Finance & Audit Committee Meeting Agenda
Fort Worden Lifelong Learning Center Public Development Authority (FWPDA)
Wednesday, February 16, 2022 | 10 a.m.
Via Zoom (Remote Meeting Per Governor Inslee's Proclamation 20-28.15)

Meeting Agenda

I. **Call to Order**

II. **Roll Call**

III. **Public Comment**

IV. **Finance Reports**

A. Profit & Loss Statement
B. Cash Flow Statement
C. 2021 Preliminary Ending Balance
D. Maker's Square Update

V. **Recommendations**

A. Kitsap Checking Account, Resolution 22-06
B. Fort Worden Hospitality Closing Check List
C. Fort Worden MOU w/ Hospitality

VI. **Internal Controls**

VII. **Public Comment**

VIII. **Adjourn**

FORT WORDEN PDA

Hospitality P&L Prev Year Comparison

January through December 2021
(preliminary)

01/19/2022
Accrual Basis

	Jan - Dec 21	Jan - Dec 20	$ Change	% Change
Ordinary Income/Expense				
Income				
4000 Accomodations	2,040,335	795,236	1,245,099	157%
4400 Food Sales Revenue	443,179	396,412	46,767	12%
4600 Other Revenues	383,257	272,674	110,583	41%
4900 PDA Grants/Donations	57,006	297,881	(240,875)	(81%)
Total Income	2,923,777	1,762,203	1,161,574	66%
Cost of Goods Sold				
Cost of Goods	165,427	241,442	(76,015)	(31%)
Total COGS	165,427	241,442	(76,015)	(31%)
Gross Profit	2,758,350	1,520,761	1,237,589	81%
Expense				
6010 Personnel Costs	1,595,262	1,871,078	(275,816)	(15%)
7000 Repairs & Maintenance	65,714	33,215	32,499	98%
7100 Utilities	447,573	342,998	104,575	30%
8000 Contracts				
8002 CompSoftware/Support Maint	2,878	3,595	(717)	(20%)
8003 Alarm/Security/Fire Rescue	45,952	56,290	(10,338)	(18%)
8005 Advertising/Marketing	19,860	6,180	13,680	221%
8010 Audit/Accounting	46,780	27,248	19,532	72%
8012 Maintenance Contracts	10,119	9,791	328	3%
8200 Contracts Hospitality	7,923	784	7,139	911%
8000 Contracts - Other	0	5,376	(5,376)	(100%)
Total 8000 Contracts	133,512	109,264	24,248	22%
8500 Operating Expense	408,620	399,155	9,465	2%
Total Expense	2,650,681	2,755,710	(105,029)	(4%)
Net Ordinary Income	107,669	(1,234,949)	1,342,618	109%
Other Income/Expense				
Other Expense				
9500 Capital Purchase/Equipment	69,467	67,999	1,468	2%
9600 Leasehold Improvements	20,642	243	20,399	8,395%
Total Other Expense	90,109	68,242	21,867	32%
Net Other Income	(90,109)	(68,242)	(21,867)	(32%)
Net Income	**17,560**	**(1,303,191)**	**1,320,751**	**101%**

FORT WORDEN PDA

Capital P&L Prev Year Comparison

01/19/2022

January through December 2021

Accrual Basis

(preliminary)

	Jan - Dec 21	Jan - Dec 20	$ Change	% Change
Ordinary Income/Expense				
Income				
4900 PDA Grants/Donations				
4901 Donations	27,222	0	27,222	100%
4903 Restricted Grants	378,000		378,000	100%
Total 4900 PDA Grants/Donations	405,222	0	405,222	100%
Total Income	405,222	0	405,222	100%
Gross Profit	405,222	0	405,222	100%
Expense				
6010 Personnel Costs	46,419	174,634	(128,215)	(73%)
7000 Repairs & Maintenance	57	27,906	(27,849)	(100%)
8000 Contracts				
8009 Design Arch/Eng	3,643	403	3,240	804%
8010 Audit/Accounting	66,277	21,472	44,805	209%
8000 Contracts - Other	20,335	30,165	(9,830)	(33%)
Total 8000 Contracts	90,255	52,040	38,215	73%
8500 Operating Expense	4,024	9,009	(4,985)	(55%)
Total Expense	140,755	263,589	(122,834)	(47%)
Net Ordinary Income	264,467	(263,589)	528,056	200%
Other Income/Expense				
Other Expense				
9200 Bond Interest Expense	139,655	163,272	(23,617)	(14%)
9600 Leasehold Improvements	5,411	246,302	(240,891)	(98%)
Total Other Expense	145,066	409,574	(264,508)	(65%)
Net Other Income	(145,066)	(409,574)	264,508	65%
Net Income	**119,401**	**(673,163)**	**792,564**	**118%**

FORT WORDEN PDA
Statement of Cash Flows
January through December 2021
(preliminary)

	Hospitality	Capital
OPERATING ACTIVITIES		
Net Income	$ 17,560	$ 119,401
Adjustments to reconcile Net Income		
to net cash provided by operations:		
AR	$ (99,538)	$ 1,881
Inventories	$ 4,801	
Prepaid Expenses	$ (8,143)	$ (157)
Due from Hospitality	$ (19,528)	
Due to MS Landlord LLC		$ 891,628
AP	$ (204,314)	$ 1,243
Current Liabilities	$ (11,046)	
Public Works Retainage		$ (428,879)
Advance Deposits	$ 20,508	
Net cash provided (used) by Operating Activities	$ (299,700)	$ 585,117
INVESTING ACTIVITIES		
Fixed Assets	$ (8,652)	
Depreciation	$ 69,467	
Net cash provided by Investing Activities	$ 60,815	$ -
FINANCING ACTIVITIES		
Kitsap Bank Bond Interest		$ 139,654
Fort Worden Foundation Loan		$ (350,000)
Kitsap Bank Line of Credit	$ 231,000	
Net cash provided by Financing Activities	$ 231,000	$ (210,346)
Net cash increase (decrease) year to date	**$ (7,885)**	**$ 374,771**
Cash at beginning of year	$ 118,184	$ 52,218
Cash at end of Year	**$ 110,299**	**$ 426,989**

FORT WORDEN PDA
Balance Sheet
As of December 31, 2021

	Dec 31, 21
ASSETS	
Current Assets	
Checking/Savings	
1000 Operating Accounts	110,299
1010 Capital Fund Accounts	426,989
Total Checking/Savings	537,288
Accounts Receivable	
1100 Hospitality Services AR	400,146
1120 Partner Tenant	32,026
Total Accounts Receivable	432,172
Other Current Assets	106,100
Total Current Assets	1,075,560
Fixed Assets	306,933
TOTAL ASSETS	**1,382,494**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	77,102
Other Current Liabilities	
2100 Current Liabilities	68,805
2200 Advance Deposits	850,556
2400 Notes Payables	231,000
Total Other Current Liabilities	1,150,361
Total Current Liabilities	1,227,463
Long Term Liabilities	
2650 Due To MS Landlord LLC	412,250
2700 Energy Efficiency Bond	1,714,709
2705 Glamping Bond	2,133,776
Total Long Term Liabilities	4,260,735
Total Liabilities	5,488,198
Equity	
3000 Net Assets	(20,117)
Opening Balance Equity	26,464
Unrestricted Net Assets	(4,249,013)
Net Income	136,962
Total Equity	(4,105,704)
TOTAL LIABILITIES & EQUITY	**1,382,494**

INCOME

Grant/Source	Amount
Sage Foundation	3,039,382
Chandler Foundation	2,000,000
BFA WA State Grant	1,231,900
LCP WA State Grants	1,204,700
HCP - 19-11	727,500
WSP Slate Roof	648,857
SAT Federal Grant	500,000
Murdock Foundation	250,000
Other Foundation Grants	140,000
Individual Donors	535,564
KPTZ LI Reimbursements	903,258
Historic Tax Credits	2,019,199.68
Received	**13,200,360.68**
Murdock Grant	250,000
KPTZ LI Reimbursements	*38,174*
Outstanding	**288,174**
Total Revenue	**13,488,534.68**
Note Payable Income	
Kitsap Bond	1,096,000
Total Income	**14,584,534.68**

EXPENDITURES

Vendor/Type	Amount
Clark	9,836,788
Signal	1,880,020
Labor	569,816
Other Construction	226,787
Permits	*50,675*
Other Costs	274,083
Interest & Fees	*136,143*
Construction Costs	**12,974,312**
Wishneff & Asso	224,950.8
Brown Edwards	14,500
HTC Consulting	**239,450.8**
Total Expeditures	**13,213,762.8**

Revenue Expense (not including bond)

Revenue	**13,488,534.68**
Expenditures	**-13,213,762.8**
Excess	**274,771.88**

Revenue Expense (including loan proceeds)

Income	14,584,534.68
Expenditures	-13,213,762.8
Project cash flow	**1,370,771.88**
Outstanding Debt	-1,096,000
Net	**274,771.88**

HISTORIC TAX CREDITS

Estimated Credits	*2,578,636*
.88 buy rate	**2,269,199.68**
holdback	-250,000
Receivable	**2,019,199.68**

Clark Construction Final	
Contract	8,886,167
Additions	138,365
Rev Contract	**9,024,532**
Sales Tax	812,256
Contract Total	**9,836,788**
Interest	17,042
Total Billings	9,853,830

Makers Square
Kitsap Loan Reconcilation

Total Kitsap Note Payable	-1,500,000
Makers Square Income	1,370,771.88
Restoration Bond	404,000
Balance Due	274,771.88
Operation Cash Reserves	600,000
Net Operation Cash Reserves	874,771.88

RESOLUTION NO. 22-06

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE FORT WORDEN PUBLIC DEVELOPMENT AUTHORITY AUTHORIZING OPENING PDA CHECKING AND SAVINGS ACCOUNTS WITH KITSAP BANK

RECITALS

A. Pursuant to the Amended Charter, "the management of all Authority affairs shall reside in a Board of Directors. (Amended Charter, Article VII, Organization of Authority, Section I.)

B. Pursuant to Section 6 of the Charter, duties of Board Members may include, among other duties, the contracting of debts, issuance of notes, debentures, or bonds, and the mortgaging or pledging of corporate assets to secure the same. In addition, "any resolution authorizing or approving such an action shall require the affirmative action vote of the majority of board members voting on the issue." (Amended Charter, Article VII, Organization of Authority, Section 7.)

C. The Board of Directors is authorized to supervise the activities of the Corporation and when necessary execute instruments on its behalf when authorized by the Board.

D. Resolution 15-10 sets out the policy directive of the administrative authority of the Executive Director including policies governing bank accounts and funds.

E. Resolution 20-11 establishing banking accounts that are no longer necessary or required was previously adopted but was never implemented and should be repealed.

F. Specific board members and specific departmental managers need to have authority to sign checks to maintain an efficient and effective operation.

G. The Fort Worden PDA is opening the following accounts at Kitsap Bank to conduct business necessary for efficient and effective operations:

    a. Operations (Checking Account)
    b. Payroll (Checking Account)
    c. Capital Improvements (Checking Account)
    d. Debt Service (Checking Account)
    e. Bond Reserves (Savings Accounts)
        i. Makers Square Lease Receivables
        ii. Energy User Fees Receivables
        iii. Glamping Receivables
        iv. Payment Reserves

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Fort Worden Lifelong Learning Center Public Development Authority:

The Board hereby repels Resolution 20-11 and adopts this Resolution authorizing the opening of checking and savings accounts with Kitsap Bank necessary for efficient and effective operations.

ADOPTED by the Board of Directors of the Fort Worden Lifelong Learning Center Public Development Authority at a properly noticed meeting of the Board at which a quorum was present, held on the 22nd day of February, 2022.

_____
David King, Chair

_____
John Begley, Treasurer

Attest:

_____
Eva Weber, Secretary

Fort Worden Hospitality
Closing Checklist

As of 1/28/2022

Document/Condition	Who's Leading	Due or target date	Status – whose court now?
Assignment of Cash Collateral Account	Craft3	2/1	Craft3 to provide final to KB for signature
Loan docs	Craft3	To FWH for review by 2/1, final by 2/9	Craft3
signing of the T&C	FWH	2/4	FWH
Copy of Driver's License for person who will sign docs	FWH	2/4	FWH
MOU b/w PDA and FWH	FWH	To Craft3 for review by 2/4, final by 2/8	FWH
Board borrowing resolution and minutes	FWH	2/7	FWH
Cash collateral account funded	FWH	2/7	FWH
Assignment of Contracts w/ PDA acknowledgement	Craft3	2/8	Draft with FWH
Exhibit B for Assignment of Contracts (i.e. list of contracts – just names and $ amount over $10k)	FWH	2/8	FWH
Evidence of SNDA submitted to Parks (following PDA consent)	Craft3	2/8	Final with FWH
Insurance certificate	FWH	2/8	FWH

PDA/FWH MOU Overview

An executed MOU between Fort Worden PDA and Fort Worden Hospitality (FWH) is a required closing condition for FWH's Craft3 loan. Start-up funding (procured from Craft3) is a required condition for FWH to assume the concessionaire contract with PDA.

The MOU draft must be submitted to Craft3 for review by 2/4 and the final MOU must be executed by 2/8.

Required elements of the MOU, per Craft3's Terms & Conditions Letter:

> *Craft3 must review and approve, prior to execution, a Memorandum of Understanding between Borrower and Fort Worden Lifelong Learning Center Public Development Authority (PDA) setting forth the standards for an accounting and reconciliation of accounts between PDA and Borrower including without limitation any responsibility for advance guest deposits, and any other funds spent by PDA prior for any items relating to Borrower's operations.*

Notes on Advanced Deposits:

- To date we have $927,917.16 in advanced deposits collected for future business. $548K is in nonrefundable leisure stays that are paid in full but will be serviced after the business assumption date.
- In accordance with the former PDA advanced deposit policy 35% plus anything over $10,000 should be held. As of 1/24 this totaled $384,766.91 – but that number will be finalized as of the date of transition.
- If the PDA hadn't suspended the policy back in 2020, then $385K would have been available to transfer to FWH with the book of business, as collateral against the $928K liability.
- FWH plans to assume liability on all booked business as part of the transition – will be carrying this on our Balance Sheet until booked business actualizes.

Financial Audit, Inventory Transfer, and Start-Up Costs:

- The PDA's advanced deposit policy was suspended due to cash flow needs; the advanced deposits were spent on hospitality aspects of the business including start-up expenses of FWH, while PDA operations were also partially funded with the advanced deposit money as PDA revenues didn't cover all non-hospitality-related expenses
- There is a cash value to some inventory being transferred – said inventory also becomes surplus to the PDA with the assignment of business functions to FWH
- Start-up costs have been tracked separately and will be accounted for in the financial audit
- Financial Statements with PDA and Hospitality revenue and expenses accurately stated is due in May 2022

Questions/Terms to be Determined:

- Once accounting work is complete, how will the difference be stated between the two entities – will the PDA carry a balance owed to FWH?
    - Can that balance be applied to other inter-entity billings, or be pledged as in-kind for equipment/materials procurement?
    - Will any of that balance be forgiven when business is actualized and liability is cleared?