

BOYS AND GIRLS CLUBS OF KING COUNTY

Financial Statements

For the Year Ended June 30, 2021

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 21

Independent Auditor's Report

**To the Board of Directors
Boys and Girls Clubs of King County
Seattle, Washington**

We have audited the accompanying financial statements of the Boys and Girls Clubs of King County (the Clubs), which comprise the statement of financial position as of June 30, 2021 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clubs as of June 30, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Clubs' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clark Nuber PS

Certified Public Accountants
January 28, 2022

BOYS AND GIRLS CLUBS OF KING COUNTY

Statement of Financial Position

June 30, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 6,633,070	\$ 1,541,313
Investments	2,308,484	3,024,737
Accounts receivable	176,461	695,596
Promises to give, current portion	217,206	67,756
Grants receivable	962,585	645,174
Prepaid expenses and other current assets	319,450	199,781
Total Current Assets	10,617,256	6,174,357
Endowment investments	1,316,203	1,065,870
Promises to give, net of current portion	94,834	136,472
Contributed facilities receivable	7,538,943	7,710,896
Land held for sale	300,000	300,000
Property and equipment, net	41,884,550	42,018,565
Total Assets	\$ 61,751,786	\$ 57,406,160
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 587,303	\$ 292,015
Accrued payroll and other liabilities	983,625	1,032,832
Deferred program service fees and membership dues	1,840,633	1,500,696
Capital lease obligation, current portion	62,563	55,281
Total Current Liabilities	3,474,124	2,880,824
Capital lease, net of current portion	128,273	195,491
Paycheck Protection Program loans	4,134,900	2,134,900
Forgivable debt	2,414,425	2,480,725
Total Liabilities	10,151,722	7,691,940
Net Assets:		
Without donor restriction	42,350,064	40,016,032
With donor restriction	9,250,000	9,698,188
Total Net Assets	51,600,064	49,714,220
Total Liabilities and Net Assets	\$ 61,751,786	\$ 57,406,160

See accompanying notes.

BOYS AND GIRLS CLUBS OF KING COUNTY

**Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Operating Activities				
Public Support and Revenue:				
Public support-				
Contributions and grants	\$ 4,334,140	\$ 441,292	\$ 4,775,432	\$ 4,927,826
Grants from government agencies	5,551,578		5,551,578	2,527,843
In-kind contributions	963,190		963,190	841,338
Special events net of expenses of \$22,644 (2020 - \$218,565)	1,364,991		1,364,991	1,724,698
Net assets released from restriction	1,045,193	(1,045,193)		
Total public support	13,259,092	(603,901)	12,655,191	10,021,705
Revenue-				
Program service fees	8,037,917		8,037,917	9,305,865
Membership dues	268,923		268,923	501,880
Other	122,145		122,145	350,744
Total revenue	8,428,985		8,428,985	10,158,489
Total Public Support and Revenue	21,688,077	(603,901)	21,084,176	20,180,194
Expenses:				
Program services	14,678,967		14,678,967	14,401,167
Management and general	2,642,404		2,642,404	2,119,157
Fundraising	1,358,497		1,358,497	1,409,309
Total expenses before depreciation	18,679,868		18,679,868	17,929,633
Depreciation	857,557		857,557	878,732
Total Expenses	19,537,425		19,537,425	18,808,365
Net Operating Activities	2,150,652	(603,901)	1,546,751	1,371,829
Nonoperating Activities				
Investment return	116,800	126,825	243,625	43,020
Loss on impairment of property				(1,200,000)
Endowment contributions		28,888	28,888	
Gain on sale of property	280		280	3,693
Forgiveness of debt	66,300		66,300	66,300
Total Nonoperating Activities	183,380	155,713	339,093	(1,086,987)
Total Change in Net Assets	2,334,032	(448,188)	1,885,844	284,842
Net assets, beginning of year	40,016,032	9,698,188	49,714,220	49,429,378
Net Assets, End of Year	\$ 42,350,064	\$ 9,250,000	\$ 51,600,064	\$ 49,714,220

See accompanying notes.

BOYS AND GIRLS CLUBS OF KING COUNTY

**Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
Salaries and wages	\$ 8,047,888	\$ 974,668	\$ 842,717	\$ 9,865,273	\$ 9,970,355
Employee benefits	736,224	89,119	86,938	912,281	979,796
Payroll taxes	807,427	105,053	82,006	994,486	865,057
Total Salaries and Related Expenses	9,591,539	1,168,840	1,011,661	11,772,040	11,815,208
Occupancy	2,369,300	127,034	23,507	2,519,841	2,517,479
Program expenses	1,492,151	80,541	4,455	1,577,147	1,607,575
Technology and communications	422,307	399,585	36,274	858,166	407,313
Finance, insurance and bad debt	396,786	427,080	23,363	847,229	145,795
Professional fees	155,781	329,329	42,772	527,882	440,763
Vehicle expenses	149,467	20,605	1,918	171,990	217,574
Event expenses	3,168	162	153,025	156,355	247,496
Printing and advertising	34,466	9,271	55,005	98,742	173,123
Dues and subscriptions	23,412	70,937	1,836	96,185	103,585
Equipment	28,420	6,003	1,869	36,292	61,886
Training and conferences	12,170	680	2,228	15,078	69,493
Donor and board expenses		1,769	584	2,353	8,337
Interest		568		568	114,006
Total Expenses Before Depreciation	14,678,967	2,642,404	1,358,497	18,679,868	17,929,633
Depreciation	835,241	22,316		857,557	878,732
Total Expenses From Operations	15,514,208	2,664,720	1,358,497	19,537,425	18,808,365
Add cost of direct benefits to donors at special event expenses netted with revenues on the statement of activities			22,644	22,644	218,565
Total 2021 Functional Expenses	\$ 15,514,208	\$ 2,664,720	\$ 1,381,141	\$ 19,560,069	
Total 2020 Functional Expenses	\$ 15,205,197	\$ 2,193,859	\$ 1,627,874		\$ 19,026,930

See accompanying notes.

BOYS AND GIRLS CLUBS OF KING COUNTY

**Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,885,844	\$ 284,842
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	857,557	878,732
Forgiveness of debt	(66,300)	(66,300)
(Gain) loss on investments	(237,503)	36,611
Contributions restricted for endowment	(28,888)	
Gain on disposal of assets		(3,693)
Loss on impairment of land		1,200,000
Changes in assets and liabilities:		
Accounts receivable	519,135	13,808
Promises to give	(107,812)	186,484
Grants receivable	(317,411)	(43,972)
Prepaid expenses and other current assets	(119,669)	261,036
Contributed facilities receivable	171,953	188,571
Accounts payable	295,288	(284,382)
Accrued payroll and other liabilities	(49,207)	190,016
Deferred program revenue	339,937	(22,644)
Net Cash Provided by Operating Activities	3,142,924	2,819,109
Cash Flows From Investing Activities:		
Purchases of investments	(529,319)	(1,079,917)
Sales of investments	1,232,742	66,766
Purchases of property and equipment	(723,542)	(247,121)
Net Cash Used in Investing Activities	(20,119)	(1,260,272)
Cash Flows From Financing Activities:		
Proceeds from Paycheck Protection Program loans	2,000,000	2,134,900
Payments on line of credit		(2,500,000)
Proceeds from contributions restricted for endowment	28,888	
Principal payments on capital lease obligations	(59,936)	(113,846)
Net Cash Provided by (Used in) Financing Activities	1,968,952	(478,946)
Change in Cash and Cash Equivalents	5,091,757	1,079,891
Cash and cash equivalents, beginning of year	1,541,313	461,422
Cash, Cash Equivalents, End of Year	\$ 6,633,070	\$ 1,541,313
Supplementary Disclosure of Cash Flow Information:		
Acquisition of long-term assets through capital lease	\$ -	\$ 250,772
Cash paid during the year for interest	\$ 568	\$ 114,006

See accompanying notes.

BOYS AND GIRLS CLUBS OF KING COUNTY

Notes to Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Organization and Significant Accounting Policies

Operations - Boys & Girls Clubs of King County, Inc. (the Clubs), is a nonprofit corporation providing leadership in youth development. The Clubs' mission is to inspire and enable all young people, especially those who need it most, to realize their full potential as productive, responsible, and caring citizens. With 35 Clubs and 2 focused programs, the Clubs provide a safe, affordable, and fun place for kids and teens during critical out-of-school time. (Bainbridge Island Club is located within Kitsap County).

The Clubs' programs are designed to meet the physical, emotional, cultural, and social needs of young people. Because these core areas are integrated, it is not practical to separate expenses into program categories. Some of the programs are as follows:

Power Hour - Power Hour: Making Minutes Count provide the Clubs professionals with the strategies, activities, resources and information to create an engaging homework help and tutoring program that encourage the Clubs members of every age to become self-directed learners.

SMART Moves - SMART Moves is a prevention and education program addressing problems such as drug and alcohol use and premature sexual activity.

Triple Play - Triple Play is a comprehensive health and wellness program. It strives to improve the overall health of Club members age cohorts by increasing daily physical activity, teaching them about good nutrition and helping them develop healthy relationships.

Keystone and Torch Clubs - Members have access to Club-based leadership development programs through Keystone (high school) and Torch Clubs (middle school). Highlights include community service projects, national conferences, and member-to-member mentoring.

Basis of Presentation - The Clubs' financial statements have been prepared on the accrual basis of accounting. The Clubs classify net assets, revenues, gains and losses based on the existence or absence of donor-imposed restrictions. Net assets are classified as with or without donor restriction.

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category include earnings and fees, contributions without donor restriction and related expenses associated with the core activities of the Clubs. In addition to these transactions, changes in this category of net assets include contributions without donor restrictions whose donor-imposed restrictions were met during the fiscal year.

Net Assets With Donor Restrictions - Net assets restricted by donors to be used for certain purposes or for future periods, including donor restricted endowments whose corpus is intended to be held in perpetuity.

Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the year in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported as net assets released from restrictions.

BOYS AND GIRLS CLUBS OF KING COUNTY

**Notes to Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 1 - Continued

Gifts of equipment are reported as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents - Cash and cash equivalents consist of checking and savings accounts.

Accounts and Grants Receivable - Receivables are stated at their net realizable value and consist of amounts due from corporations and government agencies to fund after-school programs for children from low-to-moderate income families. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. An allowance for accounts or grants receivable totaling \$389,390 and \$13,569 was recorded as of June 30, 2021 and 2020, respectively.

Property Held for Sale - Property held for sale at June 30, 2021 and 2020 consisted of the Club's donated property in Pierce County.

Property and Equipment - Property and equipment are stated at cost for purchased assets or at fair value on the date of donation for donated assets. Property and equipment that exceed \$5,000 are capitalized as assets. Depreciation is provided using the straight-line method over the estimated useful life. The costs of repairs and maintenance are expensed as incurred.

The estimated useful lives of property and equipment are as follows:

Buildings and building improvements	15 - 55 years
Leasehold improvements	Life of lease
Furniture and equipment	3 - 10 years
Vehicles	1 - 10 years

Revenue Recognition -

Contributions, Grants, and Promises to Give - Contributions received, including unconditional promises to give are stated at net realizable value. In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period the pledge is received.

Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met. Conditional contributions are conditioned upon certain performance requirements and the incurrence of qualifying expenses. Consequently, at June 30, 2021 and 2020, conditional contributions approximated \$2,530,000 and \$1,950,000, respectively, of which no amounts had been received in advance, and have not been recognized in the accompanying financial statements.

BOYS AND GIRLS CLUBS OF KING COUNTY

**Notes to Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 1 - Continued

Program Service Fees - Revenues received in exchange for participation in programs or other services are deferred and recognized when the program occurs, or the services are provided. Program fees for childcare are due the last business day of the prior month. Program fees for camp are due at the time of registration for the school year and two weeks prior to the start for summer and are eligible for a full refund, minus any deposits paid. Program fees for athletic activities are due at the time of registration and are refundable, minus any deposits paid.

Membership Dues - The Clubs earns revenue from memberships. Membership dues are classified as an exchange transaction that is deferred and recognized ratably over the membership term using the output method.

Grants from Government Agencies - Government grants are considered conditional upon incurring allowable costs and meeting certain compliance requirements. Revenue from government grants is recognized when these conditions have been met.

Donated Materials and Services - Donated materials and equipment are recorded as contributions at their estimated fair value at the date of receipt. In accordance with U.S. GAAP, the financial statements reflect only those contributed services requiring specific expertise or which are for constructing a fixed asset, which the Clubs would otherwise need to purchase. Contributed services are recorded at rates that would have been paid for similar services in an arms-length transaction.

In-kind contributions for the year ended June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Use of contributed facilities	\$ 579,019	\$ 546,854
Goods	378,187	285,726
Forgiveness of debt	66,300	66,300
Services	<u>5,984</u>	<u>8,758</u>
Total In-Kind Contributions	<u>\$ 1,029,490</u>	<u>\$ 907,638</u>

In-kind contributions are presented on the statement of activities for the year ended June 30 as follows:

	<u>2021</u>	<u>2020</u>
In-kind donations	\$ 963,190	\$ 841,338
Forgiveness of debt	<u>66,300</u>	<u>66,300</u>
Total In-Kind Contributions	<u>\$ 1,029,490</u>	<u>\$ 907,638</u>

BOYS AND GIRLS CLUBS OF KING COUNTY

Notes to Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

Functional Allocation of Expenses - The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of functional expenses based upon the initial classification provided upon recording of expense. Accordingly, employee related expenses have been allocated among the programs and supporting services benefitted based on certain key employees' time and cost studies of where efforts are made. Occupancy costs have been allocated based on a square footage basis. All other expenses are charged to the programs and supporting services benefitted as incurred.

Concentration of Credit Risks - Financial instruments which potentially subject the Clubs to concentrations of credit risk primarily consist of cash. The Clubs maintain its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Clubs have not experienced any losses in such accounts.

Income Taxes - The Internal Revenue Service has recognized the Clubs as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an entity described in Section 501(c)(3) and not as a private foundation.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Information for Prior Year - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Clubs' financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Reclassifications - Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications have no effect on the change in net assets or net asset balances, by classification, as previously reported.

Subsequent Events - The Clubs have evaluated subsequent events through January 28, 2022, the date on which the financial statements were available to be issued.

Note 2 - Contributed Facilities Receivable

The Clubs receive donated facilities for their Federal Way, Rotary Club, Mercer Island and Sammamish sites under long-term lease agreements. The Federal Way and Sammamish lease agreements each include options to extend the lease terms for four 10-year terms, provided certain conditions are met. The lease agreements expire at various dates in 2024 through 2059, which includes the option terms for the Federal Way and Sammamish leases.

The promised use of facilities inherent in the lease agreements was recorded at the estimated fair value as contributed revenue and a receivable at the commencement of each lease. The remaining receivable balances outstanding are reported on the statement of financial position as a receivable and net assets with donor restrictions of \$7,538,943 and \$7,710,896 at June 30, 2021 and 2020, respectively.

BOYS AND GIRLS CLUBS OF KING COUNTY

**Notes to Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 3 - Promises to Give

Promises to give as of June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Amounts due in less than one year	\$ 217,206	\$ 67,756
Amounts due in one to five years	<u>100,000</u>	<u>150,000</u>
Total promises to give	317,206	217,756
Less allowance for uncollectible accounts	(860)	(883)
Less present value discount (4.5%)	<u>(4,306)</u>	<u>(12,645)</u>
Total promises to give, net	312,040	204,228
Less current portion	<u>(217,206)</u>	<u>(67,756)</u>
Long-Term Portion of Promises to Give, Net	<u>\$ 94,834</u>	<u>\$ 136,472</u>

Note 4 - Investments and Fair Value Measurements

Investments consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash equivalents	\$ 2,482	\$ 1,004,709
Certificates of deposit	323,298	
Mutual funds	3,232,630	3,027,781
Exchange traded funds	<u>66,277</u>	<u>58,117</u>
Total Investments	<u>\$ 3,624,687</u>	<u>\$ 4,090,607</u>

Investments are presented on the statement of financial position for the years ended June 30 as follows:

	<u>2021</u>	<u>2020</u>
Investments	\$ 2,308,484	\$ 3,024,737
Endowment investments	<u>1,316,203</u>	<u>1,065,870</u>
Total Investments	<u>\$ 3,624,687</u>	<u>\$ 4,090,607</u>

BOYS AND GIRLS CLUBS OF KING COUNTY

Notes to Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 4 - Continued

Investment return consisted of the following for the year ended June 30:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 12,618	\$ 86,181
Realized gains	26,805	2,714
Unrealized gains (losses)	210,698	(39,327)
Investment fees	<u>(6,496)</u>	<u>(6,548)</u>
Total Investment Return	<u>\$ 243,625</u>	<u>\$ 43,020</u>

U.S. GAAP provides a framework for measuring fair value. To increase consistency and comparability in fair value measurements, the framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the primary or most advantageous market for the asset or liability in an orderly transaction between market participants.

The framework uses a three-level valuation hierarchy based on observable and non-observable inputs. Observable inputs consist of data obtained from independent sources. Non-observable inputs reflect industry assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

Assets classified as Level 1 have fair values based on unadjusted quoted market prices for identical instruments in active markets. Assets and liabilities classified as Level 2 have fair values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model-derived valuations whose inputs are observable. Assets and liabilities classified as Level 3 have fair values based on value drivers that are unobservable.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Cash Equivalents - Consist primarily of money market funds and are valued at the closing price reported on the active markets in which the securities are traded at fiscal year end.

Certificates of Deposit - Valued at cost plus accrued interest, which approximates fair value.

Mutual Funds and Exchange Traded Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by the Clubs at fiscal year end.

All investments of the Clubs are valued using Level 1 inputs. The valuation methodologies used by the Clubs may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Clubs' management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

BOYS AND GIRLS CLUBS OF KING COUNTY

Notes to Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 5 - Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 4,211,844	\$ 4,211,844
Buildings and building improvements	47,571,922	46,873,401
Land improvements	927,476	927,476
Furniture and equipment	3,298,825	3,298,825
Vehicles	930,158	884,269
Projects in process	<u>49,260</u>	<u>99,917</u>
	56,989,485	56,295,732
Less accumulated depreciation	<u>(15,104,935)</u>	<u>(14,277,167)</u>
Property and Equipment, Net	<u>\$ 41,884,550</u>	<u>\$ 42,018,565</u>

On December 30, 2016, the Clubs received a donation of land in Pierce County with a fair market value of \$1,933,696. As a condition of receipt of the donation the Clubs could not sell the land prior to December 2019. The donor restricted 20% of the sale proceeds for art programs at the Clubs. Management has determined that the value of the parcel of land held was impaired as of June 30, 2020. Management wrote down the land to \$300,000 for the year ended June 30, 2020. The impairment resulted from zoning requirements imposed on the property that limited the use of the land and market conditions. The impaired value was determined based on purchase and sales agreements. No additional impairment was recorded for the year ended June 30, 2021.

During the year ended June 30, 2021, the Clubs entered into a purchase and sale agreement for the purchase of a property in North Seattle for \$833,324. Subsequent to June 30, 2021, on July 9, 2021, this sale was finalized.

Note 6 - Lines of Credit

Wells Fargo Line of Credit - The Clubs had a secured line from Wells Fargo, with an available borrowing limit of \$2,500,000 and expiration date of December 31, 2020. There was no outstanding balance on this line at June 30, 2020. Management elected to not extend the maturity date beyond December 31, 2020.

Morgan Stanley Line of Credit - The Clubs have a secured line (against the value of securities held on account) from Morgan Stanley entered into in April 2014. Available credit on the line is based on a percentage of the underlying securities that serve as the line's collateral. Interest is based on the 30-day LIBOR index plus 3.0% and the line does not have a predetermined expiration or renewal date. No amounts were outstanding at June 30, 2021 or 2020.

Key Bank Line of Credit - Subsequent to June 30, 2021, on September 15, 2021, the Clubs obtained a secured line from Key Bank, with an available borrowing limit of \$2,000,000 and expiration date of September 1, 2023. The line bears a variable interest rate, based on the Prime Rate less 0.75%. The line is secured by all assets of the Clubs.

BOYS AND GIRLS CLUBS OF KING COUNTY

Notes to Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 7 - Debt

Forgivable Debt - The Clubs entered into a forgivable note with the City of Seattle Department of Parks and Recreation for \$3,315,000. The note is a noninterest bearing loan. The note is to be forgiven over a 50-year period ending in 2057 provided that the Clubs comply with the terms of the loan agreement, principally requiring continuing use of the property for age appropriate recreational opportunities, educational support, and technology access for teenagers from predominantly low and moderate-income backgrounds. The management of the Clubs fully intend to comply with the terms of the loan agreement. The annual amount forgiven is \$66,300. The note is secured by the Rainer Valley property. The remaining outstanding balance at June 30, 2021 and 2020 was \$2,414,425 and \$2,480,725, respectively.

Paycheck Protection Program Loans - In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On April 17, 2020, the Clubs obtained a loan under the PPP with a principal balance of \$2,134,900 and an annual interest rate of 1%. Forgiveness may be applied for up to 10 months after the covered period, otherwise payments are due between then and the maturity date of April 17, 2025. Subsequent to June 30, 2021, on October 26, 2021, the loan was forgiven in full by the lender and the Small Business Association.

The Clubs entered into a second PPP loan on March 12, 2021, with principal balance of \$2,000,000, an annual interest rate of 1% and a loan maturity date of March 12, 2026. All or a portion of the PPP Loan may be forgiven if certain terms and conditions of the program are met.

To complete the loan forgiveness process management must submit a loan forgiveness application to the lender and then the lender and the Small Business Administration (SBA) must review and approve the application. A risk exists that the lender or the SBA may reject some or all of the requested forgiveness amount during the review process, in which case the Clubs will be required to repay the amount that is not forgiven. For the year ended June 30, 2021, management has concluded that the Clubs have incurred the qualifying expenditures.

Principal maturities on the PPP loan are as follows:

For the Year Ending June 30,

2022	\$ 521,864
2023	1,102,640
2024	1,102,640
2025	1,007,755
2026	400,001
	<hr/>
	\$ 4,134,900

Total interest expense for the years ended June 30, 2021 and 2020, including interest on the line of credit described in Note 6, was \$568 and \$114,006, respectively.

BOYS AND GIRLS CLUBS OF KING COUNTY

**Notes to Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 8 - Capital Lease Obligation

The Clubs have one noncancelable capital lease with a total recorded cost of \$250,772 and accumulated depreciation of \$50,154 at June 30, 2021. No accumulated depreciation was recorded for the year ended June 30, 2020. Total monthly payments are \$2,628, including interest at 1.45% per annum. Included in the capital lease obligation on the statement of financial position and the schedule of future lease payments below are \$93,067 of initial direct costs that have been capitalized as part of the lease and are payable in 12 quarterly payments of \$7,756.

Scheduled lease payment on these leases are as follows:

For the Year Ending June 30,

2022	\$	62,049
2023		62,356
2024		32,263
2025		31,541
2026		5,433
		<hr/>
Total scheduled lease payments		193,642
Less portion of payments representing interest		(2,806)
		<hr/>
Capital lease obligation		190,836
Less current portion		(62,563)
		<hr/>
Long-Term Portion of Capital Lease Obligation	\$	<u>128,273</u>

Note 9 - Commitments

Operating Leases - At June 30, 2021, the Clubs were obligated to make payments under several noncancelable operating lease agreements for vehicles, equipment, and buildings. Rent expense under these commitments was \$407,989 and \$387,444, respectively, for the years ended June 30, 2021 and 2020.

Future minimum lease commitments under these agreements are as follows:

For the Year Ending June 30,

2022	\$	396,462
2023		362,004
2024		302,985
2025		182,277
2026		5,664
		<hr/>
	\$	<u>1,249,392</u>

BOYS AND GIRLS CLUBS OF KING COUNTY

**Notes to Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 9 - Continued

One of the leases includes a provision for rent credits for incurring qualifying costs, if qualifying costs are incurred the annual rent expense may be reduced to \$2,000 from the original annual rental amount of \$108,250, which is adjusted by the lesser of 3% or COPIU for Seattle Tacoma Bremerton annual average. The provision was met during the years ended June 30, 2021 and 2020, due to the Clubs incurring qualifying costs.

Subsequent to June 30, 2021, effective August 1, 2021, the Clubs entered into a lease agreement for a new office space through January 31, 2025. Future minimum lease commitments are included in the schedule above.

Note 10 - Net Assets With Donor Restriction

Net assets with donor restriction at June 30 were available as follows:

	<u>2021</u>	<u>2020</u>
Program services	\$ 843,437	\$ 788,500
Capital expenditures		486,596
Endowment accumulated earnings	196,079	69,543
Contributed facility receivable (Note 2)	<u>7,538,943</u>	<u>7,710,896</u>
Total Subject to the Passage of Time or Expenditure for Specified Purpose	8,578,459	9,055,535
Endowment corpus	<u>671,541</u>	<u>642,653</u>
Total Net Assets With Donor Restrictions	<u>\$ 9,250,000</u>	<u>\$ 9,698,188</u>

Note 11 - Endowment

The Clubs' endowment contains five donor-restricted funds and one board-designated fund established to support a variety of program areas.

Interpretation of Relevant Law - The Board of Directors of the Clubs has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this determination, the Clubs classify as net assets with donor restriction to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

BOYS AND GIRLS CLUBS OF KING COUNTY

Notes to Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 11 - Continued

The remaining portion of the donor restricted endowment fund representing accumulated earnings is held as net assets with donor restriction until those amounts are appropriated for expenditure by the Clubs in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Clubs consider the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Clubs and the donor restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and appreciation of investments;
- Other resources of the Clubs; and
- The investment policies of the Clubs.

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or PMIFA requires the Clubs to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of new endowment contributions and continued appropriation for certain programs as deemed prudent by the Board of Directors. There were no such deficiencies at June 30, 2021 or 2020.

Return Objectives and Risk Parameters - The Board has adopted an investment and spending policy for the endowment designed to provide reasonable spending in support of the Clubs, while maintaining the purchasing power of the endowment over the long term. To achieve these objectives, endowment assets are invested in a well-diversified, balanced portfolio intended to capture the broad market return. This means the portfolio assumes moderate investment risk consistent with the broad market.

Strategies Employed for Achieving Objectives - The Clubs utilize a total return strategy, with investment returns achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Because the Clubs seek to balance current spending with maintenance of purchasing power over the long term, the asset allocation of the portfolio favors equity investments, but within an overall balanced portfolio.

Spending Policy and How the Investment Objectives Relate to the Spending Policy - The Clubs' current spending policy allows management to spend the realized gains and income earned each year from each endowment fund on the purpose of that fund as long as the corpus does not fall below the original principal balance. The calculation of the earnings is performed on December 31 of each year and management may decide not to draw down an investment income on any given year.

BOYS AND GIRLS CLUBS OF KING COUNTY

**Notes to Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 11 - Continued

Endowment net assets by fund type as of June 30 are as follows:

	Net Assets		Net Assets With Donor Restriction		2021 Total	2020 Total
	Without Donor Restrictions	Accumulated Earnings	Endowment Corpus			
Ballard Club Endowment	\$ -	\$ 13,760	\$ 12,956	\$ 26,716	\$ 20,060	
Southwest Club Endowment		95,423	187,557	282,980	215,254	
Finkbeiner Scholarship (Kirkland)		56,101	108,533	164,634	125,056	
Arlene Brooks-Bull Scholarship		16,612	58,802	75,414	34,217	
VINE fund		14,183	303,693	317,876	317,609	
Board-designated endowment for Rotary Club	448,583			448,583	353,674	
Total Endowment Funds	\$ 448,583	\$ 196,079	\$ 671,541	\$ 1,316,203	\$ 1,065,870	

Changes to endowment net assets for the year ended June 30, 2021 and 2020, are as follows:

	Net Assets		Net Assets With Donor Restriction		Total
	Without Donor Restrictions	Accumulated Earnings	Endowment Corpus		
Endowment net assets, July 1, 2019	\$ 391,389	\$ 46,987	\$ 338,960	\$ 777,336	
Recharacterization of net assets			13,916	317,609	
Appropriation of endowment earnings for expenditure	(41,431)			(41,431)	
Investment return	3,716	8,640		12,356	
Endowment Net Assets, June 30, 2020	353,674	69,543	642,653	1,065,870	
Contributions			28,888	28,888	
Appropriation of endowment earnings for expenditure	(21,436)			(21,436)	
Investment return	116,345	126,536		242,881	
Endowment Net Assets, June 30, 2021	\$ 448,583	\$ 196,079	\$ 671,541	\$ 1,316,203	

During the year ended June 30, 2020, the Clubs formalized an agreement with a donor that stipulated that a portion of contributions given to the Clubs in prior years should establish as a separate endowment fund to be held in perpetuity. As a result of the agreement reached with the donor, the Clubs have recharacterized \$317,609 in net assets formerly included in net assets without donor restrictions, to net assets with donor restrictions.

BOYS AND GIRLS CLUBS OF KING COUNTY

**Notes to Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 12 - Retirement Plan

The Clubs participate in a defined contribution pension plan under IRC Section 403(b) covering all eligible employees with one year of service and 1,000 hours of service. Employer contributions to the plan were \$37,652 and \$21,580, respectively for the years ended June 30, 2021 and 2020.

Note 13 - 501(c) Agencies Trust Reserve

The Clubs are a member of the 501(c) Agencies Trust (the Trust). The Trust facilitates the utilization by member agencies using the reimbursement financing method of meeting obligations under State Unemployment Insurance Statutes. At June 30, 2021 and 2020, the Clubs had \$125,049 and \$145,398, respectively, on deposit with the Trust to fund these obligations. This deposit is included in prepaid expenses and other current assets in the statement of financial position.

Note 14 - Liquidity and Availability of Financial Assets

Liquidity - As part of the Clubs' liquidity management, financial assets are structured to be available as its general expenditures, liabilities and other obligations come due. In addition, the Clubs invest cash in excess of daily requirements in short-term (cash equivalent) investments.

Availability of Financial Assets - Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,633,070	\$ 1,541,313
Investments	3,624,687	4,090,607
Accounts receivable	176,461	695,596
Promises to give, current portion	217,206	67,756
Grants receivable	<u>962,585</u>	<u>645,174</u>
Total financial assets	11,614,009	7,040,446
Endowment investments	(1,316,203)	(1,065,870)
Donor-restricted for specific programs or capital expenditures	<u>(843,437)</u>	<u>(1,275,096)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 9,454,369</u></u>	<u><u>\$ 4,699,480</u></u>

BOYS AND GIRLS CLUBS OF KING COUNTY

Notes to Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 15 - Contingently Repayable Property Liabilities

The Clubs have received governmental funding for property-related expenditures. This government funding may be required to be repaid if certain terms and conditions are not met during the terms of the related agreements. The management of the Clubs fully intends to comply with the requirements of these various agreements and so no liability has been recorded for any of these obligations as of June 30, 2021. Following is a summary of each agreement.

Ballard Club - The Clubs received funds from the State of Washington Department of Commerce for use in their remodel of the Ballard Club. A requirement of this funding is that the Clubs continue to operate this facility for the intended purpose of offering age-appropriate recreational opportunities, educational support, and technology access for teenagers from predominantly low and moderate income backgrounds through 2022. In the event that the Clubs are found to be out of compliance with this requirement, the Clubs would be obligated to repay funds in the amount of \$420,275 plus accrued interest to the State of Washington.

Mercer Island Club - The Clubs received funds from the State of Washington Department of Commerce for use in the construction of the Mercer Island Club. A requirement of this funding is that the Clubs continue to operate this facility for the intended purpose of offering age-appropriate recreational opportunities, educational support, and technology access for teenagers from predominantly low and moderate income backgrounds through 2022. In the event that the Clubs are found to be out of compliance with this requirement, the Clubs would be obligated to repay funds in the amount of \$776,000 plus accrued interest to the State of Washington.

Federal Way Teen Center - In 2006, the Clubs entered into a \$340,517 noninterest bearing note payable to the King County Department of Community and Human Services secured by the Federal Way Teen Center property. The note was forgiven in 2021.

Auburn PRAB - In 2008, the Clubs and the City of Auburn entered into a lease agreement to promote youth recreational activities at the Parks, Recreation and Arts Administration Building (PRAB) located at 9119th Ave, Auburn, WA. The original term of the lease was 25 years with a yearly rent of \$1. Subsequently, the Clubs and the City entered into a joint operating agreement which specified that both the Clubs and the City would operate programs at the PRAB.

In December 2010, the Clubs received a \$780,000 grant from the State of Washington Department of Commerce for use in the renovation of the building owned by the City of Auburn and leased to the Clubs. In September 2013, the Clubs received a further \$306,520 for the same purpose. As the Clubs have no variance power over the use of the funds and the building is owned by the City of Auburn, the Clubs passed these amounts through to the City and did not record grant revenue or expenses. As a requirement of this funding, the PRAB facility must continue to operate programs for the intended purpose of offering age-appropriate recreational opportunities, educational support, and technology access for teenagers from predominantly low and moderate income backgrounds for a period of 10 years. In the event that the City of Auburn or the Clubs are found to be out of compliance with this requirement, the parties would be jointly obligated to repay funds in the amount of \$1,086,520 plus accrued interest to the State of Washington. Both parties to the joint operating agreement fully intend to comply with the requirements of this funding.

Note 16 - Contingencies

The Clubs are involved, from time to time, in various claims, regulatory audits and other legal issues arising in the normal course of business. Management believes that any uninsured costs that may be incurred in the settlement of such claims would not be material to the Clubs' financial position.

BOYS AND GIRLS CLUBS OF KING COUNTY

Notes to Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 17 - Coronavirus Pandemic

On March 11, 2020, the World Health Organization (WHO) recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. The initial wave of the COVID-19 outbreak caused disruption to the Clubs' business operations. 24 of the 34 Clubs remained open with limited programming for youth to support full day remote learning and other programming. The remaining 10 locations, due to school district decisions, were not re-opened in either fiscal year 2020 or fiscal year 2021. Recovery has been slow and punctuated by pandemic related disruption. The number of programs offered were scaled back significantly to adhere to safety-oriented guidance. Fiscal year 2021 earned revenue was 20% less than in fiscal year 2019 (the last full pre-COVID year). Management has taken measures to reduce costs and to maintain adequate liquidity and continues to monitor enrollment, cost, and staffing (hiring) challenges.