

FRIENDS OF SEATTLE WATERFRONT

dba Friends of Waterfront Seattle

Financial Statements
December 31, 2022 and 2021

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Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA
Andrew Van Ness, CPA



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Friends of Seattle Waterfront
dba Friends of Waterfront Seattle
Seattle, Washington

Opinion

We have audited the accompanying financial statements of Friends of Seattle Waterfront dba Friends of Waterfront Seattle (Friends, 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 Friends 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 Friends 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 Friends' 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 Friends' 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 Friends' 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

FRIENDS OF SEATTLE WATERFRONT
dba Friends of Waterfront Seattle

STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS	2022	2021
Current Assets		
Cash and cash equivalents	\$ 4,478,055	\$ 14,973,321
Investments	14,344,212	6,241,440
Contributions receivable	4,283,507	7,124,324
Total current assets	23,105,774	28,339,085
Contributions Receivable, net	2,937,405	3,816,137
Property and Equipment, net	370,568	140,347
Total assets	\$ 26,413,747	\$ 32,295,569
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 479,220	\$ 445,946
Net Assets		
Without donor restrictions	18,425,335	24,304,766
With donor restrictions	7,509,192	7,544,857
Total net assets	25,934,527	31,849,623
Total liabilities and net assets	\$ 26,413,747	\$ 32,295,569

See accompanying notes to financial statements.

FRIENDS OF SEATTLE WATERFRONT
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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
Support and Revenue						
Phase I comprehensive campaign contributions	\$ 18,020,842	\$ 3,038,055	\$ 21,058,897	\$ 16,600,482	\$ 1,605,722	\$ 18,206,204
Government grants	69,766	-	69,766	269,895	-	269,895
Investment return	357,344	-	357,344	(29,666)	-	(29,666)
Other income	15,266	-	15,266	5,132	-	5,132
Net assets released from restrictions	3,073,720	(3,073,720)	-	8,335,216	(8,335,216)	-
Total support and revenue	21,536,938	(35,665)	21,501,273	25,181,059	(6,729,494)	18,451,565
Expenses						
Program services	25,656,395	-	25,656,395	13,933,732	-	13,933,732
Administrative	832,244	-	832,244	297,473	-	297,473
Fundraising	927,730	-	927,730	1,191,432	-	1,191,432
Total expenses	27,416,369	-	27,416,369	15,422,637	-	15,422,637
Change in net assets	(5,879,431)	(35,665)	(5,915,096)	9,758,422	(6,729,494)	3,028,928
Net Assets, beginning of year	24,304,766	7,544,857	31,849,623	14,546,344	14,274,351	28,820,695
Net Assets, end of year	<u>\$ 18,425,335</u>	<u>\$ 7,509,192</u>	<u>\$ 25,934,527</u>	<u>\$ 24,304,766</u>	<u>\$ 7,544,857</u>	<u>\$ 31,849,623</u>

See accompanying notes to financial statements.

FRIENDS OF SEATTLE WATERFRONT
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STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2022 and 2021

	2022				2021			
	Program Services	Administrative	Fundraising	Total	Program Services	Administrative	Fundraising	Total
Capital grant	\$ 20,000,000	\$ -	\$ -	\$ 20,000,000	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000
Salaries, benefits and taxes	2,104,038	582,519	715,716	3,402,273	1,451,977	158,931	883,079	2,493,987
Public space activation	2,398,292	25,347	-	2,423,639	1,717,102	-	-	1,717,102
Professional fees	160,057	169,956	128,916	458,929	174,738	120,625	144,794	440,157
Outreach and communications	447,760	-	-	447,760	213,021	-	-	213,021
Community engagement	159,964	-	-	159,964	68,825	-	-	68,825
Other	109,757	12,393	23,971	146,121	50,720	3,738	31,136	85,594
Depreciation and amortization	129,371	1,288	1,582	132,241	90,064	-	-	90,064
Office equipment and supplies	62,405	17,277	21,228	100,910	65,046	5,133	28,520	98,699
Rent and utilities	34,386	9,520	11,697	55,603	53,251	5,829	32,386	91,466
Travel	28,729	7,954	9,772	46,455	8,606	842	5,234	14,682
Insurance	21,636	5,990	7,360	34,986	40,382	2,375	4,751	47,508
Events	-	-	7,488	7,488	-	-	61,532	61,532
Total expenses	\$ 25,656,395	\$ 832,244	\$ 927,730	\$ 27,416,369	\$ 13,933,732	\$ 297,473	\$ 1,191,432	\$ 15,422,637

See accompanying notes to financial statements.

FRIENDS OF SEATTLE WATERFRONT
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STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (5,915,096)	\$ 3,028,928
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Forgiveness of Paycheck Protection Program loan	-	(170,679)
Change in discount on contributions receivable	(49,232)	(255,472)
Realized and unrealized (gains) losses	(74,038)	20,086
Depreciation and amortization	132,241	90,064
Changes in operating assets and liabilities:		
Contributions receivable	3,768,781	3,753,755
Accounts payable and accrued expenses	33,274	140,063
Net cash flows from operating activities	(2,104,070)	6,606,745
Cash flows from Investing Activities		
Purchase of investments	(43,815,917)	(6,261,526)
Proceeds from sales of investments	35,787,183	-
Purchase of property and equipment	(362,462)	(125,426)
Net cash flows from investing activities	(8,391,196)	(6,386,952)
Net change in cash and cash equivalents	(10,495,266)	219,793
Cash and Cash Equivalents, beginning of the year	14,973,321	14,753,528
Cash and Cash Equivalents, end of the year	\$ 4,478,055	\$ 14,973,321

See accompanying notes to financial statements.

**FRIENDS OF SEATTLE WATERFRONT
dba Friends of Waterfront Seattle**

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

Friends of Seattle Waterfront dba Friends of Waterfront Seattle (Friends) is a nonprofit organization formed in 2012 established to partner with the City of Seattle (the City) to help build, steward, and program Seattle's new Waterfront Park, scheduled to open in 2025. Friends' commitment is to advocate for the public's vision for the park; fundraise and engage in other activities to realize the park's full economic, environmental, and social potential; and steward the park following the guiding principles formed over years of public input. Friends operates on the conservancy model in which a public nonprofit partnership is formed to manage a public asset (e.g., Friends of the High Line, Central Park Conservancy). Friends' responsibilities include:

- 1) Raising awareness about the park;
- 2) Ensuring the park's long-term success;
- 3) Augmenting public resources with additional funding to maximize public benefit; and
- 4) Developing and implementing community-driven park programming and amenities.

Friends has set a goal with the City to raise \$110 million in philanthropic monies by 2024 to complement the funds contributed by the State, City, and Local Improvement District toward the \$756 million capital construction of the park project. Friends is also raising an additional \$90 million to cover the first decade of programming and to operate the park year-round. The first piece of the park — Pier 62 — opened in September 2020 with limited programming due to COVID restrictions. With more than 62 partners and 60 percent BIPOC performers and artists, Pier 62 programming in 2021 featured 280 events and activations with in-person attendance by more than 64,000 people and virtual program attendance by more than 48,000 people. 2022 saw Friends build on the momentum and success from the previous years, growing event attendance to over 78,000 in person, and totaling 180,000 visitors to Pier 62. Friends partnered with over 50 organizations to feature programs with over 80% BIPOC representation.

Through a joint-delivery model, Friends currently operates the new space in partnership with Seattle Parks and Recreation under an agreement, which has been authorized by a Seattle City Council Ordinance.

About Seattle's Future Waterfront Park

The new park will reconnect the City to its waterfront and Elliott Bay, increase access to new public spaces, encourage shared cultural and civic experiences, and enhance our near-shore ecosystem. Waterfront Park is more than a decade in the making and capitalizes on necessary infrastructure projects – the Elliott Bay Seawall replacement, completed in spring 2017, and the removal of the Alaskan Way Viaduct – as part of a larger civic project known as Waterfront Seattle. Altogether, this is the City's most transformative public project since the creation of Seattle Center to host the 1962 World's Fair. Additional pieces of the park have been completed and opened since Pier 62 was opened to the public in 2020, including the Union Street Stairs and Pedestrian Bridge and permanent public artworks by local artists Norie Sato and Buster Simpson.

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NOTES TO FINANCIAL STATEMENTS

Friends has a fundamental commitment to community engagement so that programs reflect and meet the needs of different cultures and communities across our region, creating a safe and welcoming place for everyone. Friends offers dedicated safety and hospitality staff who provide event information and encourage guests to enjoy the spaces safely. Friends also invests in compassionate public space management practices, partnering with social service providers to help unsheltered people get the care and housing they need. Waterfront Park will define who we are and who we want to be as a city.

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

Friends reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets with Donor Restrictions

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 time restrictions are met. Net assets with donor restrictions consist of the following at December 31:

	2022	2021
Future periods	\$ 6,816,905	\$ 6,874,857
Storytelling on the Waterfront	500,000	500,000
Visioning and planning	100,000	100,000
Joshua Green Fountain Restoration	60,000	60,000
Betty Winfield Friends of Pier 86 Illumination Program	22,287	-
Donor cultivation	10,000	10,000
	\$ 7,509,192	\$ 7,544,857

Cash and Cash Equivalents

Cash and cash equivalents consist of a checking account, a money market account, and 56-day United States Treasury bills. Friends considers highly liquid investments with an original maturity of three months or less to be cash equivalents. Friends has amounts deposited with financial institutions in excess of federally insured limits.

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NOTES TO FINANCIAL STATEMENTS

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.

Investments

Investments in mutual funds and other securities are reported at their fair value using quoted prices in an active market (Level 1 inputs such as quoted prices on national exchanges). Investments in certificates of deposit are recorded at cost plus accrued interest.

Investments consist of the following at December 31:

	2022	2021
United States Treasury securities	\$ 14,344,212	\$ -
Bond mutual funds	-	5,991,725
Certificates of deposit	-	249,715
	\$ 14,344,212	\$ 6,241,440

Investment return consists of unrealized gains and losses, interest, and dividends, net of fees.

Contributions Receivable

Contributions receivable consist of unconditional promises to give and are recognized when the pledge is made. Contributions receivable due within one year are recognized at net realizable value. Contributions receivable due in excess of one year are recognized at fair value at the time of the donation and are measured at the present value of the estimated future cash flows. In arriving at fair value, the promises to give are discounted using an estimated market rate, which includes a present value discount rate and an estimated rate for an allowance for doubtful accounts. Management has discounted contributions receivable at rates ranging from 4.0% to 7.0%. Amortization of the discount is included in Phase I comprehensive campaign contributions on the statements of activities. Management periodically reviews receivables and establishes an allowance for accounts that may not be collectible. Any amounts written off are charged against the allowance. Management does not believe an allowance for uncollectible receivables was necessary at December 31, 2022 or 2021.

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NOTES TO FINANCIAL STATEMENTS

Contributions receivable from four donors comprised 70% of gross contributions receivable at December 31, 2022. Contributions receivable from two donors comprised 54% of gross contributions receivable at December 31, 2021.

Contributions receivable were as follows at December 31:

	2022	2021
Contributions receivable due in less than one year	\$ 4,283,507	\$ 7,124,324
Contributions receivable due in one to five years	3,166,000	3,985,500
Contributions receivable due in six to ten years	10,000	20,000
	7,459,507	11,129,824
Less: Unamortized discount	(238,595)	(189,363)
	\$ 7,220,912	\$ 10,940,461

Contributions receivable are recorded in the statements of financial position as follows at December 31:

	2022	2021
Contributions receivable (current)	\$ 4,283,507	\$ 7,124,324
Contributions receivable, net (noncurrent)	2,937,405	3,816,137
	\$ 7,220,912	\$ 10,940,461

Property and Equipment

Property and equipment are stated at cost if purchased, or at estimated fair value at the date of the gift. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets ranging from two to five years. Leasehold improvements are amortized over the remaining lease term. Friends capitalizes property and equipment with a cost of \$5,000 or more and a useful life of one year or more. Property and equipment consist of the following at December 31:

	2022	2021
Program equipment	\$ 365,002	\$ 359,072
Park website	127,117	127,117
Office equipment and other	82,269	40,532
Leasehold improvements	-	265,851
Promotional displays	-	237,837
	574,388	1,030,409
Less: Accumulated depreciation and amortization	(203,820)	(890,062)
	\$ 370,568	\$ 140,347

FRIENDS OF SEATTLE WATERFRONT
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NOTES TO FINANCIAL STATEMENTS

Revenue Recognition

Friends receives contributions from a variety of donors, including grants from private and family foundations. Revenue for contributions is recognized when the unconditional pledge is made. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Government grants are recognized as revenue when the conditions are met (typically when the qualified costs are incurred). Contributions from two donors represented 49% of total support and revenue for the year ended December 31, 2022. Contributions from three donors represented 65% of total support and revenue for the year ended December 31, 2021.

During the year ended December 31, 2020, Friends received a Paycheck Protection Program loan from the Small Business Administration of \$170,679. This loan included forgivable conditions which were met during the year ended December 31, 2021, and therefore, the loan amount was recognized to government grant revenue.

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. During the years ended December 31, 2022 and 2021, no significant adjustments were made.

As of December 31, 2022, Friends has \$7,090,000 in conditional awards that have not been recognized as revenue. These amounts are expected to be recognized as the payments are received and conditions are met.

In-Kind Contributions

Friends recognizes donated services if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain expenses are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Payroll expenses, public space activation and professional services are allocated based on estimates of time and effort.

Income Taxes

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

Subsequent Events

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

FRIENDS OF SEATTLE WATERFRONT
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NOTES TO FINANCIAL STATEMENTS

Note 2 – Liquidity and Availability of Resources

Friends strives to maintain liquid financial assets sufficient to cover 60 days of general expenditures, plus any capital grant commitments that are due within three months. Financial assets consist of cash and cash equivalents, investments, and receivables. Amounts in excess of daily cash requirements are invested in short-term investments.

The following table reflects Friends' financial assets as of December 31, reduced by amounts not available to meet general expenditures within one year of the statement of financial position date. Financial assets not available include funds with donor-imposed purpose restrictions and receivables not expected to be collected within the next year.

	2022	2021
Cash and cash equivalents	\$ 4,478,055	\$ 14,973,321
Investments	14,344,212	6,241,440
Contributions receivable, net	7,220,912	10,940,461
	26,043,179	32,155,222
Less: Contributions receivable not collectible within the next year, net	(2,937,405)	(3,816,137)
Less: Net assets with donor-imposed purpose restrictions	(692,287)	(670,000)
	\$ 22,413,487	\$ 27,669,085

Note 3 – Commitments

In September 2020, Friends entered into a two-year license agreement with the City of Seattle to provide staffing, public safety and activation and programming at the Seattle Waterfront in amounts not less than \$1,366,000 annually. This agreement was subsequently amended to allow for flexibility in light of potential limitations surrounding COVID-19 restrictions and the early demolition of Pier 58. Nevertheless, Friends has and intends to continue exceeding this level of spending throughout the term of this agreement.

Note 4 – Related Party Transactions

Friends frequently receives contributions from board members. These contributions totaled \$3,248,935 and \$2,133,200 for the years ended December 31, 2022 and 2021, respectively. Pledges receivable from board members totaled \$1,027,894 and \$1,873,997 at December 1, 2022 and 2021, respectively.