# Associated Recreation Council

## Financial Statements
Years Ended December 31, 2020 and 2019

# Associated Recreation Council

Financial Statements

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# Associated Recreation Council

## Contents

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# Independent Auditor's Report

To the Board of Directors
Associated Recreation Council
Seattle, Washington

### *Opinion*

We have audited the financial statements of Associated Recreation Council, which comprise the statements of financial position as of December 31, 2020 and 2019, 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 accompanying financial statements present fairly, in all material respects, the financial position of Associated Recreation Council as of December 31, 2020 and 2019, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits 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 audits. 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 issued or available to be issued.

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***Auditor's Responsibilities for the Audits 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing our audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 the 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

BDO USA, LLP

September 21, 2021

# Financial Statements

# Associated Recreation Council

## Statements of Financial Position

| *December 31,* | **2020** | 2019 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | **$ 2,284,653** | $ 1,301,375 |
| Investments | **3,340,947** | 5,674,362 |
| Grants receivable | **196,798** | 446,099 |
| Campaign pledges receivable, current portion | **736,384** | 134,250 |
| Class fees receivable | **1,191,840** | 947,422 |
| Other receivables | **280,860** | 92,267 |
| Prepaid expenses | **1,629** | 22,391 |
| **Total Current Assets** | **8,033,111** | 8,618,166 |
| Campaign pledges receivable, non-current portion | **20,676** | 168,917 |
| **Total Assets** | **$ 8,053,787** | $ 8,787,083 |
| **Liabilities and Net Assets** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued expenses | **$ 1,417,189** | $ 1,172,195 |
| SBA PPP loan | **2,021,000** | - |
| Deferred revenue | **1,206,509** | 1,303,935 |
| **Total Current Liabilities** | **4,644,698** | 2,476,130 |
| **Net Assets** | | |
| Without donor restrictions | **829,615** | 4,582,852 |
| With donor restrictions | **2,579,474** | 1,728,101 |
| **Total Net Assets** | **3,409,089** | 6,310,953 |
| **Total Liabilities and Net Assets** | **$ 8,053,787** | $ 8,787,083 |

*See accompanying notes to financial statements.*

# Associated Recreation Council

## Statements of Activities

| *Year Ended December 31,* | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **Support and Revenue** | | | | | | |
| Class fees | $ **5,003,870** | $ **-** | $ **5,003,870** | $ 15,006,660 | $ - | $ 15,006,660 |
| Sports fees | **232,507** | **-** | **232,507** | 552,231 | - | 552,231 |
| Less: Scholarships and refunds | **(3,973)** | **-** | **(3,973)** | (1,165) | - | (1,165) |
| Grants | **1,933,127** | **-** | **1,933,127** | 1,539,343 | - | 1,539,343 |
| Fundraising events, net of direct expenditures of $18,524 and $120,667 in 2020 and 2019, respectively | **43,109** | **-** | **43,109** | 375,921 | - | 375,921 |
| Donations | **26,387** | **137,258** | **163,645** | 118,255 | 40,891 | 159,146 |
| Retail sales | **14,031** | **-** | **14,031** | 63,781 | - | 63,781 |
| Print shop proceeds | **14,434** | **-** | **14,434** | 104,926 | - | 104,926 |
| Equipment rental fees | **3,145** | **-** | **3,145** | 50,107 | - | 50,107 |
| Investment income, net | **187,182** | **-** | **187,182** | 308,013 | - | 308,013 |
| Unrealized (loss) gain on investments | **(382,597)** | **2,789** | **(379,808)** | 319,144 | 57,509 | 376,653 |
| Miscellaneous | **58,142** | **-** | **58,142** | 266,965 | - | 266,965 |
| Net assets released from restrictions | **65,510** | **(65,510)** | **-** | 144,193 | (144,193) | - |
| **Total Support and Revenue** | **7,194,874** | **74,537** | **7,269,411** | 18,848,374 | (45,793) | 18,802,581 |
| **Expenses** | | | | | | |
| Program | **7,564,842** | **-** | **7,564,842** | 15,694,848 | - | 15,694,848 |
| Management and general | **3,103,617** | **-** | **3,103,617** | 2,039,835 | - | 2,039,835 |
| Fundraising | **261,745** | **-** | **261,745** | 248,677 | - | 248,677 |
| **Total Expenses** | **10,930,204** | **-** | **10,930,204** | 17,983,360 | - | 17,983,360 |
| **Total Change in Net Assets before Campaign Contributions and Expenditures** | **(3,735,330)** | **74,537** | **(3,660,793)** | 865,014 | (45,793) | 819,221 |
| Campaign contributions | **-** | **776,836** | **776,836** | - | 603,783 | 603,783 |
| Less: Campaign Expenditures | **(17,907)** | **-** | **(17,907)** | (79,525) | - | (79,525) |
| **Total Change in Net Assets** | **(3,753,237)** | **851,373** | **(2,901,864)** | 785,489 | 557,990 | 1,343,479 |
| **Net Assets**, beginning of year | **4,582,852** | **1,728,101** | **6,310,953** | 3,797,363 | 1,170,111 | 4,967,474 |
| **Net Assets,** end of year | $ **829,615** | $ **2,579,474** | $ **3,409,089** | $ 4,582,852 | $ 1,728,101 | $ 6,310,953 |

*See accompanying notes to financial statements.*

# Associated Recreation Council

## Statement of Functional Expenses

| *Year Ended December 31, 2020* | Program: Preschool | Program: Recreation and Education | Program: School Age Care | Program: Program Total | Management and General | Fundraising | Total |
|---|---|---|---|---|---|---|---|
| Personnel | $ 895,316 | $ 1,135,555 | $ 4,156,544 | $ 6,187,415 | $ 2,700,401 | $ 260,504 | $ 9,148,320 |
| System fees | 19,214 | 76,669 | 386,334 | 482,217 | - | 230 | 482,447 |
| Professional fees | - | 136,720 | 4,316 | 141,036 | 108,561 | 4,409 | 254,006 |
| Equipment | 3,392 | 108,405 | 32,509 | 144,306 | 85,618 | 8,156 | 238,080 |
| Supplies | 30,732 | 62,100 | 66,210 | 159,042 | 19,587 | 1,026 | 179,655 |
| Food and appreciation | 8,022 | 14,960 | 78,059 | 101,041 | 12,294 | 240 | 113,575 |
| Taxes and fees | 3,120 | 43,001 | 54,399 | 100,520 | 8,126 | 717 | 109,363 |
| Insurance | - | - | - | - | 90,170 | - | 90,170 |
| Facility rental | - | 2,601 | 73,606 | 76,207 | 3,333 | - | 79,540 |
| Transportation | 5,992 | 7,358 | 3,320 | 16,670 | 38,793 | 3,548 | 59,011 |
| Uniforms | - | 57,118 | - | 57,118 | - | - | 57,118 |
| Printing and advertising | 81 | 37,983 | 4,978 | 43,042 | 11,391 | 804 | 55,237 |
| Miscellaneous | 3 | 15,279 | - | 15,282 | 21,767 | 3 | 37,052 |
| Fundraising | - | 5,852 | - | 5,852 | - | 12,672 | 18,524 |
| Program monitoring | - | 14,805 | - | 14,805 | - | - | 14,805 |
| Travel | 107 | 7,164 | 3,970 | 11,241 | 3,396 | 15 | 14,652 |
| Field trips | - | 2,016 | 7,184 | 9,200 | 180 | - | 9,380 |
| Registration fees | - | 5,700 | - | 5,700 | - | - | 5,700 |
| | 965,979 | 1,733,286 | 4,871,429 | 7,570,694 | 3,103,617 | 292,324 | 10,966,635 |
| Less: Fundraising expenses | - | (5,852) | - | (5,852) | - | (12,672) | (18,524) |
| Less: Campaign expenditures | - | - | - | - | - | (17,907) | (17,907) |
| **Total Expenses** | $ 965,979 | $ 1,727,434 | $ 4,871,429 | $ 7,564,842 | $ 3,103,617 | $ 261,745 | $ 10,930,204 |

*See accompanying notes to financial statements.*

# Associated Recreation Council

## Statement of Functional Expenses

| *Year Ended December 31, 2019* | Program: Preschool | Program: Recreation and Education | Program: 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

## Statements of Cash Flows

| *Year Ended December 31,* | **2020** | 2019 |
|---|---|---|
| **Cash Flows (for) from Operating Activities** | | |
| Change in net assets | **$ (2,901,864)** | $ 1,343,479 |
| Adjustments to reconcile change in net assets to net cash flows (for) from operating activities: | | |
| Unrealized and realized loss (gain) on investments | **379,808** | (376,653) |
| Changes in operating assets and liabilities | | |
| Grants receivable | **249,301** | (103,096) |
| Campaign pledges receivable | **(453,893)** | 38,833 |
| Class fees receivable | **(244,418)** | 170,202 |
| Other receivables | **(188,593)** | (18,005) |
| Prepaid expenses | **20,762** | 7,632 |
| Accounts payable and accrued expenses | **244,994** | (497,195) |
| Deferred revenue | **(97,426)** | 15,717 |
| **Net Cash Flows (for) from Operating Activities** | **(2,991,329)** | 580,914 |
| **Cash Flows from (for) Investing Activities** | | |
| Purchases of investments | **(1,114,010)** | (176,821) |
| Proceeds from sales of investments | **3,067,617** | 148,634 |
| **Net Cash Flows from (for) Investing Activities** | **1,953,607** | (28,187) |
| **Cash Flows from Financing Activities** | | |
| SBA PPP loan | **2,021,000** | - |
| **Net Cash Flows from Financing Activities** | **2,021,000** | - |
| **Net Change in Cash and Cash Equivalents** | **983,278** | 552,727 |
| **Cash and Cash Equivalents**, beginning of year | **1,301,375** | 748,648 |
| **Cash and Cash Equivalents,** end of year | **$ 2,284,653** | $ 1,301,375 |

*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, 2020, 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 $104,508 and $243,196 of equipment to the City of Seattle Department of Parks and Recreation in 2020 and 2019, 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,* | **2020** | 2019 |
|---|---|---|
| Green Lake small craft capital project | **$ 1,937,536** | $ 1,178,607 |
| Mt. Baker equipment fund | **261,103** | 292,335 |
| Sharon Gowdey Memorial Fund Special Programs | **98,744** | - |
| Troops for Fitness program | **63,534** | 63,611 |
| Cascade Park | **28,122** | 29,852 |
| Montlake Family Fitness capital project | **28,499** | 28,499 |
| Green Lake rowing scholarship fund | **25,693** | 25,693 |
| Friends of Heron habitat | **23,723** | 22,898 |
| Carkeek Park trails maintenance | **22,594** | 22,875 |
| Annie's Playground, Meadowbrook | **16,082** | 19,413 |
| Seal Sitters program fund | **45,075** | 16,805 |
| East African meals program | **4,933** | 4,982 |
| Other programs and fiscal sponsorships | **23,836** | 22,531 |
| **Total Net Assets with Donor Restrictions** | **$ 2,579,474** | $ 1,728,101 |

### *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, 2020 and 2019, 17% and 54%, 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, 2020, 63% of Campaign pledges receivable were due from three donors. At December 31, 2019, 26% of Campaign pledges receivable were due from two 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 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. ARC generally does not require collateral for receivable balances. Management believes all receivables are collectible at December 31, 2020 and 2019.

### *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, 2020 and 2019, 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 $38,849 and $72,852 in 2020 and 2019, 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 September 21, 2021.

## 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, 2020 and 2019, comprise the following:

| *December 31,* | **2020** | 2019 |
|---|---|---|
| Cash and cash equivalents | **$ 2,284,653** | $ 1,301,375 |
| Investments | **3,340,947** | 5,674,362 |
| Total receivables | **2,426,558** | 1,788,955 |
| Less: Receivables with due dates greater than one year | **(20,676)** | (168,917) |
| Less: Net assets with donor restrictions | **(2,558,798)** | (1,559,184) |
| **Financial Assets Available for General Expenditure** | **$ 5,472,684** | $ 7,036,591 |

## 3. Campaign Pledges Receivable

Unconditional promises to give are as follows:

| *December 31,* | **2020** | 2019 |
|---|---|---|
| Receivable in less than one year | **$ 736,384** | $ 134,250 |
| Receivable in one to five years | **20,676** | 168,917 |
| **Total Unconditional Promises to Give** | **$ 757,060** | $ 303,167 |

## 4. Investments

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

| *December 31,* | | 2020 | | 2019 |
|---|---|---|---|---|
| **Cash Equivalents** | $ | **3,435** | $ | 4,672 |
| **Investments in Bond and Preferred Stock Mutual Funds** | | | | |
| Preferred stock funds | | **1,727,677** | | 3,042,389 |
| Multisector bond funds | | **597,089** | | 1,137,477 |
| High-yield bond funds | | **123,464** | | 639,032 |
| Government bond funds | | **569,150** | | 563,129 |
| Corporate bond funds | | **-** | | 41,950 |
| Intermediate-term bond funds | | **80,319** | | 33,345 |
| International bond funds | | **29,224** | | 26,987 |
| **Total Bond and Preferred Stock Mutual Funds** | | **3,126,923** | | 5,484,309 |
| **Investments in Equity Mutual Funds** | | | | |
| Large blend equity funds | | **81,520** | | 74,786 |
| International large blend equity funds | | **78,787** | | 68,683 |
| Foreign large growth equity funds | | **18,480** | | 14,756 |
| Small blend equity funds | | **18,957** | | 14,674 |
| Global real estate equity funds | | **12,845** | | 12,482 |
| **Total Equity Mutual Funds** | | **210,589** | | 185,381 |
| **Total Investments** | $ | **3,340,947** | $ | 5,674,362 |

## 5. Line of Credit

In 2019, ARC obtained a $500,000 line of credit with a bank with no outstanding balance at December 31, 2020 and 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, 2020). 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 $4,500,000 at December 31, 2020. Any outstanding balance on the line of credit is due on the date of maturity on April 15, 2021, and at that date, it was not renewed.

## 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 $95,164 and $59,891 in 2020 and 2019, 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. For 2020, the Seattle Parks & Recreation (SPR) waived the payment of the Participation Fee in its entirety to SPR by ARC.
- Wage Reimbursement – up to $50,000 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 was expired on December 31, 2020. In 2020 and 2019, total fees paid by ARC related to the G.T.S. Fee were $152,750 and $611,000, respectively. SPR agree to waive $565,250 that ARC owed in GEO fees for 2020.

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 $387,209 and $2,025,269 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, ARC owed the City of Seattle Department of Parks and Recreation $587,553 and $421,069, respectively, which are included with accounts payable and accrued expenses.

## 8. COVID-19 and CARES Act

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 the 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, the ARC is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for 2021.

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 the reopen will take place in fall 2021, if they continue, this may have an adverse effect on ARC's revenue levels for fiscal year 2021.

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 was forgiven on June 14, 2021. In March 2021, ARC was awarded a $2,000,000 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.

On December 27, 2020, President Trump signed into law the "Consolidated Appropriations Act, 2021," which included additional economic stimulus and COVID 19 related relief including additional PPP funds and expansion of the Employee Retention Credit.

On March 11, 2021, President Biden signed into law the "American Rescue Plan Act of 2021" (the American Rescue Plan), which included additional economic stimulus and tax credits, including the expansion of the Employee Retention Credit.

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.