



BOYS AND GIRLS CLUBS OF BELLEVUE

Financial Statements

For the Year Ended December 31, 2017

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Boys and Girls Clubs of Bellevue (the Club), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Club as of December 31, 2017, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Club's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber P S

Certified Public Accountants
April 13, 2018

BOYS AND GIRLS CLUBS OF BELLEVUE

Statement of Financial Position

December 31, 2017

(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 694,037	\$ 774,188
Cash held for others (Note 1)		5,349
Accounts and grants receivable	82,467	90,563
Current operating promises to give (Note 3)	125,000	75,000
Investments (Note 4)	641,048	639,513
Prepaid facility use, current portion (Note 2)	101,078	101,078
Prepaid expenses and deposits	<u>146,513</u>	<u>141,506</u>
Total Current Assets	1,790,143	1,827,197
Cash held for capital campaign	1,432,122	1,506,588
Long-term operating promises to give (Note 3)	255,422	185,819
Long-term capital campaign promises to give, net (Notes 3 and 11)	2,848,632	3,467,412
Prepaid facility use, long-term portion (Note 2)	3,157,038	3,258,117
Property and equipment, net (Note 5)	<u>19,272,383</u>	<u>19,578,632</u>
Total Assets	<u>\$ 28,755,740</u>	<u>\$ 29,823,765</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 199,027	\$ 188,046
Construction costs payable		421,697
Deferred revenue	82,776	74,358
Current portion of long-term debt (Note 6)		33,675
Assets held for others (Note 1)		<u>5,349</u>
Total Current Liabilities	281,803	723,125
Long-term debt, net of current portion (Note 6)	<u>6,155,903</u>	<u>6,488,044</u>
Total Liabilities	6,437,706	7,211,169
Net Assets:		
Unrestricted	21,510,242	22,211,120
Temporarily restricted (Note 7)	<u>807,792</u>	<u>401,476</u>
Total Net Assets	<u>22,318,034</u>	<u>22,612,596</u>
Total Liabilities and Net Assets	<u>\$ 28,755,740</u>	<u>\$ 29,823,765</u>

See accompanying notes.

BOYS AND GIRLS CLUBS OF BELLEVUE

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)**

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
Operating Activities				
Public Support and Revenue:				
Program service fees	\$ 3,317,634	\$ -	\$ 3,317,634	\$ 2,875,497
Less scholarships awarded (Note 10)	(1,000,154)		(1,000,154)	(761,741)
	2,317,480		2,317,480	2,113,756
Government support	333,069		333,069	238,752
Grants and contributions	793,907	355,441	1,149,348	578,992
United Way of King County	37,501	32,602	70,103	81,250
In-kind contributions (Note 1)	287,640		287,640	176,468
Special events, net (Note 8)	894,809		894,809	938,157
Membership dues	147,168		147,168	136,159
Return on cash and investments (Note 4)	1,685		1,685	1,698
Other revenue	209,121		209,121	159,168
Net assets released from restriction	131,727	(131,727)		
Total Public Support and Revenue	5,154,107	256,316	5,410,423	4,424,400
Expenses:				
Program services	4,492,061		4,492,061	3,858,027
Management and general	307,706		307,706	346,181
Fundraising	266,426		266,426	225,075
Total Expenses	5,066,193		5,066,193	4,429,283
Change in Net Assets Before Depreciation, Amortization, Interest Expense and Nonoperating Activities				
	87,914	256,316	344,230	(4,883)
Depreciation and amortization	(696,977)		(696,977)	(495,272)
Interest expense	(168,394)		(168,394)	(123,600)
Nonoperating Activities:				
Capital campaign contributions (Note 11)	332,765	150,000	482,765	4,253,876
Capital campaign expenses	(256,186)		(256,186)	(272,587)
Loss on disposal of assets				(126,454)
Change in Net Assets From Nonoperating Activities	76,579	150,000	226,579	3,854,835
Total Change in Net Assets	(700,878)	406,316	(294,562)	3,231,080
Beginning of year net assets	22,211,120	401,476	22,612,596	19,381,516
End of Year Net Assets	\$ 21,510,242	\$ 807,792	\$ 22,318,034	\$ 22,612,596

See accompanying notes.

BOYS AND GIRLS CLUBS OF BELLEVUE

**Statement of Cash Flows
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)**

	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	\$ (294,562)	\$ 3,231,080
Adjustments to reconcile change in net assets to net cash used by operating activities-		
Depreciation and amortization of prepaid facility use	696,977	495,272
Financing costs amortization	3,798	3,798
Capital campaign contributions	(482,765)	(4,253,876)
Loss on sale of assets		126,454
Changes in assets and liabilities:		
Accounts and grants receivable	8,096	124,883
Operating promises to give	(119,603)	94,396
Prepaid expenses and deposits	(5,007)	(20,685)
Accounts payable and accrued liabilities	(26,141)	119,702
Construction costs payable	(421,697)	(644,559)
Deferred revenue	8,418	6,726
Accrued interest on long-term debt	20,620	
Net Cash Used by Operating Activities	(611,866)	(716,809)
Cash Flows From Investing Activities:		
Cash held for capital campaign use	74,466	1,926,378
Purchases of property and equipment	(252,527)	(7,385,343)
Purchases of investments	(1,393,776)	(1,386,594)
Sales of investments	1,392,241	1,385,426
Net Cash Used by Investing Activities	(179,596)	(5,460,133)
Cash Flows From Financing Activities:		
Proceeds from issuance of long-term debt	1,424,561	2,298,742
Principal payments on long-term debt	(1,814,795)	(1,834,717)
Cash collected from capital campaign promises to give	1,101,545	5,670,337
Net Cash Provided by Financing Activities	711,311	6,134,362
Change in Cash and Cash Equivalents	(80,151)	(42,580)
Cash and cash equivalents balance, beginning of year	774,188	816,768
Cash and Cash Equivalents Balance, End of Year	\$ 694,037	\$ 774,188
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 147,775	\$ 148,189
Additions to property and equipment included in accounts payable	\$ 37,122	\$ 421,697

See accompanying notes.

BOYS AND GIRLS CLUBS OF BELLEVUE

Notes to Financial Statements For the Year Ended December 31, 2017

Note 1 - Organization and 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 a 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.

Fiscal Sponsorship - The Club is the fiscal sponsor for the Greater Eastside Junior Football Association (GEJFA) which is considered a program of the Club. Cash balances held in the GEJFA cash account by the Club at December 31, 2017 totaled \$5,628 and are included in total cash on the statement of financial position. The revenue and expenses for this program primarily include collecting fees from the football associations and paying referees and have been included within the statement of activities and changes in net assets. Income and expense for the year ended December 31, 2017 were \$86,085 and \$85,806, respectively. During the year ended December 31, 2017 the Club recognized an additional \$5,349 of revenues representing prior year net results. Prior to January 1, 2017 the Club had considered itself a fiscal agent for GEJFA and held balances on its behalf of \$5,349 in both assets as cash held for others and in liabilities as assets held for others.

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 unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets - 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.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Club and/or the passage of time.

Permanently Restricted Net Assets - Support received from donors in the form of endowment funds are considered permanently restricted. The Club had no permanently restricted net assets as of December 31, 2017 and 2016.

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, 2017 and 2016.

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, 2017 and 2016, two donors accounted for 63% and 57% of total combined promises to give, respectively.

BOYS AND GIRLS CLUBS OF BELLEVUE

Notes to Financial Statements For the Year Ended December 31, 2017

Note 1 - Continued

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

Program Revenue Recognition - Revenues received in exchange for participation in programs or other services are deferred and recognized when the program occurs or the services are provided.

Restricted and Unrestricted Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the year in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets 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 balance sheet. Financing costs are amortized over the term of the applicable debt using the straight-line method. Accounting principles generally accepted in the United States of America (U.S. GAAP) 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 operations.

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.

BOYS AND GIRLS CLUBS OF BELLEVUE

Notes to Financial Statements For the Year Ended December 31, 2017

Note 1 - Continued

Donated Materials and Services - Donated materials and equipment are recorded as contributions at their estimated fair value at the date of receipt. In accordance with U.S. GAAP, the financial statements reflect only those contributed services requiring specific expertise or which are for constructing a fixed asset, which the organization would otherwise need to purchase. Contributed services are recorded at rates that would have been paid for similar services in an arms-length transaction. Management estimates that during the years ended December 31, 2017 and 2016, respectively, approximately 1,940 and 1,810 volunteers donated in excess of 100,000 and 98,000 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 U.S. GAAP have not been satisfied.

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

	<u>2017</u>	<u>2016</u>
Goods	\$ 266,512	\$ 173,798
Services	<u>21,128</u>	<u>2,670</u>
Total In-Kind Contributions	<u>\$ 287,640</u>	<u>\$ 176,468</u>

Donations for the year ended December 31, 2017 and 2016 were comprised of legal services, technology devices and goods to support the Club's program services and fundraising programs.

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 activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 Club's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Subsequent Events - The Club has evaluated subsequent events through April 13, 2018, the date on which the financial statements were available to be issued.

Note 2 - 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 5-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, 2017 and 2016, based on a 30-year amortization period.

BOYS AND GIRLS CLUBS OF BELLEVUE

Notes to Financial Statements For the Year Ended December 31, 2017

Note 2 - Continued

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 \$51,079 and \$51,078 of facility use expense for the years ended December 31, 2017 and 2016, 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 3 - Promises to Give

Promises to give as of December 31 are as follows:

	Capital Campaign	Operations	2017 Total	2016 Total
Amounts due in less than one year	\$ 2,205,190	\$ 125,000	\$ 2,330,190	\$ 860,489
Amounts due in one to five years	612,250	250,000	862,250	2,782,050
Amounts due thereafter	82,000	25,000	107,000	219,001
	2,899,440	400,000	3,299,440	3,861,540
Present value discount (2.0%)	<u>(50,808)</u>	<u>(19,578)</u>	<u>(70,386)</u>	<u>(133,309)</u>
	<u><u>\$ 2,848,632</u></u>	<u><u>\$ 380,422</u></u>	<u><u>\$ 3,229,054</u></u>	<u><u>\$ 3,728,231</u></u>

All pledges to the capital campaign (Note 11) are considered long-term on the statement of financial position, regardless of when they are expected to be collected because they will be expended for long-term purposes.

During the year ended December 31, 2016, the Club was awarded two cost reimbursement grants totaling \$2.4 million from the Washington State Department of Commerce for costs associated with the Hidden Valley and Main Club construction projects. The Club received \$2,328,000 during 2016 with the remaining \$72,000 being retained by the Department of Commerce as fees.

Note 4 - Investments

Investments were comprised entirely of certificates of deposits totaling \$641,048 and \$639,513 for the years ended December 31, 2017 and 2016, 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 twelve months. No amounts were restricted for the capital campaign at December 31, 2017 and 2016.

BOYS AND GIRLS CLUBS OF BELLEVUE

**Notes to Financial Statements
For the Year Ended December 31, 2017**

Note 4 - Continued

Return on cash and investments was all from funds held for operations and consisted entirely of interest of \$1,685 and \$1,698 for the years ended December 31, 2017 and 2016, respectively.

The Club considers the return on investments earned on capital campaign (Note 11) funds as nonoperating because of the campaign's long-term nature.

Note 5 - Property and Equipment

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

	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 752,191	\$ 717,676
Buildings and improvements	19,521,242	19,393,785
Furniture and equipment	376,091	296,160
Vehicles	118,487	68,441
Construction in progress		<u>2,300</u>
	<u>20,768,011</u>	<u>20,478,362</u>
Less accumulated depreciation	<u>(1,495,628)</u>	<u>(899,730)</u>
Property and Equipment, Net	<u>\$ 19,272,383</u>	<u>\$ 19,578,632</u>

BOYS AND GIRLS CLUBS OF BELLEVUE

**Notes to Financial Statements
For the Year Ended December 31, 2017**

Note 6 - Long-Term Debt

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

	<u>2017</u>	<u>2016</u>
Note payable to a bank allowing draws up to \$9,100,000. The note bears interest at the LIBOR rate plus 2.0% (3.625% and 2.41% at December 31, 2017 and 2016, respectively). Payments of interest are due monthly with a varying annual principal payment due by December 31, 2017 through 2019 in order to reduce the outstanding principal balance to a set amount at each year end, and a lump sum payment of \$5,100,000 due by December 31, 2020. The note is secured by capital campaign pledges held and a deed of trust on the property at 209 100th Ave NE, Bellevue, WA.	\$ 5,138,887	\$ 5,526,172
Note payable to a bank for \$1,162,500. The note bears interest at the 5 year Federal Home Loan Bank of Seattle Amortizing Intermediate/Long Term, Fixed Rate Advances, plus 2.75% (4.22% at December 31, 2016). Principal and interest payments of \$6,259 are due monthly with a final payment of \$833,317 due on February 20, 2022. The note is secured by a deed of trust on the property at 15238 Lake Hills Boulevard, Bellevue, WA. The note was paid in full during the year.		1,010,737
Note payable to a related party for \$503,895. The note bears interest at a rate of 2.5%. Payment of principal and interest are due at December 31, 2021. The note is secured by a deed of trust on the property at 15238 Lake Hills Boulevard, Bellevue, WA.	514,204	
Note payable to a related party for \$503,895. The note bears interest at a rate of 2.5%. Payment of principal and interest are due at December 31, 2021. The note is secured by a deed of trust on the property at 15238 Lake Hills Boulevard, Bellevue, WA.	<u>514,204</u>	
	6,167,295	6,536,909
Less unamortized financing costs	(11,392)	(15,190)
Less current portion		<u>(33,675)</u>
Total Long-Term Debt	<u>\$ 6,155,903</u>	<u>\$ 6,488,044</u>

Subsequent to year end, principal payments totaling \$2.2 million were made on the above note payable to a bank, reducing the total long-term debt to \$3.96 million.

BOYS AND GIRLS CLUBS OF BELLEVUE

**Notes to Financial Statements
For the Year Ended December 31, 2017**

Note 6 - Continued

Scheduled minimum principal payments for long-term debt are as follows:

For the Year Ending December 31,

2018	\$ -
2019	38,886
2020	5,100,001
2021	<u>1,028,408</u>
	<u><u>\$ 6,167,295</u></u>

Total interest expense for the years ended December 31, 2017 and 2016 was \$168,394 and \$123,600, respectively.

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 were available as follows:

	<u>2017</u>	<u>2016</u>
Summer camp scholarships	\$ 60,000	\$ 50,000
Time restricted United Way of King County funding	32,602	14,583
Other purpose restricted funds	257,768	26,074
Time restricted promises to give for operations	455,422	310,819
Other time restricted funds	<u>2,000</u>	
Total Temporarily Restricted Net Assets	<u><u>\$ 807,792</u></u>	<u><u>\$ 401,476</u></u>

Net assets were released from donor temporary restrictions during the year ended December 31 by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	<u>2017</u>	<u>2016</u>
Time restrictions	\$ 55,653	\$ 88,146
Purpose restrictions	<u>76,074</u>	<u>9,626,641</u>
	<u><u>\$ 131,727</u></u>	<u><u>\$ 9,714,787</u></u>

BOYS AND GIRLS CLUBS OF BELLEVUE

Notes to Financial Statements For the Year Ended December 31, 2017

Note 8 - 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 year ended December 31, 2017:

	<u>Auction</u>	<u>Breakfast</u>	<u>Other Events</u>	<u>Total</u>
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>

The Club conducted the following fundraising activities during the year ended December 31, 2016:

	<u>Auction</u>	<u>Breakfast</u>	<u>Other Events</u>	<u>Total</u>
Revenues	\$ 741,208	\$ 173,839	\$ 185,836	\$ 1,100,883
Expenses	<u>(133,819)</u>	<u>(17,149)</u>	<u>(11,758)</u>	<u>(162,726)</u>
Excess of Fundraising Revenues Over Expenses	<u>\$ 607,389</u>	<u>\$ 156,690</u>	<u>\$ 174,078</u>	<u>\$ 938,157</u>

Note 9 - Pension Plan

The Club participates in a defined contribution pension plan under IRC Section 403(b) covering all eligible employees with twenty-four months or more of service. Pension contribution costs totaled \$161,993 and \$165,909 for the years ended December 31, 2017 and 2016, respectively. Contributions are made at a rate of 10% of the employee's annual salary.

Note 10 - 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, 2017 and 2016, the Club provided \$1,000,154 and \$761,741 in scholarships for after-school, summer and athletic programs, respectively. Included in scholarships for the years ended December 31, 2017 and 2016, is approximately \$389,000 and \$392,000, respectively, in subsidized programming provided through its three sites located in public housing complexes in Bellevue.

Note 11 - 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 2) during 2004 and 2005. Remaining funds from that campaign of nearly \$850,000 have been board designated for use in the new campaign, Be Great Bellevue.

BOYS AND GIRLS CLUBS OF BELLEVUE

Notes to Financial Statements For the Year Ended December 31, 2017

Note 11 - Continued

The Be Great Bellevue campaign was launched with a goal of \$23 million 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, 2017, the Club has raised approximately \$20.8 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 statement of activities and changes in net assets. The new field house was completed in 2015 and the Clubhouse was opened in October 2016. Subsequent to year end, an additional \$1.5 million was received to bring the total amount raised to \$22.3 million.

Note 12 - 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, 2017 and 2016, the Club had \$142,936 and \$138,266, respectively, on deposit with the Trust to fund these obligations. This deposit is included in prepaid expenses and deposits in the statement of financial position.

Note 13 - Commitments and Subsequent Events

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 has recognized the full \$1.5 million as revenue as it was received, \$750,000 during each of the years ended December 31, 2016 and December 31, 2015.

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. In return, the third party will provide cash and pay the sales taxes on the sale as well as demolition of the existing facility and construction of a new parking lot for use by the Club. The sales agreement was contingent upon obtaining permitting from the City of Bellevue. The agreement was finalized on January 22, 2018.

SUPPLEMENTARY INFORMATION

BOYS AND GIRLS CLUBS OF BELLEVUE

**Schedule of Functional Expenses
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)**

	Program Services	Management and General	Fundraising	Capital Campaign	2017 Total	2016 Total
Salaries and wages	\$ 2,407,444	\$ 151,844	\$ 210,889	\$ 125,750	\$ 2,895,927	\$ 2,668,919
Employee benefits	392,612	24,763	34,393	20,508	472,276	423,060
Payroll taxes	205,235	12,945	17,978	10,720	246,878	222,380
Total Salaries and Related Expenses	3,005,291	189,552	263,260	156,978	3,615,081	3,314,359
Program supplies	491,599				491,599	354,760
In-kind expenses	287,640				287,640	155,373
Maintenance and supplies	177,983	5,869		49,387	233,239	190,031
Special events			175,479		175,479	162,726
Bank fees	160,856				160,856	164,267
Telephone and utilities	131,562	14,201	1,707		147,470	97,592
Professional fees		76,245		44,933	121,178	166,870
Insurance	98,623	13,058			111,681	118,447
Other	51,753	2,937		3,161	57,851	81,561
Postage and printing	38,288	3,582	1,459	1,727	45,056	10,995
Dues and subscriptions	31,177				31,177	19,201
Lease of equipment	9,049	2,262			11,311	15,372
Meetings and conferences	8,240				8,240	13,042
Total expenses before depreciation, amortization and interest expense	4,492,061	307,706	441,905	256,186	5,497,858	4,864,596
Depreciation and amortization of prepaid facility	667,182	29,795			696,977	495,272
Interest expense	168,394				168,394	123,600
Total Expenses From Operations	5,327,637	337,501	441,905	256,186	6,363,229	5,483,468
Less special event expenses netted with revenues on the statement of activities			(175,479)		(175,479)	(162,726)
Total Expenses	\$ 5,327,637	\$ 337,501	\$ 266,426	\$ 256,186	\$ 6,187,750	\$ 5,320,742

See independent auditor's report.