

FRIENDS OF SEATTLE WATERFRONT

dba Friends of Waterfront Seattle

Financial Statements
December 31, 2023 and 2022

Table of Contents

	Page
Independent Auditor's Report	1 and 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-13

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
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, 2023 and 2022, 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, 2023 and 2022, 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 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.

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



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 2, 2024

FRIENDS OF SEATTLE WATERFRONT
dba Friends of Waterfront Seattle

STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 2,598,558	\$ 4,478,055
Investments	16,507,008	14,344,212
Contributions receivable	9,875,591	4,283,507
Prepaid expenses	78,813	-
Total current assets	29,059,970	23,105,774
Contributions Receivable, net	3,978,933	2,937,405
Right-of-Use Asset - Operating Lease	1,157,750	-
Property and Equipment, net	134,732	370,568
Total assets	\$ 34,331,385	\$ 26,413,747
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 330,723	\$ 479,220
Operating lease liability	180,833	-
Total current liabilities	511,556	479,220
Operating Lease Liability, less current portion	973,334	-
Total liabilities	1,484,890	479,220
Net Assets		
Without donor restrictions	23,515,275	18,425,335
With donor restrictions	9,331,220	7,509,192
Total net assets	32,846,495	25,934,527
Total liabilities and net assets	\$ 34,331,385	\$ 26,413,747

See accompanying notes to financial statements.

FRIENDS OF SEATTLE WATERFRONT
dba Friends of Waterfront Seattle

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Phase I comprehensive campaign contributions	\$ 33,393,515	\$ 5,701,528	\$ 39,095,043	\$ 18,020,842	\$ 3,038,055	\$ 21,058,897
Government grants	685,000	-	685,000	69,766	-	69,766
Investment return	1,050,248	-	1,050,248	357,344	-	357,344
Other income	42,160	-	42,160	15,266	-	15,266
Net assets released from restrictions	3,879,500	(3,879,500)	-	3,073,720	(3,073,720)	-
Total support and revenue	39,050,423	1,822,028	40,872,451	21,536,938	(35,665)	21,501,273
Expenses						
Program services	31,659,980	-	31,659,980	25,656,395	-	25,656,395
Administrative	1,224,983	-	1,224,983	832,244	-	832,244
Fundraising	1,075,520	-	1,075,520	927,730	-	927,730
Total expenses	33,960,483	-	33,960,483	27,416,369	-	27,416,369
Change in net assets	5,089,940	1,822,028	6,911,968	(5,879,431)	(35,665)	(5,915,096)
Net Assets, beginning of year	18,425,335	7,509,192	25,934,527	24,304,766	7,544,857	31,849,623
Net Assets, end of year	<u>\$ 23,515,275</u>	<u>\$ 9,331,220</u>	<u>\$ 32,846,495</u>	<u>\$ 18,425,335</u>	<u>\$ 7,509,192</u>	<u>\$ 25,934,527</u>

See accompanying notes to financial statements.

FRIENDS OF SEATTLE WATERFRONT
dba Friends of Waterfront Seattle

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2023 and 2022

	2023				2022			
	Program Services	Administrative	Fundraising	Total	Program Services	Administrative	Fundraising	Total
Capital grant	\$ 25,000,000	\$ -	\$ -	\$ 25,000,000	\$ 20,000,000	\$ -	\$ -	\$ 20,000,000
Salaries, benefits and taxes	2,786,553	884,160	524,763	4,195,476	2,104,038	582,519	715,716	3,402,273
Public space activation	2,358,698	-	-	2,358,698	2,398,292	25,347	-	2,423,639
Professional fees	260,434	231,851	194,012	686,297	160,057	169,956	128,916	458,929
Outreach and communications	373,734	-	-	373,734	447,760	-	-	447,760
Community engagement	305,903	-	-	305,903	159,964	-	-	159,964
Other	93,225	33,803	141,420	268,448	109,757	12,393	23,971	146,121
Depreciation and amortization	244,525	-	-	244,525	129,371	1,288	1,582	132,241
Events	-	-	170,711	170,711	-	-	7,488	7,488
Rent and utilities	109,398	34,711	20,602	164,711	34,386	9,520	11,697	55,603
Office equipment and supplies	71,832	22,792	13,527	108,151	62,405	17,277	21,228	100,910
Insurance	30,395	9,644	5,724	45,763	21,636	5,990	7,360	34,986
Travel	25,283	8,022	4,761	38,066	28,729	7,954	9,772	46,455
Total expenses	\$ 31,659,980	\$ 1,224,983	\$ 1,075,520	\$ 33,960,483	\$ 25,656,395	\$ 832,244	\$ 927,730	\$ 27,416,369

See accompanying notes to financial statements.

FRIENDS OF SEATTLE WATERFRONT
dba Friends of Waterfront Seattle

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 6,911,968	\$ (5,915,096)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in discount on contributions receivable	(328,972)	(49,232)
Realized and unrealized gains	(156,385)	(74,038)
Depreciation and amortization	244,525	132,241
Amortization of right-of-use asset - operating lease	117,250	-
Changes in operating assets and liabilities:		
Contributions receivable	(6,304,640)	3,768,781
Prepaid expenses	(78,813)	-
Accounts payable and accrued expenses	(148,497)	33,274
Operating lease liability	(120,833)	-
	135,603	(2,104,070)
Net cash flows from operating activities		
Cash flows from Investing Activities		
Purchase of investments	(29,096,225)	(43,815,917)
Proceeds from sales of investments	27,089,814	35,787,183
Purchase of property and equipment	(8,689)	(362,462)
	(2,015,100)	(8,391,196)
Net cash flows from investing activities		
Net change in cash and cash equivalents	(1,879,497)	(10,495,266)
Cash and Cash Equivalents, beginning of the year	4,478,055	14,973,321
Cash and Cash Equivalents, end of the year	\$ 2,598,558	\$ 4,478,055

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.

In July 2023, Friends entered into an operations and management agreement with the City through December 2028, to provide the appropriate levels of staffing, public safety and activation and programming at the Seattle Waterfront.

Friends has set a goal with the City to raise \$110 million in philanthropic monies by 2025 to complement the funds contributed by the State, City, and Local Improvement District toward the \$806 million capital construction of the park project. Friends is also raising an additional \$60 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.

In 2022 Friends built 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.

For the 2023 calendar year, Friends facilitated 107 activations in Waterfront Park, including: 40 one-time and multi-session programs; 4 art installations; 2 rental events; and 1 virtual program.

Attendance totaled 69,819 event attendees, not counting passive engagement with the art installations. 86 programs and events had person of color (POC) representation among program partners, and 11 had Indigenous representation. Nearly 100% of programs and events were free to the public, with exceptions being a pilot rental event and Friends' inaugural 'Pier Party' fundraising event. Programs involved more than 200 partners this season, including approximately 40 event partners, 70+ retail and food concessionaires and 100 artists and entertainers.

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

FRIENDS OF SEATTLE WATERFRONT
dba Friends of Waterfront Seattle

NOTES TO FINANCIAL STATEMENTS

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.

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.

FRIENDS OF SEATTLE WATERFRONT
dba Friends of Waterfront Seattle

NOTES TO FINANCIAL STATEMENTS

Net assets with donor restrictions consist of the following at December 31:

	2023	2022
Future periods	\$ 8,073,933	\$ 6,816,905
Storytelling on the Waterfront	500,000	500,000
Pier 58 Lawn Project	500,000	-
Visioning and planning	100,000	100,000
Aquarium and Pike Place Market Foundation	65,000	-
Joshua Green Fountain Restoration	60,000	60,000
Betty Winfield Friends of Pier 86 Illumination Program	22,287	22,287
Donor cultivation	10,000	10,000
	\$ 9,331,220	\$ 7,509,192

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.

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 consist entirely of United States Treasury securities at December 31, 2023 and 2022. Investments are reported at their fair value using quoted prices in an active market (Level 1 inputs under the fair value hierarchy).

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

FRIENDS OF SEATTLE WATERFRONT
dba Friends of Waterfront Seattle

NOTES TO FINANCIAL STATEMENTS

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, 2023 or 2022.

Contributions receivable from two donors comprised 51% and 70% of gross contributions receivable at December 31, 2023 and 2022, respectively.

Contributions receivable were as follows at December 31:

	2023	2022
Contributions receivable due in less than one year	\$ 9,875,591	\$ 4,283,507
Contributions receivable due in one to five years	4,541,500	3,166,000
Contributions receivable due in six to ten years	5,000	10,000
	14,422,091	7,459,507
Less: Unamortized discount	(567,567)	(238,595)
	\$ 13,854,524	\$ 7,220,912

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

	2023	2022
Contributions receivable (current)	\$ 9,875,591	\$ 4,283,507
Contributions receivable, net (noncurrent)	3,978,933	2,937,405
	\$ 13,854,524	\$ 7,220,912

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.

FRIENDS OF SEATTLE WATERFRONT
dba Friends of Waterfront Seattle

NOTES TO FINANCIAL STATEMENTS

Property and equipment consist of the following at December 31:

	2023	2022
Program equipment	\$ 239,277	\$ 365,002
Park website	127,117	127,117
Office equipment and other	31,352	82,269
	397,746	574,388
Less: Accumulated depreciation and amortization	(263,014)	(203,820)
	\$ 134,732	\$ 370,568

Leases

Friends determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position.

ROU assets represent the Friend's right to use an underlying asset for the lease term, and lease liabilities represent the Friend's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Friends will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Friends has elected to recognize payments for short-term leases with terms of 12 months or less as expense as incurred, and these leases are not included as ROU assets or lease liabilities on the statement of financial position. Management has determined that any discount rate used for computing the present value of lease liabilities would be immaterial and as such is not included in these financial statements.

Friends has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

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, 2023. Contributions from three donors represented 49% of total support and revenue for the year ended December 31, 2022.

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, 2023 and 2022, no significant adjustments were made.

FRIENDS OF SEATTLE WATERFRONT
dba Friends of Waterfront Seattle

NOTES TO FINANCIAL STATEMENTS

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. Salaries, benefits and taxes, 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 2, 2024.

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.

	2023	2022
Cash and cash equivalents	\$ 2,598,558	\$ 4,478,055
Investments	16,507,008	14,344,212
Contributions receivable, net	13,854,524	7,220,912
	32,960,090	26,043,179
Less: Contributions receivable not collectible within the next year, net	(3,978,933)	(2,937,405)
Less: Net assets with donor-imposed purpose restrictions	(1,257,287)	(692,287)
	\$ 27,723,870	\$ 22,413,487

FRIENDS OF SEATTLE WATERFRONT
dba Friends of Waterfront Seattle

NOTES TO FINANCIAL STATEMENTS

Note 3 – Operating Lease

Friends entered into a lease agreement in June 2023 for office space in Seattle, Washington expiring in September 2029. This lease provides for annual increases in future minimum monthly rental payments and requires the Friends to pay a proportionate share of operating costs.

Friends has recognized operating lease ROU assets and corresponding operating lease liabilities representing the payments required under the lease through maturity. Operating lease costs under this lease totaled \$117,434 for the year ended December 31, 2023, and are included within rent and utilities in the statements of functional expenses. Net operating cash flows for the operating lease totaled \$102,083 during the year ended December 31, 2023.

ROU assets obtained in exchange for new operating lease liabilities totaled \$1,275,000 during the year ended December 31, 2023.

A maturity analysis of annual cash flows for lease liabilities as of December 31, 2023 are as follows for the years ending December 31:

2024	\$	180,833
2025		190,833
2026		200,833
2027		210,833
2028		220,833
Thereafter		150,002
		150,002
	\$	1,154,167

The operating lease liability is presented in the statement of financial position as follows at December 31, 2023:

Operating lease liability (a current liability)	\$	180,833
Operating lease liability, less current portion		973,334
		973,334
	\$	1,154,167

Note 4 – Related Party Transactions

Friends frequently receives contributions from board members. These contributions totaled \$5,754,905 and \$3,248,935 for the years ended December 31, 2023 and 2022, respectively. Contributions receivable from board members totaled \$4,699,178 and \$1,027,894 at December 31, 2023 and 2022, respectively.