

**ASSOCIATED RECREATION COUNCIL**

Financial Statements  
December 31, 2022 and 2021

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Amanda O'Rourke, CPA  
Matt Smith, CPA  
Claire Chow, CPA  
Jason Mallon, CPA  
Andrew Van Ness, CPA



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Associated Recreation Council  
Seattle, Washington

### **Opinion**

We have audited the accompanying financial statements of Associated Recreation Council (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associated Recreation Council as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Associated Recreation Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Associated Recreation Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, including omissions, 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.

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In performing an audit in accordance with generally accepted 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 Associated Recreation Council'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 Associated Recreation Council'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.

*Greenwood Ohlund*

Seattle, Washington  
May 18, 2023

## ASSOCIATED RECREATION COUNCIL

### STATEMENTS OF FINANCIAL POSITION December 31, 2022 and 2021

ASSETS	2022	2021
Current Assets		
Cash and cash equivalents	\$ 3,746,016	\$ 4,212,186
Investments	5,463,747	3,327,372
Class fees receivable	2,952,445	2,571,667
Contributions and grants receivable	204,384	500,315
Campaign contributions receivable	334,150	628,312
Other receivables	-	28,932
Prepaid expenses	6,833	1,165
Total assets	<u>\$ 12,707,575</u>	<u>\$ 11,269,949</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,246,897	\$ 1,193,070
Deferred revenue	2,952,445	2,571,667
Total liabilities	4,199,342	3,764,737
Net Assets		
Without donor restrictions	5,830,562	4,819,512
With donor restrictions	2,677,671	2,685,700
Total net assets	<u>8,508,233</u>	<u>7,505,212</u>
Total liabilities and net assets	<u>\$ 12,707,575</u>	<u>\$ 11,269,949</u>

*See accompanying notes to financial statements.*

## ASSOCIATED RECREATION COUNCIL

### STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>						
Class fees	\$ 8,607,828	\$ -	\$ 8,607,828	\$ 6,110,491	\$ -	\$ 6,110,491
Sports fees	475,748	-	475,748	118,674	-	118,674
Contributions and grants	3,694,638	70,601	3,765,239	2,003,144	126,958	2,130,102
Special events	360,552	-	360,552	259,711	-	259,711
Special events - direct benefit to donor	(74,859)	-	(74,859)	(7,242)	-	(7,242)
Government grants - Paycheck Protection Program loan and interest forgiveness	-	-	-	4,056,224	-	4,056,224
Investment return	(328,841)	-	(328,841)	118,455	-	118,455
Retail sales, print shop proceeds, and other	200,550	-	200,550	183,685	-	183,685
Net assets released from restrictions	86,362	(86,362)	-	20,732	(20,732)	-
<b>Total support and revenue</b>	<b>13,021,978</b>	<b>(15,761)</b>	<b>13,006,217</b>	<b>12,863,874</b>	<b>106,226</b>	<b>12,970,100</b>
<b>Expenses</b>						
Programs	8,634,711	-	8,634,711	5,900,825	-	5,900,825
Management and general	3,115,660	-	3,115,660	2,699,061	-	2,699,061
Fundraising	260,557	-	260,557	274,091	-	274,091
<b>Total expenses</b>	<b>12,010,928</b>	<b>-</b>	<b>12,010,928</b>	<b>8,873,977</b>	<b>-</b>	<b>8,873,977</b>
Change in net assets before Campaign contributions and expenditures	1,011,050	(15,761)	995,289	3,989,897	106,226	4,096,123
Campaign Contributions	-	44,446	44,446	-	-	-
Campaign Expenditures	-	(36,714)	(36,714)	-	-	-
<b>Change in net assets</b>	<b>1,011,050</b>	<b>(8,029)</b>	<b>1,003,021</b>	<b>3,989,897</b>	<b>106,226</b>	<b>4,096,123</b>
Net Assets, beginning of year	4,819,512	2,685,700	7,505,212	829,615	2,579,474	3,409,089
Net Assets, end of year	<u>\$ 5,830,562</u>	<u>\$ 2,677,671</u>	<u>\$ 8,508,233</u>	<u>\$ 4,819,512</u>	<u>\$ 2,685,700</u>	<u>\$ 7,505,212</u>

*See accompanying notes to financial statements.*

**ASSOCIATED RECREATION COUNCIL**

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2022

	Program Expenses			Total Programs	Management and General	Fundraising	Total
	Preschool	Recreation and Education	School Age Care				
Personnel	\$ 914,200	\$ 1,763,285	\$ 2,849,885	\$ 5,527,370	\$ 2,603,311	\$ 303,255	\$ 8,433,936
System fees	31,520	421,180	837,988	1,290,688	20,228	3,380	1,314,296
Professional fees	-	370,811	9,312	380,123	74,150	1,300	455,573
Equipment	6,966	197,012	24,556	228,534	52,458	3,155	284,147
Travel	-	251,298	4,108	255,406	5,463	1,217	262,086
Supplies	13,836	89,513	85,363	188,712	21,073	962	210,747
Food and appreciation	12,750	26,241	136,451	175,442	33,275	215	208,932
Insurance	-	50,096	-	50,096	141,274	-	191,370
Transportation	3,271	71,063	42,430	116,764	32,008	4,143	152,915
Events	-	52,752	-	52,752	30,484	53,437	136,673
Taxes and fees	20	73,102	26,144	99,266	2,815	421	102,502
Facility rental	-	87,286	-	87,286	-	-	87,286
Miscellaneous	1,006	7,903	12,086	20,995	55,492	-	76,487
Registration fees	-	66,962	-	66,962	1,937	-	68,899
Uniforms	-	51,295	-	51,295	613	-	51,908
Printing and advertising	19	21,162	-	21,181	21,104	645	42,930
Field trips	-	5,122	-	5,122	18,312	-	23,434
Program monitoring	-	16,717	-	16,717	1,663	-	18,380
<b>Total expenses</b>	<b>983,588</b>	<b>3,622,800</b>	<b>4,028,323</b>	<b>8,634,711</b>	<b>3,115,660</b>	<b>372,130</b>	<b>12,122,501</b>
Less: Special events - direct benefit to donor	-	-	-	-	-	(74,859)	(74,859)
Less: Campaign expenditures	-	-	-	-	-	(36,714)	(36,714)
	<u>\$ 983,588</u>	<u>\$ 3,622,800</u>	<u>\$ 4,028,323</u>	<u>\$ 8,634,711</u>	<u>\$ 3,115,660</u>	<u>\$ 260,557</u>	<u>\$ 12,010,928</u>

*See accompanying notes to financial statements.*

**ASSOCIATED RECREATION COUNCIL**

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2021

	Program Expenses			Total Programs	Management and General	Fundraising	Total
	Preschool	Recreation and Education	School Age Care				
Personnel	\$ 595,795	\$ 663,714	\$ 3,354,228	\$ 4,613,737	\$ 2,342,640	\$ 230,838	\$ 7,187,215
System fees	8,958	97,374	321,995	428,327	49,541	1,559	479,427
Professional fees	103	211,072	5,369	216,544	64,030	11,972	292,546
Insurance	-	82,378	-	82,378	81,035	-	163,413
Equipment	4,156	50,630	61,137	115,923	41,837	2,367	160,127
Supplies	23,414	37,048	56,611	117,073	12,442	2,766	132,281
Facility rental	-	45,279	68,000	113,279	-	-	113,279
Miscellaneous	2,349	25,914	10,784	39,047	45,230	20,548	104,825
Food and appreciation	11,171	3,213	69,353	83,737	2,032	264	86,033
Taxes and fees	340	29,176	29,909	59,425	5,128	431	64,984
Transportation	1,922	-	228	2,150	39,423	4,123	45,696
Printing and advertising	17	3,927	-	3,944	14,471	-	18,415
Registration fees	-	17,969	-	17,969	207	-	18,176
Events	-	777	-	777	-	6,465	7,242
Uniforms	-	5,136	-	5,136	-	-	5,136
Travel	-	1,379	-	1,379	1,045	-	2,424
<b>Total expenses</b>	<b>648,225</b>	<b>1,274,986</b>	<b>3,977,614</b>	<b>5,900,825</b>	<b>2,699,061</b>	<b>281,333</b>	<b>8,881,219</b>
Less: Special events - direct benefit to donor	-	-	-	-	-	(7,242)	(7,242)
	<u>\$ 648,225</u>	<u>\$ 1,274,986</u>	<u>\$ 3,977,614</u>	<u>\$ 5,900,825</u>	<u>\$ 2,699,061</u>	<u>\$ 274,091</u>	<u>\$ 8,873,977</u>

*See accompanying notes to financial statements.*



## ASSOCIATED RECREATION COUNCIL

### STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 1,003,021	\$ 4,096,123
Adjustments to reconcile change in net assets to net cash flows for operating activities:		
Forgiveness of Paycheck Protection Program loans	-	(4,021,000)
Realized and unrealized losses on investments	493,729	29,004
Changes in operating assets and liabilities:		
Class fees receivable	(380,778)	(1,379,827)
Contributions and grants receivable	295,931	(303,517)
Campaign contributions receivable	294,162	128,748
Other receivables	28,932	251,928
Prepaid expenses	(5,668)	464
Accounts payable and accrued expenses	53,827	(224,119)
Deferred revenue	380,778	1,365,158
	2,163,934	(57,038)
Net cash flows from operating activities		
Cash Flows from Investing Activities		
Purchases of investments	(2,762,089)	(128,963)
Proceeds from sales of investments	131,985	113,534
	(2,630,104)	(15,429)
Net cash flows from investing activities		
Cash Flows from Financing Activity		
Proceeds from Paycheck Protection Program loans	-	2,000,000
	(466,170)	1,927,533
<b>Net change in cash and cash equivalents</b>		
Cash and Cash Equivalents, beginning of the year	4,212,186	2,284,653
Cash and Cash Equivalents, end of the year	\$ 3,746,016	\$ 4,212,186

*See accompanying notes to financial statements.*

# ASSOCIATED RECREATION COUNCIL

## NOTES TO FINANCIAL STATEMENTS

### **Note 1 – Nature of Activities and Summary of Significant Accounting Policies**

#### *Nature of Activities and Financial Statement Presentation*

Associated Recreation Council (ARC) is an independent nonprofit corporation, the purpose of which is to benefit and support the City of Seattle Department of Parks and Recreation (the City) and its officially recognized Advisory Councils in providing public recreation programs at various parks and community centers throughout the City of Seattle. As of December 31, 2022, there were 36 Advisory Councils providing programs, classes, and activities. Support provided by ARC involves the collection, administration, and disbursement of funds for member Advisory Councils in connection with all programs, classes, and activities provided through the ARC system.

These financial statements include the assets, liabilities, revenue, and expenses of ARC and those of the Advisory Councils other than the assets and liabilities represented by the park and community center facility properties. Ownership of these properties remains with the City of Seattle. ARC also provides monetary support to the City (see Note 4).

ARC has an ongoing fundraising campaign (the Campaign) to support the construction of a boathouse at the Green Lake Small Craft Center.

#### *Use of Estimates*

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

#### *Financial Statement Presentation*

ARC reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions are available to support the general operations of ARC.

Net assets with donor restrictions consist of unexpended contributions restricted for particular programs or time periods. Donor-restricted contributions for which the restriction is met in the same year the contribution is received are recognized as revenue without donor restrictions. Net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or as the time restrictions are met.

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## ASSOCIATED RECREATION COUNCIL

### NOTES TO FINANCIAL STATEMENTS

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Green Lake small craft capital project	\$ 2,032,459	\$ 2,024,727
Mt. Baker equipment fund	289,050	287,357
Sharon Gowdey Memorial Fund Special Programs	93,766	93,766
Troops for Fitness program	63,534	63,534
Seal Sitters program fund	41,656	39,780
Montlake Family Fitness capital project	28,499	28,499
Cascade Park	28,122	28,122
Friends of Heron habitat	24,004	23,612
Carkeek Park trails maintenance	21,747	22,594
Annie's Playground, Meadowbrook	16,082	16,082
Other programs and fiscal sponsorships	14,535	14,535
Grand Army of the Republic	10,079	9,966
Green Lake rowing scholarship fund	9,205	28,193
East African meals program	4,933	4,933
	<u>\$ 2,677,671</u>	<u>\$ 2,685,700</u>

#### *Fair Value Measurements*

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable market inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

#### *Cash and Cash Equivalents*

ARC considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. ARC occasionally has cash balances in excess of federally insured limits.

## ASSOCIATED RECREATION COUNCIL

### NOTES TO FINANCIAL STATEMENTS

#### *Investments*

Investments are reported at their fair value using quoted prices in an active market (Level 1 inputs such as quoted prices on national exchanges) in the statements of financial position and consist of the following at December 31:

	2022	2021
Cash Equivalents	\$ 604,084	\$ 3,188
Certificates of Deposit	2,009,886	-
<b>Bond and Preferred Stock Mutual Funds</b>		
Preferred stock funds	1,441,947	1,709,924
Multisector bond funds	580,319	635,255
Government bond funds	502,140	555,457
High-yield bond funds	107,866	123,464
Intermediate-term bond funds	37,178	45,998
International bond funds	-	32,793
<b>Equity Mutual Funds</b>		
International large blend equity funds	42,249	82,455
Large blend equity funds	61,132	75,325
Small blend equity funds	11,537	31,503
Foreign large growth equity funds	40,082	16,248
Global real estate equity funds	25,327	15,762
	\$ 5,463,747	\$ 3,327,372

Investment return or loss consists of interest and dividends, realized and unrealized gains or losses, net of investment fees.

#### *Receivables*

Class fees receivable consists of amounts due from the City, which manages the enrollment of classes and collects registration fees for classes in advance. Amounts due from the City relate to class fees collected by the City that have not been earned and are stated at the amount management expects to collect from outstanding balances. The unearned amounts recognized as being receivable are included with deferred revenue discussed below.

Management reviews the collectability of receivables on a periodic basis and determines the appropriate amount of an allowance for doubtful accounts, if any. ARC writes off receivables against the allowance when it is determined that a receivable is not collectible. Management believes all receivables are collectible at December 31, 2022 and 2021.

## ASSOCIATED RECREATION COUNCIL

### NOTES TO FINANCIAL STATEMENTS

Contributions and grants receivable (including Campaign contributions receivable) expected to be collected in one year are recorded at net realizable value. ARC assesses the need for an allowance on its contributions and grants receivable in the same manner as its class fees receivable. Management determined that an allowance was not necessary as of December 31, 2022 or 2021.

Contributions and grants receivable from one donor represented 25% of total contributions and grants receivable at December 31, 2021. There were no concentrations of contributions and grants receivable at December 31, 2022.

#### *Revenue Recognition*

ARC's primary source of revenue is derived from class registration fees and participation fees for organized sports. Revenue is recognized when the benefit of the services is transferred to the customer, or when the control of goods is transferred to the customer. Class fees are recognized as revenue when the benefit of the services is transferred to the customer over time, on a pro rata basis during the term of the class. Sports participation fees are recognized as revenue when the benefit of the services is transferred to the customer over time, on a pro rata basis during the sport season. There are no significant judgments that affect the determination of the amount and timing of revenue from contracts with customers. ARC does not incur costs to obtain contracts.

Contract assets consist of class fees receivable and represent amounts collected by the City, payable to ARC for classes and/or sport seasons that are not complete. Contract liabilities include deferred revenue related to payments for class and sports participation fees received prior to year-end for classes and/or sport seasons that are not complete. Deferred revenue also includes unearned amounts recognized as being receivable.

Deferred revenue at December 31, 2020, recognized to revenue during the year ended December 31, 2021, was \$1,206,509. Deferred revenue at December 31, 2021, recognized to revenue during the year ended December 31, 2022, was \$2,571,667.

Contributions and grants (including those from government agencies, Campaign contributions, and those received at special events) are recorded when unconditionally pledged as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Revenue from government grants is subject to audit, which could result in adjustments to revenue. These adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. No significant adjustments were made during the year ended December 31, 2022.

Contributions and grants revenue from one government agency represented 13% of total support and revenue during the year ended December 31, 2022. There were no concentrations of total support and revenue during the year ended December 31, 2021.

## **ASSOCIATED RECREATION COUNCIL**

### **NOTES TO FINANCIAL STATEMENTS**

During the year ended December 31, 2021, ARC received a Paycheck Protection Program loan from the Small Business Administration of \$2,000,000. This loan included forgivable conditions which were met during the year ended December 31, 2021, and, therefore, the loan amount (including interest of \$12,744) was recognized to government grants.

#### *Donated Facilities and Services*

The City provides administrative office space for ARC. The fair value of this office space has not been included in these financial statements based on materiality. A substantial number of volunteers and City personnel make significant contributions of time to the program activities of the various member Advisory Councils. Donated services would not be performed by salaried personnel if the donated services were not available. Accordingly, no amounts are reflected in the financial statements for these services.

#### *Functional Expenses*

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel costs are allocated based on employee hours, and all other expenses are allocated based on employee head count of each cost center.

#### *Income Taxes*

ARC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

#### *Subsequent Events*

ARC has evaluated subsequent events through the date these financial statements were available to be issued, which was May 18, 2023.

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## ASSOCIATED RECREATION COUNCIL

### NOTES TO FINANCIAL STATEMENTS

#### Note 2 – Liquidity and Availability of Resources

ARC strives to maintain liquid assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash needs are invested in open-end mutual funds. All investments are available for liquidation within three days of request, and accounts receivable are due within 120 days of recognition.

Net assets with donor restrictions are deemed unavailable to meet the daily cash needs for general expenditures and have been reduced from financial assets available for general expenditures.

Financial assets available for general expenditure at December 31, 2022 and 2021, comprise the following:

	2022	2021
Financial Assets		
Cash and cash equivalents	\$ 3,746,016	\$ 4,212,186
Investments	5,463,747	3,327,372
Class fees receivable	2,952,445	2,571,667
Contributions and grants receivable	204,384	500,315
Campaign contributions receivable	334,150	628,312
Other receivables	-	28,932
	<u>12,700,742</u>	<u>11,268,784</u>
Less: Amounts Not Available to be Used Within One Year		
Net assets with donor restrictions	<u>(2,677,671)</u>	<u>(2,685,700)</u>
	<u>\$ 10,023,071</u>	<u>\$ 8,583,084</u>

#### Note 3 – Employee Benefit Plan

ARC has a 401(k) plan for employees who meet the eligibility requirements set forth in the plan. ARC matches a portion of employee contributions, which amounted to \$103,430 and \$83,209 in 2022 and 2021, respectively.

#### Note 4 – Annual Services Agreement with the City of Seattle Department of Parks and Recreation

ARC and the City operate under an Annual Services Agreement (the Agreement) that attempts to plan for and address biennial budget issues. The Agreement includes, but is not limited to, the following amounts paid to the City of Seattle:

- Participation Fee – a fee of 4% of gross receipts (excluding grants and contributions) of all Advisory Councils excluding rowing and sailing is set by the Seattle City Council on users of Parks facilities for the benefit of the City. ARC collects and pays this fee to the City.
- Assistant Coordinators Wage Reimbursement – the City will provide nine fulltime Assistant Coordinators, and ARC will pay the related wages and taxes.
- Building Monitors Wage Reimbursement – up to \$50,000 for wages and taxes related to Recreation Attendants serving as building monitors.
- Other – includes support for capital improvements and project expenses, and general operational support.

## **ASSOCIATED RECREATION COUNCIL**

### **NOTES TO FINANCIAL STATEMENTS**

All support paid to the City is included in various expense categories on the statements of functional expenses and totaled \$1,227,622 and \$448,430 for the years ended December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, ARC owed the City \$170,174 and \$248,009, respectively, which are included with accounts payable and accrued expenses.

#### **Note 5 – Subsequent Event – Operating Lease**

Subsequent to year end, ARC entered into a sublease for office space with the City of Seattle. The lease term is from May 2023 to January 2028. Monthly lease payments are expected to range from \$13,728 to \$15,635 over the term of the lease.