Associated Recreation Council

Financial Statements
Years Ended December 31, 2019 and 2018

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

Associated Recreation Council

Financial Statements
Years Ended December 31, 2019 and 2018

Associated Recreation Council

Contents

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Independent Auditor's Report

To the Board of Directors
Associated Recreation Council
Seattle, Washington

We have audited the accompanying financial statements of Associated Recreation Council, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to an entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2019, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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Other Matter – Prior-Period Financial Statements

The financial statements of Associated Recreation Council as of and for the year ended December 31, 2018, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in their report dated May 14, 2019.

BDO USA, LLP

June 10, 2020

Financial Statements

Associated Recreation Council

Statements of Financial Position

December 31,		**2019**		2018
Assets				
Current Assets				
Cash and cash equivalents	$	**1,301,375**	$	748,648
Investments		**5,674,362**		5,269,522
Grants receivable		**446,099**		343,003
Campaign pledges receivable, current portion		**134,250**		116,500
Class fees receivable		**947,422**		1,117,624
Other receivables		**92,267**		74,262
Prepaid expenses		**22,391**		30,023
Total Current Assets		**8,618,166**		7,699,582
Campaign pledges receivable, non-current portion		**168,917**		225,500
Total Assets	$	**8,787,083**	$	7,925,082
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	$	**1,172,195**	$	1,669,390
Deferred revenue		**1,303,935**		1,288,218
Total Current Liabilities		**2,476,130**		2,957,608
Net Assets				
Without donor restrictions		**4,582,852**		3,797,363
With donor restrictions		**1,728,101**		1,170,111
Total Net Assets		**6,310,953**		4,967,474
Total Liabilities and Net Assets	$	**8,787,083**	$	7,925,082

See accompanying notes to financial statements.

Associated Recreation Council

Statements of Activities

	2019			2018		
Years Ended December 31,	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Class fees	**$ 15,006,660**	**$ -**	**$ 15,006,660**	$ 15,129,636	$ -	$ 15,129,636
Sports fees	**552,231**	**-**	**552,231**	604,099	-	604,099
Less: Scholarships and refunds	**(1,165)**	**-**	**(1,165)**	(432,471)	-	(432,471)
Grants	**1,539,343**	**-**	**1,539,343**	1,076,191	-	1,076,191
Fundraising events, net of direct expenditures of $120,667 and $108,250 in 2019 and 2018, respectively	**375,921**	**-**	**375,921**	277,329	-	277,329
Donations	**118,255**	**40,891**	**159,146**	207,993	54,119	262,112
Retail sales	**63,781**	**-**	**63,781**	79,753	-	79,753
Print shop proceeds	**104,926**	**-**	**104,926**	160,621	-	160,621
Equipment rental fees	**50,107**	**-**	**50,107**	83,318	-	83,318
Investment income, net	**308,013**	**-**	**308,013**	302,146	-	302,146
Unrealized and realized gain (loss) on investments	**319,144**	**57,509**	**376,653**	(428,078)	(22,836)	(450,914)
Miscellaneous	**266,965**	**-**	**266,965**	327,434	-	327,434
Net assets released from restrictions	**144,193**	**(144,193)**	**-**	246,908	(246,908)	-
Total Support and Revenue	**18,848,374**	**(45,793)**	**18,802,581**	17,634,879	(215,625)	17,419,254
Expenses						
Program	**15,694,848**	**-**	**15,694,848**	15,829,241	-	15,829,241
Management and general	**2,039,835**	**-**	**2,039,835**	2,163,307	-	2,163,307
Fundraising	**248,677**	**-**	**248,677**	221,126	-	221,126
Total Expenses	**17,983,360**	**-**	**17,983,360**	18,213,674	-	18,213,674
Total Change in Net Assets before Campaign Contributions and Expenditures	**865,014**	**(45,793)**	**819,221**	(578,795)	(215,625)	(794,420)
Campaign contributions	**-**	**603,783**	**603,783**	83,483	654,349	737,832
Less: Campaign Expenditures	**(79,525)**	**-**	**(79,525)**	(134,613)	-	(134,613)
Total Change in Net Assets	**785,489**	**557,990**	**1,343,479**	(629,925)	438,724	(191,201)
Net Assets, beginning of year	**3,797,363**	**1,170,111**	**4,967,474**	4,427,288	731,387	5,158,675
Net Assets, end of year	**$ 4,582,852**	**$ 1,728,101**	**$ 6,310,953**	$ 3,797,363	$ 1,170,111	$ 4,967,474

See accompanying notes to financial statements.

Associated Recreation Council

Statement of Functional Expenses

Year Ended December 31, 2019	Program						
	Preschool	Recreation and Education	School Age Care	Program Total	Management and General	Fundraising	Total
Personnel	$ 1,400,262	$ 3,770,631	$ 4,357,921	$ 9,528,814	$ 1,868,343	$ 267,430	$11,664,587
Professional fees	12,281	1,138,065	55,286	1,205,632	74,006	11,923	1,291,561
System fees	40,572	475,360	755,330	1,271,262	-	-	1,271,262
Taxes and fees	47,583	519,110	364,425	931,118	3,706	860	935,684
Supplies	62,429	286,782	145,576	494,787	5,870	5,255	505,912
Food and appreciation	22,803	165,552	247,651	436,006	4,271	3,711	443,988
Equipment	17,422	334,092	41,399	392,913	14,897	876	408,686
Transportation	14,379	163,940	98,197	276,516	10,374	1,104	287,994
Travel	1,878	195,486	16,701	214,065	2,692	2,318	219,075
Insurance	13,464	60,959	52,631	127,054	20,807	1,224	149,085
Fundraising	-	-	-	-	-	120,667	120,667
Facility rental	301	3,277	115,560	119,138	33	1,308	120,479
Printing and advertising	7,610	58,285	29,684	95,579	11,735	12,399	119,713
Field trips	870	31,866	86,373	119,109	162	10	119,281
Registration fees	649	110,384	2,588	113,621	1,004	408	115,033
Program monitoring	-	52,641	-	52,641	-	-	52,641
Uniforms	-	52,003	-	52,003	-	-	52,003
Miscellaneous	23,915	131,672	109,003	264,590	21,935	19,376	305,901
	1,666,418	7,550,105	6,478,325	15,694,848	2,039,835	448,869	18,183,552
Less: Fundraising expenses	-	-	-	-	-	(120,667)	(120,667)
Less: Campaign expenditures	-	-	-	-	-	(79,525)	(79,525)
Total Expenses	$ 1,666,418	$ 7,550,105	$ 6,478,325	$ 15,694,848	$ 2,039,835	$ 248,677	$ 17,983,360

See accompanying notes to financial statements.

Associated Recreation Council

Statement of Functional Expenses

Year Ended December 31, 2018	Program				Management and General	Fundraising	Total
	Preschool	Recreation and Education	School Age Care	Program Total			
Personnel	$ 1,298,300	$ 3,774,651	$ 4,357,962	$ 9,430,913	$ 1,929,862	$ 248,441	$11,609,216
Professional fees	30,841	1,285,484	127,448	1,443,773	106,525	69,550	1,619,848
System fees	47,472	425,210	799,314	1,271,996	-	-	1,271,996
Taxes and fees	31,686	386,942	227,982	646,610	47,653	150	694,413
Supplies	60,756	284,269	152,007	497,032	7,162	2,693	506,887
Food and appreciation	20,030	205,997	269,920	495,947	3,627	2,398	501,972
Equipment	12,303	379,985	51,688	443,976	14,118	1,684	459,778
Transportation	11,364	132,251	150,544	294,159	5,607	759	300,525
Travel	713	146,417	15,129	162,259	639	4,528	167,426
Insurance	15,989	46,561	63,954	126,504	18,896	1,454	146,854
Fundraising	-	-	-	-	-	108,250	108,250
Facility rental	311	15,243	76,257	91,811	66	3,229	95,106
Printing and advertising	9,601	66,554	34,866	111,021	10,266	4,021	125,308
Field trips	983	40,840	74,827	116,650	88	165	116,903
Registration fees	1,273	99,216	5,104	105,593	1,504	1,606	108,703
Program monitoring	-	120,154	-	120,154	-	-	120,154
Uniforms	2,087	79,954	14,139	96,180	16	2	96,198
Extended hours staffing	-	127,996	-	127,996	-	-	127,996
Miscellaneous	19,815	130,780	96,072	246,667	17,278	15,059	279,004
	1,563,524	7,748,504	6,517,213	15,829,241	2,163,307	463,989	18,456,537
Less: Fundraising expenses	-	-	-	-	-	(108,250)	(108,250)
Less: Campaign expenditures	-	-	-	-	-	(134,613)	(134,613)
Total Expenses	$ 1,563,524	$ 7,748,504	$ 6,517,213	$ 15,829,241	$ 2,163,307	$ 221,126	$ 18,213,674

See accompanying notes to financial statements.

Associated Recreation Council

Statements of Cash Flows

Years Ended December 31,	**2019**	2018
Cash Flows from (for) Operating Activities		
Change in net assets	**$ 1,343,479**	$ (191,201)
Adjustments to reconcile change in net assets to net cash flows from (for) operating activities:		
Unrealized and realized (gain) loss on investments	**(376,653)**	450,914
Changes in operating assets and liabilities:		
Grants receivable	**(103,096)**	(253,220)
Campaign pledges receivable	**38,833**	(342,000)
Class fees receivable	**170,202**	(24,782)
Other receivables	**(18,005)**	(55,167)
Prepaid expenses	**7,632**	(20,737)
Accounts payable and accrued expenses	**(497,195)**	204,754
Deferred revenue	**15,717**	(244,247)
Net Cash Flows from (for) Operating Activities	**580,914**	(475,686)
Cash Flows from (for) Investing Activities		
Purchases of investments	**(176,821)**	(267,953)
Proceeds from sales of investments	**148,634**	752,698
Net Cash Flows from (for) Investing Activities	**(28,187)**	484,745
Net Change in Cash and Cash Equivalents	**552,727**	9,059
Cash and Cash Equivalents, beginning of year	**748,648**	739,589
Cash and Cash Equivalents, end of year	**$ 1,301,375**	$ 748,648

See accompanying notes to financial statements.

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 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, 2019, 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 contributed $243,196 and $272,754 of equipment to the City of Seattle Department of Parks and Recreation in 2019 and 2018, respectively, which is included in equipment on the statements of functional expenses. ARC also provides monetary support to the City of Seattle Department of Parks and Recreation. See Note 7.

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

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.

Allocation of 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.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of unexpended contributions restricted for particular programs or time periods. If ARC receives a donor restricted contribution and it meets the restriction in the same year the contribution is received, then it records the contribution 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.

Net assets with donor restrictions are available for the following purposes as follows:

December 31,	2019	2018
Green Lake small craft capital project	**$ 1,178,607**	$ 654,349
Mt. Baker equipment fund	**292,335**	237,524
Troops for Fitness program	**63,611**	87,524
Cascade Park	**29,852**	-
Montlake Family Fitness capital project	**28,499**	28,499
Green Lake rowing scholarship fund	**25,693**	25,693
Friends of Heron habitat	**22,898**	22,319
Carkeek Park trails maintenance	**22,875**	23,135
Annie's Playground, Meadowbrook	**19,413**	21,162
Seal Sitters program fund	**16,805**	20,555
East African meals program	**4,982**	24,055
Other programs and fiscal sponsorships	**22,531**	25,296
Total Net Assets with Donor Restrictions	**$ 1,728,101**	$ 1,170,111

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. These 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 inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Cash and Cash Equivalents

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

Investments

Investments generally consist of equity and bond mutual fund holdings. Investments are measured at fair value using Level 1 observable market inputs within the fair value hierarchy consisting of quoted prices in active markets for identical assets. Investment income and unrealized and realized gains and losses are reported in the statements of activities. Investment income consists of interest and dividend income, less investment expenses.

Receivables

Grants receivable are administered by local government agencies, and are stated at the outstanding principal balances. At December 31, 2019 and 2018, 54% and 78%, respectively, of grants receivable were due from the City of Seattle Department of Parks and Recreation.

Pledges receivable consist of unconditional promises to give related to the Campaign. Campaign pledges receivable are recorded at net realizable value. The net realizable value of campaign pledges receivable that are expected to be collected in future years does not materially differ from the present value of their future cash flows (which approximates fair value). At December 31, 2019, 26% of campaign pledges receivable were due from two donors. At December 31, 2018, 67% of campaign pledges receivable were due from six donors.

Class fees receivable consists of amounts due from the City of Seattle Department of Parks and Recreation, which manages the enrollment of classes and collects registration fees for classes in advance. Amounts due from the City of Seattle Department of Parks and Recreation relate to class fees collected by the City of Seattle Department of Parks and Recreation 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 collectibility 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. ARC generally does not require collateral for receivable balances. Management believes all receivables are collectible at December 31, 2019 and 2018.

Recently Adopted Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (“Topic 606”), related to revenue recognition which replaces numerous requirements in the accounting principles generally accepted in the United States of America, including industry-specific requirements, and provides entities with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the revenue standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ARC only applies the five-step model to contracts when it is probable that ARC will collect the consideration it is entitled to in exchange for the goods and services transferred to the customer. The following five steps are applied to achieve that core principle:

Step 1: Identify the contract with the customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligation in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

Effective January 1, 2019, ARC adopted the requirements of Topic 606 using the modified retrospective method applied only to contracts that are not completed at the date of initial application. Topic 606 had no material impact on ARC's financial statements and, as such, has not recorded a cumulative transition adjustment as of January 1, 2019.

Revenue Recognition

ARC derives the majority of its revenue from class registration fees and participation fees for organized sports. ARC also receives revenue from grants and donations (recognized as contributions under Topic 958). 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 of Seattle Department of Parks and Recreation, 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.

Grant revenue is recorded when it is awarded. Remaining conditional grant balances at December 31, 2019 and 2018, are not material to the financial statements. Revenue from donations is recorded when the promise to give to ARC is made.

Donated Facilities and Services

The City of Seattle Department of Parks and Recreation 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 of Seattle Department of Parks and Recreation 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.

Advertising Costs

ARC expenses advertising costs as incurred. Advertising expense was $72,852 and $75,952 in 2019 and 2018, respectively.

Income Taxes

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

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 the reported amounts and disclosures. Actual results could differ from the estimated amounts.

Subsequent Events

ARC has evaluated subsequent events through the date these financial statements were available to be issued, which was June 10, 2020. See Note 8.

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.

Long-term pledges and donor-restricted assets 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, 2018 and 2019, comprise the following:

December 31,	**2019**	2018
Cash and cash equivalents	**$ 1,301,375**	$ 748,648
Investments	**5,674,362**	5,269,522
Total receivables	**1,788,955**	1,876,889
Less: Receivables with due dates greater than one year	**(168,917)**	(225,500)
Less: Net assets with donor restrictions	**(1,559,184)**	(944,611)
Financial Assets Available for General Expenditure	**$ 7,036,591**	$ 6,724,948

3. Campaign Pledges Receivable

Unconditional promises to give are as follows:

December 31,	**2019**	2018
Receivable in less than one year	**$ 134,250**	$ 116,500
Receivable in one to five years	**168,917**	225,500
Total Unconditional Promises to Give	**$ 303,167**	$ 342,000

4. Investments

Investments are recorded at fair value and are summarized as follows:

December 31,	2019	2018
Cash Equivalents	$ 4,672	$ 3,605
Investments in Bond and Preferred Stock Mutual Funds		
Preferred stock funds	3,042,389	2,731,406
Multisector bond funds	1,137,477	1,115,748
High-yield bond funds	639,032	461,904
Government bond funds	563,129	554,124
Corporate bond funds	41,950	39,195
Intermediate-term bond funds	33,345	38,082
International bond funds	26,987	26,741
Bank loan funds	-	153,816
Total Bond and Preferred Stock Mutual Funds	5,484,309	5,121,016
Investments in Equity Mutual Funds		
Large blend equity funds	74,786	48,715
International large blend equity funds	68,683	54,117
Foreign large growth equity funds	14,756	11,579
Small blend equity funds	14,674	10,862
Global real estate equity funds	12,482	10,136
Large value equity funds	-	9,492
Total Equity Mutual Funds	185,381	144,901
Total Investments	$ 5,674,362	$ 5,269,522

5. Line of Credit

In 2019, ARC obtained a $500,000 line of credit with a bank with no outstanding balance at December 31, 2019. Draws on the line of credit bear interest at the Prime Rate minus 1%, but are subject to a floor of 4.5% (resulting in a rate of 4.5% at December 31, 2019). Interest shall be due and payable monthly. The line is secured by cash and cash equivalents and certain investments held with the bank with a carrying value approximating $5,000,000 at December 31, 2019. Any outstanding balance on the line of credit is due on the date of maturity on April 15, 2021.

6. 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 $59,891 and $52,710 in 2019 and 2018, respectively.

7. Annual Services Agreement with the City of Seattle Department of Parks and Recreation

ARC and the City of Seattle Department of Parks and Recreation 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 Department of Parks and Recreation:

- Participation Fee – a fee of 4% of gross receipts (excluding grants and donations) 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 Seattle Department of Parks and Recreation. ARC collects and pays this fee to the City.
- Wage Reimbursement – up to $138,000 for wages and taxes related to Recreation Attendants serving as building monitors.
- Scholarship Reimbursement – up to $426,800 to cover the difference between the allocated scholarships and the approved scholarship ceiling.
- Other – includes support for capital improvements and project expenses, and general operational support.

The Agreement also includes a GEO Tier Support ("G.T.S.") Fee, which is determined as 6.45% of gross receipts (excluding grants and donations) of all Seattle Community Center programs up to a fee limit of $611,000. These fees are paid for the reimbursement of wages for Recreation Assistant Coordinators, who administer program classes and activities in the community centers. The proceeds of the G.T.S. Fee also support some of the overhead of the Department of Parks and Recreation Belltown Community Center. The agreement is expected to continue through 2020. In 2019 and 2018, total fees paid by ARC related to the G.T.S. Fee were $611,000 and $518,340, respectively.

All support paid to the City of Seattle Department of Parks and Recreation is included in various expense categories on the statements of functional expenses and totaled $2,025,269 and $2,115,257 for the years ended December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, ARC owed the City of Seattle Department of Parks and Recreation $421,069 and $884,698, respectively, which are included with accounts payable and accrued expenses.

8. Subsequent Events

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on ARC's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, ARC is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

In March 2020, ARC has temporarily suspended activities at its 36 advisory councils to curtail the spread of the COVID-19 outbreak, and protect its employees and customers, consistent with governmental restrictions and guidance. While ARC considers these closures to be temporary, if they continue, this may have an adverse effect on ARC's revenue levels for fiscal year 2020.

Although ARC cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on ARC's results of future operations, financial position, and liquidity in fiscal year 2020.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. In April 2020, ARC was awarded a $2,021,000 SBA Paycheck Protection Program loan, which is forgivable if ARC complies with the provisions of the SBA Paycheck Protection Program. ARC expects to qualify for at least a portion of the loan to be forgiven.

ARC will continue to examine the impact that the CARES Act may have on its business. Currently, ARC is unable to determine the impact that the CARES Act will have on its financial condition, results of operation, or liquidity.