

**ASSOCIATED RECREATION COUNCIL**

FINANCIAL REPORT

DECEMBER 31, 2007

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CERTIFIED PUBLIC ACCOUNTANTS

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SEATTLE, WASHINGTON 98101

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Associated Recreation Council  
Seattle, Washington

We have audited the accompanying statements of financial position of Associated Recreation Council (a nonprofit organization) as of December 31, 2007 and 2006, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

/S/ PETERSON SULLIVAN PLLC

March 21, 2008

**ASSOCIATED RECREATION COUNCIL**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
Current Assets		
Cash and cash equivalents	\$ 2,105,081	\$ 2,069,604
Investments	3,199,180	2,992,905
Receivables	408,979	232,195
Prepaid expenses	19,325	5,583
	<u>5,732,565</u>	<u>5,300,287</u>
Total current assets	<u>\$ 5,732,565</u>	<u>\$ 5,300,287</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 900,763	\$ 606,781
Due to community centers - childcare	50,000	115,411
Deferred revenue	187,056	170,545
	<u>1,137,819</u>	<u>892,737</u>
Total current liabilities	1,137,819	892,737
Net Assets		
Unrestricted	3,616,334	3,531,799
Temporarily restricted	978,412	875,751
	<u>4,594,746</u>	<u>4,407,550</u>
Total net assets	<u>4,594,746</u>	<u>4,407,550</u>
Total liabilities and net assets	<u>\$ 5,732,565</u>	<u>\$ 5,300,287</u>

See Notes to Financial Statements

## ASSOCIATED RECREATION COUNCIL

### STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2007 and 2006

	2007	2006
Unrestricted Net Assets		
Support and revenue		
Class fees	\$ 7,215,528	\$ 6,891,163
Sports fees	577,753	625,248
Grants	404,185	422,589
Donations	272,713	206,223
Field trips	370,251	252,678
Special programs	280,076	241,548
Fundraising events	159,237	188,925
Investment income	220,733	186,597
Retail sales	108,616	132,788
Miscellaneous	106,333	41,552
Facility rental fees	2,619	8,908
Net assets released from restrictions	1,728,052	1,275,584
Total support and revenue	11,446,096	10,473,803
Expenses		
Program	9,903,386	9,223,068
Management and general	1,420,417	934,445
Fundraising	37,758	46,865
Total expenses	11,361,561	10,204,378
Change in unrestricted net assets	84,535	269,425
Temporarily Restricted Net Assets		
Support and revenue		
Grants	1,454,236	498,120
Donations	296,908	394,825
Other	79,569	46,674
Net assets released from restrictions	(1,728,052)	(1,275,584)
Change in temporarily restricted net assets	102,661	(335,965)
<b>Change in net assets</b>	<b>187,196</b>	<b>(66,540)</b>
Net assets, beginning of year	4,407,550	4,474,090
Net assets, end of year	\$ 4,594,746	\$ 4,407,550

See Notes to Financial Statements

## ASSOCIATED RECREATION COUNCIL

### STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31, 2007

	Balance January 1, 2007	Excess of Revenues (Expenses)	Balance December 31, 2007
Sports	\$ 96,154	\$ (10,874)	\$ 85,280
Sports Umpires	9,122	(1,400)	7,722
Sports Youth	23,613	16,140	39,753
Sports After School	24,518	19,374	43,892
Jefferson	98,148	(17,225)	80,923
Jefferson Step Program	14,663	(12,158)	2,505
Camp Long	18,416	2,871	21,287
Southwest	25,879	2,802	28,681
EC Hughes Playground	7,637	(7,637)	-
Langston Hughes	33,613	(6,465)	27,148
LH Restricted	3,711	(1,828)	1,883
Langston Hughes Allen Grant	-	20,129	20,129
Miller	39,614	(11,632)	27,982
Grand Army of the Republic	7,587	(6,478)	1,109
Garfield	61,683	(14,015)	47,668
Garfield Pool	22,651	4,754	27,405
Garfield Teen Life Center	2,299	(1,511)	788
Alki	212,819	42,715	255,534
Alki Whale Tail Park	2,098	108	2,206
Special Programs	39,738	5,768	45,506
Rainier Beach	18,116	2,185	20,301
Beer Sheva Playground	660	(660)	-
Rainier	81,833	(10,830)	71,003
Rainier Project Compute	8,778	2,822	11,600
Ballard	197,649	41,979	239,628
Ballard Pool	2,792	(2,353)	439
Loyal Heights	116,725	15,695	132,420
Magnolia	19,728	12,239	31,967
Karen's Playground	8,266	(8,266)	-
Queen Anne	82,437	(26,798)	55,639
Queen Anne Pool	8,013	(1,658)	6,355
Friends of 4th & Ward Park	1,891	(1,891)	-
Hiawatha	164,494	61,257	225,751
Senior Adults	12,506	14,174	26,680
Meadowbrook	305,116	35,906	341,022
Meadowbrook Pool	4,831	(598)	4,233
Meadowbrook Teen Development	4,655	25,394	30,049
Meadowbrook Late Night Program	7,105	(7,105)	-
Meadowbrook Annex Program	126,816	6,122	132,938
Meadowbrook Annie's Playground	20,363	1,015	21,378
Meadowbrook Art Project	104,638	4,281	108,919
Van Asselt	12,474	605	13,079
Van Asselt Teen Program	702	(100)	602
High Point	60,076	1,787	61,863
Discovery Park	64,813	(8,567)	56,246
Delridge	16,255	(6,190)	10,065
Carkeek	44,082	1,861	45,943

See Notes to Financial Statements

## ASSOCIATED RECREATION COUNCIL

### STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31, 2007

(Continued)

	Balance January 1, 2007	Excess of Revenues (Expenses)	Balance December 31, 2007
Carkeek Les Malgren	\$ 1,740	\$ 84	\$ 1,824
Laurelhurst	105,915	(35,346)	70,569
Laurelhurst Building	1,009	(1,009)	-
South Park	13,061	(3,292)	9,769
South Park SPYEDHP	14,618	(13,526)	1,092
RTC Computer Tech	39,827	(39,827)	-
Bitter Lake	127,889	(22,407)	105,482
Madison Pool	3,653	938	4,591
Pinehurst Playground	12,858	625	13,483
Northgate	34,461	4,818	39,279
Green Lake	95,117	4,652	99,769
Ravenna-Eckstein	181,758	73,308	255,066
Ravenna-Eckstein Playground	192,355	11,278	203,633
Japanese Gardens	967	8,217	9,184
Japanese Gardens Gate	522	(522)	-
Japanese Gardens Fountain	224	(224)	-
Tennis	57,394	1,028	58,422
Amy Yee Tennis	2,278	3,100	5,378
USTA Tennis Restricted	3,261	(1,360)	1,901
Tennis Expansion Project	-	64,324	64,324
Canoe	12,917	23,844	36,761
G.L. Crew Rowing	19,686	(3,319)	16,367
Rowing Truck Fund	37,701	9,857	47,558
Montlake	25,840	43,463	69,303
Montlake Building	22,402	(22,402)	-
Montlake Roger Peter Memorial	8,551	2,367	10,918
Yesler	87,533	(90,593)	(3,060)
Yesler Microsoft Potential Grant	-	36,243	36,243
Yesler Inspiring Youth	22,346	5,797	28,143
Yesler Microsoft	11,373	(8,462)	2,911
Mt. Baker Boating	78,597	(24,988)	53,609
Mt. Baker Coleman Pool	3,820	1,188	5,008
Mt. Baker Wedding Attendants	4,510	(4,510)	-
Mt. Baker Building Fund	210,716	(240,543)	(29,827)
Mt. Baker Equipment Endowment	200,000	8,442	208,442
Magnuson	28,145	(5,301)	22,844
Magnuson-Eddie Bauer	13,502	(1,620)	11,882
Friends of Cal Anderson	34,030	3,795	37,825
ARC	94,039	(151,850)	(57,811)
ARC Opportunity Fund	62,831	17,600	80,431
ARC Childcare Fund	(37,346)	92,951	55,605
ARC Youth in Service Program	112	558	670
Heron Habitat Helpers	9,995	74,473	84,468
Friends of Ravenna Playfield	112,709	(22,144)	90,565
Rainier Back to School Bash	31,759	(26,145)	5,614
Heron Habitat Restricted	6,239	304	6,543
Friends of Bayview Kinnear	90,355	(42,623)	47,732

See Notes to Financial Statements

**ASSOCIATED RECREATION COUNCIL**

**STATEMENT OF CHANGES IN NET ASSETS**

For the Year Ended December 31, 2007

(Continued)

	Balance January 1, 2007	Excess of Revenues (Expenses)	Balance December 31, 2007
Friends of Boarders 4 Park	\$ 4,119	\$ (4,119)	\$ -
Friends of Ursula Judkins	(119)	410	291
Friends of South Portage Bay	-	20,572	20,572
PSACT	2,175	(2,175)	-
Art in Ravenna Playfield	4,382	2,462	6,844
Int'l / Chinatown	5,259	4,036	9,295
Tech Net Restricted	58,874	248,301	307,175
Bitter Lake Opp Fund	-	2,800	2,800
Disco Park Opp Fund	-	1,921	1,921
Canoe Opp Fund	-	1,460	1,460
Special Populations Opp Fund	-	4,600	4,600
Senior Adult Opp Fund	-	5,550	5,550
High Point Guide Academic Motivation	975	(975)	-
Langston Hughes African American Masters	5,127	(5,127)	-
Rainier Computer Lab Monitor	1,923	(1,923)	-
Rectech Grant Writing/Fundraising	3,789	2,418	6,207
	<u>\$ 4,407,550</u>	<u>\$ 187,196</u>	<u>\$ 4,594,746</u>

See Notes to Financial Statements

## ASSOCIATED RECREATION COUNCIL

### STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31, 2006

	Balance January 1, 2006	Excess of Revenues (Expenses)	Balance December 31, 2006
Sports	\$ 83,788	\$ 12,366	\$ 96,154
Sports Umpires	10,301	(1,179)	9,122
Sports Youth	12,233	11,380	23,613
Sports After School	18,638	5,880	24,518
Jefferson	117,600	(19,452)	98,148
Jefferson Step Program	60,127	(45,464)	14,663
Camp Long	12,983	5,433	18,416
Southwest	21,152	4,727	25,879
EC Hughes Playground	7,459	178	7,637
Langston Hughes	42,562	(8,949)	33,613
LH Restricted	6,043	(2,332)	3,711
Miller	40,655	(1,041)	39,614
Grand Army of the Republic	2,968	4,619	7,587
Garfield	43,117	18,566	61,683
Garfield Pool	18,435	4,216	22,651
Garfield Teen Life Center	13,829	(11,530)	2,299
Alki	173,466	39,353	212,819
Alki Whale Tail Park	3,374	(1,276)	2,098
Special Programs	33,152	6,586	39,738
Rainier Beach	43,623	(25,507)	18,116
Beer Sheva Playground	5,029	(4,369)	660
Rainier	42,896	38,937	81,833
Rainier Project Compute	11,169	(2,391)	8,778
Seward Park Nature Center	2,530	(2,530)	-
Ballard	168,851	28,798	197,649
Ballard Pool	9,688	(6,896)	2,792
Loyal Heights	94,919	21,806	116,725
Magnolia	94,947	(75,219)	19,728
Karen's Playground	8,073	193	8,266
Queen Anne	98,050	(15,613)	82,437
Queen Anne Pool	20,661	(12,648)	8,013
Friends of 4th & Ward Park	1,847	44	1,891
Hiawatha	217,671	(53,177)	164,494
Senior Adults	4,687	7,819	12,506
Meadowbrook	272,717	32,399	305,116
Meadowbrook Pool	5,810	(979)	4,831
Meadowbrook Teen Development	3,862	793	4,655
Meadowbrook Late Night Program	2,973	4,132	7,105
Meadowbrook Annex Program	123,861	2,955	126,816
Meadowbrook Annie's Playground	20,714	(351)	20,363
Meadowbrook Art Project	102,200	2,438	104,638
Van Asselt	9,795	2,679	12,474
Van Asselt Teen Program	686	16	702
Van Asselt Playground	135,000	(135,000)	-
High Point	60,544	(468)	60,076
Discovery Park	72,912	(8,099)	64,813
Delridge	53,129	(36,874)	16,255
Carkeek	43,927	155	44,082

See Notes to Financial Statements

## ASSOCIATED RECREATION COUNCIL

### STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31, 2006

(Continued)

	Balance January 1, 2006	Excess of Revenues (Expenses)	Balance December 31, 2006
Carkeek Les Malgren	\$ -	\$ 1,740	\$ 1,740
Laurelhurst	118,526	(12,611)	105,915
Laurelhurst Building		1,009	1,009
South Park	42,396	(29,335)	13,061
South Park SPYEDHP	23,742	(9,124)	14,618
RTC Computer Tech	10,663	29,164	39,827
Bitter Lake	112,724	15,165	127,889
Madison Pool	4,572	(919)	3,653
Pinehurst Playground	22,500	(9,642)	12,858
Northgate		34,461	34,461
Green Lake	75,012	20,105	95,117
Ravenna-Eckstein	122,630	59,128	181,758
Ravenna-Eckstein Playground	182,910	9,445	192,355
Japanese Gardens	7,726	(6,759)	967
Japanese Gardens Gate	510	12	522
Japanese Gardens Fountain	219	5	224
Tennis	65,965	(8,571)	57,394
Amy Yee Tennis	3,834	(1,556)	2,278
USTA Tennis Restricted	3,730	(469)	3,261
Canoe	16,946	(4,029)	12,917
G.L. Crew Rowing	10,044	9,642	19,686
Rowing Truck Fund	20,537	17,164	37,701
Montlake	90,028	(64,188)	25,840
Montlake Building	52,314	(29,912)	22,402
Montlake Roger Peter Memorial	8,100	451	8,551
Yesler	107,961	(20,428)	87,533
Yesler Inspiring Youth		22,346	22,346
Yesler Microsoft	30,907	(19,534)	11,373
Mt. Baker Boating	49,485	29,112	78,597
Mt. Baker Coleman Pool	8,266	(4,446)	3,820
Mt. Baker Wedding Attendants	4,278	232	4,510
Mt. Baker Building Fund	470,440	(259,724)	210,716
Mt. Baker Equipment Endowment		200,000	200,000
Magnuson	17,728	10,417	28,145
Magnuson-Eddie Bauer	14,912	(1,410)	13,502
Friends of Cal Anderson		34,030	34,030
ARC	8,958	85,081	94,039
ARC Opportunity Fund	453	62,378	62,831
ARC Childcare Fund	(39,209)	1,863	(37,346)
ARC Youth in Service Program		112	112
Heron Habitat Helpers	10,423	(428)	9,995
Friends of Ravenna Playfield	92,598	20,111	112,709
Rainier Back to School Bash	2,635	29,124	31,759
Heron Habitat Restricted	6,094	145	6,239
Friends of Bayview Kinnear	78,844	11,511	90,355
Friends of Boarders 4 Park	436	3,683	4,119
Friends of Ursula Judkins		(119)	(119)

See Notes to Financial Statements

## ASSOCIATED RECREATION COUNCIL

### STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31, 2006

(Continued)

	Balance January 1, 2006	Excess of Revenues (Expenses)	Balance December 31, 2006
PSACT	\$ 15,162	\$ (12,987)	\$ 2,175
Art in Ravenna Playfield	-	4,382	4,382
Int'l / Chinatown	5,343	(84)	5,259
Tech Net Restricted	-	58,874	58,874
Carkeek Park Homewater Project	5,010	(5,010)	-
Delridge Youth & Seniors Programming	7,511	(7,511)	-
Discovery Park West Point Kits	8,012	(8,012)	-
Garfield Technical & Instructional	5,008	(5,008)	-
High Point Guide Academic Motivation	9,201	(8,226)	975
Japanese Gardens Mondays in the Park	6,510	(6,510)	-
Langston Hughes African American Masters	5,008	119	5,127
Loyal Heights Kitchen Remodel	6,009	(6,009)	-
Rainier Computer Lab Monitor	5,008	(3,085)	1,923
Ravenna-Eckstein Teen Program Aide	2,504	(2,504)	-
Rectech Grant Writing/Fundraising	7,511	(3,722)	3,789
South Park Teen Emergency Plan	8,012	(8,012)	-
Van Asselt Storytelling	2,203	(2,203)	-
Yesler Summer Playground	8,643	(8,643)	-
Company program costs	51,945	(51,945)	-
	\$ 4,474,090	\$ (66,540)	\$ 4,407,550

See Notes to Financial Statements

**ASSOCIATED RECREATION COUNCIL**

**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2007 and 2006

	2007	2006
Cash Flows from Operating Activities		
Change in net assets	\$ 187,196	\$ (66,540)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized gain on investments	(25,681)	
Changes in operating assets and liabilities		
Receivables	(176,784)	(111,570)
Prepaid expenses	(13,742)	6,738
Accounts payable and accrued expenses	228,571	143,669
Deferred revenue	16,511	73,100
	216,071	45,397
Cash Flows from Investing Activities		
Purchases of investments	(7,812,501)	(3,138,615)
Proceeds from sale of investments	7,631,907	3,960,366
	(180,594)	821,751
Net cash provided by (used in) investing activities	(180,594)	821,751
Net increase in cash	35,477	867,148
Cash and cash equivalents, beginning of year	2,069,604	1,202,456
Cash and cash equivalents, end of year	\$ 2,105,081	\$ 2,069,604

See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Nature of Activities and Summary of Significant Accounting Policies

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

Associated Recreation Council ("ARC") is an independent nonprofit corporation, the purpose of which is to benefit and support the City of Seattle Department of Parks and Recreation 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, 2007, there were 38 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 Associated Recreation Council system.

These financial statements include the assets, liabilities, revenues, 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.

#### **Financial Statement Presentation**

ARC reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. ARC has no permanently restricted net assets, so this class of net assets is not shown on the financial statements.

Temporarily restricted net assets consist of grants received that are restricted for particular purposes or time periods. Temporarily restricted net assets are transferred to unrestricted net assets as expenditures are incurred for the restricted purpose, or as time restrictions are met. ARC has elected to show temporarily restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

#### **Cash and Cash Equivalents**

Cash and cash equivalents includes cash in banks, balances in overnight repurchase agreements, money market accounts, and certificates of deposit and commercial paper with original maturities of three months or less. On occasion, ARC has cash balances in excess of federally insured limits.

#### **Investments**

Investments generally consist of commercial paper and certificates of deposit maturing at various dates. Investments are recorded at fair value. Unrealized gains and losses are included in investment income.

## **Receivables**

Grants receivable are stated at their outstanding principal balances and are due primarily from government agencies. 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, 2007 and 2006.

## **Revenue Recognition**

Revenue arises primarily from the providing of classes and participation in organized sports. Revenue is recognized as it is earned. Class fees are earned when the class takes place. Sports participation fees are earned on a pro rata basis during the sport season.

Deferred revenue consists of payments for class and sports participation fees received prior to year end but for classes and/or sport seasons which are not complete.

Grant revenue is recorded during the period to which it relates. In 2007, 21% of grant revenue was received from King County. In 2007 and 2006, 18% and 11%, respectively, of grant revenue was received from the City of Seattle Department of Neighborhoods. In 2007 and 2006, 13% and 16%, respectively, of grant revenue was received from the Gates Foundation. In 2007 and 2006, 12% and 20%, respectively, of grant revenue was received from the City of Seattle Department of Parks and Recreation.

## **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.

## **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 requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from the estimated amounts.

**Note 2. Investment Portfolio**

Investments consist of Certificates of Deposit held by one financial institution at December 31, 2007 and 2006.

**Note 3. Asset Development Grants and Facilities Improvements**

The City of Seattle Department of Neighborhoods and the King County Council have provided asset development grants for parks and community centers in various locations within the city limits. Advisory Councils first make expenditures toward these grants and then request reimbursement. Under the grant terms, regardless of what improvements are made, ownership of the property remains with the City of Seattle. These financial statements include grant revenues and expenses of these types totaling \$582,592 for 2007 and \$102,483 for 2006.

Advisory Councils may raise additional funds and receive separate grants and donations for purposes of making improvements to parks and community centers. Funds raised are recorded as revenue in the period committed and in which collection is reasonably assured. The costs of such improvements are expensed in the period incurred and are included in program expenses. All improvements remain the property of the City of Seattle. Total improvements of \$1,260,519 and \$613,177 (including those funded by the City of Seattle Department of Neighborhoods and the King County Council referred to above) were expensed in 2007 and 2006, respectively.