the Revised Code of Washington.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 4 - CASH, RESTRICTED CASH AND INVESTMENTS (continued)

Fair Value Measurement

The Authority measures and reports the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The Authority's money market funds are classified as Level 1 measurement and Certificates of Deposit are valued at the initial investment cost plus accrued interest.

Restricted Cash and Investments

In accordance with the SCIDpda's bond resolutions and other agreements, separate restricted asset accounts have been established. These assets are restricted for specific purposes, including refunds to tenants, debt service payments, coverage of operating deficits and funding of capital projects or repairs. At December 31, 2018, the carrying amount, which approximates market, and composition of the restricted cash, cash equivalents and investments is as follows:

	<u>Cash and Equivalents</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Bond reserve accounts	\$ 1,035,567	-	1,035,567
Operating and capital reserve accounts	2,304,614	582,545	2,887,159
Tenant security deposits	150,793	-	150,793
	<u>\$ 3,490,974</u>	<u>582,545</u>	<u>4,073,519</u>

NOTE 5 - FEDERAL INCOME TAX

The SCIDpda has received a ruling from the Internal Revenue Service stating it is a nonprofit public authority and:

1. The income received or generated by the SCIDpda's activities is exempt from Federal income tax under Section 115(a)(1) of the Internal Revenue Code of 1954, as amended.
2. Obligations issued by the SCIDpda shall be considered issued on behalf of the City of Seattle, a political subdivision of the State of Washington, pursuant to Section 1.103-1(b) of the income tax regulations; and the interest paid thereon will be excludable from the gross income of the recipients pursuant to Section 103(a)(1) of the Internal Revenue code of 1954, as amended.

NOTE 6 - AGENCY SERVICE AGREEMENTS AND GRANTS

The SCIDpda receives funding under a variety of grants and service agreements from HUD, State of Washington, City of Seattle and other organizations and grantors. SCIDpda received contributions and grants totaling \$657,952, of which \$271,493 was received on behalf of and disbursed to the Ethnic Business Coalition.

Contributions and grants	\$ 657,952
Passed through to subrecipient	<u>(271,493)</u>
Contributions and grants, net	<u>\$ 386,459</u>

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 7 – CAPITAL ASSETS

The capital assets (buildings, land and equipment) are stated at cost. Depreciation expense for 2018 was \$1,403,052. Capital assets as of December 31, 2018 are as follows:

	Primary Government	Component Units
Land	\$ 1,234,600	39,341
Building and improvements	50,474,578	7,149,700
Furniture and equipment	1,011,827	-
	52,721,005	7,189,041
Less accumulated depreciation	(19,393,874)	(1,630,394)
	33,327,131	5,558,647
Construction in progress	75,026	2,650
Capital assets, net	<u>\$ 33,402,157</u>	<u>5,561,297</u>

The following is a summary of the changes in capital assets of the SCIDpda:

	Balance January 1, 2018	Additions	Dispositions and Transfers	Balance December 31, 2018
Capital assets not being depreciated:				
Land	\$ 1,234,600	-	-	1,234,600
Construction in progress	25,123	49,903	-	75,026
	<u>1,259,723</u>	<u>49,903</u>	<u>-</u>	<u>1,309,626</u>
Depreciable capital assets:				
Buildings and improvements	50,351,900	178,667	(55,989)	50,474,578
Furniture and equipment	1,006,319	5,508	-	1,011,827
	<u>51,358,219</u>	<u>184,175</u>	<u>(55,989)</u>	<u>51,486,405</u>
Accumulated depreciation	(18,008,923)	(1,403,052)	18,101	(19,393,874)
Total capital assets being depreciated, net	<u>33,349,296</u>	<u>(1,218,877)</u>	<u>(37,888)</u>	<u>32,092,531</u>
Total capital assets, net	<u>\$ 34,609,019</u>	<u>(1,168,974)</u>	<u>(37,888)</u>	<u>33,402,157</u>

NOTE 8 – LINE OF CREDIT AND FINANCING COMMITMENT

SCIDpda established a line of credit with The Commerce Bank in the amount of \$500,000 and that bears the interest rate of 3.75%. This was paid off in January 2018 and at December 31, 2018, SCIDpda had outstanding borrowings of \$0.

	Balance January 1, 2018	Additions	Payments	Balance December 31, 2018
Line of Credit	\$ 25,000	-	(25,000)	-

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 9 – LONG-TERM DEBT

Long-term debt as of December 31, 2018, consisted of the following:

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<u>Core Services:</u>			
0.0% CDBG loan of \$93,534 from the City of Seattle, dated May 27, 1998. The note is due May 27, 2038 and is secured by a deed of trust.	\$ -	93,534	93,534
0.0% CDBG loan of \$93,567 from the City of Seattle, dated December, 1997. The note is due December 2037 and is secured by a deed of trust.	-	93,567	93,567
0.0% International District Neighborhood Strategy Area (IDNSA) Program loan of \$633,407 from the Dept. of Community Development of Seattle dated September 28, 1982, for renovation of New Central Project. The note is due and payable April 30, 2057.	-	633,407	633,407
Loan payable to Impact Capital for up to \$85,000 dated August 24, 2018. The loan bears interest of 0% and matures on September 1, 2021.	-	2,500	2,500
<u>ID Village Square Phase 1:</u>			
Housing Assistance Program loan from the State of Washington Department of Commerce, \$1,500,000 commitment for construction of assisted housing in IDVS1 project, payable in annual installments over 50 years of \$38,135 including principal and interest at 1%, beginning June 30, 1999.	28,229	962,361	990,590
Note payable to the City of Seattle for the construction of assisted living in the IDVS1 project. The \$1,904,761 note bears interest at 1% per year. The principal and interest is due in 40 years, but the maturity date may be extended for an additional seven five-year periods. The note is dated November 29, 1995 and secured by a deed of trust on the IDVS1.	-	1,359,432	1,359,432
Note payable to the City of Seattle for the construction of a clinic in the IDVS1 project. The \$952,371 note bears interest at 0% per year. The principal is due in forty years. The note is dated September 27, 1996 and secured by a deed of trust on the IDVS1.	-	952,384	952,384
Note payable to the City of Seattle. The loan bears interest between 1.75% and 4% and requires periodic payments of principal and interest as outlined in the note agreement. The note is due in full by November 1, 2026. The note is secured by a deed of trust on the IDVS1.	440,000	3,420,000	3,860,000
<u>Nutrition Services:</u>			
Note payable up to \$120,000 to the City of Seattle. Contingent upon compliance with all related terms and conditions, the note accrues no interest and is forgivable on the maturity date. After the maturity date or upon default, the principal balance accrues interest at 12% per annum, and principal is due and payable on March 26, 2026.	-	120,000	120,000
Note payable up to \$196,000 to the City of Seattle. Contingent upon compliance with all related terms and conditions, the note accrues no interest and is forgivable on the maturity date. After the maturity date or upon default, the principal balance accrues interest at 12% per annum, and principal is due and payable on March 31, 2026.	-	196,000	196,000
<u>ID Village Square Phase 2:</u>			
Note payable to Heritage Bank. The loan bears interest of 4.6%, payable in monthly installments of \$4,812 including principal and interest. The loan is secured by a deed of trust on the IDVS2 property, and is due in full by November 20, 2022.	24,469	698,294	722,763
Note payable to the City of Seattle. The loan bears interest between 3% and 5.125% and requires periodic payments of principal and interest as outlined in the note agreement. The note is due in full by October 2032. The note is secured by a deed of trust on the property.	205,000	3,645,000	3,850,000

These notes are an integral part of the financial statements.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS, Continued**

NOTE 9 - LONG-TERM DEBT (continued)

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<u>DVA</u>			
1.0% note payable to the City of Seattle, Office of Housing. Annual payments are due annually on June 30 in an amount equal to 50% of Net Cash Flow of the preceeding calendar year, as defined in the note. The note contains numerous regulatory requirements governing the use of the property. The note matures in 2052, but may be extended for an additional 25 years.	-	2,268,037	2,268,037
1.0% note payable to the Seattle Housing Authority. All payments are deferred until the note matures on December 31, 2043, at which time the outstanding principal and accrued interest are due. The non-recourse note is secured by a deed of trust.	-	1,622,878	1,622,878
1.0% note payable to the State of Washington Housing Trust Fund. The note is amortized over 40 years and requires quarterly payments of \$14,423. The note contains numerous regulatory requirements governing the use of the property. The note matures September 30, 2045. The non-recourse note is secured by a deed of trust.	44,777	1,263,403	1,308,180
<u>NC Hotel LLC</u>			
Note payable to Wells Fargo dated December 30, 2015 for \$3,500,000. The note requires monthly payments of principal and interest at the rate of 4.47% and matures January 10, 2026. The note is secured by a deed of trust.	88,131	3,177,119	3,265,250
<u>Bush Residential:</u>			
SCIDpda Bush Residential LLC, refinanced \$407,171 in outstanding principal on the note payable to The Commerce Bank. The new note bears interest at 3.5%, requires a monthly payment of \$4,064 and matures on December 31, 2021. Secured by a deed of trust.	38,283	279,690	317,973
1.0% Urban Development Action Grant dated August 8, 1980. In June, 1992, the loan was re-negotiated from the original interest rate of 3.0% and terms were modified. Under the revised agreement, the loan is payable in monthly installments of \$1,605 with interest at 1% beginning July 1, 1992. The total balance renegotiated included the outstanding principal and interest balance of \$634,622 as of June 30, 1992. The note is secured by a deed of trust on the Bush Hotel real property and is due June 20, 2032.	16,892	226,308	243,200
\$1,000,000 note payable to Washington State Department of Commerce for the rehabilitation of the Bush Hotel, under the affordable housing program. The loan bears interest at a rate of .5% annually. The loan is payable in annual installments of principal and interest of \$27,588 beginning August 31, 1998. The outstanding loan balance is due August 31, 2037. The note is secured by a deed of trust on the Bush Hotel.	25,082	474,881	499,963
0.0% rehabilitation loan for Bush Hotel from the City of Seattle dated December 20, 1985. Due December 19, 2036, secured by deed of trust.	-	672,920	672,920
1.0% rehabilitation loan for Bush Hotel from City of Seattle, Multifamily Code Repair Program dated March 17, 1994. Principal and interest due December 19, 2036. Secured by deed of trust.	-	105,351	105,351
\$1,858,160 note payable to the City of Seattle for the rehabilitation of the Bush Hotel. The note bears interest at a rate of 1% per year in years one through twenty. The note does not accrue interest after the twentieth year. The principal and accrued interest is due on December 19, 2036. Secured by deed of trust.	-	1,858,160	1,858,160
Totals	<u>\$ 910,863</u>	<u>24,125,226</u>	<u>25,036,089</u>

These notes are an integral part of the financial statements.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 9 - LONG-TERM DEBT (continued)

Maturities of Long Term Liabilities

Aggregate maturities of long-term liabilities are as follows for years ending December 31:

<u>Years</u>	<u>Notes Payable</u>	<u>Total Interest</u>
2019	\$ 910,863	-
2020	942,975	469,971
2021	1,172,942	434,882
2022	1,579,934	407,509
2023	959,771	369,813
2024 - 2028	6,650,347	824,108
2029 - 2033	1,926,066	181,977
2034 - 2038	5,678,148	571,736
2039 - 2043	2,077,513	690,726
2044 - 2048	236,086	6,223
2049 - 2053	2,268,037	1,288,867
2054 - 2058	633,407	-
2059 - 2063	-	-
	<u>\$ 25,036,089</u>	<u>5,245,812</u>

The following is a summary of changes in long-term debt:

	<u>Balance January 1, 2018</u>	<u>Proceeds</u>	<u>Assignments and Repayments</u>	<u>Balance December 31, 2018</u>
Notes payable	\$ 27,889,242	2,500	(2,855,653)	25,036,089

Special Obligation Refunding Bonds, Series 2007

On June 14, 2017, the City of Seattle issued \$4,730,000 of Limited Tax General Obligation Refunding and Improvement Bonds on behalf of SCIDpda for the purpose of refunding SCIDpda's Special Obligation Refunding Bonds, Series 2007. The proceeds of the issue were used to retire outstanding amounts of the Special Obligation Refunding Bonds Series 2007 at par. The refunding bonds were issued by the City of Seattle and the proceeds were loaned by the City of Seattle to SCIDpda. Under the terms of the loan agreement with the City of Seattle, the loan requires payments matching that of the principal and interest on the City Refunding bonds as they come due. Starting in 2018 annual debt service ranges from \$517,900 to \$525,000 in 2026 when the loan will be paid in full. The Bonds bear interest at rates of 2.0% to 5.0%.

NOTE 10 – TENANT SECURITY DEPOSITS

Security deposits and trust funds at December 31, 2018 consisted of tenant Residential and Commercial Lease Deposits for the properties owned and managed by SCIDpda.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Commercial Lease Agreements:

The SCIDpda has entered into lease agreements to lease office space to various commercial and social agency tenants in its facilities. As of December 31, 2018, the SCIDpda has entered into numerous separate lease agreements with terms ranging from \$411 per month to \$60,957 per month over periods ranging from one to ten years.

The future minimum lease payments for the above leases as of and for the years ending December 31 are:

	<u>BH Commercial</u>	<u>IDVS1</u>	<u>IDVS2 Com</u>	<u>IDVS2LP</u>	<u>NCC</u>	<u>Total</u>
2019	\$ 263,287	899,149	125,576	92,382	259,507	1,639,901
2020	250,321	892,594	115,922	93,767	183,095	1,535,699
2021	259,017	877,608	114,156	95,174	143,259	1,489,214
2022	273,148	902,478	96,636	96,602	103,874	1,472,738
2023	237,859	784,440	91,500	98,051	98,586	1,310,436
Thereafter	866,364	189,800	148,200	1,180,647	282,348	2,667,359
	<u>\$ 2,149,996</u>	<u>4,546,069</u>	<u>691,990</u>	<u>1,656,623</u>	<u>1,070,669</u>	<u>10,115,347</u>

Lease Commitments

▲ **New Central Hotel LLC**

In 1980 a fifty-one year lease was established for the New Central Hotel real property, and in 1982 it was amended to a seventy-five year lease - the lease expires December 31, 2059. The lease payments are divided between Apartment 1, commercial, and Apartment 2, housing. The future minimum monthly rents for Apartments 1 and 2 have been established for the first fifty years, January 1980 through December 2030. The rent for each apartment is the greater of the minimum monthly amount of \$950 or 7% of the apartment's prior month's gross rent.

The future minimum lease payments as of and for the years ending December 31 are:

2019	\$ 11,400
2020	11,400
2021	11,400
2022	11,400
2023	11,400
Thereafter	<u>79,800</u>
	<u>\$ 136,800</u>

Rent expense for 2018 for the above leases was \$52,260.

Other Commitments and Contingencies

1. **Contract and Regulatory Compliance**

The SCIDpda is subject to numerous contractual and regulatory compliance requirements. Violation of these contractual and regulatory compliance requirements could subject the SCIDpda to substantial adverse financial consequences.

Under the terms of grants and loans with the State of Washington, City of Seattle and others, periodic compliance audits are required and certain costs may be questioned as not being appropriate expenditures under the agreements. Such audits could lead to reimbursements to the funding/lending agency. Management believes disallowances, if any, will be immaterial.

2. **Risk Management**

The SCIDpda maintains insurance against most normal hazards. Coverage is provided through individually purchased commercial insurance policies with nominal per loss deductibles. There have been no significant reductions in insurance coverage. Settled claims have not exceeded coverage purchased during the past three years.

These notes are an integral part of the financial statements.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 11 - COMMITMENTS AND CONTINGENCIES (continued)

Other Commitments and Contingencies (continued)

3. Legacy House and ID Village Square

The mission of Legacy House is to enhance the quality of life for low income seniors in a culturally responsive environment. The target resident population and rent levels at Legacy House must be maintained as described in various funding source regulatory agreements which expire in 2053. The regulatory agreements are with the City of Seattle, Federal Home Loan Bank, King County, and the State of Washington.

4. ID Village Square 2

The SCIDpda owns certain property located on Eighth Avenue South, between Dearborn and Lane Streets, in Seattle, Washington. During 2004 the SCIDpda completed the development of a five-unit condominium (the Condominium), one unit of which contains office and retail space, one of which contains a community center, one of which contains a parking garage, one of which contains a public library, and one of which contains 57-units of residential rental housing for low-income individuals (the Residential Unit). In December 2002, the SCIDpda prepared a Declaration of Condominium for the property and formed the IDVS 2 Condominium Association, a State of Washington Non-profit corporation. During 2006 the condo containing the community center was sold to the City of Seattle.

The SCIDpda and the IDVS 2 Family Housing LLC have entered into a regulatory agreement with the City of Seattle Office of Housing to maintain the Residential Unit Condominium to serve low income and very low income families. The regulatory agreement contains certain terms and conditions for the SCIDpda and the LLC.

The project was financed with the sale of tax exempt special obligation bonds, loans from the City of Seattle, State of Washington, the Housing Authority of the City of Seattle, an award of funds from the Federal Home Loan Bank of Seattle, equity investments made by the SCIDpda, loans from the SCIDpda and other private and public funding sources. The bonds were issued and guaranteed by the SCIDpda and the City of Seattle.

5. Guarantees for Component Units

The SCIDpda has entered into agreements with the blended and discretely presented component units whereby the SCIDpda has agreed to loan to the projects any funds required to fund operating deficits of the projects. The SCIDpda has also agreed to guarantee and pay any unpaid deferred development fees. All payments made by the SCIDpda to the project will be made without any right of repayment.

In addition, the SCIDpda has guaranteed the repayment of any tax credit recapture event that is triggered by the filing of a tax return claiming less credits than the amounts allowed per the agreements or as a result of an audit by the Internal Revenue Service which results in the assessment of a tax deficiency. No recapture events occurred in 2018.

NOTE 12 - ECONOMIC DEPENDENCY

The SCIDpda receives a substantial amount of funding from the State of Washington, City of Seattle and Impact Capital in the form of grants, service agreements and loans.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNITS

Chinatown International District Preservation and Development Association

The Chinatown International District Preservation and Development Association (CIDPDA) was incorporated June 14, 1994 for the purpose of raising funds for the planning, development and operations of SCIDpda projects and programs. CIDPDA is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The SCIDpda has agreed to provide administrative staff support, office space, utilities, telephone and supplies. In return, SCIDpda will receive the benefits of the fundraising efforts. In 2018, SCIDpda recorded \$213,576 in support from the CIDPDA.

In 2016, CIDPDA acquired sole ownership of Bush Hotel Manager, Inc. from SCIDpda, and began consolidating Bush Hotel Manager, Inc. into their financial statements.

Bush Hotel Manager, Inc. holds 57% ownership in SCIDPDA Bush Hotel QALICB LLC (QALICB LLC) and SCIDPDA holds a 43% ownership interest in the QALICB LLC. The QALICB LLC is consolidated into Bush Hotel Manager, Inc. and CIDPDA's financial statements. The minority interest in the QALICB LLC is shown as restricted for minority interest in the summarized discretely presented component unit statement of net position below.

Rent income included in CIDPDA consolidated financial statements was \$474,601 in 2018, and deferred rent receivable from SCIDpda Bush Hotel Commercial, Inc. (a wholly owned subsidiary of SCIDpda) as of December 31, 2018 was \$69,317. SCIDpda Bush Hotel Master Tenant, LLC had executed a lease agreement during 2008 for the commercial condominium of the Bush Hotel from the QALICB LLC. On May 7, 2018 the lease agreement was terminated and SCIDpda Bush Hotel QALICB LLC recorded a loss on lease cancellation of \$861,230. SCIDpda Bush Hotel Commercial, Inc. (a wholly owned subsidiary of SCIDpda) executed a lease agreement dated May 7, 2018 with SCIDpda Bush Hotel QALICB LLC to lease the commercial space.

SCIDpda has a receivable from SCIDpda Bush Hotel QALICB LLC that carries an interest rate of 0% per annum with payments due and payable from available cash flow as defined in the agreement. The note has an outstanding balance of \$239,213 as of December 31, 2018.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

Summarized discretely presented component unit statement of net position information at December 31, 2018:

	<u>CIDPDA</u>
Current assets:	
Cash and cash equivalents	\$ 199,180
Accounts receivable	46,359
Prepaid expenses and deposits	<u>2,844</u>
Total current assets	<u>248,383</u>
Noncurrent assets:	
Restricted cash and investments	138,695
Capital assets, net	5,561,297
Other noncurrent assets	<u>69,317</u>
Total noncurrent assets	<u>5,769,309</u>
Total assets	<u>\$ 6,017,692</u>
Current liabilities:	
Current portion of long-term debt	\$ 126,785
Accounts payable	555
Accrued liabilities	101,323
Deposits and trust funds	<u>8,400</u>
Total current liabilities	<u>237,063</u>
Long-term liabilities:	
Long-term debt, net of current portion	<u>2,247,579</u>
Total long-term liabilities	<u>2,247,579</u>
Total liabilities	<u>2,484,642</u>
Net position:	
Invested in capital assets, net of debt	1,832,486
Restricted for minority interest	3,884,918
Restricted	138,695
Unrestricted	<u>(2,323,049)</u>
Total net position	<u>3,533,050</u>
Total liabilities and net position	<u>\$ 6,017,692</u>

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

Summarized discretely presented component unit statement of revenues, expenses, and changes in net position information for the year ended December 31, 2018:

	<u>CIDPDA</u>
Operating revenues:	
Rental income	\$ 474,601
Other	<u>329</u>
Total operating revenues	<u>474,930</u>
Operating expenses:	
General administration	76,949
Depreciation and amortization	<u>184,742</u>
Total operating expenses	<u>261,691</u>
Operating income (loss)	213,239
Nonoperating revenues (expenses):	
Contributions and grants - operational support	396,328
Contributions and grants - operational support	(213,576)
Interest income	1,308
Interest expense	(107,935)
Other	<u>(975,133)</u>
Total nonoperating revenues (expenses), net	(899,008)
Contributions:	
Partner and member capital contributions	<u>1,750,000</u>
Total contributions	<u>1,750,000</u>
Change in net position	1,064,231
Net position, beginning of year	<u>2,468,819</u>
Net position, end of year	<u>\$ 3,533,050</u>

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 14 – BLENDED COMPONENT UNITS SUMMARY FINANCIAL INFORMATION

Condensed Statement of Net Position								
	Bush Hotel Commercial	Bush Residential	New Central Apartments	New Central Commercial	New Central Manager	IDVS2 Family Housing	NC Master Tenant LLC	NC Hotel LLC
Assets:								
Current assets	\$ 69,805	535,366	160,020	103,114	31,992	599,531	7,508	357,368
Capital assets, net	-	4,592,280	50,217	-	-	9,208,021	-	5,955,656
Other assets	-	-	(104,897)	(130,832)	124,541	69,000	2,284,823	587,961
Total assets	<u>\$ 69,805</u>	<u>5,127,646</u>	<u>105,340</u>	<u>(27,718)</u>	<u>156,533</u>	<u>9,876,552</u>	<u>2,292,331</u>	<u>6,900,985</u>
Liabilities								
Current liabilities	\$ 1,603,752	570,432	72,468	48,463	-	829,215	-	101,532
Noncurrent liabilities	-	4,084,524	-	-	-	7,305,579	-	3,176,805
Total liabilities	<u>1,603,752</u>	<u>4,654,956</u>	<u>72,468</u>	<u>48,463</u>	<u>-</u>	<u>8,134,794</u>	<u>-</u>	<u>3,278,337</u>
Net Position								
Invested in capital assets, net of related debt	-	427,601	50,217	-	-	1,757,665	-	2,690,406
Restricted	27,549	424,629	110,206	25,230	-	543,438	-	47,867
Unrestricted	(1,561,496)	(379,540)	(127,551)	(101,410)	156,533	(559,345)	2,292,331	884,375
Total net position	<u>(1,533,947)</u>	<u>472,690</u>	<u>32,872</u>	<u>(76,180)</u>	<u>156,533</u>	<u>1,741,758</u>	<u>2,292,331</u>	<u>3,622,648</u>
Total liabilities and net position	<u>\$ 69,805</u>	<u>5,127,646</u>	<u>105,340</u>	<u>(27,717)</u>	<u>156,533</u>	<u>9,876,552</u>	<u>2,292,331</u>	<u>6,900,985</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Position								
	Bush Hotel Commercial	Bush Residential	New Central Apartments	New Central Commercial	New Central Manager	IDVS2 Family Housing	NC Master Tenant LLC	NC Hotel LLC
Operating revenues	\$ 543,777	731,925	458,436	361,326	20,368	873,011	19,623	-
Operating expenses:	(645,489)	(513,427)	(372,759)	(322,728)	(1,046)	(485,101)	(21,227)	346,987
Depreciation and amortization	(1,037)	(132,159)	(2,667)	(2,483)	-	(322,201)	-	(157,409)
Operating income (loss)	<u>(102,749)</u>	<u>86,339</u>	<u>83,010</u>	<u>36,115</u>	<u>19,322</u>	<u>65,709</u>	<u>(1,604)</u>	<u>189,578</u>
Nonoperating revenues (expenses):								
Interest income	148	1,614	95	25	-	2,412	-	152
Interest expense	-	(16,059)	-	-	-	(174,454)	-	(149,993)
Nonoperating revenues (expenses)	<u>148</u>	<u>(14,445)</u>	<u>95</u>	<u>25</u>	<u>-</u>	<u>(172,042)</u>	<u>-</u>	<u>(149,841)</u>
Change in net position	(102,601)	71,894	83,105	36,140	19,322	(106,333)	(1,604)	39,737
Net position, beginning of year	<u>(1,431,346)</u>	<u>400,796</u>	<u>22,235</u>	<u>(112,320)</u>	<u>137,211</u>	<u>1,848,091</u>	<u>2,343,935</u>	<u>3,670,288</u>
Distribution	-	-	(72,468)	-	-	-	(50,000)	(87,377)
Net position, end of year	<u>\$ (1,533,947)</u>	<u>472,690</u>	<u>32,872</u>	<u>(76,180)</u>	<u>156,533</u>	<u>1,741,758</u>	<u>2,292,331</u>	<u>3,622,648</u>
Condensed Statement of Cash Flows								
	Bush Hotel Commercial	Bush Residential	New Central Apartments	New Central Commercial	New Central Manager	IDVS2 Family Housing	NC Master Tenant LLC	NC Hotel LLC
Net Cash Provided by (Used in)								
Operating activities	\$ (74,001)	69,495	121,914	3,926	(1,046)	43,291	62,934	106,058
Nonoperating activities	148	(14,445)	95	25	-	(172,042)	-	(149,841)
Investing activities	40,997	(57,358)	(152,911)	14,556	-	(24,137)	(100,001)	(204,503)
Net increase (decrease) in cash and equivalents	<u>(32,856)</u>	<u>(2,308)</u>	<u>(30,902)</u>	<u>18,507</u>	<u>(1,046)</u>	<u>(152,888)</u>	<u>(37,067)</u>	<u>(248,286)</u>
Cash and Cash equivalents at January 1	<u>42,902</u>	<u>110,491</u>	<u>74,341</u>	<u>44,877</u>	<u>33,038</u>	<u>208,682</u>	<u>44,575</u>	<u>322,513</u>
Cash and Cash equivalents at December 31	<u>\$ 10,046</u>	<u>108,183</u>	<u>43,439</u>	<u>63,384</u>	<u>31,992</u>	<u>55,794</u>	<u>7,508</u>	<u>74,227</u>

These notes are an integral part of the financial statements.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 15 - DEFERRED COMPENSATION PLAN

SCIDpda offers all employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. An employee's contribution to the plan may not exceed statutory limits as provided in this section. The SCIDpda may contribute to the plan for employees, but made no contribution in 2018. Since the SCIDpda is not the owner of these assets, the plan assets and liabilities are not reported as part of the SCIDpda.

NOTE 16 – SUBSEQUENT EVENTS

On December 20, 2018, SCIDpda Bush Residential LLC entered into a Purchase and Sale Agreement to sell Transferable Development Rights (TDR) to Sustainable Transit Urban Developments LLC. Under this Agreement, SCIDpda Bush Residential LLC agreed to sell all future development rights above the Bush Hotel. The proceeds from the sale are restricted in use and require the seller to maintain the property as affordable living residential apartments for an additional 50 years. The sale became final on February 28, 2019.

On January 9, 2019, SCIDpda reached a Settlement Agreement with the City of Seattle confirming new terms and conditions for the disposition and use of real property rights and restrictions related to the Bush Hotel. The Agreement calls for the parties to construct two additional condominium units within the Bush Hotel; convey fee simple ownership of those units to the City upon completion; terminate the existing Supplemental Easement Agreement; and grant SCIDpda a long-term permit for use of a portion of Hing Hay Park.

In March 2019, SCIDpda entered into a Loan Agreement with Enterprise Community Partners, Inc. in the amount of \$300,000 to be used by SCIDpda to fund costs in connection with predevelopment expenses related to the construction of two buildings which will include approximately 262 affordable housing units, 23,000 square feet for an elderly care facility and 9,800 square feet for an early learning childcare facility in the Beacon Hill neighborhood of Seattle.

On May 31, 2019, SCIDpda agreed to loan up to \$2,000,000 to Big Village LLLP to be used by Big Village LLLP to fund costs in connection with predevelopment expenses related to the construction of a project which will include approximately 192 units of affordable housing, an early childhood education facility and ground level commercial space located within a site comprised of 45,000 square feet of land designated as part of the Yesler Terrace Redevelopment Area of Seattle.

On March 1, 2019, SCIDpda transitioned its Senior Services programs – Legacy House and Nutrition Services - to International Community Health Services (ICHS). Legacy House consists of 75 independent and assisted living apartments and an on-site adult day health/care program located at International District Village Square Phase I where ICHS is also a tenant. Nutrition Services is located in the Bush Hotel and serves over 300 low-income community elders a year with affordable Asian-style meals each weekday through a Congregate Meal Program. ICHS will now operate these programs while SCIDpda will remain the owner and landlord of the buildings where they are housed.

Subsequent events have been evaluated through June 20, 2019, which is the date the financial statements were available to be issued.

SEATTLE CHINATOWN-INTERNATIONAL DISTRICT PRESERVATION AND DEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2018

Federal Agency Name / Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	Expenditures				Passed through to Subrecipients	Footnote
				Direct Awards	Pass Through Awards	Loan Balance Outstanding	Total		
US Dept of Agriculture									
WA State OSPI	Child & Adult Care Food Program	10.558	17-06-0914	\$ -	54,395	-	54,395		
US Dept of Health & Human Services - Aging Cluster									
City of Seattle Human Services Dept	Congregate Nutrition Services (Title III-C1)	93.045	DA18-1568	-	86,679	-	86,679		
City of Seattle Human Services Dept	Nutrition Services Incentive Program - AoA	93.053	DA18-1568	-	18,787	-	18,787		
Subtotal US Dept of Health & Human Services - Aging Cluster				-	105,466	-	105,466		
US Dept of Health & Human Services									
City of Seattle Human Services Dept	Title III-E Family Caregiver - January to June	93.052	DA17-1263	-	408	-	408		
City of Seattle Human Services Dept	Title III-E Family Caregiver - July to December	93.052	DA18-1263	-	381	-	381		
Subtotal CFDA #93.052				-	789	-	789		
US Dept of Housing and Urban Development - Section 8 Project-Based Cluster									
	Section 8 Housing Assistance Payments Program	14.195	WA19A001004	377,240	-	-	377,240		
	Section 8 Housing Assistance Payments Program	14.195	WA19A001001	121,727	-	-	121,727		
Seattle Housing Authority - Porchlight	Section 8 Housing Assistance Payments Program	14.195	N/A	-	23,267	-	23,267		4
Seattle Housing Authority - Section 8 Voucher	Section 8 Housing Assistance Payments Program	14.195	N/A	-	49,195	-	49,195		4
Seattle Housing Authority - Porchlight	Section 8 Housing Assistance Payments Program	14.195	N/A	-	200,642	-	200,642		4
Subtotal Section 8 Project-Based Cluster (CFDA #14.195)				498,967	273,104	-	772,071		*
US Dept of Housing and Urban Development - CDBG - Entitlement Grants Cluster									
City of Seattle - CDBG Loan	Community Dev. Block Grant Program for Entitlement Communities	14.218	DL97CDBG	-	-	93,567	93,567		
City of Seattle - CDBG Loan	Community Dev. Block Grant Program for Entitlement Communities	14.218	DL98CDBG	-	-	93,534	93,534		
City of Seattle - CDBG Loan	Community Dev. Block Grant Program for Entitlement Communities	14.218	DL#10-1505	-	-	120,000	120,000		
City of Seattle - CDBG Loan	Community Development Block Grant Program	14.218	DL05288B	-	-	672,920	672,920		
City of Seattle Housing & Human Services Dept.	Urban Development Action Grant	14.218	DIR UDAG-56	-	-	259,801	259,801		
City of Seattle Dept. of Community Development	Community Development Block Grant Program	14.218	NA	-	-	633,407	633,407		4
City of Seattle OED - Only in Seattle Initiative Grant	Community Dev. Block Grant Program for Entitlement Communities	14.218	DA182139	-	135,000	-	135,000		
City of Seattle OED - Only in Seattle Initiative Grant	Community Dev. Block Grant Program for Entitlement Communities	14.218	DA162163	-	82,938	-	82,938		
City of Seattle OED	Community Dev. Block Grant Program for Entitlement Communities	14.218	DA172111	-	117,743	-	117,743	117,743	
City of Seattle OED	Community Dev. Block Grant Program for Entitlement Communities	14.218	DA182102	-	116,250	-	116,250	116,250	
City of Seattle OED	Community Dev. Block Grant Program for Entitlement Communities	14.218	DA182103	-	37,500	-	37,500	37,500	
City of Seattle OED - Only in Seattle Initiative - Façade	Community Dev. Block Grant Program for Entitlement Communities	14.218	DA142130	-	5,000	-	5,000	-	
Subtotal CFDA #14.218				-	494,431	1,873,229	2,367,660	271,493	
City of Seattle - CDBG Loan	Community Development Block Grant Program	14.253	DL#10-1506	-	-	196,000	196,000		5
Subtotal CDBG Entitlements Cluster (CFDA #14.218/14.253)				-	494,431	2,069,229	2,563,660	271,493	*
US Dept of Housing and Urban Development									
LISC	HUD SEC 4 FY 2016	14.252	40843-0045	-	37,200	-	37,200		
LISC	HUD SEC 4 FY 2015	14.252	40843-0047	-	4,925	-	4,925		
Enterprise Community Partners, Inc.	Capacity Building for Community Dev. & Affordable Housing	14.252	16SG0475	-	15,000	-	15,000		
Subtotal CFDA #14.252				-	57,125	-	57,125		
* Denotes a major program									
Total Expenditures of Federal Awards				\$ 498,967	985,310	2,069,229	3,553,506	271,493	

See accompanying notes to the schedule of expenditures of federal awards.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant and loan activity of SCIDpda, under programs of the federal government for the year ended December 31, 2018. The Schedule is prepared using the same basis of accounting as the financial statements of the SCIDpda (See Note 2 in the Notes to Financial Statements). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of SCIDpda, it is not intended to and does not present the financial position, changes in net assets, or cash flows of SCIDpda.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, and the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Program and Indirect Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including SCIDpda's portion, may be more than shown.

SCIDpda has not elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 – Not Available (N/A)

SCIDpda was unable to obtain an other identification number.

Note 5 – American Recovery And Reinvestment Act (ARRA)

Expenditures for this program were funded by ARRA funds.

Note 6 – Loans Outstanding

SCIDpda had the following loans outstanding at December 31, 2018. The loan balances are also included in the federal expenditures presented in the Schedule.

<u>Lender</u>	<u>Program Titled</u>	<u>CFDA Number</u>	<u>Balance Outstanding</u>
City of Seattle - CDBG Loan	Community Dev Block Grant Program for Entitlement Communi	14.218	93,567
City of Seattle - CDBG Loan	Community Dev Block Grant Program for Entitlement Communi	14.218	93,534
City of Seattle - CDBG Loan	Community Dev Block Grant Program for Entitlement Communi	14.218	120,000
City of Seattle - CDBG Loan	Community Development Block Grant Program	14.218	672,920
City of Seattle Dept of Community Dev - CDBG Lo	Community Development Block Grant Program	14.218	633,407
City of Seattle UDAG Loan	Urban Development Action Grant	14.218	243,200
City of Seattle - CDBG Loan	Community Development Block Grant Program	14.253	196,000
			<u>2,052,628</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***

The Board of Directors
Seattle Chinatown-International District Preservation and Development Authority
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Seattle Chinatown-International District Preservation and Development Authority (the "Authority"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 20, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the auditing 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 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.

**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 Standard*, continued**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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.

Finney, Hill & Company, P.S.

June 20, 2019
Seattle, Washington

**Independent Auditors' Report On Compliance For Each Major
Federal Program And On Internal Control Over Compliance
As Required By The Uniform Guidance**

The Board of Directors
Seattle Chinatown-International District Preservation and Development Authority
Seattle, Washington

Report on Compliance for Each Major Federal Program

We have audited the Seattle Chinatown-International District Preservation and Development Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2018. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Independent Auditors' Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance As Required By The Uniform Guidance, continued

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* 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 over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Finney, Neill & Company, P.S.

June 20, 2019
Seattle, Washington

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT PRESERVATION AND
DEVELOPMENT AUTHORITY**

Schedule of Findings and Questioned Costs
For the year ended December 31, 2018

The results of our audit of the Seattle Chinatown-International District Preservation and Development Authority are summarized below in accordance with Uniform Guidance.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____ yes X no

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____ yes X no

_____ yes X none reported

Type of auditor’s report issued on compliance
for major programs

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
Uniform Guidance?

_____ yes X no

Identification of major programs:

- CFDA 14.195, Section 8 Housing Assistance Payments Program
- CFDA 14.218/14.253, Community Development Block Grants Cluster

Dollar threshold used to distinguish between
type A and type B programs:

\$750,000

Auditee qualifies as low-risk auditee?

_____ yes X no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT PRESERVATION AND
DEVELOPMENT AUTHORITY**
Schedule of Prior Audit Findings

No matters were reported.