BOYS AND GIRLS CLUBS OF KING COUNTY

Financial Statements

For the Year Ended June 30, 2024

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Clark Nuber PS

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, 2024, 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, 2024, 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 Clubs' financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 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
January 10, 2025

BOYS AND GIRLS CLUBS OF KING COUNTY

Statement of Financial Position
June 30, 2024
(With Comparative Totals for 2023)

	2024	2023
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,119,414	$ 1,857,202
Investments	3,787,806	4,472,316
Accounts receivable	342,927	271,232
Promises to give, current portion	258,371	80,000
Grants receivable	2,395,196	1,212,048
Prepaid expenses and other current assets	487,336	205,241
Total Current Assets	**8,391,050**	**8,098,039**
Endowment investments	1,349,344	1,176,353
Promises to give, net of current portion	260,672	56,460
Operating lease right-of-use asset	202,145	443,937
Contributed facilities receivable	6,970,088	7,168,978
Property and equipment, net	44,806,598	42,315,057
Total Assets	**$ 61,979,897**	**$ 59,258,824**
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	$ 1,191,106	$ 734,843
Accrued payroll and other liabilities	1,679,629	1,384,770
Deferred revenue	1,475,189	1,245,820
Operating lease liability, current portion	186,827	241,694
Finance lease liability, current portion	34,169	31,541
Forgivable debt, current portion	66,300	66,300
Total Current Liabilities	**4,633,220**	**3,704,968**
Operating lease liability, net of current portion	18,686	205,514
Finance lease liability, net of current portion	2,628	34,169
Forgivable debt, net of current portion	2,149,225	2,215,525
Total Liabilities	**6,803,759**	**6,160,176**
Net Assets:		
Without donor restriction	45,641,057	44,198,523
With donor restriction	9,535,081	8,900,125
Total Net Assets	**55,176,138**	**53,098,648**
Total Liabilities and Net Assets	**$ 61,979,897**	**$ 59,258,824**

See accompanying notes.

BOYS AND GIRLS CLUBS OF KING COUNTY

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2024
(With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Operating Activities				
Public Support and Revenue:				
Public support-				
Contributions and grants	$ 3,697,397	$ 1,157,250	$ 4,854,647	$ 3,727,909
Forgiveness of Paycheck Protection Program loan				2,000,000
Grants from government agencies	5,868,372		5,868,372	4,124,051
In-kind contributions	782,351		782,351	896,442
Special events net of expenses of $216,162 (2023 - $144,897)	1,258,108		1,258,108	964,594
Net assets released from restriction	653,309	(653,309)		
Total public support	12,259,537	503,941	12,763,478	11,712,996
Revenue-				
Program service fees	15,348,217		15,348,217	13,563,923
Membership dues	410,890		410,890	490,892
Other	238,126		238,126	208,479
Total revenue	15,997,233		15,997,233	14,263,294
Total Public Support and Revenue	**28,256,770**	**503,941**	**28,760,711**	**25,976,290**
Expenses:				
Program services	21,571,467		21,571,467	20,467,062
Management and general	2,934,727		2,934,727	3,007,982
Fundraising	1,634,482		1,634,482	1,657,601
Total expenses before depreciation	26,140,676		26,140,676	25,132,645
Depreciation	1,029,306		1,029,306	952,445
Total Expenses	**27,169,982**		**27,169,982**	**26,085,090**
Net Operating Activities	**1,086,788**	**503,941**	**1,590,729**	**(108,800)**
Nonoperating Activities				
Investment return	295,583	131,015	426,598	257,474
(Loss) gain on sale of property	(6,137)		(6,137)	17,483
Forgiveness of other debt	66,300		66,300	66,300
Total Nonoperating Activities	**355,746**	**131,015**	**486,761**	**341,257**
Total Change in Net Assets	**1,442,534**	**634,956**	**2,077,490**	**232,457**
Net assets, beginning of year	44,198,523	8,900,125	53,098,648	52,866,191
Net Assets, End of Year	**$ 45,641,057**	**$ 9,535,081**	**$ 55,176,138**	**$ 53,098,648**

See accompanying notes.

BOYS AND GIRLS CLUBS OF KING COUNTY

Statement of Functional Expenses
For the Year Ended June 30, 2024
(With Comparative Totals for 2023)

	Program Services	Management and General	Fundraising	2024 Total	2023 Total
Salaries and wages	$ 11,896,323	$ 1,388,780	$ 909,572	$ 14,194,675	$ 13,613,402
Employee benefits	968,923	148,973	95,813	1,213,709	1,277,188
Payroll taxes	1,114,912	130,762	82,368	1,328,042	1,184,323
Total Salaries and Related Expenses	**13,980,158**	**1,668,515**	**1,087,753**	**16,736,426**	**16,074,913**
Supplies and other program costs	4,219,596	9,097	64,861	4,293,554	3,786,358
Occupancy	2,546,953	49,946	29,597	2,626,496	2,498,730
Professional fees	104,714	385,200	91,296	581,210	659,442
Finance, insurance and bad debt	54,127	457,922	41,688	553,737	725,463
Technology and communications	186,896	220,417	47,638	454,951	392,152
Vehicle expenses	197,223	19,003	8,350	224,576	228,915
Event expenses			175,089	175,089	189,133
Dues and subscriptions	68,523	94,536	9,872	172,931	112,464
Training and conferences	121,037	12,339	6,808	140,184	222,145
Printing and advertising	70,099	4,415	65,547	140,061	162,341
Equipment	21,040	5,019	1,024	27,083	63,903
Donor and board expenses	1,101	6,318	4,959	12,378	16,652
Interest		2,000		2,000	34
Total Expenses Before Depreciation	**21,571,467**	**2,934,727**	**1,634,482**	**26,140,676**	**25,132,645**
Depreciation	1,008,745	20,561		1,029,306	952,445
Total Expenses From Operations	**22,580,212**	**2,955,288**	**1,634,482**	**27,169,982**	**26,085,090**
Add cost of direct benefits to donors at special events netted with revenues on the statement of activities			216,162	216,162	144,897
Total 2024 Functional Expenses	**$ 22,580,212**	**$ 2,955,288**	**$ 1,850,644**	**$ 27,386,144**	
Total 2023 Functional Expenses	**$ 21,405,096**	**$ 3,022,393**	**$ 1,802,498**		**$ 26,229,987**

See accompanying notes.

BOYS AND GIRLS CLUBS OF KING COUNTY

Statement of Cash Flows
For the Year Ended June 30, 2024
(With Comparative Totals for 2023)

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	$ 2,077,490	$ 232,457
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities-		
Depreciation	1,029,306	952,445
Forgiveness of Paycheck Protection loan		(2,000,000)
Forgiveness of debt	(66,300)	(66,300)
Gain on investments	(140,306)	(112,818)
Loss (gain) on sale of property	8,617	(17,483)
Changes in assets and liabilities:		
Accounts receivable	(71,695)	(158,763)
Promises to give	(382,583)	174,554
Grants receivable	(1,183,148)	5,837
Prepaid expenses and other current assets	(282,095)	30,257
Contributed facilities receivable	198,890	189,468
Accounts payable	(124,269)	(79,406)
Accrued payroll and other liabilities	294,859	129,816
Deferred revenue	229,369	(1,242,202)
Operating lease liabilities, net of right-of-use assets	97	3,271
Net Cash Provided by (Used in) Operating Activities	**1,588,232**	**(1,958,867)**
Cash Flows From Investing Activities:		
Purchases of investments	(8,606,185)	(4,575,238)
Proceeds from sales of investments	9,258,010	2,480,231
Proceeds from sale of property and equipment		103,483
Purchases of property and equipment	(2,948,932)	(711,154)
Net Cash Used in Investing Activities	**(2,297,107)**	**(2,702,678)**
Cash Flows From Financing Activities:		
Principal payments on finance lease obligations	(28,913)	(62,563)
Net Cash Used in Financing Activities	**(28,913)**	**(62,563)**
Change in Cash and Cash Equivalents	**(737,788)**	**(4,724,108)**
Cash and cash equivalents, beginning of year	1,857,202	6,581,310
Cash and Cash Equivalents, End of Year	**$ 1,119,414**	**$ 1,857,202**
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 2,549	$ 891
Property and equipment included in accounts payable	$ 598,652	$ 18,120

See accompanying notes.

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 30 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 with 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.

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 Receivable - Accounts receivable are stated at their net realizable value and consist of amounts due from families and government subsidies for before and after-school programs and camps. Management provides for an allowance for credit losses based upon applying a credit loss rate to the account balance, based upon historical loss rates adjusted for reasonable and supported forecasts. 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 receivable. An allowance for expected credit losses totaling $122,963 and $127,434 was recorded as of June 30, 2024 and 2023, respectively.

Grants Receivable - Grants receivable 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 grants receivable totaling $50,717 was recorded as of June 30, 2024. No allowance was recorded as of June 30, 2023.

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.

Note 1 - Continued

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. Costs reimbursed by government agencies are subject to review and audit by such agencies.

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, 2024 and 2023, conditional contributions approximated $5,154,000 and $5,591,000, respectively, of which no amounts have been received in advance, and have not been recognized as revenue in the accompanying financial statements.

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 on the fifth of each month. Program fees for camps 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.

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 accounting principles generally accepted in the United States of America (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:

	2024	2023
Use of contributed facilities (Note 3)	$ 525,430	$ 518,304
Goods	167,270	306,696
Services	89,651	71,442
Total In-Kind Contributions	**$ 782,351**	**$ 896,442**

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 benefited as incurred.

Note 1 - Continued

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.

Leases - The Clubs determine if an arrangement contains a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and lease liabilities in the statement of financial position. Finance leases are included in property and equipment and finance lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Clubs' obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Clubs' leases do not provide an implicit rate of return; thus, the Clubs use the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The Clubs have lease agreements with lease and non-lease components which are accounted for as a single lease component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Clubs will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. An ROU asset and lease liability is not recognized for leases with an initial term of 12 months or less or when total lease payments are less than $40,000.

Use of Estimates - The preparation of financial statements in conformity with 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, 2023, from which the summarized information was derived.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the current-year presentation. The reclassifications have no effect on the previously reported change in net assets or net asset balances.

Subsequent Events - The Clubs have evaluated subsequent events through January 10, 2025, the date on which the financial statements were available to be issued.

Note 2 - Program Service Fees and Membership Accounts Receivable and Deferred Revenue

Program service fees receivable consisted of the following at June 30:

	2024	2023	2022
Program service fees receivable	$ 465,890	$ 398,666	$ 472,566
Allowance for doubtful accounts	(122,963)	(127,434)	(360,097)
Total Accounts Receivable, Net	**$ 342,927**	**$ 271,232**	**$ 112,469**

Deferred revenue consisted of the following at June 30:

	2024	2023	2022
Deferred program revenue	$ 1,234,289	$ 1,039,345	$ 1,779,153
Deferred membership revenue	240,900	206,475	233,750
Refundable advance			475,119
Total Deferred Revenue	**$ 1,475,189**	**$ 1,245,820**	**$ 2,488,022**

Note 3 - 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.

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 $6,970,088 and $7,168,978 at June 30, 2024 and 2023, 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 $343,174 and $352,596 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, totaled $182,256 and $165,708, respectively.

Note 4 - Promises to Give

Promises to give as of June 30 are as follows:

	2024	2023
Amounts due in less than one year	$ 258,371	$ 80,000
Amounts due in one to five years	291,667	60,000
Total promises to give	550,038	140,000
Less allowance for uncollectible accounts	(15,002)	(750)
Less present value discount (4.5%)	(15,993)	(2,790)
Total promises to give, net	519,043	136,460
Less current portion	(258,371)	(80,000)
Long-Term Portion of Promises to Give, Net	**$ 260,672**	**$ 56,460**

Note 5 - Investments and Fair Value Measurements

Investments consisted of the following at June 30:

	2024	2023
Cash equivalents	$ 4,246	$ 158,902
Certificates of deposit	284,616	271,091
Mutual funds	4,762,920	5,157,617
Exchange traded funds	85,368	61,059
Total Investments	**$ 5,137,150**	**$ 5,648,669**

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

	2024	2023
Investments	$ 3,787,806	$ 4,472,316
Endowment investments	1,349,344	1,176,353
Total Investments	**$ 5,137,150**	**$ 5,648,669**

Note 5 - Continued

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

	2024	2023
Interest and dividends	$ 293,449	$ 150,704
Realized gains	7,666	32,120
Unrealized gains	132,640	80,698
Investment fees	(7,157)	(6,048)
Total Investment Return	**$ 426,598**	**$ 257,474**

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 nonobservable inputs. Observable inputs consist of data obtained from independent sources. Nonobservable 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, 2024 and 2023.

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.

Note 6 - Property and Equipment

Property and equipment consisted of the following at June 30:

	2024	2023
Land	$ 4,933,980	$ 4,933,980
Buildings and building improvements	51,193,493	47,989,014
Land improvements	927,476	927,476
Furniture and equipment	3,479,937	3,531,003
Vehicles	1,905,238	1,577,458
Projects in process	70,870	94,845
	62,510,994	59,053,776
Less accumulated depreciation	(17,704,396)	(16,738,719)
Property and Equipment, Net	**$ 44,806,598**	**$ 42,315,057**

Note 7 - Line of Credit

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. On September 12, 2023, the Clubs renewed this line, with an available borrowing limit of $2,000,000 and expiration date of September 1, 2025. The new line bears a variable interest rate, based on the Prime rate, and is secured by all assets of the Clubs. No amounts were outstanding at June 30, 2024 and 2023.

Note 8 - 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, 2024 and 2023 was $2,215,525 and $2,281,825, 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. The Clubs obtained two loans under the PPP with principal balances of $2,134,900 and $2,000,000. All or a portion of the PPP loans may be forgiven if certain terms and conditions of the program are met. The Clubs' accounting policy for recognition of revenue from forgiveness of the PPP loans is to recognize the revenue when the loans are forgiven by the lender. The $2,134,900 PPP loan was forgiven in full during the year ended June 30, 2022. The $2,000,000 PPP loan was forgiven during the year ended June 30, 2023.

Note 9 - Leases

The Clubs lease office space, equipment, and facilities under long-term, noncancelable lease agreements which expire at various dates through 2026. The leases include renewal options ranging up to 20 years that are excluded from the lease liability as it is not reasonably certain the options will be exercised. Additionally, the leases include payments for common area maintenance, utilities, taxes and insurance that are considered variable lease payments and are included in determining the lease liability.

Finance lease ROU assets of $50,154 and $100,309 are included in property and equipment in the statement of financial position as of June 30, 2024 and 2023, respectively.

The components of lease expense for the years ended June 30 are as follows:

	2024	2023
Finance lease expense-		
Amortization of ROU assets	$ 30,992	$ 30,684
Interest on lease liabilities	549	857
Operating lease expense	258,015	258,015
Short-term and other lease costs	34,950	4,926
Total Leasing Expense	**$ 324,506**	**$ 294,482**

Supplemental cash flow information related to leases is as follows:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities-		
Operating cash flows from operating leases	$ 257,917	$ 254,744
Financing cash flows from finance leases	$ 30,992	$ 30,684
Weighted-average remaining lease term - operating lease	1.25 years	1.85 years
Weighted-average remaining lease term - finance leases	0.91 years	2.25 years
Weighted-average discount rate - operating lease	5.13%	5.13%
Weighted-average discount rate - finance leases	1.00%	1.00%

Future minimum payments required under operating leases are as follows:

For the Year Ending June 30,	Finance	Operating
2025	$ 34,169	$ 191,009
2026	2,876	18,886
Total undiscounted cash flows	37,045	209,895
Less present value discount	(248)	(4,382)
Total Lease Liabilities	**$ 36,797**	**$ 205,513**

Note 10 - Net Assets Without Donor Restriction

Net assets without donor restriction at June 30 are as follows:

	2024	2023
Undesignated	$ 43,056,630	$ 41,777,029
Board-designated operating reserve	2,145,009	2,037,814
Board-designated endowment for Rotary club	439,418	383,680
Total Net Assets Without Donor Restrictions	**$ 45,641,057**	**$ 44,198,523**

Note 11 - Net Assets With Donor Restriction

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

	2024	2023
Program services	$ 1,655,067	$ 938,474
Endowment accumulated earnings	302,385	185,132
Contributed facility receivable (Note 2)	6,970,088	7,168,978
Total subject to the passage of time or expenditure for specified purpose	8,927,540	8,292,584
Endowment corpus	607,541	607,541
Total Net Assets With Donor Restrictions	**$ 9,535,081**	**$ 8,900,125**

Note 12 - 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.

Note 12 - 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, 2024 or 2023.

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.

Note 12 - Continued

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

	Net Assets Without Donor Restrictions	Net Assets With Donor Restriction		2024 Total	2023 Total
		Accumulated Earnings	Endowment Corpus		
Ballard Club Endowment	$ -	$ 17,112	$ 12,956	$ 30,068	$ 25,625
Southwest Club Endowment		136,268	187,557	323,825	270,476
Finkbeiner Scholarship (Kirkland)		79,720	108,533	188,253	157,035
Arlene Brooks-Bull Scholarship		24,362	58,802	83,164	73,869
VINE fund		44,923	239,693	284,616	265,668
Board-designated endowment for Rotary Club	439,418			439,418	383,680
Total Endowment Funds	**$ 439,418**	**$ 302,385**	**$ 607,541**	**$ 1,349,344**	**$ 1,176,353**

Changes to endowment net assets for the year ended June 30, 2024 and 2023, are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restriction		Total
		Accumulated Earnings	Endowment Corpus	
Endowment net assets, July 1, 2022	$ 347,178	$ 108,907	$ 671,541	$ 1,127,626
Appropriation of endowment earnings for expenditure	(17,779)			(17,779)
Donor repurpose of endowment			(64,000)	(64,000)
Investment return	54,281	76,225		130,506
Endowment Net Assets, June 30, 2023	**383,680**	**185,132**	**607,541**	**1,176,353**
Appropriation of endowment earnings for expenditure	(20,674)			(20,674)
Investment return	76,412	117,253		193,665
Endowment Net Assets, June 30, 2024	**$ 439,418**	**$ 302,385**	**$ 607,541**	**$ 1,349,344**

Note 13 - 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. The Plan includes discretionary matching contributions of 100% of participant's elective deferrals up to 4% of eligible compensation. Employer contributions to the plan were $184,385 and $221,713, respectively, for the years ended June 30, 2024 and 2023. Effective July 1, 2023, the Clubs amended the plan to implement a safe harbor nonelective contribution equal to 100% of participant's elective deferrals up to 4% of eligible compensation.

Note 14 - 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, 2024 and 2023, the Clubs had $87,824 and $90,910, 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 15 - 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:

	2024	2023
Cash and cash equivalents	$ 1,119,414	$ 1,857,202
Investments	5,137,150	5,648,669
Accounts receivable	342,927	271,232
Promises to give	519,043	136,460
Grants receivable	2,395,196	1,212,048
Total financial assets	9,513,730	9,125,611
Endowment investments	(1,349,344)	(1,176,353)
Donor-restricted for specific programs or capital expenditures	(1,655,067)	(938,474)
Board designated investments	(2,584,427)	(2,421,494)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	**$ 3,924,892**	**$ 4,589,290**

Note 16 - 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, 2024. Following is a summary of each agreement.

Note 16 - Continued

North Seattle Club - The Clubs received funds from the State of Washington Department of Commerce for use in their remodel of the North Seattle 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 2034. 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 $778,640 plus accrued interest to the State of Washington.

Federal Way Club - The Clubs received funds from the State of Washington Department of Commerce for use in their remodel of the Federal Way 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 2034. 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 $513,130 plus accrued interest to the State of Washington.

Kirkland Club - The Clubs received funds from the State of Washington Department of Commerce for use in their remodel of the Kirkland 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 2034. 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 $51,410 plus accrued interest to the State of Washington.

Note 17 - 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.