



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

November 7, 2024

Board of Commissioners  
Seattle Indian Services Commission  
Seattle, Washington

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

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Seattle Indian Services Commission for the fiscal year ended December 31, 2023. The Commission contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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**SEATTLE INDIAN SERVICES COMMISSION**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2023**



CPAs | CONSULTANTS | WEALTH ADVISORS

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**SEATTLE INDIAN SERVICES COMMISSION  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2023**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>4</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>10</b>
<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND         NET POSITION</b>	<b>12</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>13</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>14</b>



## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Seattle Indian Services Commission  
Seattle, Washington

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of Seattle Indian Services Commission (the Commission), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Commission'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 financial position of Seattle Indian Services Commission as of December 31, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Seattle Indian Services Commission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Seattle Indian Services Commission'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.

***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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 Seattle Indian Services Commission'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 Seattle Indian Services Commission's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Bellevue, Washington  
May 28, 2024

**SEATTLE INDIAN SERVICES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

This discussion and analysis of the financial performance of the Seattle Indian Services Commission (the Commission) presents a narrative overview and analysis of the financial activities for the year ended December 31, 2023. The reader is encouraged to consider the information presented here in conjunction with the Commission's financial statements.

**Overview of the Financial Statements**

The Management's Discussion and Analysis is intended to serve as an introduction to the Commission's financial statements. The following statements are included:

- *Statement of Net Position* – presents information on all of the Commission's assets and liabilities. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the Commission is improving or deteriorating.
- *Statement of Revenues, Expenses and Changes in Fund Net Position* – shows how the Commission's net position changed during the period regardless of when cash is received or paid.
- *Statement of Cash Flows* – reports the Commission's cash flows from operating, investing, and capital and related financing activities.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the Commission's financial statements.

**Financial Highlights**

- Total assets of the Commission as of December 31, 2023, were \$3,208,570. For purposes of this report, total assets are reported in two major categories. The first category, current assets, consists of cash and cash equivalents, accounts receivable, lease receivable, current portion and prepaid insurance. The second category, noncurrent assets, consists of restricted cash and cash equivalents – funds held by paying agents, lease receivable, less current portion, property and equipment owned by the Commission, net of accumulated depreciation, and capitalized predevelopment costs. Funds held by paying agents have external limitations on the way they may be used (funds held by paying agents for the purpose of making payments on the Commission's outstanding bond debt).
- Total liabilities and deferred inflows of resources of the Commission as of December 31, 2023, were \$748,297, and included current, noncurrent liabilities and deferred inflows of resources. Current liabilities include accounts payable, development costs payable, accrued interest and current portions of long-term debt. Noncurrent (or long-term) liabilities consist of amounts due to the city of Seattle, loan payable to the Communities of Concern Commission, and the long-term portion of bond debt on the Pearl Warren Building. Deferred inflows of resources include deferred inflows related to leases.
- At December 31, 2023, the Commission's total assets exceeded its total liabilities by \$2,460,273. This is an improvement of \$535,685 over the prior year and is due to rental revenue from the city of Seattle.

**SEATTLE INDIAN SERVICES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**Financial Analysis of the Commission**

The Commission's condensed financials for the years ended December 31, 2023 and 2022, are presented as follows:

	2023	2022
<b>ASSETS</b>		
Other Assets	\$ 597,716	\$ 1,191,699
Capital Assets	2,610,854	2,628,962
Total Assets	<u>\$ 3,208,570</u>	<u>\$ 3,820,661</u>
<b>LIABILITIES</b>		
Current Liabilities	\$ 502,806	\$ 474,146
Noncurrent Liabilities	194,119	754,095
Total Liabilities	<u>696,925</u>	<u>1,228,241</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows Related to Lease	51,372	667,832
Total Deferred Inflows of Resources	<u>51,372</u>	<u>667,832</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,980,458	1,477,782
Restricted for Repayment of Debt - Held by Paying Agent	360,167	348,075
Unrestricted	119,648	98,731
Total Net Position	<u>2,460,273</u>	<u>1,924,588</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 <u>\$ 3,208,570</u>	 <u>\$ 3,820,661</u>

- The Commission's total operating revenue for the year ended December 31, 2023, was \$697,447 compared to \$679,987 for the year ended December 31, 2022. Total operating expenses were \$139,734 for the year ended December 31, 2023, compared to \$56,758 for the year ended December 31, 2022. The change in operating revenue was primarily due to rental income of \$629,504 recognized during 2023. Total operating expenses increased due to professional fees during 2023.
- Net operating income was \$557,713 for the year ended December 31, 2023. Net operating income was \$623,229 for the year ended December 31, 2022. The change in net operating income was primarily due to an increase in consulting and legal expenses as the Commission gears up work related to the development of their Pearl Warren building site.



**SEATTLE INDIAN SERVICES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**Financial Analysis of the Commission (Continued)**

**CONDENSED STATEMENT OF REVENUE, EXPENSES,  
AND CHANGES IN FUND NET POSITION**

	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUE</b>		
Rental Income	\$ 629,504	616,461
Grant Income	62,860	62,985
Interest and Other Income	5,083	541
Total Operating Revenue	<u>697,447</u>	<u>679,987</u>
<b>OPERATING EXPENSES</b>		
Operating Expenses	114,266	31,290
Depreciation	25,468	25,468
Total Operating Expenses	<u>139,734</u>	<u>56,758</u>
<b>OPERATING INCOME</b>	557,713	623,229
<b>NONOPERATING REVENUES</b>		
Interest Revenue on Lease Receivable	<u>13,737</u>	<u>35,060</u>
<b>NONOPERATING EXPENSES</b>		
Interest on Long-Term Debt	<u>(35,765)</u>	<u>(55,143)</u>
<b>CHANGE IN FUND NET POSITION</b>	535,685	603,146
Total Fund Net Position - Beginning of Year	<u>1,924,588</u>	<u>1,321,442</u>
<b>TOTAL FUND NET POSITION - END OF YEAR</b>	<u>\$ 2,460,273</u>	<u>\$ 1,924,588</u>

Revenues are derived primarily from rental income with approximately 90% received as direct rent from tenants, and 10% from other sources.

The Commission's most significant expenses are operating expenses and interest on bonds payable.

Net position and changes in net position may be used as a measure of the financial health of an organization. During the year ended December 31, 2023, the Commission's change in net position was an increase of \$535,685 compared to an increase of \$603,146 for the year ended December 31, 2022.

**SEATTLE INDIAN SERVICES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**Capital Assets and Debt Administration**

**Capital Assets**

Detailed information regarding the Commission's capital assets may be found in Note 4 to the financial statements. The following table summarizes the changes in capital assets between the years ended December 31:

	2023	2022	Net Change
Capital Assets Not being Depreciated:			
Land	\$ 2,270,370	\$ 2,270,370	\$ -
Capitalized Predevelopment Costs	302,477	295,117	7,360
Total Capital Assets Not being Depreciated	2,572,847	2,565,487	7,360
Capital Assets being Depreciated:			
Building and Improvements	439,900	439,900	-
Furniture and Fixtures	5,265	43,155	(37,890)
Total Capital Assets	3,018,012	3,048,542	(30,530)
Less: Accumulated Depreciation	(407,158)	(419,580)	12,422
Capital Assets, Net	<u>\$ 2,610,854</u>	<u>\$ 2,628,962</u>	<u>\$ (18,108)</u>

The Commission's main capital asset is the Pearl Warren Building, which is leased to the city of Seattle.

**Other Assets**

The following table summarizes the changes in other assets between the years ended December 31:

	2023	2022	Net Change
Cash and Cash Equivalents	\$ 180,871	\$ 160,553	\$ 20,318
Accounts Receivable	55	55	-
Lease Receivable	51,619	677,932	(626,313)
Prepaid Insurance	5,004	5,084	(80)
Restricted Cash and Cash Equivalents -			
Held by Paying Agents	360,167	348,075	12,092
Total	<u>\$ 597,716</u>	<u>\$ 1,191,699</u>	<u>\$ (593,983)</u>

Restricted assets are used by the Commission's paying agents (Bank of New York) to make the semiannual payments of principal and interest on the Commission's outstanding bonds.

**SEATTLE INDIAN SERVICES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**Liabilities**

See Notes 2 and 3 to the financial statements for detailed information regarding the Commission's noncurrent liabilities. The following table summarizes the changes in the Commission's liabilities between the years ended December 31,:

	2023	2022	Net Change
Bonds Payable - 2004 Pearl Warren	\$ 425,000	\$ 835,000	\$ (410,000)
Loan Payable - City of Seattle	-	110,784	(110,784)
Accrued Interest - City of Seattle	44,119	68,311	(24,192)
Loan Payable - Communities of Concern	150,000	150,000	-
Accounts Payable	74,618	57,883	16,735
Accrued Interest Payable	3,188	6,263	(3,075)
Total	<u>\$ 696,925</u>	<u>\$ 1,228,241</u>	<u>\$ (531,316)</u>

**Deferred Inflows of Resources**

See Note 1 to the financial statements for detailed information regarding the Commission's deferred inflow of resources. The following table summarizes the changes in the Commission's deferred inflow of resources between the years ended December 31:

	2023	2022	Net Change
Bonds Payable, Current Portion	\$ 425,000	\$ 410,000	\$ 15,000
Total	<u>\$ 425,000</u>	<u>\$ 410,000</u>	<u>\$ 15,000</u>

  

	2023	2022	Net Change
Deferred Inflows Related to Lease	\$ 51,372	\$ 667,832	\$ (616,460)
Total	<u>\$ 51,372</u>	<u>\$ 667,832</u>	<u>\$ (616,460)</u>

The Commission's real estate activities are financed, in part, by long-term debt secured by real estate on the Pearl Warren Building. The bonds issued for the construction of the Commission's property are secured by rental income and guaranteed by the city of Seattle. The Commission had \$425,000 of outstanding bond debt as of December 31, 2023, of which \$425,000 was classified as current.

**Economic Factors and Future Outlook**

In 2023, SISC took several steps to enhance and ensure its economic future through a number of initiatives that lay the groundwork for expanding services to the regional American Indian and Alaska Native community. Some examples include the contracting of a Program Manager, launch of an SISC website, surveying of Seafair Days Pow Wow attendees, and contracting for professional services for development feasibility analyses.

**Increased Staff Capacity**

In 2020 SISC was awarded a \$75,000 capacity-building grant from the City of Seattle's equitable Development Initiative (EDI). The grant deliverables include staff and/or consultant recruitment and in January, 2023 the Commission contracted a consultant, Demarus Tevuk, to serve as Program Manager. In prior reporting periods staff support was provided by Loaned Executives at no charge to the Commission through the Memorandum of Understanding with Catholic Community Services (CCS). In 2023 the MOU was updated and CCS staff support was extended. The Program Manager combined with the Loaned Executive staff hours are equal to approximately 1 FTE position.

**SEATTLE INDIAN SERVICES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**Economic Factors and Future Outlook (Continued)**

**Financial Stability**

The long-term lease of the Pearl Warren Building to the City of Seattle concluded January 31, 2024. In 2023 the Commission engaged in formal discussion with the City which resulted in an offer to extend the lease through January 2025. The terms of the extension as presented include a continuation of a payment of a minimum of \$60,000 to SISC to support its operations as well as continued reduction of the outstanding amount of the City of Seattle's loan to the Commission for previous bond debt payments made prior to entering into the lease in 2017. The bond debt will be retired in late 2024 and the lease extension terms confirm the return of the bond reserves in the amount of \$223,787 to the Commission once the bond debt is fully retired. Once these terms are satisfied the Commission will have site control over the Pearl Warren building.

**Development Feasibility**

With the prospective site control of the Pearl Warren Building returning to the Commission upon conclusion of the lease with the City of Seattle, SISC initiated research into the highest and best use of the property. Through a Request for Proposal process the Commission engaged Great Expectations, a real estate developer, to provide advice on development options. Great Expectations engaged Miller Hayashi Architects and the two firms worked with Commission members and staff to research development options including restoration of the building to lease out as office and parking space or demolition and redevelopment of the site as housing and commercial space.

**SISC Training, Communications and Community Engagement**

In addition to the launch of the Commission's website, SISC participated in a wide range of community outreach and networking activities. Demarus Tevuk, Program Manager, participated in the Cultural Space Agency's BASE (Building Arts Space Equitably) cohort, the City of Seattle Office of Community Planning and Development Equitable Transit Oriented Development Community Advisory Group, and the Seattle Department of Neighborhoods Generational Wealth Building Initiative Roundtable. Demarus has also been participating in the sləp̓iləbəx̌w (Rising Tides) - Indigenous Planning Group community planning meetings and through the group, built relationships with the Office of Planning and Community Development, Office of Economic Development, and the Seattle Department of Transportation. Ms. Tevuk also enrolled in various development-oriented trainings including the annual Travois conference on Low Income Housing Tax Credits and New Market Tax Credit financing.

**Commission Leadership**

In 2023 SISC Chair Claudia Kauffman was elected to the Washington State Legislature and resigned her position with the Commission. The Commission members nominated long-standing member Iris Friday to serve as Chair. Ms. Friday was appointed by Seattle Mayor Bruce Harrell and confirmed by the Seattle City Council.

**Requests for Information**

This financial report is designed to provide the public, clients, businesses and creditors with a general overview of the Seattle Indian Services Commission's finances and to show accountability for the money it receives. Questions concerning any of the information found in this report or requests for additional financial information should be directed to:

Seattle Indian Services Commission  
140 Lakeside Avenue, Suite A-339  
Seattle, WA 98122

**SEATTLE INDIAN SERVICES COMMISSION**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2023**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 180,871
Accounts Receivable	55
Lease Receivable, Current Portion	51,619
Prepaid Insurance	5,004
Total Current Assets	<u>237,549</u>

**NONCURRENT ASSETS**

Restricted Cash and Cash Equivalents - Funds Held by Paying Agents	360,167
Capital Assets Not Being Depreciated:	
Land	2,270,370
Capitalized Predevelopment Costs	302,477
Capital Assets Being Depreciated:	
Building and Improvements, Furniture, and Fixtures	445,165
Less: Accumulated Depreciation	<u>(407,158)</u>
Net Capital Assets	<u>2,610,854</u>
Total Noncurrent Assets	<u>2,971,021</u>
Total Assets	<u><u>\$ 3,208,570</u></u>

*See accompanying Notes to Financial Statements.*

**SEATTLE INDIAN SERVICES COMMISSION  
STATEMENT OF NET POSITION (CONTINUED)  
DECEMBER 31, 2023**

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts Payable	\$ 19,222
Development Costs Payable	55,396
Accrued Interest Payable	3,188
Bonds Payable, Current Portion	425,000
Total Current Liabilities	<u>502,806</u>

**NONCURRENT LIABILITIES**

Accrued Interest - City of Seattle	44,119
Loan Payable - Communities of Concern Commission	150,000
Total Noncurrent Liabilities	<u>194,119</u>

Total Liabilities	696,925
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Lease	51,372
Total Deferred Inflows of Resources	<u>51,372</u>

Total Liabilities and Deferred Inflows of Resources	748,297
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**NET POSITION**

Net Investment in Capital Assets	1,980,458
Restricted (Held by Paying Agents for Debt Service)	360,167
Unrestricted	119,648
Total Net Position	<u>2,460,273</u>

Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,208,570</u>
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*See accompanying Notes to Financial Statements.*

**SEATTLE INDIAN SERVICES COMMISSION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**YEAR ENDED DECEMBER 31, 2023**

**OPERATING REVENUE**

Rental Income	\$ 629,504
Grant Income	62,860
Interest Income	<u>5,083</u>
Total Operating Revenue	697,447

**OPERATING EXPENSES**

Taxes and Insurance	12,178
Administration:	
Office Expenses	21,109
Professional Fees	80,979
Depreciation	<u>25,468</u>
Total Operating Expenses	<u>139,734</u>

**OPERATING INCOME**

557,713

**NONOPERATING REVENUES AND EXPENSES**

Interest Revenue on Lease Receivable	13,737
Interest on Bonds Payable	(34,500)
Interest on City of Seattle Loan	<u>(1,265)</u>
Total Nonoperating Expenses	<u>(22,028)</u>

**CHANGE IN FUND NET POSITION**

535,685

Fund Net Position - Beginning of Year

1,924,588

**FUND NET POSITION - END OF YEAR**

\$ 2,460,273

*See accompanying Notes to Financial Statements.*

**SEATTLE INDIAN SERVICES COMMISSION  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2023**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Grants	\$ 62,860
Cash Received from Interest	5,083
Cash Paid to Vendors for Goods and Services	<u>(97,451)</u>
Net Cash Used by Operating Activities	(29,508)

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Lease Payments Received	516,853
Capitalized Predevelopment Costs	(7,360)
Principal Paid on Bonds Payable	(410,000)
Interest Paid on Bonds Payable	<u>(37,575)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>61,918</u>

**NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH** 32,410

Cash, Cash Equivalents, and Restricted Cash - Beginning of Year 508,628

**CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR** \$ 541,038

**RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH -  
END OF YEAR PER STATEMENT OF CASH FLOWS TO CASH, CASH  
EQUIVALNETS, AND RESTRICTED CASH PER STATEMENT OF NET POSITION**

Cash and Cash Equivalents	\$ 180,871
Restricted Cash and Cash Equivalents - Funds Held by Paying Agents	<u>360,167</u>
Cash and Restricted Cash - End of Year per the Statement of Cash Flows	<u><u>\$ 541,038</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
USED BY OPERATING ACTIVITIES**

Operating Income	\$ 557,713
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Depreciation Expense	25,468
Rental Income	(629,504)
Changes in Assets and Liabilities:	
Accounts Payable	16,735
Prepaid Insurance	<u>80</u>
Net Cash Used by Operating Activities	<u><u>\$ (29,508)</u></u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND  
FINANCING ACTIVITIES**

Reduction of Debt Owed in Lieu of Rent	<u><u>\$ (110,784)</u></u>
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See accompanying Notes to Financial Statements.



**SEATTLE INDIAN SERVICES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Seattle Indian Services Commission (the Commission) is a public corporation, as defined in City of Seattle Ordinance No. 103387, formed in 1972 to carry out certain objectives of the Seattle Model City Program. The Commission is a public development authority chartered by the city of Seattle that is not a component unit of the city of Seattle. The Commission's Governing Council is comprised of five members: one member appointed by the Mayor of Seattle, who serves as Chair; and four members appointed by majority vote of the Governing Council members. All members must be confirmed by the Seattle City Council. The financial statements of the Commission do not include any accounts of the appointing authorities.

The Commission was formed for the purpose of obtaining a Seattle Model City Program grant of \$600,000 to purchase a building for use as a center for Indian service organizations. Any future earnings are intended to be used for Indian community service programs as required by the Commission charter.

The Seattle City Council has the authority to terminate the Commission and, upon termination, any remaining assets of the Commission would be distributed in accordance with the terms of Ordinance No. 103387.

**Basis of Accounting**

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. These financials have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of when the related cash transactions take place. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Cash and Cash Equivalents**

The Commission considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Commission would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Commission deposits are covered by federal depository insurance (FDIC).

**Restricted Cash and Cash Equivalents – Funds Held by Paying Agents**

Funds held by paying agents consist of cash and money market funds recorded at amortized cost.

Interest and dividends on cash and cash equivalents, and funds held by paying agents are classified as investing activities. Gains and losses on funds held by paying agents are also classified as investing activities.

**SEATTLE INDIAN SERVICES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Lease Receivable**

The Commission is a lessor of the Pearl Warren building in Seattle. Lessor arrangements are included as lease receivables and deferred inflows of resources in the statement of net position. Lease receivables represent the Commission's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized based on the present value of expected lease payments over the lease term reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term. Deferred inflows of resources related to leases are recognized based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized using the straight-line method over the lease term.

**Investments**

As required by state law, all investments of the Commission's funds are obligations of the U.S. government, U.S. agency issues, obligations of the state of Washington, certificates of deposit with Washington state banks and the Local Government Investment Pool managed by the Washington State Treasurer's office.

**Investments at Amortized Cost**

December 31, 2023, restricted cash and cash equivalents include \$360,167 in a money market fund investing in U.S. government securities.

**Operating Revenues and Expenses**

Operating revenues include income from tenant rents, rental of community space, and grants. Operating expenses are those expenses incurred in association with rental activities. Operating expenses also include costs of Indian community service programs. All other revenues and expenses are considered nonoperating.

Government grants are recognized as revenues in the period the funds are used for the purpose designated in the grants. Rental and investment revenues are recognized when earned.

**Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows or resources related to leases are recognized on using the straight-line method over the lease term.

**SEATTLE INDIAN SERVICES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position**

Net position is classified in the following three components:

*Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation, and capital-related deferred outflows of resources reduced by the outstanding balances of any capital-related borrowings and deferred inflows of resources.

*Restricted* – This component of net position consists of assets restricted by external creditors (such as through debt covenants), grantors, contributors, or other reduced by related liabilities and deferred inflows of resources.

*Unrestricted Net Position* – This component of net position consists of all net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The Commission’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Property and Equipment**

Property and equipment are stated at cost. Improvements with a cost of \$1,500 or more and an estimated life in excess of one year are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is calculated on the straight-line method based on the following estimated useful lives:

Building	30 Years
Building Improvements	27 and 7 Years
Equipment, Furniture, and Fixtures	3 and 5 Years

**Contributions**

Donated assets are recognized as contributions at their acquisition value when received.

**Federal Income Tax**

The Commission has been notified by the Internal Revenue Service that it is exempt from federal income taxes as an entity described in Section 115 of the Internal Revenue Code. The Commission’s income tax filings are subject to examination by various taxing authorities.

**Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SEATTLE INDIAN SERVICES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 2 BONDS AND NOTE PAYABLE AND FUNDS HELD BY PAYING AGENTS**

**Special Obligation Revenue Refunding Bonds, Series 2004**

The amount of Special Obligation Revenue Refunding Bonds, Series 2004, outstanding at December 31, 2023, was \$425,000. The revenue refunding bonds bear interest at 3.0% to 4.50% with maturities from 2008 to 2024. The Special Obligation Revenue Refunding Bonds, Series 2004, are special obligations of the Commission secured by rental income of the financed property. The Debt Service Reserve Account was established with the paying agent for the purpose of depositing funds to pay the principal and interest on the Special Obligation Revenue Refunding Bonds, Series 2004. The funds held by the paying agent consisted of units of cash and J. P. Morgan U.S. Government Money Market Funds at December 31, 2023.

These funds are segregated in the following accounts at December 31, 2023:

	<u>Amount</u>
Debt Service Account - for deposit of interest and principal payments.	\$ 360,167
Total	<u>\$ 360,167</u>

The Commission also established a Capital Reserve Fund. Annual deposits are required by the bond resolution in an amount equal to the Commission's budgeted capital expenses associated with the rental of the financed property. At December 31, 2023, no funds were deposited.

**Note Payable from Direct Borrowings**

Pursuant to the Cooperation Agreement with the city of Seattle, the city is unconditionally obligated to make debt service payments in the event the Commission is unable to meet its obligation due to insufficient revenues. Any amounts expended by the city pursuant to the Cooperation Agreement are considered a loan to the Commission, with an annual interest rate equal to the greater of the cost of funds to the city or the annualized earnings rate of the city's general fund, which was 1.80% at December 31, 2023. The Commission is obligated to repay amounts funded by the city from other available revenues. At December 31, 2023, the amount due to the city for debt service payments made on behalf of the Commission and accrued interest was \$-0- and \$44,119, respectively. Debt maturities on the amount due to the city are not included in the schedule below since the amounts are not specified in the agreement.

**SEATTLE INDIAN SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2 BONDS AND NOTE PAYABLE AND FUNDS HELD BY PAYING AGENTS (CONTINUED)**

Following are the changes in bonds and notes payable and accrued interest for the year ended December 31, 2023:

<u>Bonds/Notes Payable</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Current Portion</u>
Special Obligation Revenue Refunding					
Bond Series 2004	\$ 835,000	\$ -	\$ 410,000	\$ 425,000	\$ 425,000
City of Seattle	110,784	-	110,784	-	-
Total	<u>\$ 945,784</u>	<u>\$ -</u>	<u>\$ 520,784</u>	<u>\$ 425,000</u>	<u>\$ 425,000</u>

  

<u>Accrued Interest Payable</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	
Bond Series 2004	\$ 6,263	\$ 34,500	\$ 37,575	\$ 3,188	
City of Seattle	68,311	1,265	25,457	44,119	
Total	<u>\$ 74,574</u>	<u>\$ 35,765</u>	<u>\$ 63,032</u>	<u>\$ 47,307</u>	

Future annual payments on the Special Obligation Revenue Refunding Bonds, Series 2004, for each of the next two years ending December 31 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Outstanding Principal Balance</u>
2024	\$ 425,000	\$ 19,125	\$ -
Total	<u>\$ 425,000</u>	<u>\$ 19,125</u>	<u>\$ -</u>

Portions of the Special Obligation Revenue Refunding Bonds, Series 2004, that are due in 2024 are subject to mandatory redemption prior to maturity.

Pursuant to the Cooperation Agreement with the city of Seattle, the city is unconditionally obligated to make certain payments into the Special Obligation Revenue Refunding Bond Fund.

**NOTE 3 LOAN PAYABLE FROM DIRECT BORROWINGS**

On August 14, 2018, the Commission signed a loan agreement with the Communities of Concern Commission for a total of \$150,000. The nonrecourse loan bears no interest and should the related project fail to attract sufficient permanent financing, the loan will be forgiven.

Following are the changes in loan payable for the year ended December 31, 2023:

<u>Loan Payable</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Current Portion</u>
Communities of Concern Commission	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ -

**SEATTLE INDIAN SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4 CAPITAL ASSETS**

Property and equipment consisted of the following at December 31, 2023:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital Assets Not Being Depreciated:				
Land	\$ 2,270,370	\$ -	\$ -	\$ 2,270,370
Predevelopment Costs	295,117	7,360	-	302,477
Capital Assets Being Depreciated:				
Buildings and Improvements	439,900	-	-	439,900
Furniture and Equipment	43,155	-	(37,890)	5,265
Total	3,048,542	7,360	(37,890)	3,018,012
Accumulated Depreciation, Buildings and Improvements	376,425	25,468	-	401,893
Accumulated Depreciation, Furniture and Equipment	43,155	-	(37,890)	5,265
Total	<u>\$ 419,580</u>	<u>\$ 25,468</u>	<u>\$ (37,890)</u>	<u>407,158</u>
Capital Assets, Net				<u>\$ 2,610,854</u>

Capitalized predevelopment costs consisted of expenses in support of the proposed redevelopment of the Pearl Warren Building site at December 31, 2023.

**NOTE 5 LEASE RECEIVABLE**

On February 1, 2017, the Commission entered a long-term lease agreement with the city of Seattle for the Pearl Warren Building. Under the terms of the lease, the City of Seattle will lease the building for a period of 84 months, starting February 1, 2017, through January 31, 2024. This period covers the term of the remaining outstanding bonds on the property.

Under the terms of the agreement, the city's lease payment covers the outstanding monthly bond debt, forgives the amount due to the city for debt service payments made on behalf of the Commission and accrued interest on a monthly basis throughout the term of the agreement, and provides an annual payment to the Commission. The agreement also requires the city to pay for all utilities, maintenance, and other services associated with the management of the Pearl Warren Building. The Commission has the right to terminate the agreement upon 180 days written notice to the city if certain conditions are met. The termination provision may not be used during the initial 36 months of the agreement.

The Commission records a lease receivable and deferred inflows of resources based on the present value of expected receipts over the term of the lease. The expected receipts are discounted using an interest rate based on the 10-year treasury bond plus 2%. The Commission recognized lease revenue of \$629,504 during the year ended December 31, 2023, and interest income related to the leases of \$13,737 during the year ended December 31, 2023.

**SEATTLE INDIAN SERVICES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 5 LEASE RECEIVABLE (CONTINUED)**

Future lease payments to be received under the lease are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 51,619	\$ 151	\$ 51,770
2025	-	-	-
Total	<u>\$ 51,619</u>	<u>\$ 151</u>	<u>\$ 51,770</u>

**NOTE 6 RELATED PARTY TRANSACTIONS**

The city of Seattle, under the cooperative agreement with the Commission, began making payments of principal and interest on the Series 2004 bonds beginning January 2015. As discussed in Note 2, at December 31, 2023, the amount due to the city for debt service payments made on behalf of the Commission and accrued interest was \$-0- and \$44,119, respectively.

The Commission has engaged Catholic Housing Services of Western Washington (CHS) to perform development services for the proposed redevelopment of the Pearl Warren Building site. A member of the board of commissioners is the president and CEO of CHS. The board member does not vote on matters pertaining to the Native Village project.

**NOTE 7 RETIREMENT PLAN**

The Commission established a Section 457 plan that includes an employer contribution. There were no contributions into the plan during 2023 or contributions payable to the plan at December 31, 2023.

