

**BOYS AND GIRLS CLUBS OF BELLEVUE**

FINANCIAL REPORT

DECEMBER 31, 2018

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Boys and Girls Clubs of Bellevue  
Bellevue, Washington

We have audited the accompanying financial statements of Boys and Girls Clubs of Bellevue ("the Club"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibilities for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Club as of December 31, 2018, 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.

**Prior-Period Financial Statements**

The financial statements of the Club as of December 31, 2017, were audited by other auditors whose reported dated April 13, 2018, expressed an unmodified opinion on those statements.

*Peterson Sullivan LLP*

May 10, 2019

**BOYS AND GIRLS CLUBS OF BELLEVUE**

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents	\$ 220,519	\$ 694,037
Accounts and grants receivable	106,741	82,467
Current operating promises to give	75,000	125,000
Investments	641,953	641,048
Prepaid facility use, current portion	101,078	101,078
Prepaid expenses and deposits	170,823	146,513
Total current assets	1,316,114	1,790,143
Cash Held for Capital Campaign	343,531	1,432,122
Operating Promises to Give, net	188,372	255,422
Capital Campaign Promises to Give, net	2,214,256	2,848,632
Prepaid Facility Use, long-term portion	3,055,960	3,157,038
Property and Equipment, net	19,516,440	19,272,383
Total assets	<u>\$ 26,634,673</u>	<u>\$ 28,755,740</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 106,277	\$ 199,027
Deferred revenue	93,519	82,776
Total current liabilities	199,796	281,803
Long-Term Debt	3,667,899	6,155,903
Total liabilities	3,867,695	6,437,706
Net Assets		
Without donor restrictions	22,130,114	21,510,242
With donor restrictions	636,864	807,792
Total net assets	22,766,978	22,318,034
Total liabilities and net assets	<u>\$ 26,634,673</u>	<u>\$ 28,755,740</u>

See Notes to Financial Statements

## BOYS AND GIRLS CLUBS OF BELLEVUE

### STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities</b>						
Public Support and Revenue						
Program service fees	\$ 3,665,665	\$ -	\$ 3,665,665	\$ 3,317,634	\$ -	\$ 3,317,634
Less: scholarships awarded	(1,050,919)		(1,050,919)	(1,000,154)		(1,000,154)
	<u>2,614,746</u>		<u>2,614,746</u>	<u>2,317,480</u>		<u>2,317,480</u>
Grants and contributions	935,403	96,493	1,031,896	793,907	355,441	1,149,348
Government support	342,919		342,919	333,069		333,069
United Way of King County	57,602		57,602	37,501	32,602	70,103
Special events	935,339		935,339	1,070,288		1,070,288
Less: direct costs of special events	(189,179)		(189,179)	(175,479)		(175,479)
In-kind contributions	259,700		259,700	287,640		287,640
Other revenue	243,931		243,931	209,121		209,121
Membership dues	135,853		135,853	147,168		147,168
Return on cash and investments	1,490		1,490	1,685		1,685
Net assets released from restrictions	267,421	(267,421)		131,727	(131,727)	
Total public support and revenue	<u>5,605,225</u>	<u>(170,928)</u>	<u>5,434,297</u>	<u>5,154,107</u>	<u>256,316</u>	<u>5,410,423</u>
Expenses						
Program services	4,839,177		4,839,177	4,492,061		4,492,061
Management and general	455,772		455,772	307,706		307,706
Fundraising	324,423		324,423	266,426		266,426
Total expenses	<u>5,619,372</u>		<u>5,619,372</u>	<u>5,066,193</u>		<u>5,066,193</u>
Change in net assets before depreciation, amortization, interest expense, and non-operating activities	(14,147)	(170,928)	(185,075)	87,914	256,316	344,230
Depreciation and Amortization	(762,118)		(762,118)	(696,977)		(696,977)
Interest Expense	(164,423)		(164,423)	(168,394)		(168,394)
<b>Non-Operating Activities</b>						
Capital Campaign Contributions	209,769		209,769	332,765	150,000	482,765
Capital Campaign Expenses	(176,016)		(176,016)	(256,186)		(256,186)
Gain on Sale of Assets	1,526,807		1,526,807			
Change in net assets from non-operating activities	<u>1,560,560</u>		<u>1,560,560</u>	<u>76,579</u>	<u>150,000</u>	<u>226,579</u>
Total change in net assets	<u>619,872</u>	<u>(170,928)</u>	<u>448,944</u>	<u>(700,878)</u>	<u>406,316</u>	<u>(294,562)</u>
Net Assets, beginning of year	<u>21,510,242</u>	<u>807,792</u>	<u>22,318,034</u>	<u>22,211,120</u>	<u>401,476</u>	<u>22,612,596</u>
Net Assets, end of year	<u>\$ 22,130,114</u>	<u>\$ 636,864</u>	<u>\$ 22,766,978</u>	<u>\$ 21,510,242</u>	<u>\$ 807,792</u>	<u>\$ 22,318,034</u>

See Notes to Financial Statements

**BOYS AND GIRLS CLUBS OF BELLEVUE**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	Capital Campaign	Total
Salaries and wages	\$ 2,736,384	\$ 236,894	\$ 257,176	\$ 108,148	\$ 3,338,602
Employee benefits	389,554	33,724	36,612	15,396	475,286
Payroll taxes	246,745	21,361	23,190	9,752	301,048
Total salaries and related expenses	3,372,683	291,979	316,978	133,296	4,114,936
Program supplies	372,498				372,498
In-kind expenses	254,500				254,500
Maintenance and supplies	225,065	3,913			228,978
Special events			189,179		189,179
Telephone and utilities	146,298	9,827	1,924		158,049
Professional fees		129,328			129,328
Postage and printing	101,126	7,611	5,521	1,440	115,698
Bank fees	111,863				111,863
Insurance	97,807	7,666			105,473
Miscellaneous	157,337	5,448		41,280	204,065
Total expenses before depreciation, amortization, and interest expense	4,839,177	455,772	513,602	176,016	5,984,567
Less: special event expenses netted with revenues on the statements of activities			(189,179)		(189,179)
Total expenses from operations	4,839,177	455,772	324,423	176,016	5,795,388
Depreciation and amortization of prepaid facility	729,066	33,052			762,118
Interest expense	164,423				164,423
Total expenses	<u>\$ 5,732,666</u>	<u>\$ 488,824</u>	<u>\$ 324,423</u>	<u>\$ 176,016</u>	<u>\$ 6,721,929</u>

See Notes to Financial Statements

**BOYS AND GIRLS CLUBS OF BELLEVUE**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Capital Campaign	Total
Salaries and wages	\$ 2,407,444	\$ 151,844	\$ 210,889	\$ 125,750	\$ 2,895,927
Employee benefits	392,612	24,763	34,393	20,508	472,276
Payroll taxes	205,235	12,945	17,978	10,720	246,878
Total salaries and related expenses	3,005,291	189,552	263,260	156,978	3,615,081
Program supplies	491,599				491,599
In-kind expenses	287,640				287,640
Maintenance and supplies	177,983	5,869		49,387	233,239
Special events			175,479		175,479
Telephone and utilities	131,562	14,201	1,707		147,470
Professional fees		76,245		44,933	121,178
Postage and printing	38,288	3,582	1,459	1,727	45,056
Bank fees	160,856				160,856
Insurance	98,623	13,058			111,681
Miscellaneous	100,219	5,199		3,161	108,579
Total expenses before depreciation, amortization, and interest expense	4,492,061	307,706	441,905	256,186	5,497,858
Less: special event expenses netted with revenues on the statements of activities			(175,479)		(175,479)
Total expenses from operations	4,492,061	307,706	266,426	256,186	5,322,379
Depreciation and amortization of prepaid facility	667,182	29,795			696,977
Interest expense	168,394				168,394
Total expenses	\$ 5,327,637	\$ 337,501	\$ 266,426	\$ 256,186	\$ 6,187,750

See Notes to Financial Statements



## BOYS AND GIRLS CLUBS OF BELLEVUE

### STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 448,944	\$ (294,562)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Bad debt expense	27,000	
Depreciation and amortization of prepaid facility use	762,118	696,977
Amortization of pledge discounts	(30,475)	(70,300)
Capital campaign contributions	(209,769)	(482,765)
Donated property and equipment	(5,200)	
Gain on disposal of property and equipment	(1,526,807)	
Amortization of debt issuance costs	3,798	3,798
Changes in assets and liabilities		
Accounts and grants receivable	(24,274)	8,096
Operating promises to give	125,000	(111,653)
Prepaid expenses and deposits	(24,310)	(5,007)
Accounts payable and accrued liabilities	(92,750)	(26,141)
Construction costs payable		(421,697)
Deferred revenue	10,743	8,418
Accrued interest on long-term debt	26,006	20,620
Net cash flows from operating activities	(509,976)	(674,216)
Cash Flows from Investing Activities		
Cash held for capital campaign use	1,088,591	74,466
Purchases of property and equipment	(202,290)	(252,527)
Proceeds on sales of property and equipment	829,200	
Purchases of investments	(1,161,380)	(1,393,776)
Sales of investments	1,160,475	1,392,241
Net cash flows from investing activities	1,714,596	(179,596)
Cash Flows from Financing Activities		
Cash collected from capital campaign promises to give	839,670	1,163,895
Principal payments on long-term debt	(2,517,808)	(1,814,795)
Proceeds from issuance of long-term debt		1,424,561
Net cash flows from financing activities	(1,678,138)	773,661
Net change in cash and cash equivalents	(473,518)	(80,151)
Cash and Cash Equivalents, beginning of year	694,037	774,188
Cash and Cash Equivalents, end of year	\$ 220,519	\$ 694,037
Supplementary Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 138,417	\$ 147,775
Construction of parking lot in exchange for sale of property	\$ 699,000	\$ -
Purchase of equipment included in accounts payable	\$ -	\$ 37,122

See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Organization and Summary of Significant Accounting Policies

#### Operations

Boys and Girls Clubs of Bellevue ("the Club") is an independent nonprofit corporation organized to provide recreational, athletic, social, and cultural programs for young people and is affiliated with Boys and Girls Clubs of America. The Club also operates preschool and after-school education programs for youth and auxiliary classes for parents of members and adults. The Club is located in Bellevue, Washington and is primarily supported by public and governmental support, service fees, and United Way.

#### Basis of Presentation

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

- 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, unrestricted contributions, and related expenses associated with the core activities of the Club. In addition to these transactions, changes in this category of net assets include restricted contributions whose donor-imposed restrictions were met during the fiscal year.
- Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Club and/or the passage of time.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, and money market accounts. The Club maintains deposits in two accounts, which exceed federally insured limits.

#### Accounts and Grants Receivable

Receivables are stated at their net realizable value and consist of amounts due from government agencies, corporations, and individuals. 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. There is no allowance for accounts and grants receivable as of December 31, 2018 or 2017.

#### Promises to Give

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 recognized when the conditions on which they depend are substantially met. At December 31, 2018 and 2017, two donors accounted for 76% and 63% of total combined promises to give, respectively. There is no allowance for promises to give as of December 31, 2018 or 2017.

### **Membership Dues, Program, and Other**

Membership dues, fees for programs, and certain other services are billed in advance. All payments received prior to the period of membership, the program, or the service period are deferred and recognized over the membership period or as the program takes place.

### **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 \$1,000 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	40 years
Land and building improvements	5 - 15 years
Furniture and equipment	5 years
Vehicles	5 - 7 years

### **Restricted and Unrestricted Support**

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Gifts of equipment are reported as unrestricted support 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 restricted support. 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.

### **Income Taxes**

The Internal Revenue Service has recognized the Club 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. In addition, the Club has obtained property tax exemption from the State of Washington.

### **Financing Costs**

Financing costs are recorded as a deduction to the related debt liability on the statements of financial position. Financing costs are amortized over the term of the applicable debt using the straight-line method. Accounting principles generally accepted in the United States requires that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization of financing costs are included as a component of interest expense on the statements of activities.

## **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

## **Donated Materials and Services**

Donated materials and equipment are recorded as contributions at their estimated fair value at the date of receipt. In accordance with accounting principles generally accepted in the United States, the financial statements reflect only those contributed services requiring specific expertise or that are for constructing a fixed asset, which the organization would otherwise need to purchase. Contributed services are recorded at rates that would have been paid for similar services in an arm's-length transaction. Management estimates that during the years ended December 31, 2018 and 2017, respectively, approximately 1,825 and 1,940 volunteers donated in excess of 101,000 and 100,000 hours (unaudited) of their time in the Club's program services and in its fund raising programs. The value of this donated time is not reflected in these financial statements because the criteria for recognition under accounting principles generally accepted in the United States have not been satisfied.

In-kind contributions are as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Goods	\$ 229,842	\$ 266,512
Donated vehicles	5,200	
Services	<u>24,658</u>	<u>21,128</u>
Total in-kind contributions	<u>\$ 259,700</u>	<u>\$ 287,640</u>

Donations for the year ended December 31, 2018 and 2017, were composed of legal services, technology devices, and goods to support the Club's program services and fundraising programs.

## **Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributed to both programs and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses, program supplies, in-kind expenses, special events, bank fees, and interest expense are allocated based on actual expenses. Maintenance and supplies, and telephone and utilities are allocated based on square footage. Postage and printing, insurance, miscellaneous, and depreciation are allocated based on combinations of actual expenses and budgeted amounts.

## **Recent Accounting Pronouncement Adopted**

During the year ended December 31, 2018, the Club adopted the provisions of Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Club has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the liquidity and availability of resources note (see Note 2).

### **Subsequent Events**

The Club has evaluated subsequent events through the date these financial statements were available to be issued, which was May 10, 2019.

### **Note 2. Liquidity and Availability of Resources**

The Club strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other short-term investments.

The following table reflects the Club's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual or donor restrictions. Amounts not available include restricted cash and cash equivalents, cash held for other entities, capital campaign receivables, and net assets with donor restrictions. Management intends to use the cash held for capital campaign and the capital campaign promises to give, as they are collected, to pay down the existing long-term debt.

Cash and cash equivalents	\$	564,050
Investments		641,953
Receivables and promises to give		<u>2,584,369</u>
Total financial assets		3,790,372
Cash held for capital campaign		(343,531)
Cash held for other entities		(9,252)
Capital campaign promises to give		(2,214,256)
Net assets with restrictions		<u>(636,864)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>586,469</u></u>

### **Note 3. Prepaid Facility Use**

In 2004, the Club entered into a 30-year joint operating agreement with the City of Bellevue ("the City") for the operation of the South Bellevue Community Center. The Club paid \$1.5 million to the City during the construction of the \$13 million facility and has capitalized that amount as a prepaid facility use asset. The City is the sole owner of the property; however, the Club will receive use of the facilities for its programs for a 30-year term beginning January 1, 2006, with the option of two five-year extensions. The Club is responsible for all costs associated with its program areas. The Club recognized \$50,000 of facility use expense for the years ended December 31, 2018 and 2017, based on a 30-year amortization period.

In 2013, the Club entered into a second 50-year joint operating agreement and ground lease with the City for the operation of the Hidden Valley Sports Park. As of December 31, 2015, the Club has paid the final installments as specified by the joint operating agreement totaling \$2.4 million. The amounts were capitalized as a prepaid facility use asset. The City is the sole owner of the property; however, the Club received a ground lease for the use of the property for its programs for a 50-year term beginning April 3, 2013, with the option of two 10-year extensions. The Club recognized \$51,078 and \$51,079 of facility use expense for the years ended December 31, 2018 and 2017, respectively, based on a 50-year amortization period, which commenced upon completion of the project in 2015.

As part of the Hidden Valley joint operating agreement, the Club must provide the City with exclusive and first priority rights to a minimum of 70 court hours per week for City-sponsored programs and activities. The Club is responsible for all costs associated with its program areas.

#### Note 4. Promises to Give

Promises to give are as follows as of December 31:

	2018		
	Capital Campaign	Operations	Total
Amounts due in:			
Less than one year	\$ 1,893,088	\$ 75,000	\$ 1,968,088
One to five years	349,451	200,000	549,451
	2,242,539	275,000	2,517,539
Present value discount (2%)	(28,283)	(11,628)	(39,911)
	<u>\$ 2,214,256</u>	<u>\$ 263,372</u>	<u>\$ 2,477,628</u>
	2017		
	Capital Campaign	Operations	Total
Amounts due in:			
Less than one year	\$ 2,205,190	\$ 125,000	\$ 2,330,190
One to five years	612,250	250,000	862,250
Thereafter	82,000	25,000	107,000
	2,899,440	400,000	3,299,440
Present value discount (2%)	(50,808)	(19,578)	(70,386)
	<u>\$ 2,848,632</u>	<u>\$ 380,422</u>	<u>\$ 3,229,054</u>

All pledges to the capital campaign (Note 12) are considered long-term on the statements of financial position regardless of when they are expected to be collected because they will be used to pay long-term debt.

## Note 5. Investments

Investments were composed entirely of certificates of deposits totaling \$641,953 and \$641,048 for the years ended December 31, 2018 and 2017, respectively, and are valued at cost. The certificates of deposit are held at various banks with amounts invested at any one bank limited to \$250,000. It is the Club's policy to include certificates of deposit with original maturities of three months or less as part of investments since its intent is to reinvest until such time as the funds are needed. All certificates of deposit held have maturities within the next 12 months. No amounts were restricted for the capital campaign at December 31, 2018 or 2017.

Return on cash and investments was all from funds held for operations and consisted entirely of interest of \$1,490 and \$1,685 for the years ended December 31, 2018 and 2017, respectively.

The Club considers the return on investments earned on capital campaign (Note 12) funds as nonoperating because of the campaign's long-term nature.

## Note 6. Property and Equipment

A summary of property and equipment is as follows at December 31:

	2018	2017
Land and land improvements	\$ 1,463,454	\$ 752,191
Buildings and improvements	19,637,181	19,521,242
Furniture and equipment	397,224	376,091
Vehicles	165,764	118,487
	<u>21,663,623</u>	<u>20,768,011</u>
Less: accumulated depreciation	<u>(2,147,183)</u>	<u>(1,495,628)</u>
Property and equipment, net	<u>\$ 19,516,440</u>	<u>\$ 19,272,383</u>

During the year ended December 31, 2016, the Club entered into a purchase and sale agreement with a third party for the sale of a condominium unit on the former site of the main club and the related parking lot. The agreement was finalized in January 2018, and the third party provided cash and paid the sales taxes on the sale as well as demolition and construction of a new parking lot for use by the Club. The Club received \$825,000 in cash, \$699,000 in land improvements, and recognized a gain of approximately \$1,500,000 on the transaction.

## Note 7. Long-Term Debt

Long-term debt consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Note payable to a bank bearing interest at the LIBOR rate plus 2.0% (resulting in a rate of 4.52% at December 31, 2018). Payments of interest are due monthly, and a lump-sum payment of the outstanding balance is due on December 31, 2020. The note is secured by capital campaign pledges held and a deed of trust on the property at 209 100th Avenue NE, Bellevue, Washington. The carrying value of this property is \$10,388,000.	\$ 2,621,079	\$ 5,138,887
Note payable to a related party for \$503,895 plus accrued interest of \$23,312. The note bears interest at a rate of 2.5%. Payment of principal and interest are due on December 31, 2021. The note is secured by a deed of trust on the property at 15238 Lake Hills Boulevard, Bellevue, Washington. The carrying value of this property is \$921,000.	527,207	514,204
Note payable to a related party for \$503,895 plus accrued interest of \$23,312. The note bears interest at a rate of 2.5%. Payment of principal and interest are due on December 31, 2021. The note is secured by a deed of trust on the property at 15238 Lake Hills Boulevard, Bellevue, Washington. The carrying value of this property is \$921,000.	<u>527,207</u>	<u>514,204</u>
	3,675,493	6,167,295
Less: unamortized financing costs	<u>(7,594)</u>	<u>(11,392)</u>
Total long-term debt	<u>\$ 3,667,899</u>	<u>\$ 6,155,903</u>

Subsequent to year-end, principal payments totaling \$1,650,000 were made on the above note payable to a bank, reducing the total long-term debt to \$968,000.

Scheduled minimum principal payments for long-term debt are as follows for years ending December 31:

2019	\$ -
2020	2,621,079
2021	<u>1,054,414</u>
	<u>\$ 3,675,493</u>



**Note 8. Net Assets with Donor Restrictions**

Net assets with donor restrictions are available as follows at December 31:

	2018	2017
Summer camp scholarships	\$ 60,000	\$ 60,000
Time-restricted United Way of King County funding		32,602
Other purpose-restricted funds	188,493	257,768
Time-restricted promises to give for operations	388,371	455,422
Other time-restricted funds		2,000
Total net assets with donor restrictions	<u>\$ 636,864</u>	<u>\$ 807,792</u>

**Note 9. Special Events**

The Club records individual and corporate contributions as special events revenue if the gifts are given at an event. The Club conducted the following fundraising activities during the years ended December 31:

	2018			
	Auction	Breakfast	Other Events	Total
Revenues	\$ 507,426	\$ 176,209	\$ 251,704	\$ 935,339
Expenses	<u>(144,692)</u>	<u>(23,589)</u>	<u>(20,898)</u>	<u>(189,179)</u>
Excess of fundraising revenues over expenses	<u>\$ 362,734</u>	<u>\$ 152,620</u>	<u>\$ 230,806</u>	<u>\$ 746,160</u>
	2017			
	Auction	Breakfast	Other Events	Total
Revenues	\$ 625,833	\$ 203,970	\$ 240,485	\$ 1,070,288
Expenses	<u>(124,243)</u>	<u>(25,118)</u>	<u>(26,118)</u>	<u>(175,479)</u>
Excess of fundraising revenues over expenses	<u>\$ 501,590</u>	<u>\$ 178,852</u>	<u>\$ 214,367</u>	<u>\$ 894,809</u>

**Note 10. Pension Plan**

The Club participates in a defined contribution pension plan under IRC Section 403(b) covering all eligible employees with 24 months or more of service. Pension contribution costs totaled \$171,306 and \$161,993 for the years ended December 31, 2018 and 2017, respectively. Contributions are made at a rate of 10% of the employee's annual salary.

**Note 11. Scholarships**

The Club's policy is to never turn a child away because of their inability to pay. The Club provides scholarships for every fee-based program it offers. For the years ended December 31, 2018 and 2017, the Club provided \$1,050,919 and \$1,000,154, respectively, in scholarships for after-school, summer, and athletic programs. Included in scholarships for the years ended December 31, 2018 and 2017, is approximately \$434,000 and \$389,000, respectively, in subsidized programming provided through its three sites located in public housing complexes in Bellevue.

**Note 12. Be Great Bellevue**

In 2004, the Club began a capital campaign with a goal to raise \$7 million, called Campaign for Kids. Several projects were completed, including securing space in the South Bellevue Community Center (Note 3) during 2004 and 2005. Remaining funds of nearly \$850,000 from that campaign have been board-designated for use in the new campaign, Be Great Bellevue.

The Be Great Bellevue campaign was launched with a goal of \$23 million to be raised to construct a new main clubhouse, build a new field house building at Hidden Valley, and pay off the debt on the Teen Center. As of December 31, 2018, the Club has raised approximately \$22.5 million in addition to the remaining Campaign for Kids funds. The Be Great Bellevue campaign support and expenses are included in the nonoperating activities on the statements of activities. The new field house was completed in 2015, and the clubhouse was opened in October 2016.

**Note 13. 501(c) Agencies Trust Reserve**

The Club is 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 December 31, 2018 and 2017, the Club had \$161,759 and \$142,936 on deposit with the Trust to fund these obligations, respectively. This deposit is included in prepaid expenses and deposits in the statements of financial position.

**Note 14. Commitments**

During the year ended December 31, 2015, the Club entered into an agreement with the City in which the City agreed to provide \$1.5 million in funds towards the total cost of the main clubhouse renovation in exchange for future use of the main clubhouse for a period of 40 years after the completion of the main clubhouse renovation. If the Club terminates the agreement, the Club will owe the City a pro-rata share of the funds based on the remaining term of the agreement. As the Club believes the likelihood of termination to be remote, the Club recognized the full \$1.5 million as revenue as it was received, \$750,000 during each of the years ended December 31, 2016 and 2015. As the main clubhouse renovation was placed in service in September 2016, the maximum amount that would be returned to the City is approximately \$1,412,500 at December 31, 2018.