



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

December 11, 2023

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, 2022. 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, 2022**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 (SCIDpda) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise SCIDpda's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2022, SCIDpda adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SCIDpda's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SCIDpda's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SCIDpda's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SCIDpda's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for the purposes of additional analysis and is not a required part of the basic 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 29, 2023 on our consideration of SCIDpda'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 SCIDpda's internal control over financial reporting and compliance.

Finney, Neill & Company, P.S.

June 29, 2023
Seattle, Washington

**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY
Management's Discussion and Analysis
December 31, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS

Seattle Chinatown International District Preservation and Development Authority (SCIDpda) is pleased to present this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2022. We present this information in conjunction with SCIDpda's basic financial statements – the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows – which follow. These financial statements provide both short and long-term information about SCIDpda's overall financial condition. Following the basic financial statements are notes that further explain some of the information in the financial statements and provide more detailed data.

SCIDpda is a public authority and is considered a proprietary fund. Proprietary funds are used to account for services provided on a total or partial cost-recovery basis to parties outside the government.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of SCIDpda exceeded its total liabilities and deferred inflows by \$29,583,091 (reported as net position). Of this amount, \$15,212,097 or 51% was reported as unrestricted net position and may be used to meet SCIDpda's ongoing obligations.
- \$4,426,102 of contributions and grants were received by SCIDpda in 2022 and used to finance the North Lot Development Project as well as directly benefit the neighborhood, including providing resident meals, providing business technical assistance to businesses, moving forward neighborhood lighting projects, and public safety.
- In 2020 SCIDpda was granted three-year deferrals on the principal and interest payments for three Washington State Department of Commerce Loans, totaling \$108,992 in 2020 and \$123,415 in each of 2021 and 2022. (See Note 9.)
- In March 2022, SCIDpda's Executive Director of 12+ years left SCIDpda for an appointment as Director of the City of Seattle's Office of Housing. SCIDpda's Deputy Director was named Interim Executive Director. SCIDpda's Board of Directors appointed Jamie Lee and Jared Jonson as the new Co-Executive Directors effective October 3, 2022. Prior to their appointments, both Jamie and Jared served on SCIDpda's senior management team.
- On May 11, 2022, SCIDpda blended component unit New Central Master Tenant LLC was dissolved and all assets and liabilities were transferred to SCIDpda. (See Note 2.)
- On June 15, 2022, SCIDpda's blended component unit New Central Hotel LLC refinanced its note with Wells Fargo Bank, National Association. The note had a principal balance of \$2,937,646 and its interest rate was reduced from 4.47% to 3.67% for the subsequent ten years. (See Note 9.)
- In response to unusually high inflation, SCIDpda increased the salaries of all permanent employees by 5% effective July 25, 2022.

**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
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- SCIDpda contributed \$16,209,792 in equity to the North Lot Development Project as part of the construction financing that closed on October 21, 2022, for Phase 1 of this project at the historic Pacific Hospital campus. Phase I includes 160 units of affordable family housing, a program for all-inclusive care for the elderly (PACE), and an early learning center. (See Note 12.) Development of Phase II is expected in 2024.
- SCIDpda continued to develop 13th & Fir (formerly Yesler Terrace Family Housing) as a partner in its joint venture with Community Roots Housing, with the purpose of developing 156 units of affordable family housing and an early learning center for working families in and around the communities of Yesler Terrace, Little Saigon, and the Central District. (See Note 12.)

**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
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Management's Discussion and Analysis
December 31, 2022**

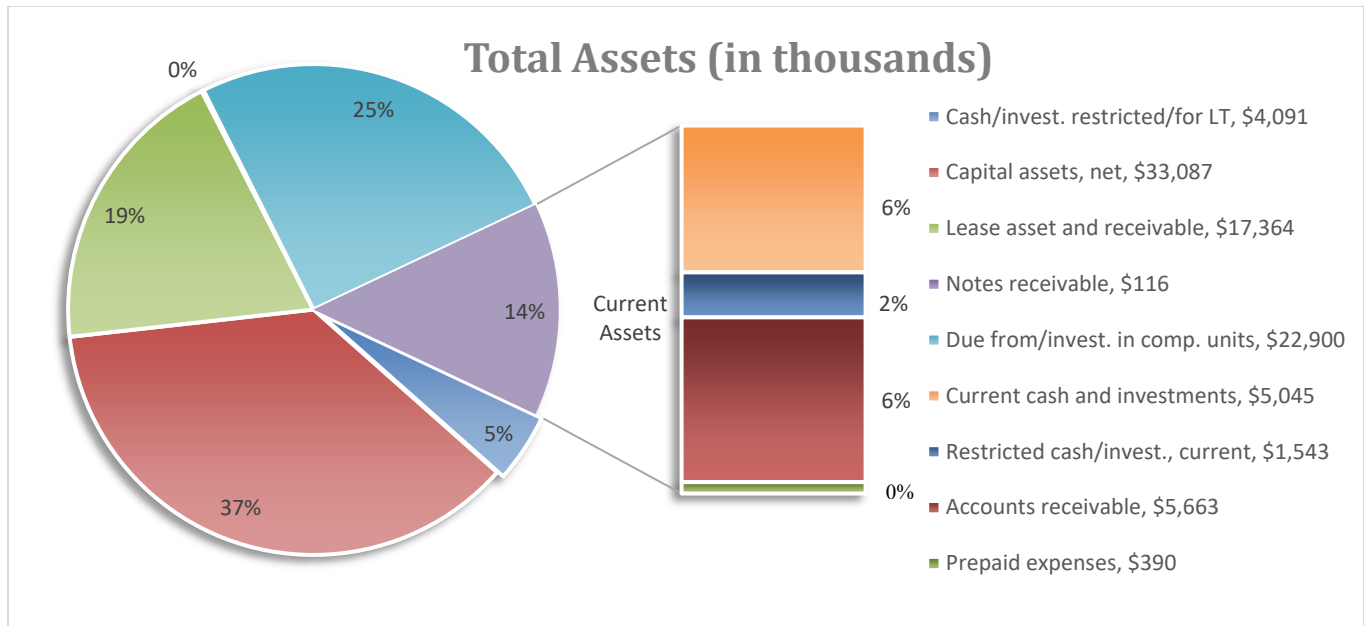
FINANCIAL ANALYSIS

Statement of Net Position

The purpose of the Statement of Net Position is to give a snapshot of the financial position of SCIDpda as of a certain point in time. It presents data for assets, liabilities, deferred inflows of resources, and net position. The net position is the difference between total assets and total liabilities plus deferred inflows of resources. Total liabilities plus total deferred inflows of resources plus total net position equal total assets.

Condensed Statement of Net Position		
	December 31, 2022	December 31, 2021 (Restated)
Assets		
Current assets	\$ 12,640,796	\$ 11,620,037
Cash and investments restricted for long-term purpose	3,091,388	3,376,878
Capital assets, net	33,087,118	38,899,246
Other assets	41,381,232	13,101,085
Total assets	<u>\$ 90,200,534</u>	<u>\$ 66,997,246</u>
Liabilities		
Current liabilities	\$ 2,742,178	\$ 5,610,629
Long-term liabilities	41,146,619	24,649,872
Total liabilities	<u>43,888,797</u>	<u>30,260,501</u>
Deferred inflows of resources	16,728,646	12,795,401
Net position		
Invested in capital assets, net of debt	9,880,044	11,830,618
Restricted	4,490,950	4,948,080
Unrestricted	15,212,097	7,162,646
Total net position, as restated	<u>29,583,091</u>	<u>23,941,344</u>
Total liabilities, deferred inflows, and net position	<u>\$ 90,200,534</u>	<u>\$ 66,997,246</u>

**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY
Management's Discussion and Analysis
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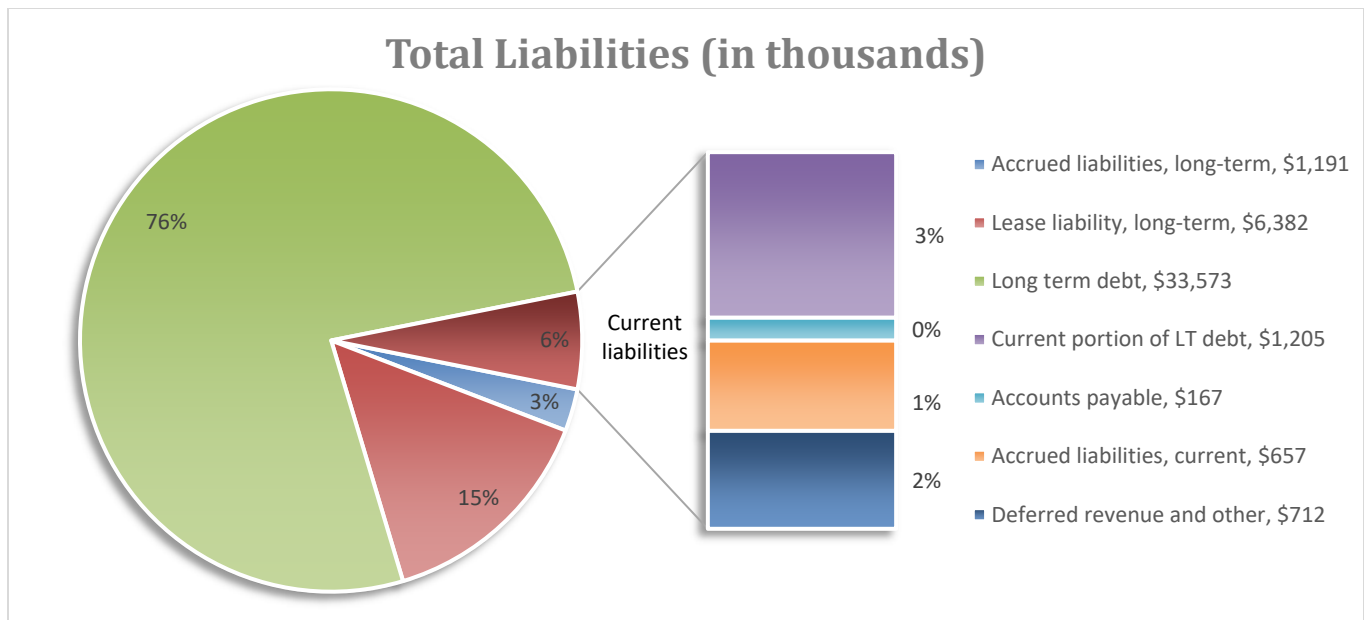


Total assets were \$90,200,534 at December 31, 2022 compared to \$66,997,246 at December 31, 2021. Total assets increased by \$23,203,288.

Current assets include cash and cash equivalents, investments, receivables, and prepaid expenses and deposits. Total current assets increased by \$1,020,759. Current cash and cash equivalents decreased by \$2,839,714 as SCIDpda contributed equity to Lot on the Hill LLLP (North Lot Development Project) as part of the construction financing that closed in 2022. Current lease receivables increased by \$3,293,415 as SCIDpda as SCIDpda recorded new lease agreements related to the North Lot Development project in accordance with GASB Statement No. 87, *Leases*; (see Note 11).

Noncurrent assets include cash and investments restricted for long-term purpose; capital assets, net of depreciation; and other assets such as lease right-to-use assets and long-term receivables. Capital assets, net, decreased by \$5,812,128 as the construction financing closed on the North Lot Development Project and \$4,506,814 in construction in progress were contributed as non-cash equity in Lot on the Hill LLLP, now a discretely presented component unit of SCIDpda. Lease right-to-use assets increased by \$6,121,735 and long-term lease receivables increased by \$826,009 as SCIDpda recorded new lease agreements related to the North Lot Development project in accordance with GASB Statement No. 87, *Leases* in 2022 (see Note 11). Due from component units increased by \$4,212,603, including \$1,598,240 in property development fees from Big Village LLLP and \$2,614,363 in loan receivables from Lot on the Hill LLLP. Investment in component units increased by \$16,209,792, equity that SCIDpda contributed to Lot on the Hill LLLP as part of the construction financing for the North Lot Development Project.

**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY
Management's Discussion and Analysis
December 31, 2022**



Total liabilities were \$43,888,797 at December 31, 2022 compared to \$30,260,501 at December 31, 2021. Total liabilities increased by \$13,628,296.

Liabilities are considered to be current if due within one year. Current liabilities include current portion of long-term debt and lease liabilities; payables; accrued liabilities; funds held for others; and deferred revenues. Total current liabilities decreased by \$2,868,451. Current portion of long-term debt decreased by \$2,702,386 as predevelopment loans on the North Lot Development Project were paid off in the construction financing that closed in 2022. Current portion of lease liabilities increased by \$130.

Long-term liabilities include long-term accrued liabilities, lease liabilities, and debt. Total long-term liabilities increased by \$16,496,747. Long term lease liabilities, net of current portion, increased by \$6,121,604 as SCIDpda entered into new lease agreements related to the North Lot Development project in accordance with GASB Statement No. 87, *Leases*; (see Note 11). Long-term debt, net of current portion, increased by \$10,411,833 as a loan was refinanced, payments were made to reduce outstanding debt, and new debt was incurred as part of the North Lot Development Project construction financing.

Deferred inflows of resources represent an acquisition of net assets that are applicable to a future reporting period. Deferred inflows of resources representing leases increased by \$3,964,471 as SCIDpda recorded new lease agreements related to the North Lot Development project in accordance with GASB Statement No. 87, *Leases*; (see Note 11).

Total net position increased by \$5,614,747 from the prior year. This reflects SCIDpda's equity. Net position is divided into three general categories: invested in capital assets, net of debt; restricted; and unrestricted. Invested in capital assets, net of debt, net position reflects SCIDpda's equity in land, buildings, equipment, and right-to-use assets net of related capital debt and lease liabilities; this category decreased by \$1,950,574. Restricted net position reflects SCIDpda's equity in assets that have external limitations on the way in which they may be used; this category decreased by \$457,130. Unrestricted net position reflects SCIDpda's equity in assets that are available to be used for any lawful and prudent purpose; this category increased by \$8,049,451.

**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY
Management's Discussion and Analysis
December 31, 2022**

Statement of Revenues, Expenses, and Changes in Net Position

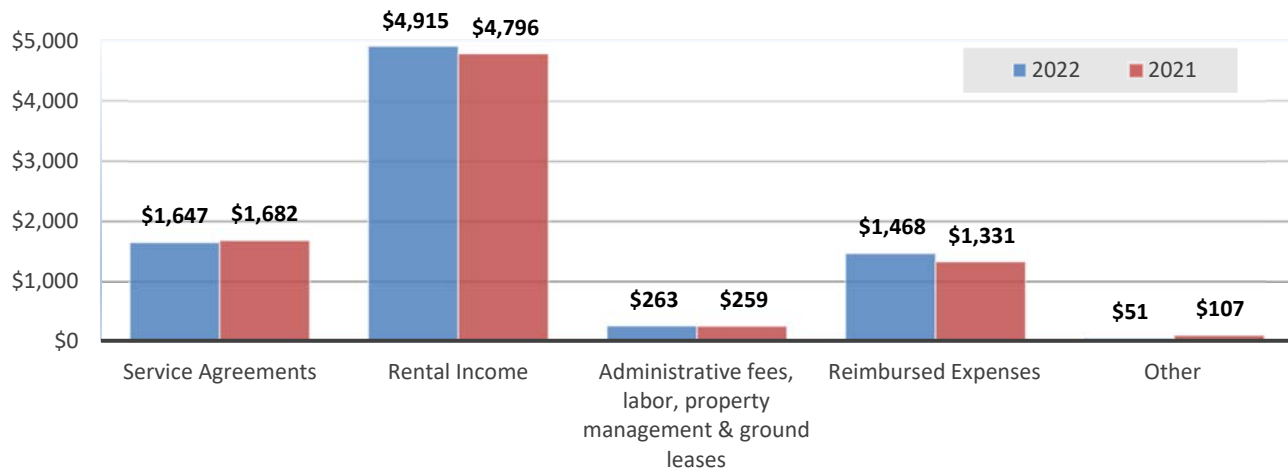
The purpose of the Statement of Revenues, Expenses, and Changes in Net Position is to present the revenues earned by SCIDpda, both operating and non-operating, and the expenses incurred by SCIDpda, both operating and non-operating, as well as any other gains and losses affecting SCIDpda.

Statement of Revenues, Expenses, and Changes in Net Position

	December 31, 2022	December 31, 2021
Operating revenues		
Service agreements	\$ 1,646,676	\$ 1,681,859
Rental income	4,914,878	4,795,515
Administrative fees, property management and ground leases	262,591	258,689
Reimbursed expenses	1,468,481	1,331,386
Other	50,504	107,146
Total operating revenues	<u>8,343,130</u>	<u>8,174,595</u>
Operating expenses		
Rental operations	2,150,264	2,129,500
Property management, project and community development	2,413,628	2,125,668
General administration	1,064,765	924,154
Depreciation	1,550,253	1,558,089
Total operating expenses	<u>7,178,910</u>	<u>6,737,411</u>
Operating income (loss)	1,164,220	1,437,184
Nonoperating revenues (expenses)		
Contributions and grants - operating	1,260,811	1,230,461
Contributions and grants - capital	3,165,291	598,064
Interest income	423,697	44,071
Interest expense	(391,583)	(502,076)
Other	19,311	19,312
Total nonoperating revenues (expenses)	<u>4,477,527</u>	<u>1,389,832</u>
Change in net position	5,641,747	2,827,016
Net position, beginning of year	23,941,344	20,866,398
GASB 87 restatement		247,930
Net position, end of year	<u>29,583,091</u>	<u>23,941,344</u>

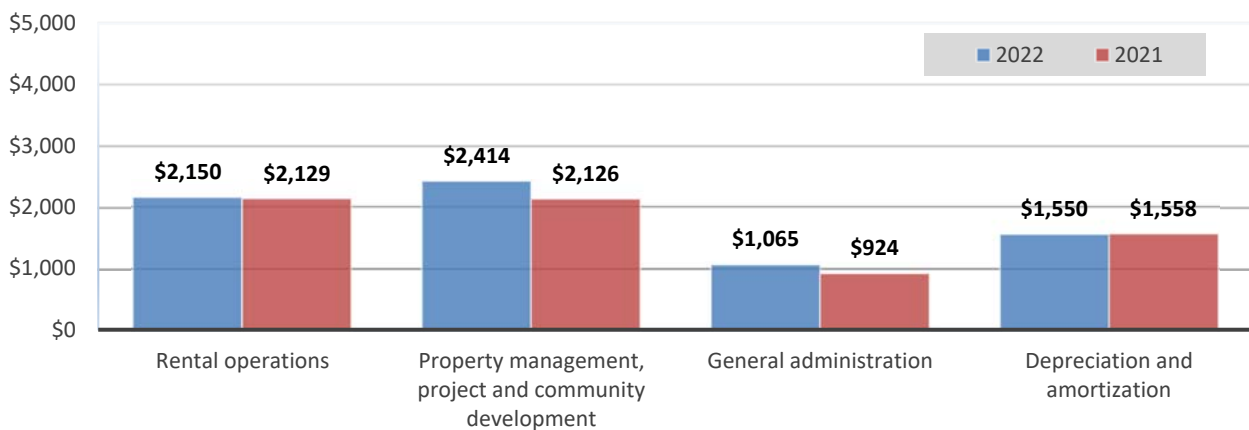
**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY
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December 31, 2022**

Operating Revenues - 2022 and 2021 (in thousands)



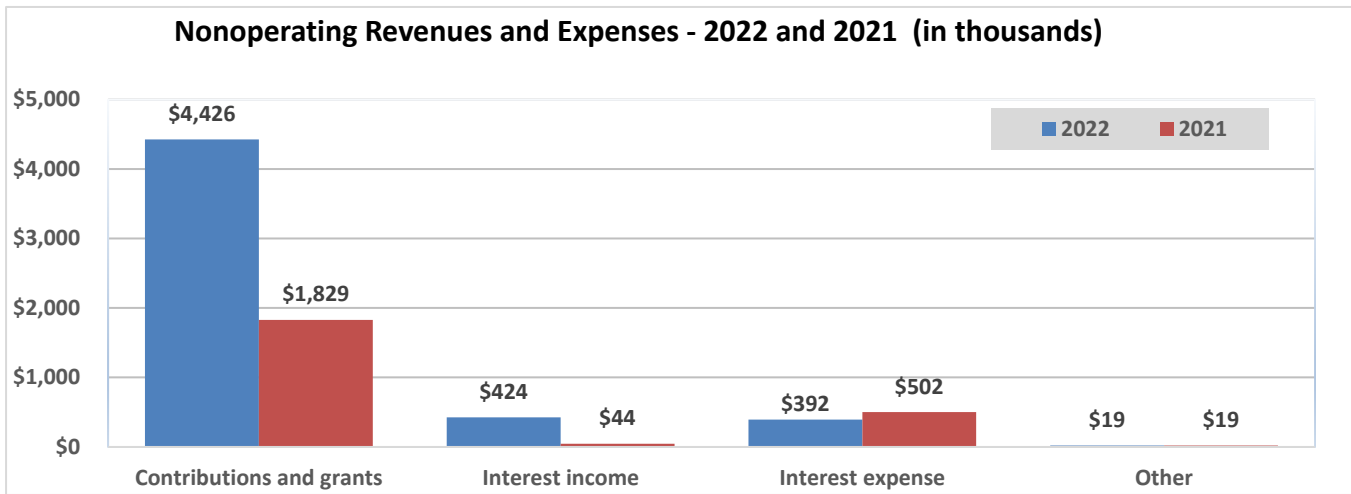
Total operating revenues remained relatively steady, increasing by 2% or \$168,535 from the prior year. SCIDpda continued to give rent concessions to commercial tenants still recovering from the COVID-19 pandemic. Service agreements revenue reflects developer fees generated from property development projects and decreased slightly by \$35,183. Rental income increased by \$119,363. Administrative fees, property management, and ground leases revenues increased by \$3,902. Reimbursed expenses increased by \$137,095. Other operating revenues decreased by \$56,642.

Operating Expenses - 2022 and 2021 (in thousands)



Total operating expenses, affected by inflation, increased by 6.6% or \$441,499 from the prior year. In response to the unusually high inflation, SCIDpda increased the salaries of all permanent employees by 5% effective July 25, 2023, affecting all operating expense categories in the table above except depreciation and amortization. Rental operations expenses increased by \$20,764. Property management, project and community development expenses increased by \$287,960. General administration expenses increased by \$140,611. Depreciation expenses decreased by \$7,836.

**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
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Management's Discussion and Analysis
December 31, 2022**



Nonoperating revenues and expenses reflect income and expenses that are not directly related to SCIDpda's core business operations. They include contributions and grants revenue, interest income, and interest expense. Total nonoperating revenues and expenses increased by 222% or \$3,087,695 from the prior year.

Contributions and grants revenues received from individuals, businesses, and other government entities are either for operating or capital. Total contributions and grants revenues increased by \$2,597,577. Contributions and grants revenues for capital alone increased by \$2,567,227 related to the North Lot Development Project construction financing.

Interest income increased by \$379,626 as a result of higher interest rates and lease interest revenues recorded in accordance with GASB 87, *Leases*. Interest expense decreased by \$110,493 as one loan was refinanced and as predevelopment loans were paid off in the North Lot Development Project construction financing that closed in 2022. Other nonoperating revenue and expenses remained unchanged and reflect annual loan forgiveness by the City of Seattle on notes to SCIDpda Bush Residential LLC and International District Village Square Phase 1.

**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY
Management's Discussion and Analysis
December 31, 2022**

Capital Asset and Debt Administration

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-depreciable capital assets		
Land	\$ 1,273,941	\$ 1,273,941
Construction in progress	41,867	4,548,681
Total non-depreciable capital assets	<u>1,315,808</u>	<u>5,822,622</u>
Depreciable capital assets		
Buildings and improvements	57,613,253	57,505,113
Furniture and equipment	725,378	588,579
Total depreciable capital assets	<u>58,338,631</u>	<u>58,093,692</u>
Less accumulated depreciation	<u>(26,567,321)</u>	<u>(25,017,068)</u>
Total depreciable capital assets, net	<u>31,771,310</u>	<u>33,076,624</u>
Total capital assets, net	<u><u>33,087,118</u></u>	<u><u>38,899,246</u></u>

Note 7 to SCIDpda's basic financial statements provides additional detail regarding the changes in capital assets during the year ended December 31, 2022.

SCIDpda's long-term debt was \$34,778,076 on December 31, 2022, compared to \$27,068,629 on December 31, 2021. Total long-term debt increased by \$7,709,447 as new loans were assumed through the North Lot Development Project construction financing that closed in 2022. Note 9 to SCIDpda's basic financial statements provides additional detail regarding the debt changes during the year ended December 31, 2022.

**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY
Management's Discussion and Analysis
December 31, 2022**

ECONOMIC FACTORS AFFECTING THE AUTHORITY'S FUTURE

SCIDpda is primarily at risk from economic and political situations and governmental decisions beyond its control. The factors that could impact SCIDpda's ongoing stability are changes to federal and local rental subsidy programs and the ongoing recovery from the COVID-19 pandemic. Although the development, ownership, and management of low-income affordable housing remain stable, the margins are slim. SCIDpda would be challenged by decisions of the city, state, or federal governments to reduce either subsidies or reimbursements or to increase unfunded mandates.

In 2022, SCIDpda continued to work to meet the needs of its tenants recovering from the COVID-19 pandemic. SCIDpda continued to pass on the economic relief that it received in the form of loan deferrals and contributions by giving rent concessions to its tenants and delivering meals to neighborhood residents. SCIDpda benefited from the stability of its residential housing subsidies and was able to help its commercial tenants stay in place, maintaining 94.7% commercial occupancy.

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 is a focus area for development. SCIDpda recently completed one development project and has a second development project under construction. Both projects are funded with tax credit equity. While SCIDpda is subject to risks relative to increased construction costs and delays and to unforeseen events outside SCIDpda's control, SCIDpda benefits from the significant funding it has been awarded through its strong partnerships with state and local agencies.

This financial report is designed to provide a general overview of SCIDpda'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 Jody McCorkle, Director of Finance, SCIDpda, P.O. Box 3302, Seattle, WA 98114.

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
STATEMENT OF NET POSITION
December 31, 2022

ASSETS

	<u>Primary Government</u>	<u>Component Units</u>
Current assets:		
Cash and cash equivalents	\$ 4,474,873	223,605
Investments, short-term	569,767	-
Restricted cash	1,311,848	-
Restricted investments	231,202	-
Receivables:		
Grants, contributions and contracts	493,646	25,037
Due from component units, current	134,765	-
Property management	196,515	-
Lease receivable, current	4,838,459	-
Prepaid expenses and deposits	<u>389,721</u>	<u>65</u>
Total current assets	<u>12,640,796</u>	<u>248,707</u>
Noncurrent assets:		
Cash restricted for long-term purpose	2,941,388	12,786,889
Investments - unrestricted	1,000,000	-
Investments restricted for long-term purpose	150,000	-
Capital assets, net	33,087,118	78,865,956
Lease right-to-use asset	6,385,572	-
Notes receivable	116,293	-
Lease receivable, net of current portion	10,978,872	-
Due from component units	6,690,703	-
Investment in component units	<u>16,209,792</u>	<u>-</u>
Total noncurrent assets	<u>77,559,738</u>	<u>91,652,845</u>
Total assets	<u><u>\$ 90,200,534</u></u>	<u><u>91,901,552</u></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, 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<u>Primary Government</u>	<u>Component Units</u>
Current liabilities:		
Current portion of long-term debt	\$ 1,204,726	30,777,275
Current portion of lease liability	3,238	-
Accounts payable	167,372	77,146
Construction costs payable	-	14,174,339
Accrued liabilities, current	656,856	146,174
Accrued liabilities, due to Primary Government, current	-	134,765
Tenant security deposits	143,488	-
Deferred revenues and other	566,498	-
Total current liabilities	<u>2,742,178</u>	<u>45,309,699</u>
Long-term liabilities:		
Accrued liabilities, net of current portion	1,190,935	154,759
Developer fees - Due to Primary Government	-	3,025,870
Developer fees - Due to related party	-	2,907,209
Lease liability, net of current portion	6,382,334	-
Long-term debt - due to Primary Government	-	3,664,833
Long-term debt, net of current portion	33,573,350	10,813,221
Total long-term liabilities	<u>41,146,619</u>	<u>20,565,892</u>
Total liabilities	<u>43,888,797</u>	<u>65,875,591</u>
Deferred inflows of resources:		
Leases	16,464,917	-
Deferred bond refunding gain, net	263,729	-
Total deferred inflows of resources	<u>16,728,646</u>	<u>-</u>
Net position:		
Invested in capital assets, net of debt	9,880,044	64,387,902
Restricted	4,490,950	-
Unrestricted	15,212,097	(38,361,941)
Total net position	<u>29,583,091</u>	<u>26,025,961</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 90,200,534</u>	<u>91,901,552</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, 2022

	Primary Government	Component Units
Operating revenues:		
Service agreements	\$ 1,646,676	-
Rental income	4,914,878	-
Administrative fees, property management and ground leases	262,591	-
Reimbursed expenses	1,468,481	-
Other	50,504	-
Total operating revenues	<u>8,343,130</u>	<u>-</u>
Operating expenses:		
Rental operations	2,150,264	-
Property management, project and community development	2,413,628	-
General administration	1,064,765	6,005
Depreciation	1,550,253	-
Total operating expenses	<u>7,178,910</u>	<u>6,005</u>
Operating income (loss)	1,164,220	(6,005)
Nonoperating revenues (expenses):		
Contributions and grants - operating, net	1,260,811	196,932
Contributions and grants - capital	3,165,291	-
Interest income	423,697	48,437
Interest expense	(391,583)	-
Other	19,311	(186,166)
Total nonoperating revenues (expenses), net	<u>4,477,527</u>	<u>59,203</u>
Contributions and distributions:		
Partner and member contributions (distributions)	-	22,548,341
Total contributions (distributions), net	<u>-</u>	<u>22,548,341</u>
Change in net position	5,641,747	22,601,539
Net position, beginning of year - as restated	<u>23,941,344</u>	<u>3,424,422</u>
Net position, end of year	<u>\$ 29,583,091</u>	<u>26,025,961</u>

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

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

	<u>Primary Government</u>	<u>Component Units</u>
Cash flows from operating activities:		
Cash received from service agreements and tenants	\$ 6,029,778	72,477
Cash paid for goods and services	(2,923,692)	(14,456)
Cash paid to employees	(2,712,506)	-
Net cash provided by (used in) operating activities	<u>393,580</u>	<u>58,021</u>
Cash flows from noncapital financing activities:		
Noncapital contributions, net	<u>1,081,781</u>	<u>11,766</u>
Net cash provided by (used in) noncapital financing activities	<u>1,081,781</u>	<u>11,766</u>
Cash flows from capital financing activities:		
Payments of notes payable	(3,904,918)	-
Borrowing on notes payable	11,614,363	29,209,366
Receipts from long-term lease agreements, net	2,506,496	-
Capital grants and contributions	3,095,792	17,999,660
Capital expenditures	(356,006)	(36,187,742)
Payments of interest	(407,213)	-
Net cash provided by (used in) capital financing activities	<u>12,548,514</u>	<u>11,021,284</u>
Cash flows from investing activities:		
Sale (purchase) of investments, net	(1,346,755)	-
Notes receivable advances, net	(4,122,611)	-
Investment in component unit	(11,661,111)	-
Interest on investments	<u>106,672</u>	<u>48,437</u>
Net cash provided by (used in) investing activities	<u>(17,023,805)</u>	<u>48,437</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	(2,999,930)	11,139,508
Cash, restricted cash, and cash equivalents at beginning of year	<u>11,728,039</u>	<u>1,870,986</u>
Cash, restricted cash, and cash equivalents at end of year	<u>\$ 8,728,109</u>	<u>13,010,494</u>
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 4,474,873	223,605
Restricted cash - current	1,311,848	-
Cash restricted for long-term purpose	<u>2,941,388</u>	<u>12,786,889</u>
	<u>\$ 8,728,109</u>	<u>13,010,494</u>

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

**SEATTLE CHINATOWN-INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**
STATEMENT OF CASH FLOWS, continued
Year Ended December 31, 2022

	<u>Primary Government</u>	<u>Component Units</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net operating income (loss)	\$ 1,164,220	(6,005)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	1,550,253	-
Receipts from long-term lease agreements	(2,189,471)	
(Increase) decrease in assets:		
Receivables	209,927	(14,456)
Prepaid expenses, deposits and other	(56,425)	1,704
Lease assets and receivables	(10,312,280)	
Increase (decrease) in liabilities:		
Accounts payable	(55,334)	76,778
Accrued liabilities	104,220	-
Lease liabilities and deferred inflows	10,157,326	
Deferred revenues and funds held in trust	(178,856)	-
Total adjustments	<u>(770,640)</u>	<u>64,026</u>
Net cash provided by (used in) operating activities	<u>\$ 393,580</u>	<u>58,021</u>
Non-cash transactions that would have been reported if the transactions had involved a cash exchange:		
Interest forgiveness on loans	\$ 19,311	-
Capital assets purchased with construction payables	-	13,994,137
Capital assets contributed by Primary Govt to Component Unit	(4,548,681)	4,548,681

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, 2022

NOTE 1 - ORIGIN, PURPOSE, AND AUTHORITY

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

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 funds from the Federal Government for SCIDpda projects and activities.

SCIDpda operates several properties and programs under the following descriptions:

▲ **Community Initiatives**

Community Initiatives is the community-interfacing department of SCIDpda. Formerly known as IDEA Space, Community Initiatives focuses on projects that aim to revitalize the neighborhood and support economic growth. Its areas of work include: business assistance, community-centered design, public safety, and property owner assistance.

▲ **Property Management**

SCIDpda owns and/or manages 282 units of low-income housing and 160,000 square feet of commercial/retail space, overseeing building operations, maintenance, marketing and leasing, and financial management.

▲ **Real Estate Development**

SCIDpda develops new projects and rehabilitates historic buildings to meet community needs and encourage future growth in the Chinatown International District and adjacent communities. It has developed International District Village Square Phase 1 and 2 and rehabilitated the Bush and New Central Hotels. SCIDpda continues to partner with non-profits and for-profit developers and organizations and is currently developing the 13th & Fir property (formerly Yesler Terrace Family Housing) and the North Lot of the historic Pacific Hospital campus.

▲ **International District Village Square Phase 1**

The International District Village Square 1 was opened in June of 1998. It is a mixed-use facility including low-income elderly housing, social and health service agency offices, and commercial space.

▲ **International District Village Square Phase 2**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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 SCIDpda's Board must be confirmed by the Seattle City Council. The City of Seattle does not consider SCIDpda to be a component unit of the City of Seattle.

Financial Statement Presentation

The financial statements of 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 SCIDpda 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2022, 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, Community Initiatives, Hing Hay Coworks, 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., SCIDpda Bush Hotel Manager, Inc., SCIDpda Bush Hotel QALICB, LLC, and IDVS2 Family Housing LLC. 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 SCIDpda. SCIDpda exercises complete management and financial control over these entities and their financial activities are blended into SCIDpda's basic financial statements. The financial statements for the Blended Component Units are prepared separately and are included as of December 31, 2022. Copies of these financial statements can be obtained by contacting SCIDpda. Although certain of these Component Units do not follow government accounting standards, for presentation purposes certain transactions and balances may be reflected differently in SCIDpda's financial statements than in the separately issued statements to conform to the presentation and classifications of SCIDpda's financial statements.

On May 11, 2022, SCIDpda's blended component unit New Central Master Tenant LLC was dissolved and all assets and liabilities were transferred to SCIDpda. There was no impact on the financial statements of SCIDpda as a result of New Central Master Tenant LLC's dissolution.

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. SCIDpda has agreed to provide administrative staff support, office space, utilities, telephone, and supplies to CIDPDA; in return, SCIDpda receives the benefits of CIDPDA's fundraising efforts. In 2022, SCIDpda recorded \$3,641,276 in support from CIDPDA. CIDPDA is a legally separate not-for-profit organization, with a distinct and separate board, that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Copies of their separate financial statements can be obtained by contacting SCIDpda. Because CIDPDA's resources can only be used by or for the benefit of SCIDpda, CIDPDA is considered a component unit of SCIDpda and is discretely presented in SCIDpda's financial statements.

SCIDpda is the managing general partner in Big Village LLLP with a .006% ownership interest. As managing general partner, SCIDpda reports Big Village LLLP as a discretely presented component unit.

SCIDpda is the general partner in Lot on the Hill LLLP with a .009% ownership interest. As general partner, SCIDpda reports Lot on the Hill LLLP as a discretely presented component unit.

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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, SCIDpda considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. SCIDpda participates in the State of Washington Local Government Investment Pool. Local Government Investment Pool (LGIP) assets are carried at amortized cost and are reported as cash and cash equivalents in the statement of financial position. The LGIP portfolio of securities meets the requirements in GASB 79 which allow its investments to be reported at amortized cost.

Investments

Investments are comprised of certificates of deposit. Investments with readily determinable fair values are reported at their fair values in the statement of net position.

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

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

Interest Costs Incurred During a Construction Period

SCIDpda has a policy of expensing interest when incurred on loans used to fund ongoing construction projects, in accordance with GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. During 2022, total interest incurred by SCIDpda was \$391,583, all of which was charged to nonoperating expenses. Of that amount, \$0 in interest expense was incurred on construction loans.

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. 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. SCIDpda also periodically receives advance lease payments on multi-year leases that are reported as deferred inflows of resources and recognized ratably over the life of the lease.

Development Costs

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.

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.

Leases

The lease receivable consist of amounts recorded in compliance with GASB 87, *Leases*. SCIDpda has recorded a lease receivable and deferred inflows of resources in accordance with this standard.

At the commencement of a lease, SCIDpda initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Key estimates and judgments related to lease include how SCIDpda determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- SCIDpda uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

SCIDpda monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. See Note 11 for more information.

The lease liability consist of amounts recorded in compliance with GASB 87, *Leases*. SCIDpda has recorded the lease liability and associated lease right-to-use asset.

At the commencement of a lease, SCIDpda initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis the same useful lives as the asset category of the underlying assets. If the asset's life is equivalent to the lease term, SCIDpda's lease right-to-use asset is amortized over the life of the lease from implementation through lease term end.

Key estimates and judgments related to the lease include how SCIDpda determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- SCIDpda uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, SCIDpda generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that SCIDpda is reasonably certain to exercise.

SCIDpda monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. See Note 11 for more information.

Revenue Recognition

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. SCIDpda considers operating revenues and expenses to be those generated by service agreements, rental operations and the provision of administrative services to third parties.

Rental Operation Costs

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

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. SCIDpda accrues compensated absences as they are earned.

Fair Value of Financial Instruments

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

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

**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

At January 1, 2021, SCIDpda implemented GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the rights to use an underlying asset.

As a result of implementing this standard, SCIDpda recorded the following changes to assets, liabilities, deferred inflows of resources, and net position for the year ended December 31, 2021:

	Primary Government	Component Units
Current assets	\$ 1,545,044	-
Capital assets, net and right-of-use assets	263,838	-
Other noncurrent assets	10,152,862	-
Total assets	<u>\$ 11,961,744</u>	<u>-</u>
Current liabilities	\$ 3,108	-
Accrued liabilities, net of current	260,730	-
Long term debt, net of current	-	-
Deferred inflows of resources	11,449,976	-
Total liabilities and deferred inflows of resources	<u>\$ 11,713,814</u>	<u>-</u>
Change in net position	<u>\$ 247,930</u>	<u>-</u>
Net position	\$ 23,693,414	3,424,422
GASB 87 restatement	<u>247,930</u>	<u>-</u>
Net position, as restated	<u>\$ 23,941,344</u>	<u>3,424,422</u>

GASB Statement No. 91, *Conduit Debt Obligations*, was set forth to improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The adoption of this standard did not have a material impact on SCIDpda's financial statements.

GASB Statement No. 92, *Omnibus 2020*, will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. The statement addresses various topics and was adopted without a material impact on SCIDpda's financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods beginning after December 31, 2021. All other requirements of the statement are effective for reporting periods beginning after June 15, 2020. During the year, SCIDpda worked with lenders to change the rate structure on existing lines of credit to replace LIBOR with SOFR.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, provides guidance intended to increase consistency and comparability related to reporting of fiduciary component units in situations where a potential component unit does not have a governing board and the primary government performs the duties that a governing board would typically perform. The Statement also intends to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans). Lastly, the Statement seeks to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan, and for benefits provided through those plans. The adoption of this standard did not have a material impact in 2022.

These notes are an integral part of the financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards to be Adopted in Future Years

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, is effective for fiscal years beginning after June 15, 2022. Its objective is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs), and to provide guidance for accounting and financial reporting for availability payment arrangements (APAs).

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for fiscal years beginning after June 15, 2022. Its objective is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users.

GASB Statement No. 99, *Omnibus 2022*, will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing both practice issues that have been identified during implementation and application of certain GASB statements as well as accounting and financial reporting for financial guarantees. The requirements of this statement are effective immediately for certain provisions and other provisions are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB statement No. 62*, will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for periods beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability between governments that offer different types of leave. The requirements of this statement are effective for fiscal years beginning after December 15, 2023.

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

NOTE 3 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject SCIDpda to concentrations of credit risk consist principally of cash and cash equivalents. 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. 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 AND CASH EQUIVALENTS, RESTRICTED CASH, AND INVESTMENTS

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.

Deposits in Pooled Accounts

SCIDpda invests a portion of its funds with the Washington State Local Government Investment Pool (LGIP) managed by the State Treasurer's office. The investments in this pool comprise repurchase agreements, government securities, and certificates of deposit. The LGIP operates in a manner consistent with the Security and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. As such, the LGIP uses amortized cost to approximate fair value.

The LGIP has a minimum transaction amount for both deposits and withdrawals of \$5,000. There is no maximum transaction amount, but the LGIP requests at least one day advance notice for any transaction in the amount of \$10 million or more. For transactions less than \$10 million, the LGIP requires notification the same business day and transactions are limited to one transaction each business day. The LGIP financial statements are available on the Washington State Treasurer's website.

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

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

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 SCIDpda at December 31, 2022 were:

	Cash and Cash		
	Equivalents	Investments	Total
Deposits - unrestricted	\$ 1,744,959	-	1,744,959
Deposits - restricted	3,122,017	-	3,122,017
Certificates of deposit - unrestricted	-	1,569,767	1,569,767
Certificates of deposit - restricted	-	381,202	381,202
Government money market funds - unrestricted	1,262,049	-	1,262,049
Government money market funds - restricted	1,131,219	-	1,131,219
Local Govt Investment Pool - unrestricted	1,467,865	-	1,467,865
	<u>\$ 8,728,109</u>	<u>1,950,969</u>	<u>10,679,078</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. SCIDpda's cash and investments are subject to several types of risk, which are examined in more detail below:

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.

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, SCIDpda will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2022, all investments were insured or registered, and held by SCIDpda or its agent in SCIDpda's name, or investment pools that are not classified since the investments are not evidenced by securities that exist in physical or book entry form. Therefore, the investments are not exposed to custodial risk. SCIDpda does not have a policy for custodial credit risk.

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

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

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. SCIDpda has a large percentage of its portfolio invested in the LGIP. The LGIP is not rated. 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. 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. 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, CIDpda's deposits may not be returned to it. SCIDpda does not have a deposit policy for custodial credit risk. At year end, SCIDpda had \$8,728,109 of deposits (checking accounts, savings accounts, LGIP, 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.

Fair Value Measurement

SCIDpda 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.

SCIDpda's investments and money market funds are classified using Level 1 measurement, and Certificates of Deposit are valued at the initial investment cost plus accrued interest.

GASB Statement No.79 *Certain External Investment Pools and Pool Participants*, allows SCIDpda to report investments with the WA State Investment Pool (LGIP) at amortized cost.

Restricted Cash and Investments

In accordance with 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, 2022, the carrying amount, which approximates market, and composition of the restricted cash, cash equivalents and investments is as follows:

	Cash and Cash Equivalents	Certificates of Deposit	Total
Bond reserve accounts	\$ 1,030,013	-	1,030,013
Operating & capital reserves	3,078,201	381,202	3,459,403
Tenant reserve accounts	145,022	-	145,022
	<u>\$ 4,253,236</u>	<u>381,202</u>	<u>4,634,438</u>

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

NOTE 5 - FEDERAL INCOME TAX

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 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 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

SCIDpda receives funding under a variety of grants and service agreements from HUD, State of Washington, City of Seattle and other organizations and grantors. During the year ended December 31, 2022, SCIDpda received contributions and grants totaling \$4,426,102. All grants and contributions recognized during the year 2022 were included in unrestricted net position.

NOTE 7 – CAPITAL ASSETS

The capital assets (buildings, land, and equipment) are stated at cost. Depreciation expense for 2022 was \$1,550,253. Capital assets of SCIDpda (the primary government) as of December 31, 2022 are as follows:

	Primary Government	Component Unit
Land	\$ 1,273,941	6,526,188
Construction in progress	41,867	72,339,768
Total non-depreciable capital assets	<u>1,315,808</u>	<u>78,865,956</u>
Buildings	57,613,253	-
Furniture and equipment	725,378	-
	58,338,631	-
Less accumulated depreciation	<u>(26,567,321)</u>	<u>-</u>
Total depreciable capital assets, net	<u>31,771,310</u>	<u>-</u>
Capital assets, net	<u><u>\$ 33,087,118</u></u>	<u><u>78,865,956</u></u>

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

	Balance 1/1/2022	Additions	Disposals/ Xfers	Transfer to Component Unit	Balance 12/31/2022
Land	\$ 1,273,941	-	-	-	1,273,941
Construction in Progress	4,548,681	41,867	-	(4,548,681)	41,867
Buildings & Improvements	57,505,113	108,140	-	-	57,613,253
Furniture & Equipment	588,579	136,799	-	-	725,378
	63,916,314	286,806	-	(4,548,681)	59,654,439
Accumulated Depreciation	<u>(25,017,068)</u>	<u>(1,550,253)</u>	<u>-</u>	<u>-</u>	<u>(26,567,321)</u>
	<u><u>\$ 38,899,246</u></u>	<u><u>(1,263,447)</u></u>	<u><u>-</u></u>	<u><u>(4,548,681)</u></u>	<u><u>33,087,118</u></u>

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

NOTE 7 – CAPITAL ASSETS, continued

Component Units

The capital assets (buildings, land, and equipment) are stated at cost. Depreciation expense for 2022 was \$0. The following is a summary of the changes in capital assets of the Component Units during the year ended December 31, 2022:

	Balance		Transfer	Balance
	1/1/2022	Additions	from Primary Government	12/31/2022
Land	\$ 1,188	6,525,000	-	6,526,188
Construction in Progress	24,134,208	43,656,879	4,548,681	72,339,768
Buildings & Improvements	-	-	-	-
Furniture & Equipment	-	-	-	-
	<u>24,135,396</u>	<u>50,181,879</u>	<u>4,548,681</u>	<u>78,865,956</u>
Accumulated Depreciation	-	-	-	-
	<u>\$ 24,135,396</u>	<u>50,181,879</u>	<u>4,548,681</u>	<u>78,865,956</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 interest at the prime rate as published in the Wall Street Journal. Line of credit matures December 31, 2023. At December 31, 2022, SCIDpda had outstanding borrowings of \$0, and no amounts were drawn or paid during 2022.

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

NOTE 9 – LONG-TERM DEBT

Direct borrowings on notes payable by SCIDpda (Primary Government) as of December 31, 2022, 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
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
Multifamily Housing Revenue Bonds (Series A) for up to \$19,310,000 are due and payable to Arc70 Fund III, LP. Interest accrues at a rate of 6.32% per annum, and monthly interest payments are due beginning November 1, 2022 and bonds are due and payable on October 1, 2062. Bonds are secured by the North Lot property.	-	2,000,000	2,000,000
Multifamily Housing Revenue Bonds (Series C) for up to \$9,045,000 are due and payable to JP Morgan Chase. Interest accrues at a variable rate equal to the secured overnight financing rate plus .10%, and monthly interest payments are due beginning November 1, 2022 and bond principal is due and payable on October 1, 2062. Bonds are secured by the North Lot property.	-	614,363	614,363
Forgivable loan payable for \$9,000,000 to the Washington State Department of Commerce for construction of the North Lot Development project. The loan accrues no interest and is forgivable on February 28, 2080, provided all terms and conditions of the contract are met through that date.	-	9,000,000	9,000,000
<u>International District 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 and maturing June 30, 2049. During 2020, the lender deferred all principal and interest payments due between June 30, 2020 and December 31, 2022 to the maturity date.	28,220	934,141	962,361

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>International District Village Square Phase 1, continued</u>			
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 November 2035, 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 note bears interest at 0% per year. The principal is due in September 2036. The note is dated September 27, 1996 and secured by a deed of trust on the IDVS1.	-	952,382	952,382
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.	485,000	1,530,000	2,015,000
<u>International District Village Square Phase 2:</u>			
The Authority refinanced \$670,000 on a note payable with Heritage Bank. The new note bears interest of 4.1% for five years, when a variable interest rate takes effect, payable in monthly installments of \$5,007 including principal and interest. The loan is secured by a deed of trust on the IDVS2 property, and is due in full by October 20, 2031.	34,482	597,103	631,585
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.	250,000	2,725,000	2,975,000
<u>IDVS2 Family Housing LLC:</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. During 2020, the lender deferred all principal and interest payments due between June 30, 2020 and December 31, 2022 to the maturity date. 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 on the ID Village Square 2 property.	44,994	1,207,178	1,252,172

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>New Central Hotel LLC:</u>			
Note payable to WellsFargo dated December 30, 2015 for \$3,500,000 was refinanced in June 2022. The refinanced note requires monthly payments of principal and interest at the rate of 3.67% and matures in June 2032. The note is secured by a deed of trust on the New Central Hotel property.	102,765	2,785,425	2,888,190
<u>SCIDpda Bush Residential LLC:</u>			
SCIDpda Bush Residential LLC, refinanced \$230,306 in outstanding principal on the note payable to The Commerce Bank. The new note bears interest at 2.98%, requires a monthly payment of \$4,060 and matures on June 30, 2026. Secured by a deed of trust.	44,521	110,897	155,418
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.	17,581	156,725	174,306
\$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. During 2020, the lender deferred all principal and interest payments due between June 30, 2020 and December 31, 2022 to the maturity date. The outstanding loan balance is due August 31, 2037. The note is secured by a deed of trust on the Bush Hotel.	25,587	449,230	474,817
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
<u>SCIDpda Bush Qalich LLC:</u>			
The Authority refinanced the note payable with The Commerce Bank, originally issued for rehabilitation of the Bush Hotel commercial properties. The note bears interest at a rate of 2.98%. Loan matures on April 30, 2028 and requires monthly payments of principal and interest of \$5,100. Secured by a deed of trust on the Bush Hotel property.	35,576	825,620	861,196

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>
SCIDpda Bush Qalich LLC, continued:			
Note payable to the City of Seattle for the rehabilitation of the Bush hotel commercial properties. The note carried an interest rate of LIBOR + 0.2% until May 1, 2021, when the rate was changed to the three-month Treasury Auction Bill rate plus 35 basis points. Principal payments are due annually, and interest payments are due bi-annually. Note matures on August 1, 2027. During 2020, the annual principal payment was deferred by the lender and the deferred amount will be spread equally over the remaining principal payments due.	136,000	662,000	798,000
Totals	<u>\$ 1,204,726</u>	<u>33,573,350</u>	<u>34,778,076</u>

Maturities of Long-Term Liabilities

Aggregate maturities of long-term debt of SCIDpda (Primary Government) are as follows for years ending December 31:

Years	Principal	Interest	Total
2023	\$ 1,204,726	543,750	1,748,476
2024	1,244,132	510,722	1,754,854
2025	1,280,692	475,943	1,756,635
2026	1,605,940	336,815	1,942,755
2027	825,655	299,258	1,124,913
2028 - 2032	5,681,334	1,167,462	6,848,796
2033 - 2037	5,667,585	1,344,805	7,012,390
2038 - 2042	527,296	879,223	1,406,519
2043 - 2047	2,059,568	1,555,765	3,615,333
2048 - 2052	2,433,378	2,153,815	4,587,193
2053 - 2057	633,407	833,850	1,467,257
2058 - 2062	2,614,363	806,055	3,420,418
2063 - 2067	-	-	-
2068 - 2071	-	-	-
2073 - 2076	-	-	-
2078 - 2080	9,000,000	-	9,000,000
	<u>\$ 34,778,076</u>	<u>10,907,463</u>	<u>45,685,539</u>

The following is a summary of changes in long-term liabilities of SCIDpda (Primary Government):

	Balance 1/1/2022	Increases	Decreases	Balance 12/31/2022	Due within one year
Accrued liabilities	\$ 1,660,416	187,375	-	1,847,791	\$ 656,856
Lease liability	263,838	6,121,734	-	6,385,572	3,238
Notes from direct borrowings	27,068,629	11,614,363	(3,904,916)	34,778,076	1,204,726
	<u>\$28,992,883</u>	<u>17,923,472</u>	<u>(3,904,916)</u>	<u>43,011,439</u>	<u>\$ 1,864,820</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)

Component Units

Direct borrowings on notes payable by the Component Units consisted of the following at December 31, 2022:

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<u>Big Village LLLP</u>			
Construction loan payable to Chase Bank for up to \$24,342,759 accruing interest at a rate equal to LIBOR + 2%. Interest payments are due monthly and principal and any outstanding accrued interest are due December 1, 2023. Note is secured by a deed of trust on the Yesler Terrace property.	\$ 24,342,759	-	24,342,759
Construction loan payable to Capital One bank for up to \$17,157,241 accruing interest at a rate equal to LIBOR + 1.5%. Interest payments are due monthly and principal and any outstanding accrued interest are due December 1, 2023. Note is secured by a deed of trust on Yesler Terrace property.	6,434,516	-	6,434,516
Note payable to the City of Seattle for up to \$6 million, accruing simple interest at a rate equal to 1% per annum. Annual payments of principal and interest are due out of Net Cash Flow as defined in the Partnership agreement, with any remaining outstanding principal and interest balances due on November 15, 2078. Note is secured by a deed of trust on the property.	-	5,400,000	5,400,000
Note payable to SHA for up to \$4 million, accruing simple interest at a rate equal to 1% per annum. Payments of principal and interest are due out of available cash flow beginning on June 1, 2038. Loan matures October 31, 2078. Note is secured by a deed of trust on the property.	-	4,000,000	4,000,000
Note payable to SCIDpda (general partner) for up to \$1,050,470, accruing simple interest at a rate equal to 1% per annum. Loan matures on October 31, 2078. Note is secured by a deed of trust on the property.	-	1,050,470	1,050,470
<u>Lot on the Hill LLLP</u>			
Note payable to SCIDpda for up to \$19,310,000 (Series 2022A). Interest accrues at a rate of 6.32% per annum, and interest only payments are due monthly beginning November 1, 2022. Note matures on October 1, 2062. Note is secured by a deed of trust on the North Lot property.	-	2,000,000	2,000,000
Note payable to SCIDpda for up to \$9,045,000 (Series 2022C). Interest accrues at a rate of .10% plus the Term SOFR rate, adjusted monthly, and interest only payments are due monthly beginning November 1, 2022. Note matures on October 1, 2062. Note is secured by a deed of trust on the North Lot property.	-	614,363	614,363
Note payable to WA State Dept of Commerce for up to \$3,000,000, accruing simple interest at a rate equal to 1% per annum beginning in 2025. Annual principal and interest payments of \$109,372 are due beginning on June 28, 2042. Loan matures February 28, 2080. Note is secured by a deed of trust on the property.	-	887,221	887,221
Note payable to PHPDA for \$526,000 due October 21, 2026, or on the Conversion date, whichever is sooner. Interest rate is 0% until October 21, 2025, when interest accrues at a rate of 5.5% per annum. Interest is due and payable monthly beginning November 1, 2025.	-	526,000	526,000
Totals	<u>\$ 30,777,275</u>	<u>14,478,054</u>	<u>45,255,329</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 for the Component Units are as follows for years ending December 31:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 30,777,275	2,002,634	32,779,909
2024	-	166,770	166,770
2025	-	170,053	170,053
2026	526,000	192,464	718,464
2027	-	166,770	166,770
2028 - 2032	-	833,850	833,850
2033 - 2037	-	833,850	833,850
2038 - 2042	-	943,222	943,222
2043 - 2047	464,958	915,752	1,380,710
2048 - 2052	422,263	844,390	1,266,653
2053 - 2057	-	833,850	833,850
2058 - 2062	2,614,363	806,055	3,420,418
2063 - 2067	-	-	-
2068 - 2072	-	-	-
2073 - 2077	-	-	-
2078 - 2082	10,450,470	5,992,249	16,442,719
	<u>\$ 45,255,329</u>	<u>14,701,909</u>	<u>59,957,238</u>

The following is a summary of changes in long-term liabilities of the Component Units during the year ended December 31, 2022:

	<u>Balance</u>			<u>Balance</u>	<u>Due within</u>
	<u>1/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2022</u>	<u>one year</u>
Accrued liabilities	\$ 68,042	232,891	-	300,933	\$ 146,174
Due to Primary Government	1,471,686	1,688,949	-	3,160,635	134,765
Due to Related Party	1,371,645	1,535,564	-	2,907,209	-
Notes from direct borrowings - due to Primary Govt	1,050,470	2,614,363	-	3,664,833	-
Notes from direct borrowings	14,995,493	-	-	10,813,221	-
	<u>\$18,957,336</u>	<u>6,071,767</u>	<u>-</u>	<u>20,846,831</u>	<u>\$ 280,939</u>

NOTE 10 – TENANT SECURITY DEPOSITS

Security deposits and trust funds at December 31, 2022 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 – LEASES

LESSOR ARRANGEMENTS:

Residential Lease Agreements

SCIDpda leases over 280 residential units to various individual tenants. These leases are all considered short-term leases and lease revenue is recognized on the first of each month.

Commercial Lease Agreements (GASB Accounting)

SCIDpda has entered into lease agreements to lease office space to various commercial and social agency tenants in its facilities. As of December 31, 2022, SCIDpda has entered into numerous separate lease agreements with terms ranging from \$500 per month to \$70,644 per month over periods ranging from month-to-month to thirty years.

Lease and related revenues are comprised of the following as of December 31, 2022:

<u>Lease revenue</u>	
Office space	\$ 2,189,471
Parking leases	217,766
Short-term residential leases	2,317,199
Short-term commercial leases	190,442
Total lease revenue	4,914,878
Interest revenue	317,025
Variable & other lease revenue	1,068,205
Total lease and other lease revenue	<u>\$ 6,300,108</u>

Future minimum principal and interest receipts under these leases for the years ending December 31 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 4,838,459	267,425	5,105,884
2024	4,666,729	244,312	4,911,041
2025	1,005,476	309,425	1,314,901
2026	920,209	278,588	1,198,797
2027	961,673	244,593	1,206,266
2028-2032	2,159,157	867,676	3,026,833
2033-2037	540,856	680,188	1,221,044
2038-2042	446,412	200,512	646,924
Thereafter	278,361	27,733	306,094
	<u>\$ 15,817,332</u>	<u>3,120,452</u>	<u>18,937,784</u>

Commercial Lease Agreements (FASB Accounting) - Certain blended component units of SCIDpda follow the accounting requirements of the Financial Accounting Standards Board (FASB). Entities that are lessors that follow FASB accounting do not record lease receivables and deferred inflow of resources, and instead record lease revenues when earned. These entities have leases that expire at various dates through 2028 and do not include possible extensions on lease terms. These leases that are for commercial space typically include some form of operating expense reimbursement by the tenant.

Minimum future lease revenue under these leases is as follows for the years ending December 31:

2023	\$ 532,020
2024	517,095
2025	478,941
2026	405,605
2027	124,658
2028-2032	107,922
	<u>\$ 2,166,241</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 11 – LEASES (continued)

LESSEE ARRANGEMENTS:

Ground lease agreement

SCIDpda has entered into a ground lease agreement for the New Central Hotel building. The lease agreement requires monthly payments equal to \$13,820 or 7% of the commercial and residential properties' gross monthly rents, whichever is greater. The lease terminates on December 31, 2059, and minimum monthly rents will be renegotiated in 2030.

Lease and related expenses are comprised of the following as of December 31, 2022:

<u>Lease expense</u>	
Ground lease	\$ 3,108
Short-term leases	-
Total lease expense	3,108
Interest expense	10,712
Variable and other lease expense	45,148
Total lease and other lease expense	<u>\$ 58,968</u>

Future minimum principal and interest payments under these leases for the years ending December 31 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 3,238	10,582	13,820
2024	3,817,360	50,632	3,867,992
2025	165,843	166,158	332,001
2026	160,098	164,639	324,737
2027	154,573	162,658	317,231
2028-2032	697,175	764,190	1,461,365
2033-2037	688,437	704,073	1,392,510
2038-2042	398,911	255,809	654,720
2043-2047	177,324	43,644	220,968
2048-2052	48,965	20,135	69,100
2053-2057	60,084	9,016	69,100
Thereafter	13,564	14,703	28,267
	<u>\$ 6,385,572</u>	<u>2,366,239</u>	<u>8,751,811</u>

RELATED PARTY LEASES:

During 2021, SCIDpda entered into a lease agreement with Big Village LLLP, a discretely-presented Component Unit, to lease commercial space from Big Village LLLP for \$1 per year for 20 years, plus reimbursement of operating expenses. SCIDpda also entered into a sub-lease agreement in 2021 for this commercial space with a not-for-profit organization that will use the space to provide education and childcare services. The sub-lease agreement has a lease term of 20 years and calls for advance lease payments of \$4,350,470, of which \$1,050,470 was received as of December 31, 2021. The lease and sub-lease are expected to commence upon substantial completion of the construction of the commercial space in 2023.

Expected lease payments are recorded as a lease payable with a corresponding right-to-use asset. Expected lease receipts are recorded as leases receivable and as deferred inflows of resources and will be recognized ratably over the life of the lease.

During 2022, SCIDpda entered into a lease agreement with Lot on the Hill LLLP, a discretely-presented Component Unit, to lease commercial space from Lot on the Hill LLLP for \$3,800,000 in up-front lease payments of which \$0 was paid as of December 31, 2022. The lease then requires minimum annual lease payments of \$170,663 for 20 years, escalating by 3% annually, plus reimbursement of operating expenses. In 2022, SCIDpda also entered into a sub-lease agreement for this commercial space with a not-for-profit organization that will use the space to provide education and childcare services. The sub-lease agreement has a lease term of 20 years and calls for advance lease payments of \$3,000,000, of which \$0 was received as of December 31, 2022. The sub-lease then requires minimum annual lease payments of \$170,663 for 20 years, escalating by 3% annually, plus reimbursement of operating expenses.

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 – LEASES (continued)

Expected lease payments are recorded as a lease payable with a corresponding right-to-use asset. Expected lease receipts are recorded as leases receivable and as deferred inflows of resources and will be recognized ratably over the life of the lease. The lease and sublease are expected to commence upon substantial completion of the construction of this commercial space in 2024.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Commitments and Contingencies

1. Contract and Regulatory Compliance

SCIDpda is subject to numerous contractual and regulatory compliance requirements. Violation of these contractual and regulatory compliance requirements could subject 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

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.

3. Legacy House and International District Village Square Phase 1

SCIDpda owns certain property located on Lane Street and Eighth Avenue South in Seattle, Washington. During 1998, SCIDpda completed the development of a residential and community center for multicultural programs and services, including housing for the elderly (an assisted living center known as Legacy House), a healthcare clinic, and other community and service spaces. The project was financed with the sale of tax-exempt special obligation bonds and loans from the City of Seattle, King County, and the State of Washington, equity investments made by SCIDpda, and other private and public funding sources.

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. As of March 2019, the Legacy House program is no longer operated by SCIDpda, but rather SCIDpda is leasing the International District Village Square Phase 1 space housing the Legacy House program to a third-party not-for-profit organization that is managing the program in accordance with the regulatory agreement.

4. International District Village Square Phase 2

SCIDpda owns certain property located on Eighth Avenue South, between Dearborn and Lane Streets, in Seattle, Washington. During 2004, 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, 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.

SCIDpda and the IDVS2 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 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 SCIDpda, loans from SCIDpda and other private and public funding sources. The bonds were issued and guaranteed by SCIDpda and the City of Seattle.

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

NOTE 12 - COMMITMENTS AND CONTINGENCIES (continued)

5. Guarantees for Component Units

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

In addition, 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 2022.

6. Joint Venture – 13th & Fir (Big Village LLLP)

In 2019 SCIDpda entered into a joint venture with Community Roots Housing (CRH) to develop and operate the 13th & Fir (formerly Yesler Terrace Family Housing) project including 156 units of affordable family-sized housing units, an early learning center, and commercial space. The two entities formed Big Village LLLP designed to develop, own, and operate 13th & Fir, with SCIDpda serving as the Managing General Partner with .006% ownership interest in the partnership and will serve as the property manager and as the master lessee for both the early learning center and the commercial space. CRH is the Co-General Partner with .004% ownership interest in the partnership and will serve as the asset manager of the project. Big Village LLLP is presented as a discretely presented component unit in SCIDpda's basic financial statements.

Under the terms of the Development Agreement between Big Village LLLP, SCIDpda, and CRH, Big Village LLLP has agreed to pay up to \$8 million in development service fees in exchange for development services provided by SCIDpda and CRH. SCIDpda earns 51% and CRH earns 49% of the fee, which is earned ratably as construction is completed. During the year ended December 31, 2022, SCIDpda and CRH earned \$1,598,240 and \$1,535,564 in developer fee revenue under this agreement, respectively, and SCIDpda's portion is included in the service agreement revenue on the statement of revenue, expenses, and changes in net position for SCIDpda. Unpaid developer fees of \$3,025,870 and \$2,907,209 are outstanding and payable by Big Village LLLP at December 31, 2022 to SCIDpda and CRH, respectively, and SCIDpda's developer fee receivable is included in amounts due from component units in the statement of net position for SCIDpda (Primary Government).

During 2022, SCIDpda committed to advancing funds to Big Village LLLP under three sponsor loan agreements for a total of \$4.35 million, which will each incur simple interest at a rate of 1% per annum and which are due and payable on or before October 31, 2078. As of December 31, 2022, \$1,050,470 in loan funds have been advanced under these agreements and are recorded as notes receivable by SCIDpda.

See NOTE 11 for discussion of related party leases with Big Village LLLP.

7. Transferable Development Rights Sale

On February 28, 2019, SCIDpda 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.

8. Lot on the Hill LLLP (North Lot Development Project)

In December 2019 SCIDpda entered into a Purchase and Sale Agreement with the Pacific Hospital PDA for the development of the North Lot of the historic Pacific Hospital campus. Phase I of the project will include 160 units of affordable housing (60% of which will be 2- to 4-bedroom), a program for all-inclusive care for the elderly (PACE), and an early learning center. In December 2021, Lot on the Hill LLLP was formed with SCIDpda as the general partner in the partnership. In October, 2022, two limited partners were admitted and SCIDpda was assigned .009% interest in the partnership as general partner. The project is under construction and the expected completion date is August 2024.

See NOTE 11 for discussion of related party leases with Lot on the Hill LLLP.

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

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNITS

Summarized discretely presented component units' statement of net position information at December 31, 2022:

	CIDPDA	Big Village LLLP	Lot on the Hill LLLP	Total
Current assets:				
Cash and cash equivalents	\$ 215,803	7,802	-	223,605
Accounts receivable	25,037	-	-	25,037
Prepaid expenses and deposits	65	-	-	65
Total current assets	<u>240,905</u>	<u>7,802</u>	<u>-</u>	<u>248,707</u>
Noncurrent assets:				
Restricted cash and investments	-	611,697	12,175,192	12,786,889
Capital assets, net	-	58,796,029	20,069,927	78,865,956
Total noncurrent assets	<u>-</u>	<u>59,407,726</u>	<u>32,245,119</u>	<u>91,652,845</u>
Total assets	<u>\$ 240,905</u>	<u>59,415,528</u>	<u>32,245,119</u>	<u>91,901,552</u>
Current liabilities:				
Current portion of long-term debt	\$ -	30,777,275		30,777,275
Accounts payable	69,721	-	7,425	77,146
Construction costs payable	-	8,555,885	5,618,454	14,174,339
Accrued liabilities - due to Primary Government, current	134,765	-	-	134,765
Accrued liabilities, current	9,788	136,386	-	146,174
Total current liabilities	<u>214,274</u>	<u>39,469,546</u>	<u>5,625,879</u>	<u>45,309,699</u>
Long-term liabilities:				
Accrued liabilities	-	154,759	-	154,759
Accrued liabilities - due to Primary Government	-	3,025,870	-	3,025,870
Accrued liabilities - due to related parties	-	2,907,209	-	2,907,209
Long-term debt, due to Primary Government	-	1,050,470	2,614,363	3,664,833
Long-term debt, net of current portion	-	9,400,000	1,413,221	10,813,221
Total long-term liabilities	<u>-</u>	<u>16,538,308</u>	<u>4,027,584</u>	<u>20,565,892</u>
Total liabilities	<u>214,274</u>	<u>56,007,854</u>	<u>9,653,463</u>	<u>65,875,591</u>
Net position:				
Invested in capital assets, net of debt	-	48,345,559	16,042,343	64,387,902
Unrestricted	26,631	(44,937,885)	6,549,313	(38,361,941)
Total net position	<u>26,631</u>	<u>3,407,674</u>	<u>22,591,656</u>	<u>26,025,961</u>
Total liabilities and net position	<u>\$ 240,905</u>	<u>59,415,528</u>	<u>32,245,119</u>	<u>91,901,552</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 13 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

Summarized discretely presented component units' statement of revenues, expenses, and changes in net position information for the year ended December 31, 2022:

	CIDPDA	Big Village LLLP	Lot on the Hill LLLP	Total
Operating expenses:				
General administration	\$ 6,005	-	-	6,005
Depreciation and amortization	-	-	-	-
Total operating expenses	6,005	-	-	6,005
Operating income (loss)	(6,005)	-	-	(6,005)
Nonoperating revenues (expenses):				
Contributions and grants - operational support	3,838,208	-	-	3,838,208
Contributions and grants - paid to Primary Government	(3,641,276)	-	-	(3,641,276)
Interest income	-	5,122	43,315	48,437
Other	(186,166)	-	-	(186,166)
Total nonoperating revenues (expenses), net	10,766	5,122	43,315	59,203
Contributions and Distributions:				
Partner and member capital contributions (distributions), net	-	-	22,548,341	22,548,341
Total contributions (distributions), net	-	-	22,548,341	22,548,341
Change in net position	4,761	5,122	22,591,656	22,601,539
Net position, beginning of year	21,870	3,402,552	-	3,424,422
Net position, end of year	\$ 26,631	3,407,674	22,591,656	26,025,961

These notes are an integral part of the financial statements.

**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 Hotel Manager, Inc.	Bush Hotel Qalib LLC	Bush Residential	IDVS2 Family Housing	New Central Apartments	New Central Commercial	New Central Manager	NC Hotel LLC
Assets:									
Current assets	\$ 100,637	-	231,549	1,812,382	587,413	240,347	59,704	28,302	113,055
Capital assets, net	-	-	4,974,900	4,169,141	8,037,026	113,546	-	-	5,335,960
Other assets	-	87,283	287,166	-	50,000	(58,511)	(71,512)	30,225	391,769
Total assets	\$ 100,637	87,283	5,493,615	5,981,523	8,674,439	295,382	(11,808)	58,527	5,840,784
Liabilities									
Current liabilities	\$ 2,086,887	-	174,758	525,824	1,079,882	24,729	171,703	-	116,860
Noncurrent liabilities	-	26,445	1,487,620	3,353,679	6,540,797	-	-	-	3,042,917
Total liabilities	2,086,887	26,445	1,662,378	3,879,503	7,620,679	24,729	171,703	-	3,159,777
Net Position									
Invested in capital assets, net of related debt	-	(26,445)	3,315,704	728,168	1,324,626	113,546	-	-	2,447,770
Restricted	23,631	-	45,333	1,685,825	470,501	234,484	20,436	-	94,978
Unrestricted	(2,009,881)	87,283	470,200	(311,973)	(741,367)	(77,377)	(203,947)	58,527	138,259
Total net position	(1,986,250)	60,838	3,831,237	2,102,020	1,053,760	270,653	(183,511)	58,527	2,681,007
Total liabilities and net position	\$ 100,637	87,283	5,493,615	5,981,523	8,674,439	295,382	(11,808)	58,527	5,840,784
Condensed Statement of Revenues, Expenses, and Changes in Net Position									
	Bush Hotel Commercial	Bush Hotel Manager, Inc.	Bush Hotel Qalib LLC	Bush Residential	IDVS2 Family Housing	New Central Apartments	New Central Commercial	New Central Manager	NC Hotel LLC
Operating revenues	\$ 666,406	127,704	-	877,377	920,191	521,645	355,917	(175,414)	-
Operating expenses:	(756,427)	(18,727)	491,698	(551,252)	(635,140)	(468,447)	(429,670)	(927)	(62,515)
Depreciation and amortization	-	-	(225,131)	(135,310)	(322,762)	(4,381)	-	-	(161,208)
Operating income (loss)	(90,021)	108,977	266,567	190,815	(37,711)	48,817	(73,753)	(176,341)	(223,723)
Nonoperating revenues (expenses):									
Interest income	56	-	351	5,513	1,592	30	3	-	20
Interest expense	-	-	(44,825)	(10,750)	(143,843)	-	-	-	(120,246)
Nonoperating revenues (expenses)	56	-	(44,474)	(5,237)	(142,251)	30	3	-	(120,226)
Change in net position	(89,965)	108,977	222,093	185,578	(179,962)	48,847	(73,750)	(176,341)	(343,949)
Net position, beginning of year	(1,896,285)	(48,139)	3,862,028	2,106,604	1,256,652	221,806	(109,761)	234,868	3,213,867
Change in component unit	-	-	-	-	-	-	-	-	-
Contributions (distributions)	-	-	(252,884)	(190,162)	(22,930)	-	-	-	(188,911)
Net position, end of year	\$ (1,986,250)	60,838	3,831,237	2,102,020	1,053,760	270,653	(183,511)	58,527	2,681,007
Condensed Statement of Cash Flows									
	Bush Hotel Commercial	Bush Hotel Manager, Inc.	Bush Hotel Qalib LLC	Bush Residential	IDVS2 Family Housing	New Central Apartments	New Central Commercial	New Central Manager	NC Hotel LLC
Net Cash Provided by (Used in):									
Operating activities	\$ (8,869)	(18,727)	441,924	328,202	347,253	63,645	938	(927)	333,356
Capital financing activities	-	18,727	(209,440)	(71,480)	(290,561)	-	-	-	(158,672)
Investing activities	3	-	(243,372)	(278,125)	(76,914)	(75,014)	(799)	-	(212,502)
Net increase (decrease) in cash and equivalents	(8,866)	-	(10,888)	(21,403)	(20,222)	(11,369)	139	(927)	(37,818)
Cash and Cash equivalents at January 1	56,893	-	196,854	134,410	125,154	15,023	36,193	29,229	55,895
Cash and Cash equivalents at December 31	\$ 48,027	-	185,966	113,007	104,932	3,654	36,332	28,302	18,077

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

In 2020, SCIDpda began offering all employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 401a. An employee's contribution to the plan may not exceed statutory limits as provided in this section. SCIDpda may contribute to the plan for employees and committed to contribute up to \$80,943 during 2022, which will be paid out in 2023. As SCIDpda is not the owner of these assets, the plan assets and liabilities are not reported as part of SCIDpda.

SCIDpda also offers employees an annual incentive compensation plan, which is based on collective benchmarks and goals approved by SCIDpda's Board of Directors at the beginning of each year and is paid out in the following year contingent on SCIDpda meeting those benchmarks. The incentive compensation payments are not based on individual performance and all eligible employees receive payment in years when the benchmarks are collectively met. During 2022, SCIDpda committed to pay employees up to \$194,033 in direct incentive compensation payments, contingent upon final board review and approval, which will be paid out in 2023.

NOTE 16 - ECONOMIC DEPENDENCY

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.

NOTE 17 – CONFLICTS OF INTEREST

SCIDpda maintains a policy to identify and disclose potential conflicts of interest that may arise among its key personnel and governing board members. The policy requires individuals to disclose any personal, financial, or other interests that could potentially influence their decision making in their official capacity.

During the year ended December 31, 2022, SCIDpda identified the following significant conflicts of interest:

An active member of the Board of Directors during and prior to 2022 was also an employee of the architect firm that was selected by the board to provide services for the 13th and Fir construction project. Despite this conflict, the Board of Directors determined that the architecture firm selected was the most suitable option for SCIDpda's needs and that the relationship was in the best interest of the organization. The fees paid to the architecture firm during the year by Big Village LLLP amounted to approximately \$347,000.

NOTE 18 – IMPACT OF COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization characterized an outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. It is anticipated that the impacts of the pandemic will continue for some time. In response to the pandemic, SCIDpda suspended some activities and moved others to teleconference or remote work only, though most activities have now resumed. Changes to the operating environment may continue to increase operating costs and change revenue sources. Future potential impacts may include disruptions or restrictions on staff ability to work and reductions in tenants' ability to pay the required monthly charges. Operating functions that may be impacted include tenant applications, recertifications, and maintenance operations, as well as construction delays on current development projects in progress. Additional impacts may include the cancellation of future programs, events, and/or activities. The future financial impact or other effects of these issues are unknown.

In response to the COVID-19 pandemic, the Washington State Department of Commerce granted three-year deferrals of its loans, including to IDVS2 Family Housing LLC, SCIDpda Bush Residential LLC, and International District Village Square Phase 1, which ended on December 31, 2022.

NOTE 19 – SUBSEQUENT EVENTS

On February 28, 2023, Big Village LLLP was awarded an additional \$1,348,429 from the State of Washington to support the development and construction of affordable housing.

On May 5, 2023, Big Village LLLP received a temporary certificate of occupancy and began lease-up. A final certificate of occupancy is expected by the end of July 2023.

On May 26, 2023, SCIDpda signed a purchase and sale agreement to purchase real property located at 650 South Dearborn Street in the City of Seattle, subject to a suitable feasibility analysis to be completed by December 15, 2023.

Subsequent events have been evaluated through June 29, 2023, 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, 2022

Federal Agency Name / Pass Through Agency	Federal Program Title	Assistance Listing Number	Other Identification Number	Expenditures				Passed through to Subrecipients	Foot note
				Direct Awards	Pass Through Awards	Loan Balance Outstanding	Total		
US Dept of Housing and Urban Development - Section 8 Project-Based Cluster									
	Section 8 Housing Assistance Payments Program	14.195	WA19A001004	\$ 437,058	-	-	437,058	-	
	Section 8 Housing Assistance Payments Program	14.195	WA19A001001	146,247	-	-	146,247	-	
Seattle Housing Authority - Porchlight	Section 8 Housing Assistance Payments Program	14.195	N/A	-	64,790	-	64,790	-	4
Seattle Housing Authority - Section 8 Voucher	Section 8 Housing Assistance Payments Program	14.195	N/A	-	28,907	-	28,907	-	4
Subtotal Section 8 Project-Based Cluster (AL #14.195)				583,305	93,697	-	677,002	-	*
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	-	6
City of Seattle - CDBG Loan	Community Dev. Block Grant Program for Entitlement Communities	14.218	DL98CDBG	-	-	93,534	93,534	-	6
City of Seattle - CDBG Loan	Community Dev. Block Grant Program for Entitlement Communities	14.218	DL#10-1505	-	-	120,000	120,000	-	6
City of Seattle - CDBG Loan	Community Development Block Grant Program	14.218	DL05288B	-	-	672,920	672,920	-	6
City of Seattle Housing & Human Services Dept.	Urban Development Action Grant	14.218	DIR UDAG-56	-	-	191,674	191,674	-	6
City of Seattle Dept. of Community Development	Community Development Block Grant Program	14.218	NA	-	-	633,407	633,407	-	4, 6
Subtotal AL #14.218				-	-	1,805,102	1,805,102	-	
City of Seattle - CDBG Loan	Community Development Block Grant Program	14.253	DL#10-1506	-	-	196,000	196,000	-	5, 6
Subtotal CDBG Entitlements Cluster (AL #14.218/14.253)				-	-	2,001,102	2,001,102	-	
US Dept of Housing and Urban Development									
Enterprise Community Partners, Inc.	Capacity Building for Community Dev. & Affordable Housing	14.252	003631	-	-	300,000	300,000	-	6
Subtotal AL #14.252				-	-	300,000	300,000	-	
US Dept of Treasury									
WA State Dept of Commerce	Coronavirus State and Local Fiscal Recovery Funds	21.027	20-77330650-004	-	20,369	-	20,369	-	
City of Seattle Office of Housing	Coronavirus State and Local Fiscal Recovery Funds	21.027	CLFR-SCID	-	26,114	-	26,114	-	
City of Seattle Office of Economic Development	Coronavirus State and Local Fiscal Recovery Funds	21.027	N2022-1501	-	40,392	-	40,392	-	
City of Seattle Office of Economic Development	Coronavirus State and Local Fiscal Recovery Funds	21.027	N2022-1504	-	107,747	-	107,747	-	
Subtotal AL #21.019				-	194,622	-	194,622	-	
* Denotes a major program									
Total Expenditures of Federal Awards				\$ 583,305	288,319	2,301,102	3,172,726	-	

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, 2022. The Schedule is prepared using the same basis of accounting as the financial statements of 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, 2022. 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 Development Block Grant Program	14.218	\$ 93,567
City of Seattle - CDBG Loan	Community Development Block Grant Program	14.218	93,534
City of Seattle - CDBG Loan	Community Development Block Grant Program	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	Community Development Block Grant Program	14.218	633,407
City of Seattle UDAG Loan	Urban Development Action Grant	14.218	174,306
City of Seattle - CDBG Loan	Community Development Block Grant Program	14.253	196,000
Enterprise Community Partners - HUD Loan	Capacity Building for Community Dev. & Affordable Housing	14.252	-
			<u><u>\$ 1,983,734</u></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

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 ("SCIDpda"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise SCIDpda's basic financial statements, and have issued our report thereon dated June 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SCIDpda's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SCIDpda's internal control. Accordingly, we do not express an opinion on the effectiveness of SCIDpda'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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 that we consider to be significant deficiencies.

**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**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCIDpda'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*.

SCIDpda's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on SCIDpda's response to the findings identified in our audit and described in an attachment following the accompanying schedule of findings and questioned costs. SCIDpda's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 29, 2023
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

Opinion on Each Major Federal Program

We have audited the Seattle Chinatown-International District Preservation and Development Authority's ("SCIDpda") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of SCIDpda's major federal programs for the year ended December 31, 2022. SCIDpda's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, SCIDpda 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SCIDpda and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of SCIDpda's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to SCIDpda's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SCIDpda's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SCIDpda's compliance with the requirements of each major federal program as a whole.

**Independent Auditors' Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance as Required by the Uniform Guidance, continued**

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SCIDpda's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SCIDpda's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 SCIDpda's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a 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 over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, Hill & Company, P.S.

June 29, 2023
Seattle, Washington

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

Schedule of Findings and Questioned Costs
For the year ended December 31, 2022

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 Auditors’ Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ yes <u> X </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u> yes _____ none reported
Noncompliance material to financial statements noted?	_____ yes <u> X </u> no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	_____ yes <u> X </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes <u> X </u> 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 <u> X </u> no
Identification of major programs:	
• Section 8 Project-Based Cluster (Assistance Listing #14.195)	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualifies as low-risk auditee?	<u> X </u> yes _____ no

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

Schedule of Findings and Questioned Costs, continued

Section II – Financial Statement Findings

2022-001 Accounting for Construction Financing and Equity Contributions

Finding:

An equity contribution made by SCIDpda to a discretely-presented component unit was improperly recorded as a loan receivable by SCIDpda and as a loan payable at the discretely-presented component unit.

Criteria:

GASB Statement No. 62 states that under the equity method, an investor initially records an investment in the investee at cost and adjusts the carrying amount of the investment to recognize the investor's share of the earnings or losses of the investee after the date of acquisition.

Sample Size and Population:

Sampling was not applicable to this finding.

Condition and context:

Financing for the North Lot Development project closed in October 2022, with a series of accounting adjustments required to record the related transactions at SCIDpda and at Lot on the Hill LLLP, SCIDpda's discretely-presented component unit. As part of that transaction, SCIDpda issued several loans and contributed capital to Lot on the Hill LLLP. One of the capital contributions was improperly recorded as a loan both by the primary government and by the discretely-presented component unit, rather than as a capital contribution.

Cause:

The complexity of the financing agreements obtained for Lot on the Hill LLLP resulted in a large number of loans, capital contributions, and other significant accounting transactions required. One of the capital contributions by the primary government was made ahead of schedule, and management did not have an adequate system of controls in place to identify the nature of the transaction.

Effect:

The error in accounting for a capital contribution resulted in the understatement of investments in component units and the overstatement of notes receivable by \$9,000,000 in the primary government's internally prepared financial statements. Additionally, this error resulted in the understatement of net position and the overstatement of notes payable by \$9,000,000 in the aggregate discretely presented component units' financial statements. These errors have been corrected in the audited financial statements.

Recommendation:

We recommend management consider implementing additional review procedures over construction financing transaction accounting, including tracing all loans recorded to underlying loan agreements and confirming all capital contributions and loans recorded with the development team.

Questioned Costs:

None

Management Response:

Management's response is reported in the "Corrective Action Plan" at the end of this report.

Contact Person:

Jody McCorkle, Director of Finance (206) 684-8929

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

Schedule of Findings and Questioned Costs, continued

Section III – Findings and Questioned Costs for Federal Awards

NONE



June 29, 2023

Independent Audit Corrective Action Plan
For the Fiscal Year Ended December 31, 2023

Seattle Chinatown
International District
Preservation and
Development Authority

Finding 2022-001 Accounting for Construction Financing and Equity Contributions

An equity contribution made by Seattle Chinatown International District Preservation and Development Authority (SCIDpda) to a discretely-presented component unit was improperly recorded as a loan receivable by SCIDpda and as a loan payable by the discretely-presented component unit.

We concur with this audit finding.

Construction financing for the North Lot Development Project closed in October 2022. The complexity of the financing agreements obtained for this project resulted in a large number of loans, capital contributions, and other significant transactions. As part of the financing, SCIDpda issued several loans and made several capital contributions to Lot on the Hill LLLP, a discretely-presented component unit of SCIDpda. One of these capital contributions was improperly recorded as a loan receivable by SCIDpda and as a loan payable by Lot on the Hill LLLP.

We have taken steps to correct the issue identified. In addition to tracing all loans recorded to underlying loan agreements, we are implementing the additional construction financing review procedure of confirming all loans and capital contributions with the development team.

Sincerely,

A handwritten signature in blue ink that reads "J. McCorkle".

Jody McCorkle
Director of Finance

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

NONE