

**BOYS AND GIRLS CLUBS OF KING COUNTY**

Financial Statements

For the Year Ended June 30, 2022

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## Independent Auditor's Report

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

### Opinion

We have audited the financial statements of the Boys and Girls Clubs of King County (the Clubs), which comprise the statement of financial position as of June 30, 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Clubs as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Clubs and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Report on Summarized Comparative Information

We have previously audited the Club's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### 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.



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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 the Clubs' ability to continue as a going concern for 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 GAAS 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.

In performing an audit in accordance with GAAS, 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 the Clubs' 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 the Clubs' 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.

*Clark Nuber PS*

Certified Public Accountants  
December 13, 2022

**BOYS AND GIRLS CLUBS OF KING COUNTY**

**Statement of Financial Position**

**June 30, 2022**

**(With Comparative Totals for 2021)**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 6,581,310	\$ 6,633,070
Investments	2,313,218	2,308,484
Accounts receivable	112,469	176,461
Promises to give, current portion	180,750	217,206
Grants receivable	1,217,885	962,585
Prepaid expenses and other current assets	<u>235,498</u>	<u>319,450</u>
<b>Total Current Assets</b>	<b>10,641,130</b>	<b>10,617,256</b>
Endowment investments	1,127,626	1,316,203
Promises to give, net of current portion	130,264	94,834
Contributed facilities receivable	7,358,446	7,538,943
Land held for sale	86,000	300,000
Property and equipment, net	<u>42,563,228</u>	<u>41,884,550</u>
<b>Total Assets</b>	<b><u>\$ 61,906,694</u></b>	<b><u>\$ 61,751,786</u></b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 821,129	\$ 587,303
Accrued payroll and other liabilities	1,254,954	983,625
Deferred revenue	2,488,022	1,840,633
Capital lease obligation, current portion	<u>62,563</u>	<u>62,563</u>
<b>Total Current Liabilities</b>	<b>4,626,668</b>	<b>3,474,124</b>
Capital lease, net of current portion	65,710	128,273
Paycheck Protection Program loans	2,000,000	4,134,900
Forgivable debt	<u>2,348,125</u>	<u>2,414,425</u>
<b>Total Liabilities</b>	<b>9,040,503</b>	<b>10,151,722</b>
<b>Net Assets:</b>		
Without donor restriction	43,859,065	42,350,064
With donor restriction	<u>9,007,126</u>	<u>9,250,000</u>
<b>Total Net Assets</b>	<b><u>52,866,191</u></b>	<b><u>51,600,064</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 61,906,694</u></b>	<b><u>\$ 61,751,786</u></b>

See accompanying notes.

**BOYS AND GIRLS CLUBS OF KING COUNTY**

**Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)**

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<b>Operating Activities</b>				
<b>Public Support and Revenue:</b>				
Public support-				
Contributions and grants	\$ 3,604,180	\$ 509,960	\$ 4,114,140	\$ 4,775,432
Forgiveness of Paycheck Protection Program loan	2,134,900		2,134,900	
Grants from government agencies	4,642,141		4,642,141	5,551,578
In-kind contributions	647,835		647,835	963,190
Special events net of expenses of \$45,964 (2021 - \$22,644)	776,445		776,445	1,364,991
Net assets released from restriction	666,270	(666,270)		
<b>Total public support</b>	<b>12,471,771</b>	<b>(156,310)</b>	<b>12,315,461</b>	<b>12,655,191</b>
Revenue-				
Program service fees	10,947,962		10,947,962	8,037,917
Membership dues	444,573		444,573	268,923
Other	238,256		238,256	122,145
<b>Total revenue</b>	<b>11,630,791</b>		<b>11,630,791</b>	<b>8,428,985</b>
<b>Total Public Support and Revenue</b>	<b>24,102,562</b>	<b>(156,310)</b>	<b>23,946,252</b>	<b>21,084,176</b>
<b>Expenses:</b>				
Program services	17,287,017		17,287,017	14,678,967
Management and general	2,735,381		2,735,381	2,642,404
Fundraising	1,346,429		1,346,429	1,358,497
<b>Total expenses before depreciation</b>	<b>21,368,827</b>		<b>21,368,827</b>	<b>18,679,868</b>
Depreciation	891,210		891,210	857,557
<b>Total Expenses</b>	<b>22,260,037</b>		<b>22,260,037</b>	<b>19,537,425</b>
<b>Net Operating Activities</b>	<b>1,842,525</b>	<b>(156,310)</b>	<b>1,686,215</b>	<b>1,546,751</b>
<b>Nonoperating Activities</b>				
Investment return	(75,199)	(86,564)	(161,763)	243,625
Loss on impairment of property	(214,000)		(214,000)	
Endowment contributions				28,888
(Loss) gain on sale of property	(110,625)		(110,625)	280
Forgiveness of other debt	66,300		66,300	66,300
<b>Total Nonoperating Activities</b>	<b>(333,524)</b>	<b>(86,564)</b>	<b>(420,088)</b>	<b>339,093</b>
<b>Total Change in Net Assets</b>	<b>1,509,001</b>	<b>(242,874)</b>	<b>1,266,127</b>	<b>1,885,844</b>
Net assets, beginning of year	42,350,064	9,250,000	51,600,064	49,714,220
<b>Net Assets, End of Year</b>	<b>\$ 43,859,065</b>	<b>\$ 9,007,126</b>	<b>\$ 52,866,191</b>	<b>\$ 51,600,064</b>

See accompanying notes.

**BOYS AND GIRLS CLUBS OF KING COUNTY**

**Statement of Functional Expenses  
For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)**

	Program Services	Management and General	Fundraising	2022 Total	2021 Total
Salaries and wages	\$ 9,919,383	\$ 1,395,330	\$ 845,769	\$ 12,160,482	\$ 9,865,273
Employee benefits	854,162	103,710	85,026	1,042,898	912,281
Payroll taxes	813,503	113,591	66,155	993,249	994,486
<b>Total Salaries and Related Expenses</b>	<b>11,587,048</b>	<b>1,612,631</b>	<b>996,950</b>	<b>14,196,629</b>	<b>11,772,040</b>
Supplies	2,608,776	33,915	24,680	2,667,371	1,577,147
Occupancy	2,415,783	54,719	32,831	2,503,333	2,519,841
Technology and communications	193,554	242,851	39,683	476,088	858,166
Finance, insurance and bad debt	21,638	396,655	23,649	441,942	847,229
Professional fees	78,133	279,483	15,448	373,064	527,882
Vehicle expenses	197,215	17,816	3,811	218,842	171,990
Printing and advertising	56,854	6,566	84,083	147,503	98,742
Event expenses	9,817	41	110,128	119,986	156,355
Dues and subscriptions	20,061	70,400	8,429	98,890	96,185
Training and conferences	75,770	12,317	2,148	90,235	15,078
Equipment	21,947	5,752	1,101	28,800	36,292
Donor and board expenses	421	224	3,488	4,133	2,353
Interest		2,011		2,011	568
<b>Total Expenses Before Depreciation</b>	<b>17,287,017</b>	<b>2,735,381</b>	<b>1,346,429</b>	<b>21,368,827</b>	<b>18,679,868</b>
Depreciation	880,863	10,347		891,210	857,557
<b>Total Expenses From Operations</b>	<b>18,167,880</b>	<b>2,745,728</b>	<b>1,346,429</b>	<b>22,260,037</b>	<b>19,537,425</b>
Add cost of direct benefits to donors at special event expenses netted with revenues on the statement of activities			45,964	45,964	22,644
<b>Total 2022 Functional Expenses</b>	<b>\$ 18,167,880</b>	<b>\$ 2,745,728</b>	<b>\$ 1,392,393</b>	<b>\$ 22,306,001</b>	
<b>Total 2021 Functional Expenses</b>	<b>\$ 15,514,208</b>	<b>\$ 2,664,720</b>	<b>\$ 1,381,141</b>		<b>\$ 19,560,069</b>

See accompanying notes.

**BOYS AND GIRLS CLUBS OF KING COUNTY**

**Statement of Cash Flows  
For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 1,266,127	\$ 1,885,844
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	891,210	857,557
Forgiveness of Paycheck Protection loan	(2,134,900)	
Donated property and equipment	(26,000)	
Forgiveness of debt	(66,300)	(66,300)
Loss (gain) on investments	176,167	(237,503)
Contributions restricted for endowment		(28,888)
Loss on sale of property	110,625	
Loss on impairment of land	214,000	
Changes in assets and liabilities:		
Accounts receivable	63,992	519,135
Promises to give	1,026	(107,812)
Grants receivable	(255,300)	(317,411)
Prepaid expenses and other current assets	83,952	(119,669)
Contributed facilities receivable	180,497	171,953
Accounts payable	258,826	295,288
Accrued payroll and other liabilities	271,329	(49,207)
Deferred revenue	647,389	339,937
<b>Net Cash Provided by Operating Activities</b>	<b>1,682,640</b>	<b>3,142,924</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of investments	(91,356)	(529,319)
Sales of investments	99,032	1,232,742
Proceeds from sale of property and equipment	415	
Purchases of property and equipment	(1,679,928)	(723,542)
<b>Net Cash Used in Investing Activities</b>	<b>(1,671,837)</b>	<b>(20,119)</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from Paycheck Protection Program loans		2,000,000
Proceeds from contributions restricted for endowment		28,888
Principal payments on capital lease obligations	(62,563)	(59,936)
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(62,563)</b>	<b>1,968,952</b>
<b>Change in Cash and Cash Equivalents</b>	<b>(51,760)</b>	<b>5,091,757</b>
Cash and cash equivalents, beginning of year	6,633,070	1,541,313
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 6,581,310</b>	<b>\$ 6,633,070</b>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Receipt of donated property and equipment	\$ 26,000	\$ -
Cash paid during the year for interest	\$ 2,011	\$ 568
Property and equipment included in accounts payable	\$ 25,000	\$ -

See accompanying notes.



## BOYS AND GIRLS CLUBS OF KING COUNTY

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### 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 31 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, 2022  
(With Comparative Totals for 2021)**

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**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 receivable totaling \$360,097 and \$389,390 was recorded as of June 30, 2022 and 2021, respectively.

**Land Held for Sale** - Land held for sale at June 30, 2022 and 2021 consisted of the Clubs' 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, 2022, conditional contributions approximated \$3,604,000, of which approximately \$475,000 has been received in advance and recorded as deferred revenue on the statement of financial position, and have not been recognized as revenue in the accompanying financial statements. At June 30, 2021, conditional contributions approximated \$2,530,000, of which no amounts had been received in advance, and have not been recognized as revenue in the accompanying financial statements.

**BOYS AND GIRLS CLUBS OF KING COUNTY**

**Notes to Financial Statements  
For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)**

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**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 earn 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. Donated goods are utilized in operations. 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. Contributed goods are utilized in operations.

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

	<u>2022</u>	<u>2021</u>
Use of contributed facilities (Note 2)	\$ 541,776	\$ 579,019
Goods	96,786	378,187
Forgiveness of debt (Note 7)	2,201,200	66,300
Services	<u>9,273</u>	<u>5,984</u>
<b>Total In-Kind Contributions</b>	<b><u>\$ 2,849,035</u></b>	<b><u>\$ 1,029,490</u></b>

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

	<u>2022</u>	<u>2021</u>
In-kind donations	\$ 647,835	\$ 963,190
Forgiveness of Paycheck Protection Program loan	2,134,900	
Forgiveness of other debt	<u>66,300</u>	<u>66,300</u>
<b>Total In-Kind Contributions</b>	<b><u>\$ 2,849,035</u></b>	<b><u>\$ 1,029,490</u></b>

## BOYS AND GIRLS CLUBS OF KING COUNTY

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### 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 benefited 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 benefited as incurred.

**Operating and Nonoperating Activity** - Operating activities represent support and revenues and expenses solely related to the programs the Clubs operate. Nonoperating include investment return, endowment contributions, gains and losses on property, and forgiveness of the forgivable debt.

**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, 2021, from which the summarized information was derived.

**Subsequent Events** - The Clubs have evaluated subsequent events through December 13, 2022, the date on which the financial statements were available to be issued.

#### Note 2 - Contributed Facilities

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.

**BOYS AND GIRLS CLUBS OF KING COUNTY**

**Notes to Financial Statements  
For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)**

**Note 2 - Continued**

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 \$7,358,446 and \$7,538,943 at June 30, 2022 and 2021, respectively. These agreements were discounted to present value at commencement. An annual present value adjustment is shown as in-kind contributions on the statement of activities and changes in net assets. The present value adjustment to in-kind contributions was \$361,568 and \$370,111 for the years ended June 30, 2022 and 2021, respectively.

Additionally, each year the Clubs receive donated facilities from several school districts, there are no agreements in place for this usage. The value is generally set by the school district donating the space and approximates fair value. In-kind revenue for the years ended June 30, 2022 and 2021, totaled \$180,208 and \$208,908, respectively.

**Note 3 - Promises to Give**

Promises to give as of June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Amounts due in less than one year	\$ 180,750	\$ 217,206
Amounts due in one to five years	<u>140,000</u>	<u>100,000</u>
Total promises to give	320,750	317,206
Less allowance for uncollectible accounts	(1,038)	(860)
Less present value discount (4.5%)	<u>(8,698)</u>	<u>(4,306)</u>
Total promises to give, net	311,014	312,040
Less current portion	<u>(180,750)</u>	<u>(217,206)</u>
<b>Long-Term Portion of Promises to Give, Net</b>	<b><u>\$ 130,264</u></b>	<b><u>\$ 94,834</u></b>

**Note 4 - Investments and Fair Value Measurements**

Investments consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Cash equivalents	\$ 1,623	\$ 2,482
Certificates of deposit	324,010	323,298
Mutual funds	3,054,199	3,232,630
Exchange traded funds	<u>61,012</u>	<u>66,277</u>
<b>Total Investments</b>	<b><u>\$ 3,440,844</u></b>	<b><u>\$ 3,624,687</u></b>

## BOYS AND GIRLS CLUBS OF KING COUNTY

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### Note 4 - Continued

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

	<u>2022</u>	<u>2021</u>
Investments	\$ 2,313,218	\$ 2,308,484
Endowment investments	<u>1,127,626</u>	<u>1,316,203</u>
<b>Total Investments</b>	<b><u>\$ 3,440,844</u></b>	<b><u>\$ 3,624,687</u></b>

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 21,493	\$ 12,618
Realized gains	59,638	26,805
Unrealized (losses) gains	(235,804)	210,698
Investment fees	<u>(7,090)</u>	<u>(6,496)</u>
<b>Total Investment Return</b>	<b><u>\$ (161,763)</u></b>	<b><u>\$ 243,625</u></b>

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, 2022 and 2021.

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.

## BOYS AND GIRLS CLUBS OF KING COUNTY

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### Note 4 - Continued

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.

#### Note 5 - Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 4,933,980	\$ 4,211,844
Buildings and building improvements	47,833,509	47,571,922
Land improvements	927,476	927,476
Furniture and equipment	3,432,410	3,298,825
Vehicles	1,223,705	930,158
Projects in process	<u>25,000</u>	<u>49,260</u>
	58,376,080	56,989,485
Less accumulated depreciation	<u>(15,812,852)</u>	<u>(15,104,935)</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 42,563,228</u></b>	<b><u>\$ 41,884,550</u></b>

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. In previous years, management determined that the value of the parcel of land held was impaired and wrote down the land to \$300,000 at June 30, 2021. 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 existing purchase and sales agreements at the time of impairment. During the year ended June 30, 2022, the Clubs entered into a new purchase and sale agreement for the sale of this property for \$86,000. An additional impairment was recorded as of June 30, 2022 to write down the value of the land to the sale price. Subsequent to June 30, 2022, on July 13, 2022, this sale was finalized.

#### Note 6 - Lines of Credit

**Morgan Stanley Line of Credit** - The Clubs had a secured line (against the value of securities held on account) from Morgan Stanley entered into in April 2014. Available credit on the line was based on a percentage of the underlying securities that served as the line's collateral. Interest was based on the 30-day LIBOR index plus 3.0%. No amounts were outstanding at June 30, 2021. Management elected to close this line effective February 4, 2022.

**Key Bank Line of Credit** - 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. No amounts were outstanding at June 30, 2022 and 2021.

## BOYS AND GIRLS CLUBS OF KING COUNTY

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### 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, 2022 and 2021 was \$2,348,125 and \$2,414,425, 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. 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. Subsequent to June 30, 2022, on July 9, 2022, the loan was forgiven in full by the lender and Small Business Association.

Total interest expense for the years ended June 30, 2022 and 2021, including interest on the line of credit described in Note 6, was \$2,011 and \$568, respectively.

#### Note 8 - Capital Lease Obligation

The Clubs have one noncancelable capital lease with a total recorded cost of \$250,772 and accumulated depreciation of \$100,309 and \$50,154 at June 30, 2022 and June 30, 2021, respectively. 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,

2023	\$	62,563
2024		31,541
2025		31,541
2026		4,273
Total scheduled lease payments		129,918
Less portion of payments representing interest		(1,645)
Capital lease obligation		128,273
Less current portion		(62,563)
<b>Long-Term Portion of Capital Lease Obligation</b>	<b>\$</b>	<b>65,710</b>



**BOYS AND GIRLS CLUBS OF KING COUNTY**

**Notes to Financial Statements  
For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)**

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**Note 9 - Commitments**

**Operating Leases** - At June 30, 2022, the Clubs were obligated to make payments under several noncancelable operating lease agreements for vehicles, equipment, and buildings, with various terms expiring through 2026. Rent expense under these commitments was \$436,022 and \$407,989, respectively, for the years ended June 30, 2022 and 2021.

Future minimum lease commitments under these agreements are as follows:

For the Year Ending June 30,

2023	\$ 396,289
2024	337,968
2025	219,323
2026	<u>24,550</u>
	<u><u>\$ 978,130</u></u>

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, 2022 and 2021, due to the Clubs incurring qualifying costs.

**Note 10 - Net Assets With Donor Restriction**

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

	<u>2022</u>	<u>2021</u>
Program services	\$ 868,232	\$ 843,437
Endowment accumulated earnings	108,907	196,079
Contributed facility receivable (Note 2)	<u>7,358,446</u>	<u>7,538,943</u>
<b>Total Subject to the Passage of Time or Expenditure for Specified Purpose</b>	<b>8,335,585</b>	<b>8,578,459</b>
Endowment corpus	<u>671,541</u>	<u>671,541</u>
<b>Total Net Assets With Donor Restrictions</b>	<u><u>\$ 9,007,126</u></u>	<u><u>\$ 9,250,000</u></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.

## BOYS AND GIRLS CLUBS OF KING COUNTY

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### Note 11 - Continued

**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.

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, 2022 or 2021.

**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, 2022  
(With Comparative Totals for 2021)**

**Note 11 - Continued**

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

	Net Assets	Net Assets With Donor Restriction		2022 Total	2021 Total
	Without Donor Restrictions	Accumulated Earnings	Endowment Corpus		
Ballard Club Endowment	\$ -	\$ 9,240	\$ 12,956	\$ 22,196	\$ 26,716
Southwest Club Endowment		47,467	187,557	235,024	282,980
Finkbeiner Scholarship (Kirkland)		27,865	108,533	136,398	164,634
Arlene Brooks-Bull Scholarship		9,441	58,802	68,243	75,414
VINE fund		14,894	303,693	318,587	317,876
Board-designated endowment for Rotary Club	347,178			347,178	448,583
<b>Total Endowment Funds</b>	<b>\$ 347,178</b>	<b>\$ 108,907</b>	<b>\$ 671,541</b>	<b>\$ 1,127,626</b>	<b>\$ 1,316,203</b>

Changes to endowment net assets for the year ended June 30, 2022 and 2021, are as follows:

	Net Assets	Net Assets With Donor Restriction		Total
	Without Donor Restrictions	Accumulated Earnings	Endowment Corpus	
Endowment net assets, July 1, 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
<b>Endowment Net Assets, June 30, 2021</b>	<b>448,583</b>	<b>196,079</b>	<b>671,541</b>	<b>1,316,203</b>
Contributions				
Appropriation of endowment earnings for expenditure	(23,652)			(23,652)
Investment return	(77,753)	(87,172)		(164,925)
<b>Endowment Net Assets, June 30, 2022</b>	<b>\$ 347,178</b>	<b>\$ 108,907</b>	<b>\$ 671,541</b>	<b>\$ 1,127,626</b>

**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. For the year ended June 30, 2021, the Clubs elected to match 10% of a participant's elective deferrals. Effective September 1, 2021, the Clubs amended the plan to include discretionary matching contributions of 100% of participant's elective deferrals up to 4% of eligible compensation. Employer contributions to the plan were \$132,413 and \$37,652, respectively for the years ended June 30, 2022 and 2021.

**BOYS AND GIRLS CLUBS OF KING COUNTY**

**Notes to Financial Statements  
For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)**

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**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, 2022 and 2021, the Clubs had \$115,531 and \$125,049, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 6,581,310	\$ 6,633,070
Investments	3,440,844	3,624,687
Accounts receivable	112,469	176,461
Promises to give, current portion	180,750	217,206
Grants receivable	<u>1,217,885</u>	<u>962,585</u>
Total financial assets	11,533,258	11,614,009
Endowment investments	(1,127,626)	(1,316,203)
Donor-restricted for specific programs or capital expenditures	<u>(868,232)</u>	<u>(843,437)</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 9,537,400</u></b>	<b><u>\$ 9,454,369</u></b>

**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, 2022. 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. The Clubs received confirmation from the Department of Commerce that the performance obligation was met during the year ended June 30, 2022. Formal release of obligation is being sought.

## BOYS AND GIRLS CLUBS OF KING COUNTY

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### Note 15 - Continued

**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. The Clubs received confirmation from the Department of Commerce that the performance obligation was met during the year ended June 30, 2022. Formal release of obligation is being sought.

**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 910 9th St. SE, 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. The Clubs received confirmation from the Department of Commerce that the performance obligation was met during the year ended June 30, 2022. Formal release of obligation is being sought.

#### 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.