

Clerk File No. 311226

The City of Seattle – Legislative Department

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Clerk File No. 311226

2009 Historic Seattle Preservation and Development Authority Financial Statements and Independent Auditors' Report.

Committee Action:

Date	Recommendation	Vote

This file is complete and ready for presentation to Full Council. _____

Full Council Action:

Date	Decision	Vote

Related Legislation File: _____

Date Introduced and Referred:	To: (committee):
Date Re-referred:	To: (committee):
Date Re-referred:	To: (committee):
Date of Final Action:	Disposition: <i>Filed</i>

December 17, 2010
Date Filed with City Clerk

Janet Polata
By

CF No.311226

Title:2009 Historic Seattle Preservation and
Development Authority Financial Statements and
Independent Auditors' Report.

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HISTORIC SEATTLE PRESERVATION
AND DEVELOPMENT AUTHORITY

Financial Statements
and Supplemental Information
for the Year Ended December 31, 2009
and Independent Auditors' Report

HISTORIC SEATTLE PRESERVATION AND DEVELOPMENT AUTHORITY

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For the Year Ended December 31, 2009

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WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Council
Historic Seattle Preservation and Development Authority
Seattle, Washington

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Historic Seattle Preservation and Development Authority (Historic Seattle) as of and for the year ended December 31, 2009, which collectively comprise Historic Seattle's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Historic Seattle Preservation and Development Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Cadillac Rehabilitation LLC, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Historic Seattle Preservation and Development Authority as of December 31, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2010, on our consideration of Historic Seattle Preservation and Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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* and should be considered in assessing the results of our audit.

Independent Auditors' Report, Page 2

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Historic Seattle's basic financial statements. The schedule of financial information relating to the Good Shepherd Center on page 30 is presented for purposes of additional analysis and is not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Watson & McDonnell, PLLC

November 18, 2010

HISTORIC SEATTLE
PRESERVATION AND DEVELOPMENT AUTHORITY
Management Discussion and Analysis
For the Year Ended December 31, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis of the financial performance of Historic Seattle Preservation and Development Authority (Historic Seattle), presents a narrative overview and analysis of the financial activities of Historic Seattle for the year ended December 31, 2009.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, issued June 1999. This information should be considered in conjunction with Historic Seattle's financial statements and notes to the financial statements, which follow.

FISCAL YEAR 2009 HIGHLIGHTS

Historic Seattle was chartered in 1973 by the City of Seattle as a public corporation organized pursuant to Chapter 177, Laws of 1971 (RCW 35.21.660 and 35.21.670). Historic Seattle was created as a legal entity through which citizens may participate in preservation of the historic heritage of the City of Seattle for the mutual pride of all citizens and the creation of a more livable environment. Historic Seattle is an advocate for and active participant in thoughtful and meaningful preservation and rehabilitation of historic buildings, landscapes and architectural artifacts.

In June 2009, Historic Seattle closed on the purchase of Washington Hall, a historic fraternal hall and performance venue in Seattle's Central District built by the Danish Brotherhood in America in 1908. Historic Seattle negotiated the acquisition of the William B. Phillips/Heg House Apartments from the low-income tax credit partnership in which it had been the general partner, for the assumption of project debt. The transfer of the property occurred at the end of March 2009. Historic Seattle replaced the exterior deck at its modernist landmark Egan House, a substantial structural improvement.

Historic Seattle marked its 35th anniversary in May of 2009 with its first annual community preservation awards. A Facebook Group social network was also established for Historic Seattle in order to better share preservation events and news with the public. In addition to the annual Bungalow Fair and events, two special symposiums were hosted by the Historic Seattle Foundation in 2010: The Public Value of Sacred Spaces workshop and the Alaska-Yukon-Pacific Centennial lectures.

HISTORIC SEATTLE
PRESERVATION AND DEVELOPMENT AUTHORITY
Management Discussion and Analysis
For the Year Ended December 31, 2009

INTRODUCTION TO THE FINANCIAL STATEMENTS

The financial statements include the activities of Historic Seattle, Historic Seattle Preservation Foundation (the Foundation) and Preservation Development Services, and have been consolidated for reporting and auditing purposes. The operations of Historic Seattle, the Foundation and Preservation Development Services are grouped into one business-type fund for financial reporting purposes. The financial statements also include as "Discrete Component Unit" a legally separate tax credit entity for which Historic Seattle is financially accountable as the sole managing member. This entity is Cadillac Rehabilitation LLC. Financial information for this affiliate is reported in a separate column from the Historic Seattle information.

All statements are prepared on the accrual basis of accounting. This means that financial transactions are recognized and reported in the financial statements when the transactions occur, regardless of the timing of related cash flows. This audit is for the year 2009.

USING THIS ANNUAL REPORT

In addition to the Management's Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets provides information on the assets and liabilities of Historic Seattle. The Statement of Revenues, Expenses and Changes in Net Assets presents information on how Historic Seattle's net assets changed during the year. Also included is the Statement of Cash Flows. These statements appear on pages 9 through 13.

BASIC FINANCIAL STATEMENTS

The Statement of Net Assets presents a snapshot view of information on the assets Historic Seattle and its discrete component unit own, the liabilities they owe, and the net difference. This statement measures Historic Seattle's and its discrete component unit's financial position, their assets, liabilities, amounts owed, and resulting net assets. All changes in net assets are reported as soon as they occur, regardless of the timing of related cash flows. Over time, increases or decreases in Historic Seattle's and its discrete component unit's net assets can be one indicator of whether their financial condition is improving or deteriorating. Other non-financial factors need to be taken into consideration to assess the overall financial health of Historic Seattle and its discrete component unit, such as changes in funding and the condition of operating assets.

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding Historic Seattle's financial position.

HISTORIC SEATTLE
 PRESERVATION AND DEVELOPMENT AUTHORITY
 Management Discussion and Analysis
 For the Year Ended December 31, 2009

BASIC FINANCIAL STATEMENTS, CONTINUED

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information related to the Good Shepherd Center. This information can be found on page 30.

FINANCIAL ANALYSIS

As described in Note 7, Heg House Limited Partnership was dissolved and all assets and liabilities were transferred to Historic Seattle. This change in reporting entity was accounted for under the pooling of interest method. The 2008 comparative totals do not reflect the effects of the transfer.

	<u>2009</u>	<u>2008</u>
Current assets	\$ 1,061,657	\$ 2,404,482
Non-current assets	4,872,940	3,849,439
Capital assets, net	<u>8,651,170</u>	<u>5,892,215</u>
Total assets	<u>\$ 14,585,767</u>	<u>\$ 12,146,136</u>
Current liabilities	\$ 586,504	\$ 254,480
Non-current liabilities	<u>6,624,815</u>	<u>5,046,166</u>
Total liabilities	<u>\$ 7,211,319</u>	<u>\$ 5,300,646</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 4,059,637	\$ 2,933,953
Restricted	36,911	23,012
Unrestricted	<u>3,277,900</u>	<u>3,888,525</u>
Total net assets	<u>\$ 7,374,448</u>	<u>\$ 6,845,490</u>

The assets of Historic Seattle consist primarily of capital assets, its buildings and building improvements. This is consistent with Historic Seattle's mission to preserve and rehabilitate historic buildings, landscapes and architectural artifacts. Capital assets are shown net of depreciation. Other assets include cash reserves for repairs and replacements, restricted cash and debt service as required by our lenders as well as related party receivables from entities in which Historic Seattle is the general partner or managing member.

The liabilities consist of long-term debt that was used to purchase, develop and rehabilitate historic buildings. Many of these loans, provided by governmental entities, have below market interest rates and do not require annual debt service. See Note 9 for a more complete discussion.

HISTORIC SEATTLE
 PRESERVATION AND DEVELOPMENT AUTHORITY
 Management Discussion and Analysis
 For the Year Ended December 31, 2009

FINANCIAL ANALYSIS, CONTINUED

The difference between total assets and total liabilities, net assets, is one indicator of financial health. Net assets increased by \$331,608 in 2009 and by \$1,509,928 in 2008. The increase in net assets during 2009 was primarily attributable to capital grants received for the acquisition and renovation of Washington Hall.

The results of operations for Historic Seattle are presented below:

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Commercial and residential tenant revenues	\$ 1,296,727	\$ 1,185,804
Event fees and membership dues	106,103	140,123
Grants and donations	55,454	4,338
Management, consulting and developer fees	38,118	154,905
Other	49,657	27,084
Operating expenses:		
Salaries, benefits and payroll taxes	(877,774)	(812,454)
Operating, maintenance and utilities	(458,563)	(302,897)
Other operating expenses	(402,743)	(251,162)
Depreciation and amortization	(312,989)	(269,773)
Net operating income	<u>(506,010)</u>	<u>(124,032)</u>
Non-operating revenues:		
Grants and donations	131,679	18,557
Interest income, and gain on beneficial interest in assets held by community foundations	135,163	136,312
Non-operating expenses:		
Interest expense, and loss on beneficial interest in assets held by community foundations	<u>(134,950)</u>	<u>(129,924)</u>
Net non-operating income	<u>131,892</u>	<u>24,945</u>
Change in net assets before gain on sale of property and capital contributions	(374,118)	(99,087)
Gain on sale of property		1,761,156
Capital contributions	705,726	19,592
Capital contributions - blending component unit		<u>(171,733)</u>
Change in net assets	<u>331,608</u>	<u>1,509,928</u>
Net assets, beginning of year, as previously reported	6,845,490	5,335,562
Restatement due to effect of pooling of interest	197,350	
Net assets, beginning of year, as restated	<u>7,042,840</u>	<u>5,335,562</u>
Net assets, end of year	<u>\$ 7,374,448</u>	<u>\$ 6,845,490</u>

HISTORIC SEATTLE
PRESERVATION AND DEVELOPMENT AUTHORITY
Management Discussion and Analysis
For the Year Ended December 31, 2009

FINANCIAL ANALYSIS, CONTINUED

Results of operations

Operating revenues are generated principally from rental income, as well as event and membership fees, and consulting fees. In 2009, a significant source of revenue was capital grants received for the acquisition and renovation of Washington Hall.

Salaries, benefits and payroll taxes and operating, maintenance and utilities are the largest expenses of Historic Seattle. Other operating expenses include office expenses, professional fees, event expenses and conference expense. Interest expense, primarily from the long-term financing of the properties owned by Historic Seattle, is also a significant expense. A portion of the interest expense, under the terms of the financing, is deferred and will eventually be forgiven as the properties are managed in compliance with the loan agreements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Historic Seattle's investment in capital assets as of December 31, 2009, amounts to \$8,651,170. This investment in capital assets includes real estate, furniture and equipment, and other assets. The amount represents a net increase of \$2,758,955, or 47 percent from 2008. The increase was primarily due to the purchase of Washington Hall and the acquisition of the William B. Phillips/Heg House Apartments.

Additional information on Historic Seattle's capital assets can be found in Note 5 on page 18 of this report.

Historic Seattle's real estate activity is financed, in part, by long-term debt secured by real estate. Historic Seattle had \$6,487,533 of outstanding debt at year-end.

Additional information on Historic Seattle's debt can be found in Note 9 on pages 21 through 25 of this report.

2010 OVERVIEW

Renovation of the Washington Hall property continues and has attracted a broad range of support including a competitively awarded \$90,000 grant from American Express and the National Trust for Historic Preservation. Over the May 1-2 weekend a public open house was held at to reintroduce the building to its community. 700 people attended musical and dance performances based on the historic performances and rich musical history of the Hall. In 2010, Historic Seattle entered into an agreement with Rafn Company, contractors working on Washington Hall and other Historic Seattle properties, to make payments on \$100,185 of work completed. As of October, 2010, the remaining balance owed was \$67,135.

HISTORIC SEATTLE
PRESERVATION AND DEVELOPMENT AUTHORITY
Management Discussion and Analysis
For the Year Ended December 31, 2009

2010 OVERVIEW, CONTINUED

The Good Shepherd Center Verandah restoration was completed and lead-based paint stabilization was completed at Victorian Row and begun at William B. Phillips/Heg House Apartments. The historic cupola of Dearborn house was rehabilitated.

Main2 Preservation Blog was launched in early 2010 and provides information about preservation-related news, issues and events in Seattle and around Puget Sound. Facebook pages for the Bungalow Fair and Washington Hall were added to Historic Seattle's outreach.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Historic Seattle's finances for all those with an interest in Historic Seattle's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Historic Seattle Preservation and Development Authority, 1117 Minor Ave, Seattle, Washington 98101.

HISTORIC SEATTLE
PRESERVATION AND DEVELOPMENT AUTHORITY
Statement of Net Assets
December 31, 2009

ASSETS

	HSPDA	Discrete Component Unit
Current assets:		
Cash and cash equivalents	\$ 565,642	\$ 116,205
Security deposits	15,471	
Certificates of deposit	169,426	
Accounts receivable, net of allowance of \$10,000	280,029	58,087
Accounts receivable, related party	4,706	9,774
Prepaid insurance	26,383	25,456
	1,061,657	209,522
Other assets:		
Due from related parties	1,760,780	
Financing lease, related party	1,896,000	
Investment in limited liability companies	4,871	
Reserves	143,739	14,269
Restricted cash	1,009,792	17,083
Loan fees, net	14,057	179,303
Beneficial interest in assets held by community foundation	43,701	
	4,872,940	210,655
Buildings and equipment:		
Land	2,115,434	
Buildings	9,842,479	9,331,784
Furniture and equipment	201,499	5,880
Development costs	650,906	
Less: accumulated depreciation	(4,159,148)	(994,916)
	8,651,170	8,342,748
	\$ 14,585,767	\$ 8,762,925

The accompanying notes should be read with these financial statements.

HISTORIC SEATTLE
PRESERVATION AND DEVELOPMENT AUTHORITY
Statement of Net Assets, Continued
December 31, 2009

LIABILITIES AND NET ASSETS

	HSPDA	Discrete Component Unit
Current liabilities:		
Accounts payable	\$ 55,928	\$ 7,622
Accrued expenses and interest	69,258	24,437
Construction costs payable	154,505	
Accounts payable, related party	9,774	4,706
Security deposits	54,221	
Prepaid rent	67,399	
Current portion notes payable, related party		41,000
Current portion notes payable	175,419	54,914
	586,504	132,679
Other liabilities:		
Developer fee payable, related party		941,212
Deferred interest, related party		155,690
Deferred interest	312,701	
Notes payable, related party		2,518,878
Notes payable	6,312,114	3,923,895
	6,624,815	7,539,675
	7,211,319	7,672,354
Net assets:		
Invested in capital assets, net of related debt	4,059,637	862,849
Unrestricted	3,277,900	227,722
Restricted for other purposes	36,911	
	7,374,448	1,090,571
	\$ 14,585,767	\$ 8,762,925

The accompanying notes should be read with these financial statements.

HISTORIC SEATTLE
PRESERVATION AND DEVELOPMENT AUTHORITY
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2009

	HSPDA	Discrete Component Unit
Operating revenues:		
Rents	\$ 1,296,727	\$ 731,349
Management and developer fees	38,118	
Membership dues	37,245	
Operating grants and donations	55,454	
Event revenue	68,858	
Other	49,657	
	1,546,059	731,349
Operating expenses:		
Salaries, benefits and taxes	877,774	
Professional fees	126,719	7,900
Property management fee	55,709	37,292
Office expense and other	133,650	4,086
Event expense	52,308	
Insurance and taxes	84,869	31,661
Conferences	7,820	
Depreciation and amortization	312,989	263,543
Maintenance and utilities	292,985	80,140
Project development expense	59,641	
Grant expense	22,605	
Bad debt expense	25,000	
	2,052,069	424,622
Change in net assets from operations	(506,010)	306,727
Non-operating revenues (expenses):		
Grants and donations	131,679	
Interest revenue	128,952	27
Gain on beneficial interest in assets held by community foundation	6,211	
Interest expense	(134,950)	(460,378)
Total non-operating revenues (expenses) income (loss) before capital grants and contributions	131,892	(460,351)
Capital grants and donations	705,726	
Change in net assets	331,608	(153,624)
Net assets, beginning of year	7,042,840	1,244,195
Net assets, end of year	\$ 7,374,448	\$ 1,090,571

The accompanying notes should be read with these financial statements.

**HISTORIC SEATTLE
PRESERVATION AND DEVELOPMENT AUTHORITY**

Statement of Cash Flows
For the Year Ended December 31, 2009

	HSPDA	Discrete Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES:		
Rents	\$ 1,307,215	\$ 721,625
Grants, donations and fundraising	55,034	
Memberships and event revenue	107,113	
Other operating receipts	81,064	
	1,550,426	721,625
Salaries, benefits and taxes	867,710	
Professional fees	122,060	7,900
Office and other expense	123,742	4,086
Event expense	52,308	
Insurance and taxes	79,525	53,393
Property management fee	55,352	37,292
Conferences	7,820	
Maintenance and utilities	280,722	78,521
Project development expense	59,641	
Grant expense	22,605	
	1,671,485	181,192
Net cash provided (used) by operating activities	(121,059)	540,433
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Non-operating grants and donations received	126,710	
Net cash provided by non-capital financing activities	126,710	
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:		
Grants and donations restricted for capital purposes	479,813	
Land, buildings, furniture and equipment, net	(1,599,037)	
Payments for development costs	(374,150)	
Proceeds from notes payable	1,234,513	
Payments on notes payable	(325,752)	(90,289)
Interest paid on capital debt	(115,116)	(422,352)
Net cash provided (used) by capital and financing activities	(699,729)	(512,641)

The accompanying notes should be read with these financial statements.

HISTORIC SEATTLE
PRESERVATION AND DEVELOPMENT AUTHORITY
Statement of Cash Flows, Continued
For the Year Ended December 31, 2009

	HSPDA	Discrete Component Unit
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposits to restricted cash	(1,009,792)	(833)
Decrease in due from related parties	5,806	
Withdrawals from certificates of deposit	1,883,076	
Deposits to reserves, net	(19,289)	(4,442)
Interest	124,246	27
Net cash provided (used) by investing activities	984,047	(5,248)
Net increase (decrease) in cash and cash equivalents	289,969	22,544
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	275,673	93,661
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 565,642	\$ 116,205
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets from operations	\$ (506,010)	\$ 306,727
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	312,989	263,543
Write off of bad debt	25,000	
Decrease (increase) in operating assets:		
Accounts receivable	(4,406)	(9,724)
Prepaid insurance	754	(4,361)
Increase (decrease) in operating liabilities:		
Accounts payable	27,306	(15,752)
Security deposits, net	(357)	
Accrued expenses	9,050	
Prepaid rent	14,615	
Net cash provided (used) by operating activities	\$ (121,059)	\$ 540,433
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 112,388	\$ 424,915
Noncash investing and financing transactions:		
Development costs financed with construction costs payable	\$ 154,505	
Donation of investment in limited liability company	\$ 4,969	

The accompanying notes should be read with these financial statements.

HISTORIC SEATTLE
PRESERVATION AND DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended December 31, 2009

NOTE 1 - NATURE OF THE ORGANIZATION

Historic Seattle Preservation and Development Authority (Historic Seattle or HSPDA) is a nonprofit public corporation established by a charter issued by the City of Seattle for the preservation and enhancement of historic sites and structures within Seattle. Historic Seattle can buy, own and sell real property, borrow or lend funds, receive and administer federal, state, local or private funds, and collect charges for services rendered.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

These statements include the accounts of Historic Seattle and Historic Seattle's blended component units, Historic Seattle Preservation Foundation (the Foundation) and Preservation Development Services. Historic Seattle controls the Historic Seattle Preservation Foundation through assignment of the board of directors of the Foundation. Historic Seattle is the sole member of the Preservation Development Services, a 501(c)(3) nonprofit corporation, and has effective control over the corporation. These statements also include the discretely presented component unit of Historic Seattle, which is a required presentation for reporting in conformity with generally accepted accounting principles. In March 2009, Heg House Limited Partnership, discretely presented in prior year financial statements as a component unit, was dissolved, and all assets and liabilities were transferred to Historic Seattle. The pooling of interest method was adopted to account for this business combination. Under this methodology, the financial activities of Historic Seattle and Heg House Limited Partnership were combined as if the combination had taken place at the beginning of the earliest period presented, January 1, 2009.

Discrete component unit

During 2009, Historic Seattle was the managing member in one limited liability company. This entity constitutes a discrete component unit of Historic Seattle as defined by GASB Statement 14, *The Financial Reporting Entity*, because it is a separate legal entity subject to Historic Seattle's will. As the managing member, Historic Seattle is financially accountable for and oversees the day-to-day operations of this property. The data for this entity is discretely presented in a separate column on the face of Historic Seattle's financial statements. This entity was formed to own, rehabilitate, manage and operate a historic preservation building.

General partner and managing member interests

Preservation Development Services is the managing member of Cadillac Rehabilitation LLC and has a 0.1 percent interest in the income or loss from the operations of the company. Historic Seattle accounts for this investment under the equity method.

HISTORIC SEATTLE
PRESERVATION AND DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended December 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

General partner and managing member interests, continued

Historic Seattle had a 0.1 percent general partner interest in Heg House Limited Partnership. Effective March 31, 2009, the limited partnership terminated and ownership of the William B. Phillips/Heg House Apartments transferred to Historic Seattle. Historic Seattle accounted for the transfer under the pooling of interest methodology as described in Note 7.

Class B member interest

Historic Seattle is the sole Class B Unit Holder of Stadium Lofts, LLC. Stadium Lofts, LLC was historically known as Seattle Plumbing Building LLC. Stadium Lofts, LLC was formed to acquire, develop and construct condominium housing. Historic Seattle's interest in the Stadium Lofts, LLC represents a profits interest only, and not a capital interest. Pursuant to the LLC's operating agreement, Historic Seattle entered into a consulting agreement with the LLC to provide consulting services with respect to preservation and development of the real property owned by the LLC.

Restricted and unrestricted revenue and support

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and changes of net assets as net assets released from restrictions.

Cash and cash equivalents

For the purpose of the statement of cash flows, Historic Seattle considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

Capital assets and depreciation

Property and equipment are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation has been computed on the straight-line basis for furnishings and equipment over five to seven years and for buildings and improvements over 20 to 40 years.

HISTORIC SEATTLE
PRESERVATION AND DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended December 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital assets and depreciation, continued

Historic Seattle reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2009.

Certificates of deposit

Certificates bear interest from 0.5 to 3.94 percent and have initial maturities of one to 36 months.

Restricted cash

Restricted cash consists of a certificate of deposit which has been assigned as collateral to a bank to secure a note payable as described in Note 9.

Donated property, equipment and services

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Classification of revenues and expenses

Historic Seattle distinguishes operating revenues and expenses from non-operating and capital items in the preparation of its financial statements. Operating revenues and expenses generally result from providing public programs, and residential and commercial rental services in connection with Historic Seattle's principal ongoing operations. The principal operating revenues include rental and management fees. The operating expenses include property management, professional fees and other expenses related to providing rental services. Revenues and expenses not meeting this broad definition are reported as non-operating and capital revenues and expenses.

Federal income tax

Historic Seattle was granted tax-exempt status in 1985 under Section 115 of the Internal Revenue Code. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

HISTORIC SEATTLE
PRESERVATION AND DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended December 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for doubtful accounts

Historic Seattle has established an allowance for doubtful accounts of \$10,000 based on a review of its outstanding accounts receivable at December 31, 2009.

NOTE 3 - SECURITY DEPOSITS

Security deposits for commercial tenants are included with cash and cash equivalents pursuant to the lease agreements. Security deposits for residential tenants are segregated in a separate bank account; the balance at December 31, 2009, was \$15,471.

NOTE 4 - RESERVES

Historic Seattle is required to fund from available cash flows replacement reserves with annual deposits of \$9,575 and operating reserves with annual deposits of \$3,897. The balance at December 31, 2009, was \$143,739. The reserves were under funded by \$2,368 at December 31, 2009.

HISTORIC SEATTLE
 PRESERVATION AND DEVELOPMENT AUTHORITY
 Notes to Financial Statements
 For the Year Ended December 31, 2009

NOTE 5 - CAPITAL ASSETS

The activity in the capital asset accounts for 2009 is as follows:

	Beginning Balance <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>2009</u>
Buildings	\$ 9,391,043	\$ 451,436		\$ 9,842,479
Land	975,333	1,140,101		2,115,434
Furniture and equipment	185,549	17,274	\$ (1,324)	201,499
Development costs	<u>122,251</u>	<u>650,695</u>	<u>(122,040)</u>	<u>650,906</u>
	<u>\$10,674,176</u>	<u>\$ 2,259,506</u>	<u>\$ (123,364)</u>	<u>\$ 12,810,318</u>

	Beginning Balance <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>2009</u>
Accumulated depreciation, buildings	\$ 3,745,675	\$ 293,390		\$ 4,039,065
Accumulated depreciation, furniture and equipment	<u>112,002</u>	<u>9,405</u>	<u>\$ (1,324)</u>	<u>120,083</u>
	<u>\$ 3,857,677</u>	<u>\$ 302,795</u>	<u>\$ (1,324)</u>	<u>\$ 4,159,148</u>

NOTE 6 - LEASES

Mutual Life Building

Historic Seattle leases the Mutual Life building under an operating lease. The lease provides an option to purchase which may be exercised by the tenant at any time during the term of the lease or within 30 days after the expiration of the lease. The lease expires December 31, 2033.

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

2010	\$ 13,800
2011	14,400
2012	14,400
2013	15,000
2014	15,000
2015 - 2019	81,245
2020 - 2024	98,847
2025 - 2029	120,262
2030 - 2033	<u>114,715</u>
	<u>\$ 487,669</u>

HISTORIC SEATTLE
 PRESERVATION AND DEVELOPMENT AUTHORITY
 Notes to Financial Statements
 For the Year Ended December 31, 2009

NOTE 6 - LEASES, CONTINUED

Good Shepherd Center

Historic Seattle owns the Good Shepherd Center, a historic building in the Wallingford district of Seattle. It is used primarily as office space for nonprofit organizations and schools as well as residential artist studios. Historic Seattle leases the building to 36 tenants. The leases, the majority of which expire over the next three years, contain rent escalation clauses of three to five percent per year.

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

2010	\$ 880,192
2011	771,824
2012	616,342
2013	556,091
2014	511,182
2015 - 2019	2,092,455
2020 - 2024	<u>1,818,256</u>
	<u>\$ 7,246,342</u>

NOTE 7 - INVESTMENT IN LIMITED LIABILITY COMPANIES AND RELATED PARTY TRANSACTIONS

As described in Note 2, Historic Seattle is the managing member in a limited liability company formed to own, rehabilitate, manage and operate historic preservation projects. It holds a 0.1 percent interest in the income or loss from the operations of this entity.

During 2009, Historic Seattle Preservation Foundation received a contribution of a 0.235 percent other member interest in a limited liability company. The net investment in limited liability companies at December 31, 2009, was \$4,871.

Also described in Note 2, Historic Seattle had a 0.1 percent general partner interest in Heg House Limited Partnership. Effective March 31, 2009, the limited partnership terminated and all assets and liabilities of the partnership were transferred to Historic Seattle. The pooling of interest methodology was adopted to account for such transfer of business. Under this methodology, the transfer of business was assumed to occur at the beginning of the year, January 1, 2009. All operations of Heg House Limited Partnership during the period January 1, 2009 through March 31, 2009 have been recorded as part of HSPDA. The increase in the beginning net assets as a result of this transaction is \$197,350.

HISTORIC SEATTLE
 PRESERVATION AND DEVELOPMENT AUTHORITY
 Notes to Financial Statements
 For the Year Ended December 31, 2009

NOTE 7 - INVESTMENT IN LIMITED LIABILITY COMPANIES AND RELATED PARTY TRANSACTIONS, CONTINUED

Financing lease

Historic Seattle entered into a finance lease agreement, leasing real property to the Cadillac Rehabilitation LLC. Historic Seattle has recorded this lease as a direct financing lease expiring on December 31, 2050. The lease payments due are made in the form of principal and interest payments directly to the bank on the related notes payable that Historic Seattle holds, which totaled \$1,896,000 at December 31, 2009 (see Note 9), plus annual rent of \$12. Accordingly, an amount equal to the note payable is also presented in the financial statements as lease receivable and the discrete component unit has a payable to Historic Seattle of a like amount.

Additionally, the lease agreement requires the lessee to pay additional financing payments in the same amount as Historic Seattle is required to deposit under the terms of the loan.

Future minimum lease payments to be received under this lease are as follows:

December 31, 2010	\$	41,000
2011		43,000
2012		45,000
2013		47,000
2014		49,000
2015 - 2019		275,000
2020 - 2024		<u>1,396,000</u>
Total		<u>\$ 1,896,000</u>

Developer fees

Historic Seattle earned developer fees of \$1,200,000 from the Cadillac Rehabilitation LLC in a prior year. The deferred portion accrues six percent interest compounded annually. At December 31, 2009, developer fee receivable was \$941,212 and interest receivable on deferred developer fees was \$4,706, an amount equal to the receivable is recorded as a payable of the discrete component unit.

Property management fees

Historic Seattle earned property management fees of \$38,118 during 2009.

HISTORIC SEATTLE
 PRESERVATION AND DEVELOPMENT AUTHORITY
 Notes to Financial Statements
 For the Year Ended December 31, 2009

NOTE 7 - INVESTMENT IN LIMITED LIABILITY COMPANIES AND RELATED PARTY
 TRANSACTIONS, CONTINUED

Amounts due from related party (discrete component unit) at December 31, 2009, are as follows:

Loan, including interest - Cadillac Rehabilitation LLC	\$ 819,568
Developer fee, including interest - Cadillac Rehabilitation LLC	945,918
Subtotal - due from related party	<u>1,765,486</u>
Financing lease - Cadillac Rehabilitation LLC	<u>1,896,000</u>
Total - due from related party	<u>\$ 3,661,486</u>

NOTE 8 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

Historic Seattle Preservation Foundation (the Foundation) has established The Historic Seattle Preservation Foundation Designated Fund (the Fund) at The Seattle Foundation, whereby the Foundation is the sole beneficiary. The Seattle Foundation has authority and control over the assets of the Fund, and the income derived therefrom, and also has the sole discretion to determine the timing and amount of distributions from the assets of the Fund. At December 31, 2009, the value of the fund was \$43,701. A gain of \$6,211 and administrative fees of \$502 have been recorded in these statements.

NOTE 9 - NOTES PAYABLE

Cadillac Rehabilitation LLC:

Note payable, City of Seattle, original amount \$2,040,000, the note bears interest at 4.5% per annum, payable monthly, annual principal payments began July 15, 2006, in the amount of \$33,000; matures July 2022; secured by deed of trust on real property

\$ 1,896,000

Egan House

Note payable, Frontier Bank, bears interest at the "3-year amortizing intermediate/long-term advance rate" plus 4%; monthly payments are \$852; at December 31, 2009, interest rate was 7.75%; matures December 2032; secured by real estate

97,978

HISTORIC SEATTLE
 PRESERVATION AND DEVELOPMENT AUTHORITY
 Notes to Financial Statements
 For the Year Ended December 31, 2009

NOTE 9 - NOTES PAYABLE, CONTINUED

Good Shepherd Center

Note payable, Chase Bank, bears interest at 7.49%; payable in monthly installments of \$7,376 beginning March 1, 2002; balance due February 1, 2012; secured by real estate and assignment of leases \$ 854,714

Note payable, City of Seattle, bears interest at 1%; if Historic Seattle remains in compliance with the terms of the loan, no further interest accrues after October 2021; lender will forgive repayment of five percent of the interest beginning in year 21 and for each year thereafter; matures July 2, 2041, or earlier without penalty; the borrower may extend the maturity date for up to seven, five-year periods; in year 75, the unpaid principal and any remaining interest will be forgiven; secured by a deed of trust on the property 475,299

Note payable, Washington State Department of Commerce, interest at 1%; payments are deferred until August 31, 2008, at which time annual payments of \$5,200 will begin and continue for 39 years, to August 31, 2047 163,738

BelBoy Apartments

Note payable, City of Seattle, bears interest at 1%; no further interest accrues after December 2021; lender will forgive repayment of five percent of the interest beginning in year 21 and for each year thereafter; matures July 2, 2041 415,087

Victorian Row Apartments

Note payable, City of Seattle, bears interest at 1%; principal and accrued interest due at maturity, July 2, 2041 672,841

Note payable, Key Bank, bears interest at 4.57%; monthly payments of \$1,381, matures July 6, 2012 242,648

HISTORIC SEATTLE
 PRESERVATION AND DEVELOPMENT AUTHORITY
 Notes to Financial Statements
 For the Year Ended December 31, 2009

NOTE 9 - NOTES PAYABLE, CONTINUED

William B. Phillips/Heg House Apartments

Note payable, Chase Bank, bears interest at 10.375%;
 monthly payments of \$1,014, remaining principal and interest
 due at maturity, January 1, 2010, secured by deed of trust \$ 93,225

Note payable, City of Seattle, bears interest at 1% simple
 interest per annum, principal and interest due at maturity,
 December 4, 2032, secured by deed of trust 440,003

Note payable to Washington State Department of Commerce,
 noninterest bearing, annual payments of \$4,000,
 remaining principal due at maturity, December 31, 2044,
 secured by deed of trust 136,000

Washington Hall

Note payable, Key Bank, interest at 4.035%, monthly interest
 only payments of \$3,362, continuing to maturity, June 10, 2012,
 secured by collateral of certificate of deposit of equal value 1,000,000
 6,487,533
 Less: current portion (175,419)
\$ 6,312,114

With the exception of the note payable to Key Bank related to Washington Hall, which is
 secured by collateral of a certificate of deposit (see Note 2), substantially all loans are secured by
 deeds of trust on the related buildings. Interest has not been imputed on any of the above notes
 payable that carry below-market rate interest as they are payable to governmental entities and
 carry legal restrictions.

HISTORIC SEATTLE
 PRESERVATION AND DEVELOPMENT AUTHORITY
 Notes to Financial Statements
 For the Year Ended December 31, 2009

NOTE 9 - NOTES PAYABLE, CONTINUED

Following are the changes in notes payable for the year ended December 31, 2009:

<u>Notes payable</u>	Balance December 31, 2008	<u>Additions</u>	<u>Retirements</u>	Balance December 31, 2009	Current Portion
Cadillac Rehabilitation, LLC					
City of Seattle	\$ 1,935,000		\$ 39,000	\$ 1,896,000	\$ 41,000
Egan House					
Frontier Bank	99,426		1,448	97,978	2,728
Good Shepherd Center					
Chase Bank	878,344		23,630	854,714	25,459
City of Seattle	475,299			475,299	
Washington State	167,266		3,528	163,738	3,563
BelBoy Apartments					
City of Seattle	415,087			415,087	
Victorian Row Apartments					
City of Seattle	672,841			672,841	
Pacific Continental Bank	250,000		250,000		
Key Bank		\$ 245,000	2,352	242,648	5,444
William B. Phillips/Heg House Apartments					
Chase Bank	95,019		1,794	93,225	93,225
City of Seattle	440,003			440,003	
Washington State	140,000		4,000	136,000	4,000
Washington Hall					
Key Bank		<u>1,000,000</u>		<u>1,000,000</u>	
Total notes payable	<u>\$ 5,568,285</u>	<u>\$1,245,000</u>	<u>\$ 325,752</u>	<u>\$ 6,487,533</u>	<u>\$175,419</u>

HISTORIC SEATTLE
 PRESERVATION AND DEVELOPMENT AUTHORITY
 Notes to Financial Statements
 For the Year Ended December 31, 2009

NOTE 9 - NOTES PAYABLE, CONTINUED

Future principal and interest amounts are as follows:

	<u>Principal</u>	<u>Interest</u>
2010	\$ 175,419	\$ 145,071
2011	86,676	141,789
2012	2,089,146	65,356
2013	58,111	28,347
2014	60,423	28,035
2015 - 2019	337,666	134,625
2020 - 2024	1,470,750	95,830
2025 - 2029	64,819	62,981
2030 - 2034	482,177	50,668
2035 - 2039	43,306	36,336
2040 - 2044	1,598,725	11,599
2045 - 2047	20,315	308
	<u>\$ 6,487,533</u>	<u>\$ 800,945</u>

NOTE 10 - RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes at December 31, 2009:

Restoration projects	\$ 35,487
Art or library acquisitions	1,424
	<u>\$ 36,911</u>

NOTE 11 - DEFERRED COMPENSATION PLAN

Historic Seattle offers all regular full-time and part-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Historic Seattle contributes three percent of all full-time employees' salaries. Full-time employees are eligible after six months of employment.

NOTE 12 - CONCENTRATION OF CREDIT RISK

Historic Seattle maintains cash balances at several high-credit-quality financial institutions. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2009, the uninsured cash balances totaled \$1,110,165. Historic Seattle has not experienced any losses in such accounts.

HISTORIC SEATTLE
PRESERVATION AND DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended December 31, 2009

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Historic Seattle has a managing member interest in one limited liability company. In addition to the managing member liabilities, Historic Seattle executed a sponsor guarantee agreement guaranteeing against operating deficits and reduced tax benefits.

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed cost, including amounts already collected, may constitute a liability for Historic Seattle. The amounts, if any, of expenditures, which may be disallowed by the grantor, are recorded at the time that such amounts can be reasonably determined, normally upon notification of the government agency. During the year ended December 31, 2009, no such adjustments were made.

NOTE 14 - SUBSEQUENT EVENTS

Effective July 12, 2010, a claim of lien was filed against the Washington Hall property. The amount of the claim is \$100,185 and accrues interest at six percent. A payment plan has been put in place with monthly payments of \$7,500. The final payment is due July 20, 2011.

WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Council
Historic Seattle Preservation and Development Authority
Seattle, Washington

We have audited the financial statements of the business-type activities and the discretely presented component unit of Historic Seattle Preservation and Development Authority (the Organization) as of and for the year ended December 31, 2009, and have issued our report thereon dated November 18, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Historic Seattle Preservation and Development Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as 2009-01 to be a material weakness.

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*, Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Historic Seattle Preservation and Development Authority's financial statements are free of 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*.

We noted certain matters that we reported to management of Historic Seattle Preservation and Development Authority in a separate letter dated November 18, 2010.

Historic Seattle Preservation and Development Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the council, management, others within the Organization, lenders and other agencies and is not intended to be and should not be used by anyone other than these specified parties.

Watson & McDowell, PLLC

November 18, 2010

HISTORIC SEATTLE
PRESERVATION AND DEVELOPMENT AUTHORITY
Schedule of Findings and Responses
For the Year Ended December 31, 2009

Finding #: 2009-01

Criteria: The design and operation of controls should allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Condition: The accounting records were not reconciled or complete. Audit schedules and subsidiary ledgers for lease revenue, fixed assets, construction in progress, and payroll accruals were not reconciled to the general ledger.

Cause: The accounting department is not staffed at a sufficient level to allow for the timely and proper preparation of reconciliations and subsequent review by a knowledgeable individual.

Effect: As a result of audit procedures, adjustments to correct understatements of assets of \$211,027 and liabilities of \$181,309 were necessary. These adjustments are material to the financial statements and therefore result in a control deficiency that is a material weakness.

Recommendation: We recommend the accounting department be staffed at a level that would allow for the timely and proper preparation, and subsequent review by a knowledgeable individual, of reconciliations of schedules and subsidiary ledgers that support the general ledger.

Management Response: Historic Seattle has taken the following actions to correct the deficiency in the accounting department:

- Undertook an organizational assessment by an outside organizational specialist to evaluate staffing needs and implemented recommendations to increase the size of the accounting and administrative support staff.
- Replaced a vacant 0.3 FTE bookkeeping position and increased the position to 0.8 FTE in June of 2010.
- Relieved the Director of Finance of technical support functions by filling an administrative and technical support position in July 2010.
- Has improved the communication between the accounting department and all other departments by including the Director of Finance in bi-weekly senior staff meetings as of July 2010.
- Is in the process of interviewing outside CPAs to assist accounting and management staff with year-end closings and reconciliations.

HISTORIC SEATTLE
 PRESERVATION AND DEVELOPMENT AUTHORITY
 Schedule of Financial Information Related to the Good Shepherd Center
 For the Year Ended December 31, 2009

Support and revenue:	
Rents	\$ 995,672
Grants	
Other	<u>12,491</u>
	<u>1,008,163</u>
Operating expenses:	
Salaries, benefits and taxes	306,352
Office expense	6,576
Audit	5,039
Insurance	52,562
Interest	70,786
Bad debt	25,000
Depreciation and amortization	175,398
Maintenance and utilities	<u>163,718</u>
	<u>805,431</u>
Increase in unrestricted net assets	<u>\$ 202,732</u>
Other financial information:	
Net reduction (increase) in notes payable	<u>\$ 27,157</u>
Capital expenditures	<u>\$ 27,214</u>
Assets:	
Reserves	\$ 53,096
Building	5,174,100
Furnishings	35,054
Less: accumulated depreciation	<u>(2,588,339)</u>
	<u>\$ 2,673,911</u>
Notes payable:	
Loan, City of Seattle	\$ 475,299
Loan, Washington State Department of Commerce	163,738
Loan, Chase Bank	<u>854,714</u>
	<u>\$ 1,493,751</u>