

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

**FINANCIAL STATEMENTS
AND
COMPLIANCE REPORT
YEAR ENDED DECEMBER 31, 2021**

TABLE OF CONTENTS

Page

Financial Statement Section

| | |
|--|---------|
| Independent Auditors' Report | 1 – 3 |
| Management's Discussion and Analysis | 4 – 14 |
| Financial Statements: | |
| Statement of Net Position..... | 15 – 16 |
| Statement of Revenues, Expenses, and Changes in Net Position | 17 |
| Statement of Cash Flows..... | 18 – 19 |
| Notes to Financial Statements | 20 – 39 |

Reports and Schedules Required by the Uniform Guidance

| | |
|---|---------|
| Schedule of Expenditures of Federal Awards and related notes | 40 – 41 |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 42 – 43 |
| Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance as Required by Uniform Guidance | 44 – 45 |
| Schedule of Findings and Questioned Costs | 46 - 47 |
| Schedule of Prior Audit Findings | 48 |

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 (the Authority) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority'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, 2021, 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 the Authority 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.

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 the Authority'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 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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

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 the Authority'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 the Authority'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 14 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, 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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Finney, Hill & Company, P.S.

June 30, 2022
Seattle, Washington

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

**Management's Discussion and Analysis
December 31, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS

The Seattle Chinatown International District Preservation and Development Authority (the Authority) is pleased to present its basic financial statements for the fiscal year ending December 31, 2021, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires the inclusion of three basic financial statements: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. In addition, GAAP requires the inclusion of a Management's Discussion and Analysis (MD&A) section as required supplementary information.

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ending December 31, 2021 with comparative data from the year ending December 31, 2020. Please read it in conjunction with the Authority's basic financial statements, which immediately follow this section.

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

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

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

FINANCIAL HIGHLIGHTS

- Assets of the Authority exceeded liabilities and deferred inflows of resources at December 31, 2021 by \$23,693,414 (net position). Of this amount, \$6,914,716 (unrestricted net position) may be used to meet the Authority's ongoing obligations.
- The Authority continued to respond to COVID-19 by offering rent deferrals and granting rent concessions to several of its residential and commercial tenants. These additional expenses were partially offset by increased donations and loan deferrals.
- \$1,828,525 of contributions and grants were received by the Authority in 2021 and used to respond to COVID-19 and to directly benefit the neighborhood, including providing resident meals, ensuring that the community received COVID-19 resources in appropriate languages, providing business technical assistance to businesses, moving forward neighborhood lighting projects, supporting families with children in school, and public safety.

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

**Management's Discussion and Analysis
December 31, 2021**

- As custodian of the Seattle Raise the Bar fund, the Authority administered \$2,500,000 in small business relief grants in November and December 2021. (See Note 6.)
- The Authority develops real estate projects and partners with other nonprofit agencies and private partners to assist with development projects. In 2021, the Authority continued to assist with some program elements of the Landmark project in Little Saigon.
- The Authority 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 11.)
- The Authority continued to develop the North Lot of the historic Pacific Hospital campus. The project will be developed in two phases. Phase I will include 160 units of affordable family housing, a program for all-inclusive care for the elderly (PACE), and an early learning center. (See Note 11.) Development of Phase II is expected in 2024.
- In 2020 the Authority was granted three-year deferrals on its three Washington State Department of Commerce Loans, totaling \$108,992 in 2020 and \$123,415 in each of the two subsequent years. (See Note 9.)
- On March 1, 2021, the City of Seattle removed reserve deposit requirements for International District Village Square, Phase 1, and unrestricted the use of the reserves, permitting the Authority to utilize them to pay for general operating expenses.
- On May 7, 2021, the Authority modified two of its notes with The Commerce Bank of Washington, reducing its interest rate on both from 3.5% to 2.98% for five to seven years. (See Note 9.)
- On May 17, 2021, the Authority assigned its 99.99% ownership interest as initial limited partner of Big Village LLLP to Hudson Big Village LLC (the “investment partner”) and to Hudson SLP LLC (the “special limited partner”). The Authority assumed .006% ownership interest in Big Village LLLP on that date as managing general partner. (See Note 2.)
- On October 25, 2021, the Authority refinanced its note with Heritage Bank, reducing its interest rate from 4.6% to 4.1% for five years. (See Note 9.)

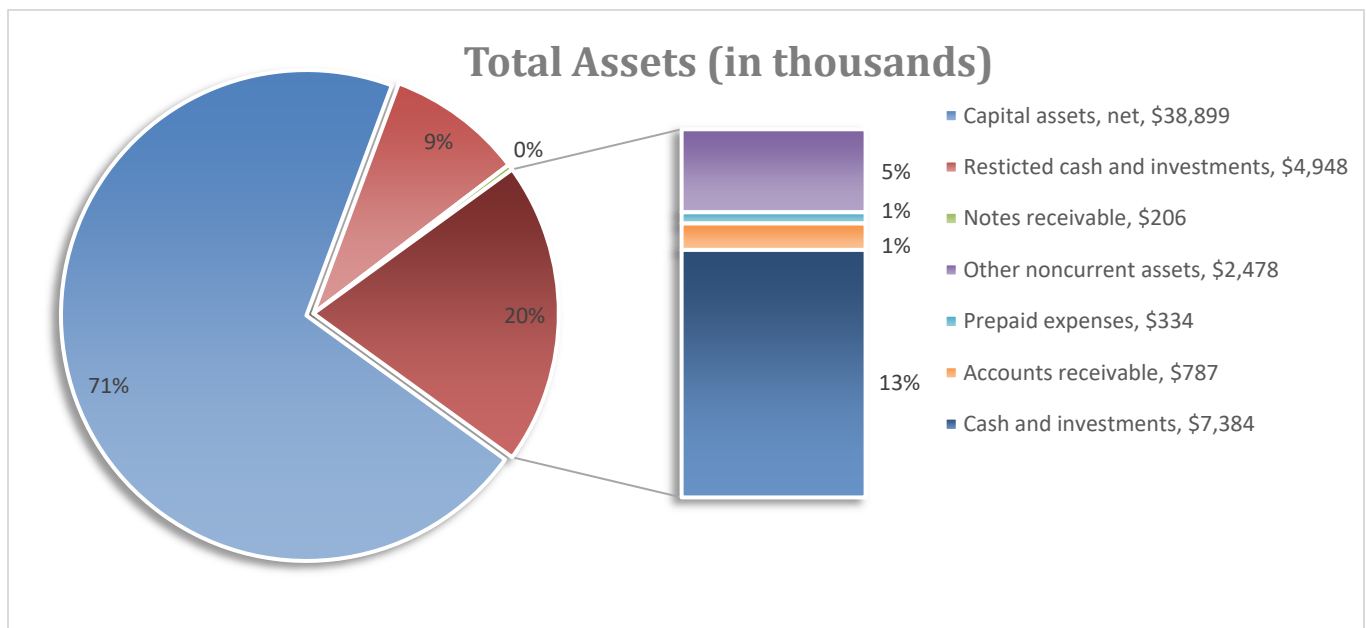
**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**

**Management’s Discussion and Analysis
December 31, 2021**

FINANCIAL ANALYSIS

Statement of Net Position

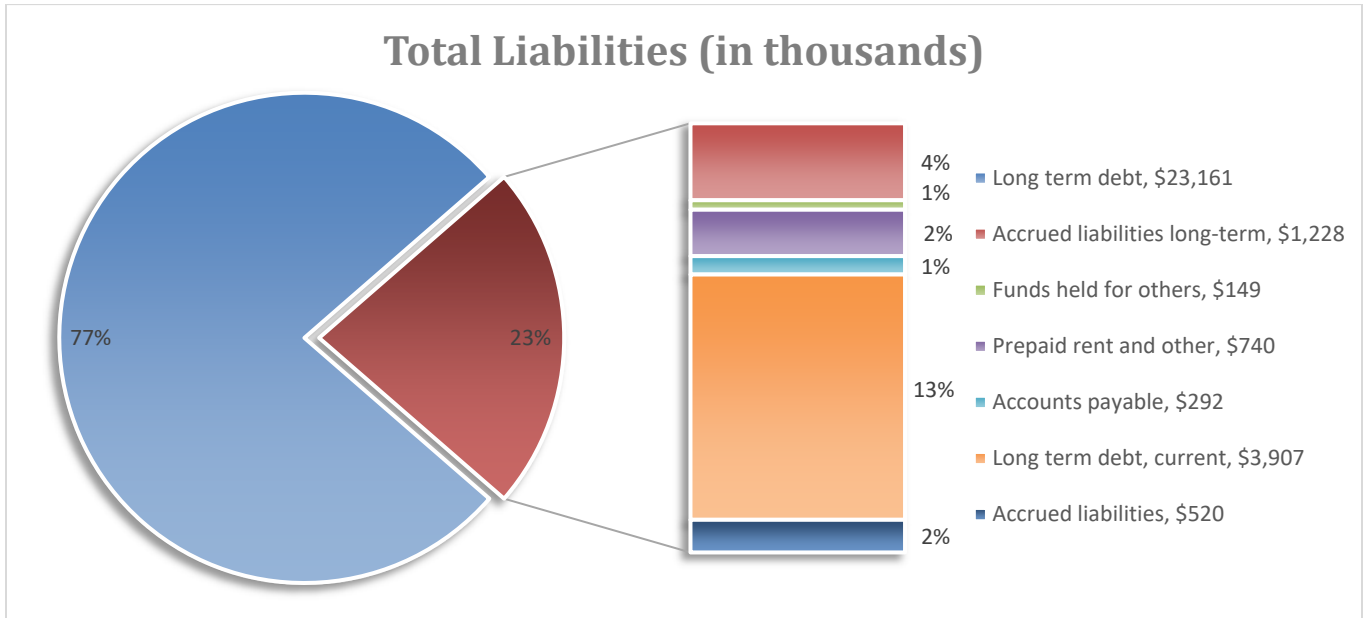
The Statement of Net Position presents the financial position of the Authority at the end of the fiscal year. The purpose of the Statement of Net Position is to give the financial statement readers a snapshot of the fiscal condition of the Authority as of a certain point in time. It presents end-of-year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



Total assets of the Authority were \$55,035,502 at December 31, 2021 compared to \$52,693,797 at December 31, 2020. Total assets increased by \$2,341,705. Current assets are comprised of several categories, including prepaid expenses. Cash and investments include the Authority’s cash, cash equivalents and investment account balances. Receivables include grant receivables and receivables from tenants and other governments. Total current assets increased by \$3,217,235. Current cash and cash equivalents increased as the Authority was repaid its \$2,024,000 predevelopment loan for 13th & Fir (formerly Yesler Terrace Family Housing) and as the City of Seattle unrestricted the use of the International District Village Square Phase 1 reserves, making them available for the Authority’s general operating expenses. Noncurrent assets are certain cash and investments, capital assets, notes receivable and other noncurrent assets. Capital assets include land, buildings, and equipment and are shown net of accumulated depreciation. Total noncurrent assets decreased by \$875,530. Capital assets, net, decreased by \$3,103,860, \$2,438,475 of which occurred upon the assignment of the Authority’s ownership interest in Big Village LLLP, which was previously reported as a blended component unit of the Authority. With the Authority’s assumption as managing general partner of Big Village LLLP, this entity is now reported as a discretely presented component unit and due from component units increased by \$2,478,100. (See Note 7.)

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

**Management’s Discussion and Analysis
December 31, 2021**



Total liabilities of the Authority were \$29,996,663 at December 31, 2021 compared to \$31,501,219 at December 31, 2020. Current liabilities include accounts payable and other accrued liabilities, funds held for others, prepaid rent, and the current portions of long-term debt. A liability is considered to be current if it is due within one year. Current liabilities increased by \$2,038,432 as predevelopment loans on the North Lot Project become due in 2022; these will be paid off with the concurrent closing of the construction loan. Long-term liabilities are made up of the long-term portion of the accrued liabilities and long-term debt. Long-term liabilities decreased by \$3,542,988 as loans were refinanced and payments were made to reduce outstanding debt. (See Note 9.)

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

Total net position increased by \$2,827,016 from the prior year. This represents the Authority’s equity, a portion of which is restricted for certain uses. Net position is divided into three major categories. The first category, invested in capital assets, shows the Authority’s equity in land, buildings, construction in progress, and equipment, net of related capital debt outstanding; this category decreased by \$2,164,333. The next net position category, restricted net position, represents assets that have external limitations on the way in which they may be used; this category decreased by \$226,015. The last category, unrestricted net position, represents assets that are available to be used for any lawful and prudent purpose; this category increased by \$5,217,364.

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

**Management's Discussion and Analysis
December 31, 2021**

Condensed Statement of Net Position

| | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
| Assets | | |
| Current assets | \$ 10,074,993 | \$ 6,857,758 |
| LT restricted cash and investments | 3,376,878 | 3,500,640 |
| Capital assets, net | 38,899,246 | 42,003,106 |
| Other assets | 2,684,385 | 332,293 |
| Total assets | <u>55,035,502</u> | <u>52,693,797</u> |
| Liabilities | | |
| Current Liabilities | 5,607,521 | 3,569,089 |
| Noncurrent liabilities | 24,389,142 | 27,932,130 |
| Total liabilities | <u>29,996,663</u> | <u>31,501,219</u> |
| Deferred inflow of resources | 1,345,425 | 326,180 |
| Net Position | | |
| Invested in capital assets, net of debt | 11,830,618 | 13,994,951 |
| Restricted | 4,948,080 | 5,174,095 |
| Unrestricted | 6,914,716 | 1,697,352 |
| Total net position | <u>23,693,414</u> | <u>20,866,398</u> |
| Total liabilities, deferred inflows and net position | <u>55,035,502</u> | <u>52,693,797</u> |

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

**Management's Discussion and Analysis
December 31, 2021**

Statement of Revenues, Expenses, and Changes in Net Position

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

The Authority considers operating revenues and expenses to be generated by service agreements, rental income and the provision of administrative services to third parties. Service agreements revenue includes revenue earned by the Authority in connection with property development projects. Rental income represents amounts received for providing housing to the Authority's tenants as well as subsidies received from the U.S. Department of Housing and Urban Development (HUD). Rental income is offset by expenses incurred to maintain these housing units and provide other services for the tenants of the Authority. Revenues and expenses for administrative fees and property management services represent amounts earned and expended by the Authority for property management services.

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

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

**Management's Discussion and Analysis
December 31, 2021**

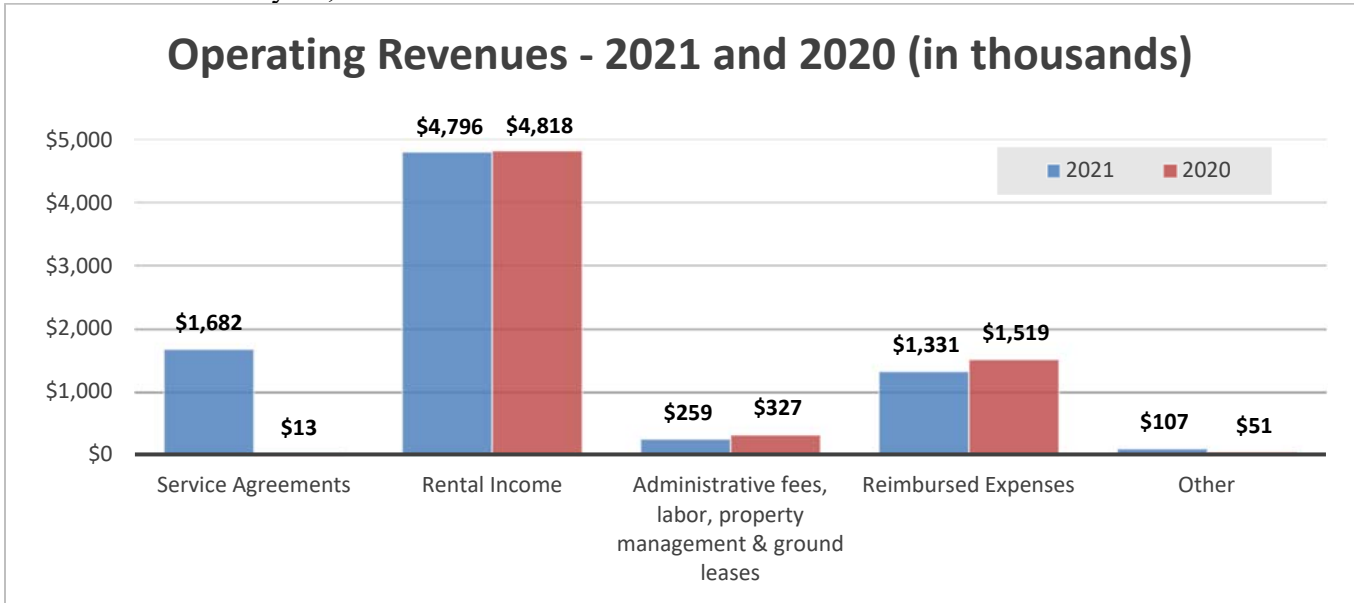
Statement of Revenues, Expenses, and Changes in Net Position

| | December 31, 2021 | December 31, 2020 |
|---|----------------------|----------------------|
| Operating Revenues | | |
| Service agreements | \$ 1,681,859 | \$ 12,830 |
| Rental income | 4,795,515 | 4,818,092 |
| Administrative fees, property management and ground leases | 258,689 | 326,885 |
| Reimbursed expenses | 1,331,386 | 1,519,444 |
| Other | <u>107,146</u> | <u>51,473</u> |
| Total operating revenues | <u>8,174,595</u> | <u>6,728,724</u> |
| Operating Expenses | | |
| Rental operations | 2,129,500 | 2,220,982 |
| Property management, project and community development | 2,125,668 | 2,353,653 |
| General administration | 924,154 | 943,796 |
| Depreciation and amortization | <u>1,558,089</u> | <u>1,587,950</u> |
| Total operating expenses | <u>6,737,411</u> | <u>7,106,381</u> |
| Income (loss) from operations before other income (expense) | 1,437,184 | (377,657) |
| Nonoperating Revenues (expenses) | | |
| Contributions and grants - operational support | 1,230,461 | 1,379,285 |
| Contributions and grants - capital | 598,064 | - |
| Interest income | 44,071 | 46,391 |
| Interest expense | (502,076) | (477,441) |
| Other | <u>19,312</u> | <u>19,313</u> |
| Other income (expense), net | <u>1,389,832</u> | <u>967,548</u> |
| Change in net position | <u>2,827,016</u> | <u>589,891</u> |
| Net position, beginning of year | <u>20,866,398</u> | <u>20,276,507</u> |
| Net position, end of year | <u>\$ 23,693,414</u> | <u>\$ 20,866,398</u> |

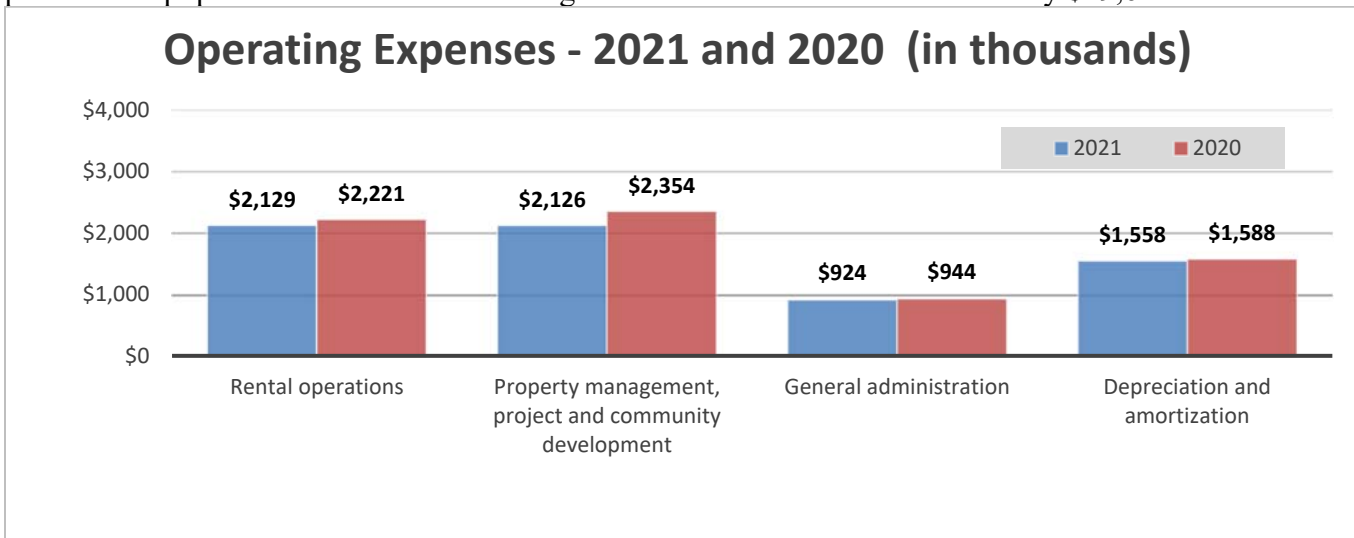
**SEATTLE CHINATOWN INTERNATIONAL DISTRICT
PRESERVATION AND DEVELOPMENT AUTHORITY**

**Management’s Discussion and Analysis
December 31, 2021**

Operating revenues increased 21% or \$1,445,871 from 2020 to 2021. Service agreements revenue increased by \$1,669,029 in developer fees earned on 13th & Fir (formerly Yesler Terrace Family Housing). Rental income decreased by \$22,577 due to rent concessions. Administrative fees, property management, and ground leases decreased by \$68,196 due to the transition of three Interim Community Development Association (ICDA) properties the Authority ceased managing as of September 30, 2020. Reimbursed expenses decreased by \$188,058, also due to the transition of the three ICDA properties. Other operating revenues increased by 55,673.



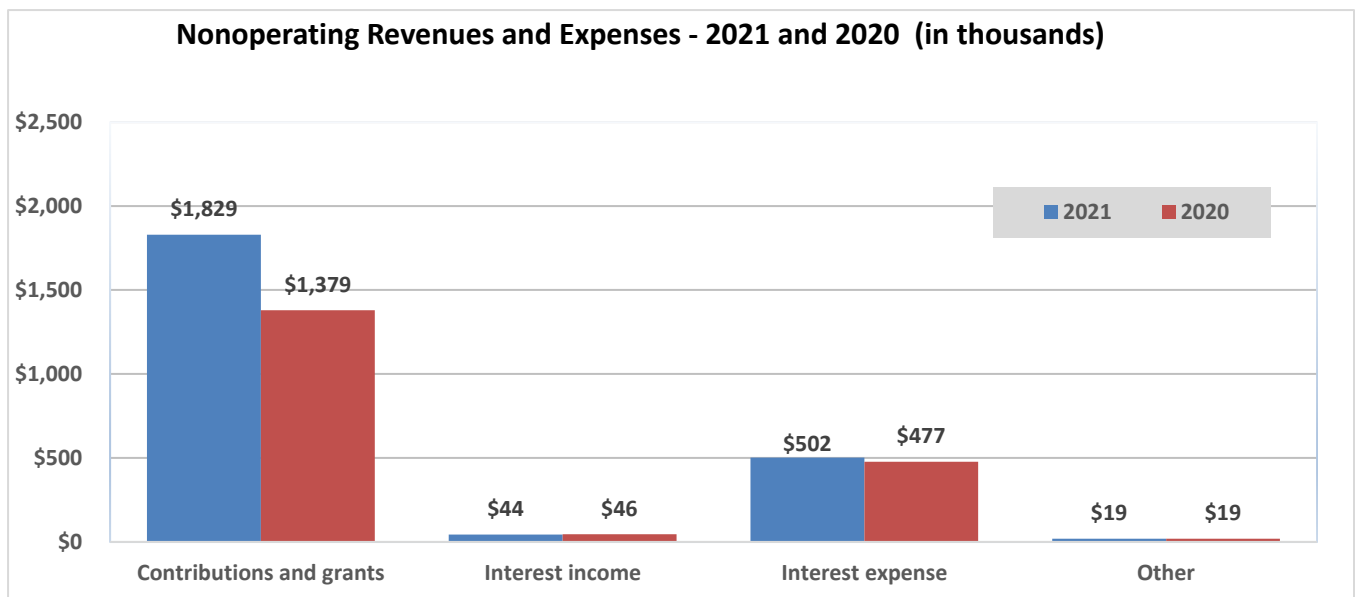
Operating expenses decreased 5% or \$368,970 from 2020 to 2021. Rental operations expenses decreased by \$91,482 due to process improvements in maintenance billing. Property management expenses decreased by \$227,985 as COVID-19 related expenses contracted, including hazard pay for front-line staff, personal protective equipment and increased cleaning. General administration decreased by \$19,642.



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

**Management’s Discussion and Analysis
December 31, 2021**

Non-operating revenues and expenses represent income earned and expenses incurred that are derived from sources not related to the typical activities of the Authority. Contributions and grant revenue comes from amounts contributed to the Authority by individuals and businesses, as well as city, state and federal government agencies, and increased by \$449,240 in continued response to COVID-19. Interest income decreased by \$2,320 as a result of lower interest rates. Interest expense increased by \$24,635 in response to GASB 89, which eliminated interest cost incurred before the end of a construction period and required expensing interest incurred through December 31, 2021 on the North Lot Development Project. 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, 2021**

Capital Asset and Debt Administration

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

| | December 31, 2021 | December 31, 2020 |
|--|----------------------|----------------------|
| Capital assets not being depreciated: | | |
| Land | \$ 1,273,941 | \$ 1,273,941 |
| Construction in progress | 4,548,681 | 6,202,142 |
| | <u>5,822,622</u> | <u>7,476,083</u> |
| Depreciable capital assets: | | |
| Buildings and improvements | 57,505,113 | 57,469,702 |
| Furniture and equipment | 588,579 | 544,170 |
| | <u>58,093,692</u> | <u>58,013,872</u> |
| Less accumulated depreciation | <u>(25,017,068)</u> | <u>(23,486,849)</u> |
| Total capital assets being depreciated, net | <u>33,076,624</u> | <u>34,527,023</u> |
| Total capital assets, net | <u>\$ 38,899,246</u> | <u>\$ 42,003,106</u> |

Note 7 to the Authority's basic financial statements provides additional detail regarding the changes in capital assets during the year ended December 31, 2021.

The Authority's long-term debt was \$27,068,629 at December 31, 2021 compared to \$28,008,155 at December 31, 2020. Total long-term debt decreased by \$939,526 as loans were refinanced and payments were made to reduce outstanding debt. Current portion only of long-term debt increased by \$2,682,041 due to predevelopment loans for the North Lot Project from Impact Capital, Enterprise Community Partners, Inc., and Washington State Housing Finance Commission, all of which are scheduled to be paid off upon the construction loan closing in 2022. Note 9 to the Authority's basic financial statements provides additional detail regarding the debt changes during the year ended December 31, 2021.

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

**Management's Discussion and Analysis
December 31, 2021**

ECONOMIC FACTORS AFFECTING THE AUTHORITY'S FUTURE

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

In 2021, the Authority continued to work to meet the needs of its tenants during the COVID-19 pandemic and recovery. The Authority continued to pass on the economic relief that it received, in the form of loan deferrals and contributions, to its tenants in the form of rent concessions and meal deliveries. The Authority benefited from the stability of its residential housing subsidies and was able to help its commercial tenants stay in place, maintaining 93% 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. The Authority is moving forward with two development projects that are or will be funded with tax credit equity. While the Authority is subject to risks relative to increased construction costs, delays and unforeseen events outside the Authority's control, the Authority 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 the Authority's finances for all those interested. Questions concerning any of the information presented in this report or requests for additional information, including copies of component unit audit reports, should be addressed to 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, 2021

ASSETS

| | Primary Government | Component Units |
|--|-------------------------------|----------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 7,314,587 | 71,353 |
| Investments | 69,586 | - |
| Restricted cash | 1,571,202 | - |
| Receivables: | | |
| Grants, contributions and contracts | 357,434 | 10,581 |
| Due from component unit | 22,448 | - |
| Property management | 406,442 | - |
| Prepaid expenses and deposits | <u>333,294</u> | <u>1,769</u> |
| Total current assets | <u>10,074,993</u> | <u>83,703</u> |
| Noncurrent assets: | | |
| Cash restricted for long-term purpose | 2,842,250 | 1,799,633 |
| Investments restricted for long-term purpose | 534,628 | - |
| Capital assets, net | 38,899,246 | 24,135,396 |
| Notes receivable | 206,285 | - |
| Due from component units | <u>2,478,100</u> | <u>-</u> |
| Total noncurrent assets | <u>44,960,509</u> | <u>25,935,029</u> |
| Total assets | <u>\$ 55,035,502</u> | <u>26,018,732</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, 2021

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

| | <u>Primary Government</u> | <u>Component Units</u> |
|--|-------------------------------|----------------------------|
| Current liabilities: | | |
| Current portion of long-term debt | \$ 3,907,112 | - |
| Accounts payable | 222,706 | 368 |
| Construction costs payable | 69,200 | 3,636,606 |
| Accrued liabilities, current | 519,661 | 17,255 |
| Accrued liabilities, due to Primary Government, current | - | 44,056 |
| Tenant security deposits | 149,246 | - |
| Deferred revenues and other | 739,596 | - |
| Total current liabilities | <u>5,607,521</u> | <u>3,698,285</u> |
| Long-term liabilities: | | |
| Accrued liabilities, net of current portion | 1,227,625 | 50,787 |
| Due to Primary Government | - | 1,427,630 |
| Due to related party | - | 1,371,645 |
| Long-term debt - due to Primary Government | - | 1,050,470 |
| Long-term debt, net of current portion | <u>23,161,517</u> | <u>14,995,493</u> |
| Total long-term liabilities | <u>24,389,142</u> | <u>18,896,025</u> |
| Total liabilities | <u>29,996,663</u> | <u>22,594,310</u> |
| Deferred inflows of resources: | | |
| Deferred rent revenues | 1,050,470 | |
| Deferred bond refunding gain, net | <u>294,955</u> | - |
| Total deferred inflows of resources | <u>1,345,425</u> | - |
| Net position: | | |
| Invested in capital assets, net of debt | 11,830,618 | 8,089,433 |
| Restricted | 4,948,080 | - |
| Unrestricted | <u>6,914,716</u> | <u>(4,665,011)</u> |
| Total net position | <u>23,693,414</u> | <u>3,424,422</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 55,035,502</u> | <u>26,018,732</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, 2021

| | <u>Primary Government</u> | <u>Component Units</u> |
|--|-------------------------------|----------------------------|
| Operating revenues: | | |
| Service agreements | \$ 1,681,859 | - |
| Rental income | 4,795,515 | - |
| Administrative fees, property management and ground leases | 258,689 | - |
| Reimbursed expenses | 1,331,386 | - |
| Other | <u>107,146</u> | <u>-</u> |
| Total operating revenues | <u>8,174,595</u> | <u>-</u> |
| Operating expenses: | | |
| Rental operations | 2,129,500 | - |
| Property management, project and community development | 2,125,668 | - |
| General administration | 924,154 | 10,204 |
| Depreciation | <u>1,558,089</u> | <u>-</u> |
| Total operating expenses | <u>6,737,411</u> | <u>10,204</u> |
| Operating income (loss) | 1,437,184 | (10,204) |
| Nonoperating revenues (expenses): | | |
| Contributions and grants - operating | 1,230,461 | 194,802 |
| Contributions and grants - capital | 598,064 | - |
| Interest income | 44,071 | 3,210 |
| Interest expense | (502,076) | - |
| Other | <u>19,312</u> | <u>(131,496)</u> |
| Total nonoperating revenues (expenses), net | <u>1,389,832</u> | <u>66,516</u> |
| Contributions and distributions: | | |
| Partner and member distributions | <u>-</u> | <u>3,399,343</u> |
| Total contributions (distributions), net | <u>-</u> | <u>3,399,343</u> |
| Change in net position | 2,827,016 | 3,455,655 |
| Net position, beginning of year | <u>20,866,398</u> | <u>(31,233)</u> |
| Net position, end of year | <u>\$ 23,693,414</u> | <u>3,424,422</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, 2021

| | <u>Primary Government</u> | <u>Component Units</u> |
|--|-------------------------------|----------------------------|
| Cash flows from operating activities: | | |
| Cash received from service agreements and tenants | \$ 8,568,055 | - |
| Cash received from pass-through contributions | 2,649,642 | - |
| Cash paid for goods and services | (2,809,395) | (20,286) |
| Cash paid to employees | (2,624,698) | - |
| Cash paid for pass-through contributions | <u>(3,103,128)</u> | <u>-</u> |
| Net cash provided by (used in) operating activities | <u>2,680,476</u> | <u>(20,286)</u> |
| Cash flows from noncapital financing activities: | | |
| Noncapital contributions, net | <u>1,220,309</u> | <u>(136,881)</u> |
| Net cash provided by (used in) noncapital financing activities | <u>1,220,309</u> | <u>(136,881)</u> |
| Cash flows from capital financing activities: | | |
| Payments of notes payable | (1,028,839) | - |
| Borrowing on note payable | 89,313 | 16,045,963 |
| Advance lease payments received | 1,050,470 | - |
| Capital grants and contributions | 528,565 | 3,399,343 |
| Capital expenditures | (974,792) | (17,889,528) |
| Payments of interest | <u>(403,718)</u> | <u>-</u> |
| Net cash provided by (used in) capital financing activities | <u>(739,001)</u> | <u>1,555,778</u> |
| Cash flows from investing activities: | | |
| Sale (purchase) of investments, net | 93,897 | - |
| Notes receivable advances, net | (352,187) | - |
| Gain (Loss) on transfer of interest in Component Unit | (293,323) | 293,323 |
| Interest on investments | <u>44,071</u> | <u>3,210</u> |
| Net cash provided by (used in) investing activities | <u>(507,542)</u> | <u>296,533</u> |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | 2,654,242 | 1,695,144 |
| Cash, restricted cash, and cash equivalents at beginning of year | <u>9,073,797</u> | <u>175,842</u> |
| Cash, restricted cash, and cash equivalents at end of year | <u>\$ 11,728,039</u> | <u>1,870,986</u> |
| Reconciliation to Statement of Net Position: | | |
| Cash and cash equivalents | \$ 7,314,587 | 71,353 |
| Restricted cash - current | 1,571,202 | - |
| Cash restricted for long-term purpose | <u>2,842,250</u> | <u>1,799,633</u> |
| | <u>\$ 11,728,039</u> | <u>1,870,986</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, 2021

| | <u>Primary</u> <u>Government</u> | <u>Component</u> <u>Units</u> |
|---|-------------------------------------|----------------------------------|
| RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | |
| Net operating income (loss) | \$ 1,437,184 | (10,204) |
| Adjustments to reconcile net operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,558,089 | - |
| (Increase) decrease in assets: | | |
| Receivables | (170,002) | (1,780) |
| Prepaid expenses, deposits and other | (283,475) | (905) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 13,021 | (7,369) |
| Accrued liabilities | 15,683 | (28) |
| Deferred revenues and funds held in trust | <u>109,976</u> | <u>-</u> |
| Total adjustments | <u>1,243,292</u> | <u>(10,082)</u> |
| Net cash provided by (used in) operating activities | <u>\$ 2,680,476</u> | <u>(20,286)</u> |
| Non-cash transactions that would have been reported if the transactions had involved a cash exchange: | | |
| Interest forgiveness on loans | \$ 19,312 | - |
| Capital assets purchased with construction payables | 43,004 | 3,807,393 |
| Transfer of capital assets from Primary Govt to Component Unit | (2,438,475) | 2,438,475 |

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, 2021

NOTE 1 - ORIGIN, PURPOSE, AND AUTHORITY

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

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

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

▲ Community Initiatives

Community Initiatives is the community-interfacing department of the SCIDpda. Formerly known as IDEA Space, Community Initiatives focuses on projects that aim to revitalize the neighborhood and support economic growth. Its 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

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

Financial Statement Presentation

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

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)

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 2021, 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 the SCIDpda. SCIDpda exercises complete management and financial control over these entities and their financial activities are blended into SCIDpda’s basic financial statements.

The Chinatown International District Preservation and Development Association (CIDPDA) was incorporated June 14, 1994 for the purpose of raising funds for the planning, development and operations of SCIDpda projects and programs. The SCIDpda has agreed to provide administrative staff support, office space, utilities, telephone, and supplies to the CIDPDA; in return, the SCIDpda receives the benefits of the CIDPDA’s fundraising efforts. In 2021, SCIDpda recorded \$713,673 in support from the 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 the SCIDpda. Because the CIDPDA’s resources can only be used by or for the benefit of the SCIDpda, the CIDPDA is considered a component unit of the SCIDpda and is discretely presented in the SCIDpda’s financial statements.

SCIDpda was the initial limited partner of Big Village LLLP with 99.99% ownership until 2021. On May 17, 2021, SCIDpda assigned its 99.99% ownership interest as initial limited partner to Hudson Big Village LLC (the “investment partner”) and to Hudson SLP LLC, the “special limited partner”. SCIDpda assumed .006% ownership in Big Village LLLP on that date as managing general partner. Prior to the assignment of ownership interest, Big Village LLLP was reported as a blended component unit of the Authority. As managing general partner, SCIDpda now reports Big Village LLLP as a discretely presented component unit. These transactions resulted in the following increases and decreases in the January 1, 2021 amounts reported for the primary government and component units:

| | Primary Government | Component Units |
|------------------------|-----------------------|--------------------|
| Current assets | \$ (293,323) | 293,323 |
| Capital assets, net | (2,438,475) | 2,438,475 |
| Other long-term assets | 1,999,905 | - |
| Current liabilities | 731,893 | (731,893) |
| Long-term debt | - | (1,999,905) |
| Net Position | \$ - | - |

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)

Recently Adopted Accounting Principles

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, requires that interest costs incurred during construction be expensed. The impact to the Authority's financial statements as a result of implementing this standard for ongoing construction progress resulted in an increase to interest expense of \$33,829, and a decrease in capital assets of \$33,829. There were no material effects on the prior period financial statements as a result of implementing this standard.

New Accounting Standards to be Adopted in Future Years

GASB Statement No. 87, *Leases*, is effective for reporting periods beginning after June 15, 2021. Its objective is to improve accounting and financial reporting for leases by governments by establishing a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset. It requires recognition of certain lease assets and liabilities that were previously classified as operating.

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for reporting periods beginning after December 15, 2021. This Statement will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*, is effective for reporting periods beginning after June 15, 2021. Its objective is to address accounting and financial reporting implications that result from the replacement of an IBOR.

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. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, is effective for fiscal years beginning after June 15, 2021, except for certain provisions which are effective immediately.

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

Capital Assets and Depreciation

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

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

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

Use of Estimates

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rental Operation Costs

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

Interest Costs Incurred During a Construction Period

The 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 2021, total interest incurred by the SCIDpda was \$502,076, all of which was charged to nonoperating expenses. Of that amount, \$138,166 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. The SCIDpda has a deferred gain on refunding debt which qualifies for reporting as a deferred inflow of resources. A deferred gain on refunding debt results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The 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

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

Cash and Cash Equivalents

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

Notes Receivable and Notes Payable

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

Revenue Recognition

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

Donated Materials and Equipment

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

Compensated Absences

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

Fair Value of Financial Instruments

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

Budgets

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

These notes are an integral part of the financial statements.

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

NOTE 3 - CONCENTRATION OF CREDIT RISK

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

NOTE 4 – CASH AND CASH EQUIVALENTS, RESTRICTED CASH, AND INVESTMENTS

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

Deposits in Pooled Accounts

The Authority 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.

Classification

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

Cash, cash equivalents, and investments held by the SCIDpda at December 31, 2021 were:

| | Cash and Cash | | |
|--|----------------------|----------------|-------------------|
| | Equivalents | Investments | Total |
| Deposits - unrestricted | \$ 4,438,897 | - | 4,438,897 |
| Deposits - restricted | 3,240,429 | - | 3,240,429 |
| Certificates of deposit - unrestricted | - | 69,586 | 69,586 |
| Certificates of deposit - restricted | - | 534,628 | 534,628 |
| Government money market funds - unrestricted | 875,016 | - | 875,016 |
| Government money market funds - restricted | 1,173,023 | - | 1,173,023 |
| Local Govt Investment Pool - unrestricted | 2,000,674 | - | 2,000,674 |
| | <u>\$ 11,728,039</u> | <u>604,214</u> | <u>12,332,253</u> |

Investment Risk Factors

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

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

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

Credit Risk

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

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

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the SCIDpda will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2021, all investments were insured or registered, and held by the Authority or its agent in the Authority'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. The SCIDpda does not have a policy for custodial credit risk.

Concentration of Credit Risk

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

Foreign Currency Risk

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

Interest Rate Risk

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the SCIDpda's deposits may not be returned to it. The SCIDpda does not have a deposit policy for custodial credit risk. At year end, the SCIDpda had \$11,728,039 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

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

The Authority's 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 the Authority to report investments with the WA State Investment Pool (LGIP) at amortized cost.

These notes are an integral part of the financial statements.

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

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

Restricted Cash and Investments

In accordance with the SCIDpda's bond resolutions and other agreements, separate restricted asset accounts have been established. These assets are restricted for specific purposes, including refunds to tenants, debt service payments, coverage of operating deficits and funding of capital projects or repairs. At December 31, 2021, 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 | \$ 1,083,404 | - | 1,083,404 |
| Operating & capital reserves | 3,181,416 | 534,628 | 3,716,044 |
| Tenant reserve accounts | 148,632 | - | 148,632 |
| | \$ 4,413,452 | 534,628 | 4,948,080 |

NOTE 5 - FEDERAL INCOME TAX

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

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

NOTE 6 - AGENCY SERVICE AGREEMENTS AND GRANTS

The SCIDpda receives funding under a variety of grants and service agreements from HUD, State of Washington, City of Seattle and other organizations and grantors. During the year ended December 31, 2021, SCIDpda received contributions and grants totaling \$1,828,525. All grants and contributions recognized during the year 2021 were included in unrestricted net position.

During 2020, SCIDpda was appointed the custodian of the Small Business Relief Fund (the Fund), which is managed by a coalition of various government agencies and not-for-profit entities in the International District. SCIDpda does not have administrative involvement or direct financial involvement with the Fund. As of December 31, 2020, SCIDpda held \$453,486 in assets for the Fund and these amounts were distributed in full in early 2021, and there were no cash balances held for the Fund at December 31, 2021.

During 2021, SCIDpda was appointed the custodian of the Seattle Raise the Bar fund, which is managed by a coalition of various government agencies and non-for-profit entities in the International District. SCIDpda does not have administrative involvement or direct financial involvement with the Fund. The Organization administered \$2.5 million in small business relief grants through this fund in November and December 2021, and all funds had been disbursed as of December 31, 2021. No cash balances were held for the Seattle Raise the Bar fund at December 31, 2021.

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

NOTE 7 – CAPITAL ASSETS

The capital assets (buildings, land, and equipment) are stated at cost. Depreciation expense for 2021 was \$1,558,089. Capital assets of the Primary Government as of December 31, 2021 are as follows:

| | Primary Government | Component Unit |
|---------------------------------------|-----------------------|-------------------|
| Land | \$ 1,273,941 | 1,188 |
| Construction in progress | <u>4,548,681</u> | <u>24,134,208</u> |
| Total non-depreciable capital assets | <u>5,822,622</u> | <u>24,135,396</u> |
| Buildings | 57,505,113 | - |
| Furniture and equipment | <u>588,579</u> | <u>-</u> |
| | 58,093,692 | - |
| Less accumulated depreciation | <u>(25,017,068)</u> | <u>-</u> |
| Total depreciable capital assets, net | <u>33,076,624</u> | <u>-</u> |
| Capital assets, net | <u>\$ 38,899,246</u> | <u>24,135,396</u> |

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

| | Balance 1/1/2021 | Additions | Disposals/ Xfers | Transfer to Component Unit | Balance 12/31/2021 |
|--------------------------|----------------------|--------------------|---------------------|----------------------------------|-----------------------|
| Land | \$ 1,273,941 | - | - | - | 1,273,941 |
| Construction in Progress | 6,202,142 | 824,098 | (39,084) | (2,438,475) | 4,548,681 |
| Buildings & Improvements | 57,469,702 | 63,281 | (27,870) | - | 57,505,113 |
| Furniture & Equipment | 544,170 | 44,409 | - | - | 588,579 |
| | <u>65,489,955</u> | <u>931,788</u> | <u>(66,954)</u> | <u>(2,438,475)</u> | <u>63,916,314</u> |
| Accumulated Depreciation | <u>(23,486,849)</u> | <u>(1,558,089)</u> | <u>27,870</u> | <u>-</u> | <u>(25,017,068)</u> |
| | <u>\$ 42,003,106</u> | <u>(626,301)</u> | <u>(39,084)</u> | <u>(2,438,475)</u> | <u>38,899,246</u> |

Component Units

The capital assets (buildings, land, and equipment) are stated at cost. Depreciation expense for 2021 was \$0. The following is a summary of the changes in capital assets of the Component Units during the year ended December 31, 2021:

| | Balance 1/1/2021 | Additions | Transfer from Primary Government | Balance 12/31/2021 |
|--------------------------|---------------------|-------------------|--|-----------------------|
| Land | \$ - | 1,188 | - | 1,188 |
| Construction in Progress | - | 21,695,733 | 2,438,475 | 24,134,208 |
| Buildings & Improvements | - | - | - | - |
| Furniture & Equipment | - | - | - | - |
| | <u>-</u> | <u>21,696,921</u> | <u>2,438,475</u> | <u>24,135,396</u> |
| Accumulated Depreciation | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ -</u> | <u>21,696,921</u> | <u>2,438,475</u> | <u>24,135,396</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, which was 3.00% at December 31, 2021. Line of credit matures December 31, 2022. At December 31, 2021, SCIDpda had outstanding borrowings of \$0, and no amounts were drawn or paid during 2021.

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

Direct borrowings on notes payable by the Primary Government as of December 31, 2021, consisted of the following:

| | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|--|----------------|------------------|--------------|
| <u>Core Services:</u> | | | |
| 0.0% CDBG loan of \$93,534 from the City of Seattle, dated May 27, 1998. The note is due May 27, 2038 and is secured by a deed of trust. | \$ - | 93,534 | 93,534 |
| 0.0% CDBG loan of \$93,567 from the City of Seattle, dated December, 1997. The note is due December 2037 and is secured by a deed of trust. | - | 93,567 | 93,567 |
| 0.0% International District Neighborhood Strategy Area (IDNSA) Program loan of \$633,407 from the Dept. of Community Development of Seattle dated September 28, 1982, for renovation of New Central Project. The note is due and payable April 30, 2057. | - | 633,407 | 633,407 |
| Loan payable to Impact Capital for up to \$1,000,000 dated July 23, 2020. The loan bears simple interest of 5.25% and matures on July 31, 2022. | 1,000,000 | - | 1,000,000 |
| Loan payable to Enterprise Community Partners, Inc. for up to \$300,000 for construction of the North Lot Development project. The loan bears interest at 2% per annum, and matures on March 31, 2022. | 300,000 | - | 300,000 |
| Loan payable to Washington State Housing Finance Commission for \$1,532,500 to finance the earnest money deposit for the purchase of the North Lot property for future development. The loan bears interest at 1% per annum, and matures on August 31, 2022. | 1,532,500 | - | 1,532,500 |
| Note payable up to \$120,000 to the City of Seattle. Contingent upon compliance with all related terms and conditions, the note accrues no interest and is forgivable on the maturity date. After the maturity date or upon default, the principal balance accrues interest at 12% per annum, and principal is due and payable on March 26, 2026. | - | 120,000 | 120,000 |
| Note payable up to \$196,000 to the City of Seattle. Contingent upon compliance with all related terms and conditions, the note accrues no interest and is forgivable on the maturity date. After the maturity date or upon default, the principal balance accrues interest at 12% per annum, and principal is due and payable on March 31, 2026. | - | 196,000 | 196,000 |
| <u>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. | - | 962,361 | 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 \$952,371 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. | 480,000 | 2,015,000 | 2,495,000 |
| <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. | 33,196 | 631,465 | 664,661 |
| 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. | 235,000 | 2,975,000 | 3,210,000 |
| <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 preceding 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. | - | 1,251,463 | 1,251,463 |

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. The note requires monthly payments of principal and interest at the rate of 4.47% and matures January 10, 2026. The note is secured by a deed of trust. | 101,280 | 2,886,614 | 2,987,894 |
| <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. | 43,198 | 155,582 | 198,780 |
| 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. | 17,420 | 174,254 | 191,674 |
| \$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. | - | 474,817 | 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. | 34,518 | 861,293 | 895,811 |

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. | 130,000 | 798,000 | 928,000 |
| Totals | \$3,907,112 | 23,161,517 | 27,068,629 |

Maturities of Long-Term Liabilities

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

| Years | Principal | Interest | Total |
|-------------|---------------|-----------|------------|
| 2022 | \$ 3,907,112 | 452,988 | 4,360,100 |
| 2023 | 1,145,108 | 439,458 | 1,584,566 |
| 2024 | 1,247,582 | 344,302 | 1,591,884 |
| 2025 | 1,285,646 | 309,167 | 1,594,813 |
| 2026 | 4,046,435 | 170,040 | 4,216,475 |
| 2027 - 2031 | 3,587,049 | 442,482 | 4,029,531 |
| 2032 - 2036 | 5,851,528 | 534,891 | 6,386,419 |
| 2037 - 2041 | 721,313 | 49,794 | 771,107 |
| 2042 - 2046 | 2,145,812 | 692,476 | 2,838,288 |
| 2047 - 2051 | 229,600 | 4,234 | 233,834 |
| 2052 - 2056 | 2,268,037 | 1,288,867 | 3,556,904 |
| 2057 - 2061 | 633,407 | - | 633,407 |
| | \$ 27,068,629 | 4,728,699 | 31,797,328 |

The following is a summary of changes in long-term liabilities of the Primary Government:

| | Balance 1/1/2021 | Increases | Decreases | Balance 12/31/2021 | Due within one year |
|------------------------------|---------------------|-----------|-------------|-----------------------|------------------------|
| Accrued liabilities | \$ 1,660,416 | 86,870 | - | 1,747,286 | \$ 519,661 |
| Notes from direct borrowings | 28,008,155 | 89,313 | (1,028,839) | 27,068,629 | 3,907,112 |
| | \$29,668,571 | 176,183 | (1,028,839) | 28,815,915 | \$ 4,426,773 |

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, 2021:

| | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|--|----------------|------------------|--------------|
| <u>Core Services:</u> | | | |
| Construction loan payable to Chase Bank for up to \$6,230,900 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 property. | \$ - | 5,595,493 | 5,595,493 |
| Note payable to the City of Seattle for up to \$6m, 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 \$4m, 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 |
| Totals | \$ - | 16,045,963 | 16,045,963 |

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> |
|--------------|------------------|-----------------|--------------|
| 2022 | \$ - | - | - |
| 2023 | 5,595,493 | 249,917 | 5,845,410 |
| 2024 | - | - | - |
| 2025 | - | - | - |
| 2026 | - | - | - |
| 2027 - 2031 | - | - | - |
| 2032 - 2036 | - | - | - |
| 2037 - 2041 | - | - | - |
| 2042 - 2046 | - | - | - |
| 2047 - 2051 | - | - | - |
| 2052 - 2056 | - | - | - |
| 2057 - 2061 | - | - | - |
| 2062 - 2066 | - | - | - |
| 2067 - 2071 | - | - | - |
| 2072 - 2076 | - | - | - |
| 2077 - 2078 | 10,450,470 | 5,992,249 | 16,442,719 |
| | \$ 16,045,963 | 6,242,166 | 22,288,129 |

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)

The following is a summary of changes in long-term liabilities of the Component Units during the year ended December 31, 2021:

| | Balance 1/1/2021 | Increases | Decreases | Balance 12/31/2021 | Due within one year |
|--|---------------------|-------------------|-----------|-----------------------|------------------------|
| Accrued liabilities | \$ 7,765 | 60,277 | - | 68,042 | \$ 17,255 |
| Due to Primary Government | 173,095 | 1,298,591 | - | 1,471,686 | 44,056 |
| Due to Related Party | - | 1,371,645 | - | 1,371,645 | - |
| Notes from direct borrowings - due to Primary Govt | - | 1,050,470 | - | 1,050,470 | - |
| Notes from direct borrowings | - | 14,995,493 | - | 14,995,493 | - |
| | <u>\$ 180,860</u> | <u>18,776,476</u> | <u>-</u> | <u>18,957,336</u> | <u>\$ 61,311</u> |

NOTE 10 – TENANT SECURITY DEPOSITS

Security deposits and trust funds at December 31, 2021 consisted of tenant Residential and Commercial Lease Deposits for the properties owned and managed by SCIDpda.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Commercial Lease Agreements:

The SCIDpda has entered into lease agreements to lease office space to various commercial and social agency tenants in its facilities. As of December 31, 2021, the SCIDpda has entered into numerous separate lease agreements with terms ranging from \$500 per month to \$68,589 per month over periods ranging from month-to-month to thirty years.

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

| | BH | | | | | |
|------------|---------------------|------------------|----------------|------------------|----------------|-------------------|
| | Commercial | IDVS1 | IDVS2 Com | IDVS2LP | NCC | Total |
| 2022 | \$ 277,774 | 1,627,680 | 111,690 | 96,602 | 234,827 | 2,348,573 |
| 2023 | 249,667 | 1,485,522 | 102,887 | 98,051 | 211,410 | 2,147,537 |
| 2024 | 257,049 | 779,082 | 95,283 | 99,521 | 214,172 | 1,445,107 |
| 2025 | 264,695 | 779,082 | 58,323 | 101,014 | 160,930 | 1,364,044 |
| 2026 | 272,605 | 753,167 | - | 102,529 | 86,630 | 1,214,931 |
| Thereafter | <u>209,727</u> | <u>1,673,376</u> | <u>-</u> | <u>877,582</u> | <u>-</u> | <u>2,760,685</u> |
| | <u>\$ 1,531,517</u> | <u>7,097,909</u> | <u>368,183</u> | <u>1,375,299</u> | <u>907,969</u> | <u>11,280,877</u> |

During the year ended December 31, 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. The SCIDpda then entered into a sub-lease agreement for the 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. See Joint Venture – 13th & Fir (formerly Yesler Terrace Family Housing) section below. The lease is expected to commence upon substantial completion of the construction of the commercial space in 2023. Lease payments received in advance are recorded as deferred inflows of resources and will be recognized ratably over the life of the lease.

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

NOTE 11 - COMMITMENTS AND CONTINGENCIES (continued)

Other Commitments and Contingencies

1. Contract and Regulatory Compliance

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

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

2. Risk Management

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

3. Legacy House and International District Village Square Phase 1

The mission of Legacy House is to enhance the quality of life for low-income seniors in a culturally responsive environment. The target resident population and rent levels at Legacy House must be maintained as described in various funding source regulatory agreements which expire in 2053. The regulatory agreements are with the City of Seattle, Federal Home Loan Bank, King County, and the State of Washington. As of March 2019, the Legacy House program is no longer operated by SCIDpda, but rather the Authority is leasing the International 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

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

The SCIDpda and the 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 the SCIDpda and the LLC.

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

5. Guarantees for Component Units

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

In addition, the SCIDpda has guaranteed the repayment of any tax credit recapture event that is triggered by the filing of a tax return claiming less credits than the amounts allowed per the agreements or as a result of an audit by the Internal Revenue Service which results in the assessment of a tax deficiency. No recapture events occurred in 2021.

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

NOTE 11 - COMMITMENTS AND CONTINGENCIES (continued)

6. Joint Venture – 13th & Fir (formerly Yesler Terrace Family Housing)

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 parties formed Monku LLC, in which SCIDpda owns a 51% interest and CRH owns a 49% interest. Monku LLC was originally intended to serve as the General Partner in Big Village LLLP. Due to financing restrictions of the committed loan from Seattle Housing Authority, in 2021 it was determined to dissolve Monku LLC and remove it from the ownership structure. Big Village LLLP will own 13th & Fir, with SCIDpda serving as the Initial Limited Partner with a 99.99% interest until May 2021, when a formal tax credit investor partner was admitted and SCIDpda withdrew as the Initial Limited Partner. CRH is the Co-General Partner with .004% ownership interest in the partnership and will serve as the asset manager of the project. SCIDpda is 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. 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, 2021, SCIDpda and CRH earned \$1,680,590 and \$1,614,685 in developer fee revenue under this agreement, respectively, of which \$1,427,630 and \$1,371,645 is outstanding and payable by Big Village LLLP at December 31, 2021 to SCIDpda and CRH, respectively.

During 2021, 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, 2021, \$1,050,470 in loan funds have been advanced under these agreements and are recorded as notes receivable by SCIDpda. See Commercial Lease Agreements section above.

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. 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. SCIDpda has received a \$1,532,500 Land Acquisition Program (LAP) loan from the Washington State Housing Finance Commission and \$1,300,000 in predevelopment loans from Impact Capital and Enterprise for this project. SCIDpda subsequently advanced up to \$2,500,000 to the project for additional predevelopment costs. By December 31, 2021, public funding awards had been made by the Washington State Housing Trust Fund, the Washington State Housing Finance Commission (bond award), King County, and the City of Seattle. The project financing is expected to close in July 2022 and break ground shortly thereafter. Expected completion date is May of 2024.

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

NOTE 12 – DISCRETELY PRESENTED COMPONENT UNITS

Summarized discretely presented component units' statement of net position information at December 31, 2021:

| | CIDPDA | Big Village LLLP | Total |
|--|------------------|---------------------|-------------------|
| Current assets: | | | |
| Cash and cash equivalents | \$ 66,109 | 5,244 | 71,353 |
| Accounts receivable | 7,204 | 3,377 | 10,581 |
| Prepaid expenses and deposits | 1,769 | - | 1,769 |
| Total current assets | <u>75,082</u> | <u>8,621</u> | <u>83,703</u> |
| Noncurrent assets: | | | |
| Restricted cash and investments | - | 1,799,633 | 1,799,633 |
| Capital assets, net | - | 24,135,396 | 24,135,396 |
| Total noncurrent assets | <u>-</u> | <u>25,935,029</u> | <u>25,935,029</u> |
| Total assets | <u>\$ 75,082</u> | <u>25,943,650</u> | <u>26,018,732</u> |
| Current liabilities: | | | |
| Accounts payable | \$ 368 | - | 368 |
| Construction costs payable | - | 3,636,606 | 3,636,606 |
| Accrued liabilities - due to Primary Government, current | 44,056 | - | 44,056 |
| Accrued liabilities, current | 8,788 | 8,467 | 17,255 |
| Total current liabilities | <u>53,212</u> | <u>3,645,073</u> | <u>3,698,285</u> |
| Long-term liabilities: | | | |
| Accrued liabilities | - | 50,787 | 50,787 |
| Accrued liabilities - due to Primary Government | - | 1,427,630 | 1,427,630 |
| Accrued liabilities - due to related parties | - | 1,371,645 | 1,371,645 |
| Long-term debt, due to Primary Government | - | 1,050,470 | 1,050,470 |
| Long-term debt, net of current portion | - | 14,995,493 | 14,995,493 |
| Total long-term liabilities | <u>-</u> | <u>18,896,025</u> | <u>18,896,025</u> |
| Total liabilities | <u>53,212</u> | <u>22,541,098</u> | <u>22,594,310</u> |
| Net position: | | | |
| Invested in capital assets, net of debt | - | 8,089,433 | 8,089,433 |
| Unrestricted | 21,870 | (4,686,881) | (4,665,011) |
| Total net position | <u>21,870</u> | <u>3,402,552</u> | <u>3,424,422</u> |
| Total liabilities and net position | <u>\$ 75,082</u> | <u>25,943,650</u> | <u>26,018,732</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 12 – 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, 2021:

| | CIDPDA | Big Village LLLP | Total |
|---|-----------|---------------------|-----------|
| Operating expenses: | | | |
| General administration | \$ 10,204 | - | 10,204 |
| Depreciation and amortization | - | - | - |
| Total operating expenses | 10,204 | - | 10,204 |
| Operating income (loss) | (10,204) | - | (10,204) |
| Nonoperating revenues (expenses): | | | |
| Contributions and grants - operational support | 908,475 | - | 908,475 |
| Contributions and grants - paid to Primary Government | (713,673) | - | (713,673) |
| Interest income | 1 | 3,209 | 3,210 |
| Other | (131,496) | - | (131,496) |
| Total nonoperating revenues (expenses), net | 63,307 | 3,209 | 66,516 |
| Contributions and Distributions: | | | |
| Partner and member capital contributions (distributions), net | - | 3,399,343 | 3,399,343 |
| Total contributions (distributions), net | - | 3,399,343 | 3,399,343 |
| Change in net position | 53,103 | 3,402,552 | 3,455,655 |
| Net position, beginning of year | (31,233) | - | (31,233) |
| Net position, end of year | \$ 21,870 | 3,402,552 | 3,424,422 |

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 – 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 Master Tenant LLC | NC Hotel LLC |
| Assets: | | | | | | | | | | |
| Current assets | \$ 124,711 | - | 254,247 | 1,859,188 | 619,518 | 227,428 | 87,264 | 29,229 | 11,924 | 169,902 |
| Capital assets, net | - | - | 5,200,031 | 4,184,457 | 8,287,051 | 68,433 | - | - | - | 5,496,452 |
| Other assets | - | (40,421) | 242,713 | - | 50,000 | (35,738) | (43,380) | 205,639 | 2,246,688 | 547,403 |
| Total assets | \$ 124,711 | (40,421) | 5,696,991 | 6,043,645 | 8,956,569 | 260,123 | 43,884 | 234,868 | 2,258,612 | 6,213,757 |
| Liabilities | | | | | | | | | | |
| Current liabilities | \$ 2,020,996 | - | 175,671 | 495,956 | 960,799 | 38,317 | 153,644 | - | - | 113,276 |
| Noncurrent liabilities | - | 7,718 | 1,659,292 | 3,441,085 | 6,739,118 | - | - | - | - | 2,886,614 |
| Total liabilities | 2,020,996 | 7,718 | 1,834,963 | 3,937,041 | 7,699,917 | 38,317 | 153,644 | - | - | 2,999,890 |
| Net Position | | | | | | | | | | |
| Invested in capital assets, net of related debt | - | (7,718) | 3,376,221 | 682,754 | 1,427,933 | 68,433 | - | - | - | 2,508,558 |
| Restricted | 23,579 | - | 54,493 | 1,712,344 | 487,663 | 208,935 | 19,633 | - | - | 72,083 |
| Unrestricted | (1,919,864) | (40,421) | 431,314 | (288,494) | (658,944) | (55,562) | (129,393) | 234,868 | 2,258,612 | 633,226 |
| Total net position | (1,896,285) | (48,139) | 3,862,028 | 2,106,604 | 1,256,652 | 221,806 | (109,760) | 234,868 | 2,258,612 | 3,213,867 |
| Total liabilities and net position | \$ 124,711 | (40,421) | 5,696,991 | 6,043,645 | 8,956,569 | 260,123 | 43,884 | 234,868 | 2,258,612 | 6,213,757 |
| 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 Master Tenant LLC | NC Hotel LLC |
| Operating revenues | \$ 737,209 | 147,223 | - | 831,705 | 922,149 | 516,102 | 380,182 | 41,788 | 40,149 | - |
| Operating expenses: | (821,629) | (646) | 514,900 | (560,494) | (630,888) | (431,860) | (416,781) | (555) | (21,215) | 381,233 |
| Depreciation and amortization | - | - | (226,113) | (134,817) | (321,444) | (3,232) | - | - | - | (161,750) |
| Operating income (loss) | (84,420) | 146,577 | 288,787 | 136,394 | (30,183) | 81,010 | (36,599) | 41,233 | 18,934 | 219,483 |
| Nonoperating revenues (expenses): | | | | | | | | | | |
| Interest income | 29 | - | 91 | 1,659 | 522 | 44 | 3 | - | 5 | 18 |
| Interest expense | - | - | (32,838) | (15,844) | (150,931) | - | - | - | - | (137,564) |
| Nonoperating revenues (expenses) | 29 | - | (32,747) | (14,185) | (150,409) | 44 | 3 | - | 5 | (137,546) |
| Change in net position | (84,391) | 146,577 | 256,040 | 122,209 | (180,592) | 81,054 | (36,596) | 41,233 | 18,939 | 81,937 |
| Net position, beginning of year | (1,811,894) | (194,716) | 3,839,988 | 2,106,494 | 1,437,244 | 165,752 | (73,164) | 193,635 | 2,267,673 | 3,221,930 |
| Change in component unit | - | - | - | - | - | - | - | - | - | - |
| Contributions (Distributions) | - | - | (234,000) | (122,099) | - | (25,000) | - | - | (28,000) | (90,000) |
| Net position, end of year | \$ (1,896,285) | (48,139) | 3,862,028 | 2,106,604 | 1,256,652 | 221,806 | (109,760) | 234,868 | 2,258,612 | 3,213,867 |
| 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 Master Tenant LLC | NC Hotel LLC |
| Net Cash Provided by (Used in) | | | | | | | | | | |
| Operating activities | \$ 32,784 | (645) | 482,531 | 268,028 | 353,858 | 66,278 | 13,505 | (555) | 159,500 | 222,389 |
| Capital financing activities | - | 645 | (189,742) | (196,615) | (267,181) | - | - | - | (137,564) | (96,793) |
| Investing activities | 1,622 | - | (133,553) | (120,316) | (5,107) | (69,148) | 3,400 | - | (27,995) | (104,384) |
| Net increase (decrease) in cash and equivalents | 34,406 | - | 159,236 | (48,903) | 81,570 | (2,870) | 16,905 | (555) | (6,059) | 21,212 |
| Cash and Cash equivalents at January 1 | 22,487 | - | 37,618 | 183,313 | 43,584 | 17,893 | 19,288 | 29,784 | 17,983 | 34,683 |
| Cash and Cash equivalents at December 31 | \$ 56,893 | - | 196,854 | 134,410 | 125,154 | 15,023 | 36,193 | 29,229 | 11,924 | 55,895 |

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 - 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. The SCIDpda may contribute to the plan for employees and committed to contribute up to \$77,591 during 2021, which will be paid out in 2022. As the SCIDpda is not the owner of these assets, the plan assets and liabilities are not reported as part of the SCIDpda.

SCIDpda also offers employees an annual incentive compensation plan, which is based on collective benchmarks and goals approved by the Authority's Board of Directors at the beginning of each year and is paid out in the following year contingent on the Authority 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 2021, SCIDpda committed to pay employees up to \$108,627 in direct incentive compensation payments, contingent upon final board review and approval, which will be paid out in 2022.

NOTE 15 - ECONOMIC DEPENDENCY

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

NOTE 16 – 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, the Authority 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.

NOTE 17 – SUBSEQUENT EVENTS

In March 2022, SCIDpda's Executive Director of 12+ years left the Authority for an appointment as Director of the City of Seattle's Office of Housing. SCIDpda's Deputy Director was named Interim Executive Director and SCIDpda's Board of Directors has established a Transition Committee that is conducting a search to fill the Executive Director's role.

On May 11, 2022, SCIDpda's blended component unit New Central Master Tenant LLC was dissolved.

On June 15, 2022, 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 bearing interest at 4.47% per annum with a maturity date of January 10, 2026. The new note bears interest at 3.67% per annum with a maturity date of June 10, 2032.

Subsequent events have been evaluated through June 30, 2022, 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, 2021

| Federal Agency Name / Pass Through Agency | Federal Program Title | Assistance Listing | 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 | \$ 432,422 | - | - | 432,422 | - | |
| | Section 8 Housing Assistance Payments Program | 14.195 | WA19A001001 | 127,945 | - | - | 127,945 | - | |
| Seattle Housing Authority - Porchlight | Section 8 Housing Assistance Payments Program | 14.195 | N/A | - | 63,191 | - | 63,191 | - | 4 |
| Seattle Housing Authority - Section 8 Voucher | Section 8 Housing Assistance Payments Program | 14.195 | N/A | - | 28,450 | - | 28,450 | - | 4 |
| Subtotal Section 8 Project-Based Cluster (CFDA #14.195) | | | | 560,367 | 91,641 | - | 652,008 | - | |
| 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 | - | - | 208,823 | 208,823 | - | 6 |
| City of Seattle Dept. of Community Development | Community Development Block Grant Program | 14.218 | NA | - | - | 633,407 | 633,407 | - | 4, 6 |
| City of Seattle OED | Community Dev. Block Grant Program for Entitlement Communities | 14.218 | DC212140 | - | 20,000 | - | 20,000 | - | |
| Subtotal CFDA #14.218 | | | | - | 20,000 | 1,822,251 | 1,842,251 | - | |
| 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 (CFDA #14.218/14.253) | | | | - | 20,000 | 2,018,251 | 2,038,251 | - | * |
| 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 |
| LISC | Capacity Building for Community Dev. & Affordable Housing | 14.252 | 40843-0049 | - | 35,000 | - | 35,000 | - | |
| Enterprise Community Partners, Inc. | Capacity Building for Community Dev. & Affordable Housing | 14.252 | 20SG1909 | - | 50,000 | - | 50,000 | - | |
| Subtotal CFDA #14.252 | | | | - | 85,000 | 300,000 | 385,000 | - | |
| US Dept of Treasury | | | | | | | | | |
| King County | Coronavirus Relief Fund | 21.019 | 1139931-A03 | - | 7,500 | - | 7,500 | - | |
| WA State Dept of Commerce | Coronavirus Relief Fund | 21.019 | 20-77330650-004 | - | 12,500 | - | 12,500 | - | |
| Subtotal CFDA #21.019 | | | | - | 20,000 | - | 20,000 | - | |
| * Denotes a major program | | | | | | | | | |
| Total Expenditures of Federal Awards | | | | \$ 560,367 | 216,641 | 2,318,251 | 3,095,259 | - | |

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, 2021. The Schedule is prepared using the same basis of accounting as the financial statements of the SCIDpda (See Note 2 in the Notes to Financial Statements). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of SCIDpda, it is not intended to and does not present the financial position, changes in net assets, or cash flows of SCIDpda.

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Program and Indirect Costs

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

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

Note 4 – Not Available (N/A)

SCIDpda was unable to obtain an other identification number.

Note 5 – American Recovery and Reinvestment Act (ARRA)

Expenditures for this program were funded by ARRA funds.

Note 6 – Loans Outstanding

SCIDpda had the following loans outstanding at December 31, 2021. 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 | 191,674 |
| 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 | 300,000 |
| | | | <u>\$ 2,301,102</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 (the "Authority"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 30, 2022.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standard, continued***

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Finney, Hill & Company, P.S.

June 30, 2022
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 (the "Authority") 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 the Authority's major federal programs for the year ended December 31, 2021. The Authority'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, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

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 the Authority 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 the Authority'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 the Authority'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 the Authority'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 the Authority'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 the Authority'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 the Authority'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 the Authority'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 30, 2022
Seattle, Washington

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

Schedule of Findings and Questioned Costs
For the year ended December 31, 2021

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

Section I – Summary of Auditor’s Results

Financial Statements

| | |
|---|--------------------------------------|
| Type of auditor’s report issued | Unmodified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | _____ yes <u> X </u> no |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ yes <u> X </u> 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:

- CFDA 14.218/14.253, Community Development Block Grant Entitlements Cluster

| | |
|--|-----------|
| 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

NONE

Section III – Findings and Questioned Costs for Federal Awards

NONE

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

2020-001 Accounting for Pass-Through Contributions

| <u>CFDA Numbers</u> | <u>Name of Federal Program</u> |
|---------------------|--------------------------------|
| N/A | N/A |

Finding:

Pass-through contributions, and the related expenditures, over which SCIDpda did not have administrative or direct financial involvement were improperly recorded as contribution revenues and operating expenses of the SCIDpda during 2020.

Management Response:

Auditee agreed with the finding and corrected the accounting for the financial statements in 2020, and in 2021 implemented systems to properly evaluate and track pass-through contributions.

Status: Closed.