Boys and Girls Clubs of Bellevue

Financial Statements
Years Ended December 31, 2021, and 2020

Boys and Girls Clubs of Bellevue

Financial Statements

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Contents

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Boys and Girls Clubs of Bellevue (the Club), which comprise the statements of financial position as of December 31, 2021, and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Club as of December 31, 2021, and 2020, and the changes in net assets and cash flows for the years 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 Club and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

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 Club's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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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 Club's 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 Club's 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.

BDO USA, LLP

May 31, 2022

Financial Statements

Boys and Girls Clubs of Bellevue

Statements of Financial Position

December 31,		2021		2020
Assets				
Current Assets				
Cash and cash equivalents	$	**4,438,023**	$	3,292,205
Accounts and grants receivable		**153,587**		269,446
Current operating promises to give		**100,000**		125,000
Investments		**-**		10,266
Prepaid facility use, current portion		**101,078**		101,078
Prepaid expenses and deposits		**162,015**		121,455
Total Current Assets		**4,954,703**		3,919,450
Cash held for capital campaign		**11,216**		44,551
Operating promises to give, net of current portion		**147,078**		243,900
Capital campaign promises to give		**164,229**		271,361
Prepaid facility use, long-term portion		**2,752,724**		2,853,802
Property and equipment, net		**17,754,213**		18,309,053
Total Assets	$	**25,784,163**	$	25,642,117
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	$	**192,467**	$	241,947
Deferred revenue		**120,461**		-
Long-term debt, current portion		**729,282**		1,256,183
Total Current Liabilities		**1,042,210**		1,498,130
Long-term debt, net of current portion		**712,216**		305,872
Total Liabilities		**1,754,426**		1,804,002
Net Assets				
Without donor restrictions		**23,018,178**		22,967,115
With donor restrictions		**1,011,559**		871,000
Total Net Assets		**24,029,737**		23,838,115
Total Liabilities and Net Assets	$	**25,784,163**	$	25,642,117

See accompanying notes to financial statements.

Boys and Girls Clubs of Bellevue

Statements of Activities

Year Ended December 31,	2021			2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Program service fees	**$ 1,293,241**	**$ -**	**$ 1,293,241**	$ 1,265,881	$ -	$ 1,265,881
Grants and contributions	**1,047,935**	**690,795**	**1,738,730**	3,151,542	664,640	3,816,182
Government support	**637,721**	**-**	**637,721**	1,986,824	-	1,986,824
Special events	**777,015**	**-**	**777,015**	305,724	-	305,724
Less: direct costs of special events	**(103,281)**	**-**	**(103,281)**	(24,196)	-	(24,196)
Donated goods and services	**45,079**	**-**	**45,079**	209,161	-	209,161
Other revenue	**307,259**	**-**	**307,259**	100,427	-	100,427
Return on cash and investments	**551**	**-**	**551**	922	-	922
Net assets released from restrictions	**555,104**	**(555,104)**	**-**	348,584	(348,584)	-
Total Public Support and Revenue	**4,560,624**	**135,691**	**4,696,315**	7,344,869	316,056	7,660,925
Expenses						
Program services	**4,145,740**	**-**	**4,145,740**	3,553,616	-	3,553,616
Management and general	**480,506**	**-**	**480,506**	438,852	-	438,852
Fundraising	**566,713**	**-**	**566,713**	527,172	-	527,172
Total Expenses	**5,192,959**	**-**	**5,192,959**	4,519,640	-	4,519,640
Change in Net Assets Before Depreciation, Amortization, Interest Expense, and Non-Operating Activities	**(632,335)**	**135,691**	**(496,644)**	2,825,229	316,056	3,141,285
Depreciation and amortization	**(710,607)**	**-**	**(710,607)**	(697,879)	-	(697,879)
Interest expense	**(33,265)**	**-**	**(33,265)**	(47,167)	-	(47,167)
Change in Net Assets from Operating Activities	**(1,376,207)**	**135,691**	**(1,240,516)**	2,080,183	316,056	2,396,239
Non-Operating Activities						
Employee Retention Credit refunds	**1,457,523**	**-**	**1,457,523**	-	-	-
Capital Campaign contributions	**-**	**4,868**	**4,868**	-	2,360	2,360
Capital Campaign expenses	**(31,253)**	**-**	**(31,253)**	(86,736)	-	(86,736)
Gain on sale of assets	**1,000**	**-**	**1,000**	20,900	-	20,900
Change in Net Assets from Non-Operating Activities	**1,427,270**	**4,868**	**1,432,138**	(65,836)	2,360	(63,476)
Total Change in Net Assets	**51,063**	**140,559**	**191,622**	2,014,347	318,416	2,332,763
Net Assets, beginning of year	**22,967,115**	**871,000**	**23,838,115**	20,952,768	552,584	21,505,352
Net Assets, end of year	**$ 23,018,178**	**$ 1,011,559**	**$ 24,029,737**	$ 22,967,115	$ 871,000	$ 23,838,115

See accompanying notes to financial statements.

Boys and Girls Clubs of Bellevue

Statement of Functional Expenses

Year Ended December 31, 2021	Program Services	Management and General	Fundraising	Capital Campaign	Total
Salaries and wages	$ 2,705,651	$ 311,918	$ 419,395	$ 5,119	$ 3,442,083
Employee benefits	252,052	29,058	39,070	477	320,657
Payroll taxes	240,741	27,754	37,317	455	306,267
Total Salaries and Related Expenses	3,198,444	368,730	495,782	6,051	4,069,007
Program supplies	204,248	-	-	-	204,248
In-kind expenses	45,079	-	-	-	45,079
Maintenance and supplies	235,737	9,259	-	-	244,996
Telephone and utilities	141,531	9,678	2,017	-	153,226
Professional fees	-	78,093	52,062	-	130,155
Insurance	55,474	8,725	-	-	64,199
Bank fees	86,542	-	-	-	86,542
Special events	-	-	103,281	-	103,281
Miscellaneous	178,685	6,021	16,852	25,202	226,760
Total Expenses before Depreciation, Amortization, and Interest Expense	4,145,740	480,506	669,994	31,253	5,327,493
Less: Special event expenses netted with revenues on the statements of activities	-	-	(103,281)	-	(103,281)
Total Expenses from Operations	4,145,740	480,506	566,713	31,253	5,224,212
Depreciation and amortization (of prepaid facility)	680,131	30,476	-	-	710,607
Interest expense	2,736	-	-	30,529	33,265
Total Expenses	$ 4,828,607	$ 510,982	$ 566,713	$ 61,782	$ 5,968,084

See accompanying notes to financial statements.

Boys and Girls Clubs of Bellevue

Statement of Functional Expenses

Year Ended December 31, 2020	Program Services	Management and General	Fundraising	Capital Campaign	Total
Salaries and wages	$ 2,126,094	$ 268,459	$ 389,530	$ 21,218	$ 2,805,301
Employee benefits	281,493	35,544	51,573	2,809	371,419
Payroll taxes	239,859	30,287	43,945	2,394	316,485
Total Salaries and Related Expenses	2,647,446	334,290	485,048	26,421	3,493,205
Program supplies	170,998	-	-	46,953	217,951
In-kind expenses	209,161	-	-	-	209,161
Maintenance and supplies	151,675	3,596	-	-	155,271
Telephone and utilities	139,847	9,594	2,021	-	151,462
Professional fees	-	78,908	39,454	13,151	131,513
Insurance	78,529	8,725	-	-	87,254
Bank fees	69,951	-	-	-	69,951
Special events	-	-	24,196	-	24,196
Miscellaneous	86,009	3,739	649	211	90,608
Total Expenses before Depreciation, Amortization, and Interest Expense	3,553,616	438,852	551,368	86,736	4,630,572
Less: Special event expenses netted with revenues on the statements of activities	-	-	(24,196)	-	(24,196)
Total Expenses from Operations	3,553,616	438,852	527,172	86,736	4,606,376
Depreciation and amortization (of prepaid facility)	668,039	29,840	-	-	697,879
Interest expense	1,805	-	-	45,362	47,167
Total Expenses	$ 4,223,460	$ 468,692	$ 527,172	$ 132,098	$ 5,351,422

See accompanying notes to financial statements.

Boys and Girls Clubs of Bellevue

Statements of Cash Flows

Year Ended December 31,	**2021**	2020
Cash Flows from Operating Activities		
Change in net assets	**$ 191,622**	$ 2,332,763
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Promise to give write-offs	**25,000**	34,162
Depreciation and amortization	**710,607**	697,879
Amortization of pledge discounts	**(3,178)**	(4,056)
Capital campaign contributions	**(4,868)**	(2,360)
Gain on disposal of property and equipment	**(1,000)**	(20,900)
Donation of stock	**-**	(9,689)
Amortization of debt issuance costs	**-**	3,797
Forgiveness of long-term debt	**(10,000)**	(682,500)
Changes in assets and liabilities		
Accounts and grants receivable	**115,859**	(141,034)
Operating promises to give	**125,000**	(175,000)
Prepaid expenses and deposits	**(40,561)**	65,956
Accounts payable and accrued liabilities	**(49,480)**	69,298
Deferred revenue	**120,461**	(101,732)
Accrued interest on notes payable	**-**	(54,024)
Net Cash Flows from Operating Activities	**1,179,462**	2,012,560
Cash Flows from (for) Investing Activities		
Purchases of property and equipment	**(54,688)**	(19,477)
Proceeds on sales of property and equipment	**1,000**	20,900
Sales of investments	**10,266**	228,610
Net Cash Flows from (for) Investing Activities	**(43,422)**	230,033
Cash Flows from (for) Financing Activities		
Cash collected from capital campaign promises to give	**87,000**	144,586
Issuance of notes payable	**630,000**	842,500
Principal payments on notes payable	**(740,557)**	(517,006)
Net Cash Flows from (for) Financing Activities	**(23,557)**	470,080
Net Change in Cash, Cash Equivalents, and Restricted Cash	**1,112,483**	2,712,673
Cash, Cash Equivalents, and Restricted Cash, beginning of year	**3,336,756**	624,083
Cash, Cash Equivalents, and Restricted Cash, end of year	**$ 4,449,239**	$ 3,336,756
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	**$ 33,265**	$ 101,191

See accompanying notes to financial statements.

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 and service fees.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Club reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Contributions that are received are received are recorded depending on the existence and/or nature of any donor restrictions.

Net Assets with Donor Restrictions

Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met, either by actions of the Club and/or the passage of time. Support received subject to a donor-imposed time restriction or stipulation for a particular purpose is reclassified to net assets without donor restrictions when donor's time restrictions expire or when the donor's program restrictions are satisfied. In the case of support restricted to acquire long-lived assets, net assets are reclassified to net assets without donor restrictions when the asset is placed into service. Net assets with donor restrictions consist of the following at:

December 31,	**2021**	2020
Summer camp scholarships	**$ 75,000**	$ 75,000
Time-restricted promises to give for operations	**247,078**	368,900
Time-restricted capital campaign promises to give	**164,229**	271,361
Other purpose-restricted funds	**525,252**	105,739
Other time restricted funds	**-**	50,000
Total Net Assets with Donor Restrictions	**$ 1,011,559**	$ 871,000

Cash and Cash Equivalents

Cash and cash equivalents consist of general checking, savings, and money market accounts. The Club maintains cash and cash equivalents in bank accounts that exceed federally insured limits at times during the year. The Club has not experienced any losses in these accounts, and management does not believe it is exposed to any significant risk.

Restricted Cash

Restricted cash is not available to meet general expenditures and is restricted by donors to be used to pay down the Club's debt on the Teen Center.

Cash, cash equivalents, and restricted cash consisted of the following:

Year Ended December 31,	**2021**	2020
Cash and cash equivalents	**$ 4,438,023**	$ 3,292,205
Restricted cash	**11,216**	44,551
Total Cash, Cash Equivalents, and Restricted Cash, Shown in the statements of cash flows	**$ 4,449,239**	$ 3,336,756

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, 2021, or 2020.

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, 2021, two donors accounted for 95% of total combined promises to give. At December 31, 2020, two donors accounted for 91% of total combined promises to give. There is no allowance for promises to give as of December 31, 2021, or 2020.

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	40 years
Land and building improvements	5-15 years
Furniture and equipment	3-5 years
Vehicles	5 years

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 of America require 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 is 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 of America 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.

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.

Revenue Recognition

Program Fees

The Club recognizes program fees under Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," (ASC 606). The core principle of the revenue standard is that an organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. The Club only applies the five-step model to contracts when it is probable that the Club will collect the consideration it is entitled to in exchange for the goods and services transferred to the customer. The following five steps are applied to achieve that core principle:

Step 1: Identify the contract with the customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the organization satisfies a performance obligation

The Club's performance obligations are satisfied over time as program services are performed. Most services are performed over a one to three-month time period depending on the type of program offered. Revenue is recorded ratably over the service period. Fees for programs are billed in advance. All payments received prior to the program are deferred and recognized as the program takes place. The Club's contracts have a single performance obligation, with no significant judgments affecting the determination of amount and timing of revenue.

Program fees are determined based on a fee schedule for each type of program. Scholarships are provided for up to 100% of the program fee to participants who meet certain eligibly criteria, including families experiencing homelessness, children in foster care, and families with low incomes. Scholarships are netted against program services fees revenue on the statements of activities. The Club provides scholarships for every fee-based program it offers. For the years ended December 31, 2021, and 2020, the Club provided $833,628 and $639,454, respectively, in scholarships for after-school, summer, and athletic programs. Included in scholarships for the years ended December 31, 2021, and 2020, is approximately $399,899 and $173,000, respectively, in subsidized programming provided through its three sites located in public housing complexes in Bellevue.

As of December 31, 2021, the Club recorded a contract liability related to the deferred portion of program revenues of $120,461. As of December 31, 2020, there was no contract liability recorded.

Grants and Contributions

Contributions and grants are recorded when unconditionally pledged as with or without donor restriction, depending on the existence and/or nature of any donor restrictions.

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.

Revenue from government grants and contracts is recorded when the conditions are met, which is generally at the time the qualified expenditure is incurred. At December 31, 2021 and 2020, Boys and Girls Clubs of Bellevue has conditional awards outstanding of zero and $150,000, respectively, for the Best Start for Kids Initiative.

Donated Goods and Services

Donated goods and services 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 of America, 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, 2021, and 2020, respectively, approximately 410 and 280 volunteers donated in excess of 6,900 and 5,400 hours (unaudited) of their time in the Club's program services and in its fundraising programs. The value of this donated time is not reflected in these financial statements because the criteria for recognition under GAAP have not been satisfied.

Donated goods and services recognized in these financial statements are as follows:

December 31,		**2021**		2020
Goods	**$**	**44,038**	$	199,582
Services		**1,041**		9,579
Total Donated Goods and Services	**$**	**45,079**	$	209,161

Donated goods and services for the years ended December 31, 2021, and 2020, were composed of legal services, dental services, food, technology devices, sporting event tickets, and goods to support the Club's program services and fundraising programs.

Subsequent Events

The Club has evaluated subsequent events through the date these financial statements were available to be issued, which was May 31, 2022.

2. Liquidity and Availability of Resources

The Club strives to maintain liquid financial assets sufficient to cover six months 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, 2021, and 2020, 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 the Capital Campaign and the Capital Campaign promises to give, as they are collected, to pay down the existing long-term debt.

December 31,	2021	2020
Cash and cash equivalents	$ 4,449,239	$ 3,336,756
Investments	-	10,266
Receivables and promises to give	564,894	909,707
Total Financial Assets	5,014,133	4,256,729
Cash held for capital campaign	(11,216)	(44,551)
Cash held for other entities	-	(16,505)
Capital Campaign promises to give	(164,229)	(271,361)
Net assets with restrictions	(1,011,559)	(871,000)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	$ 3,827,129	$ 3,053,312

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 approximately $1.5 million to the City during the construction of the approximately $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 which began January 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 amortization expense for both of the years ended December 31, 2021, and 2020, 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. In December 31, 2015, the Club paid the final installments as specified by the joint operating agreement totaling approximately $2.5 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 2013, with the option of two 10-year extensions. The Club recognized $51,078 of facility use amortization expense for both of the years ended December 31, 2021, and 2020, 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 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.

4. Promises to Give

Promises to give are as follows:

December 31, 2021	Capital Campaign	Operations	Total
Amounts Due in			
Less than one year	$ 87,000	$ 100,000	$ 187,000
One to five years	82,000	150,000	232,000
	169,000	250,000	419,000
Present value discount (2%)	(4,771)	(2,922)	(7,693)
	$ 164,229	$ 247,078	$ 411,307

December 31, 2020	Capital Campaign	Operations	Total
Amounts Due in			
Less than one year	$ 97,000	$ 125,000	$ 222,000
One to five years	184,002	250,000	434,002
	281,002	375,000	656,002
Present value discount (2%)	(9,641)	(6,100)	(15,741)
	$ 271,361	$ 368,900	$ 640,261

All pledges to the capital campaign (Note 9) 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.

5. Property and Equipment

A summary of property and equipment is as follows:

December 31,	**2021**	2020
Land and land improvements	**$ 1,463,454**	$ 1,463,454
Buildings and improvements	**19,711,425**	19,664,224
Furniture and equipment	**410,122**	403,635
Vehicles	**142,499**	142,499
	21,727,500	21,673,812
Less: Accumulated depreciation	**(3,973,287)**	(3,364,759)
Property and Equipment, net	**$ 17,754,213**	$ 18,309,053

6. Long-Term Debt

In November 2015, the Club took out a note with a bank bearing interest at the LIBOR rate plus 2.0%, resulting in a rate of 2.125% at December 31, 2021. Interest-only payments are due monthly, and a lump-sum payment of the outstanding balance is due at maturity in December 2022. 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 balance outstanding on the note as of December 31, 2021, and 2020, was $160,001 and $375,001, respectively.

In March 2017, the Company entered into a promissory note with two individual holders of a note that are identified as related parties for a total amount of $1,007,788, split between the related parties. The note bears interest at a rate of 2.5% and is secured by a deed of trust on the property at 152238 Lake Hills Boulevard, Bellevue, Washington. Interest payments are due periodically at the discretion of the note holders, with any accrued interest being subsumed into the balance of the original note. As of December 31, 2020, the outstanding principal and subsumed interest outstanding on the note was $1,027,054, split equally between the note holders in the amount of $513,527. In December 2021, the Company repaid the outstanding principal and interest for the portion of one note holder. For the remaining note holder, an amendment to the note was entered into to extend the maturity date of the note to December 31, 2022, at which time, all outstanding principal and interest is due. There were no other substantial changes to the note.

In May 2020, the Club received a loan under the Small Business Administration's (SBA) Economic Injury Disaster Loan (EIDL) totaling $160,000. The proceeds from the note were used to retain staff. The note incurred interest of 2.75% and was unsecured. Monthly principal and interest payments of $641 are due until maturity in May 2050. A portion of the loan was forgiven during 2021. The balance outstanding on the note as of December 31, 2021, and 2020, was $147,603 and $160,000, respectively.

In April 2021, the Club received a second loan under the SBA Paycheck Protection Program (PPP) totaling $630,000. The proceeds from the note were used for payroll to retain staff. The note payable incurred interest of 1.0% and is unsecured. The balance outstanding on the loan as of December 31, 2021, was $630,000. The Club applied for and received forgiveness of this PPP loan in April 2022. As the forgiveness approval did not occur until after year-end, the balance of this loan is included in the statement of financial position. The Club will derecognize the liability on its statement of financial position and recognize gain on loan forgiveness during the year ending December 31, 2022.

While the Club believes the PPP loan was properly obtained and forgiven, there can be no assurance regarding the outcome of an SBA review.

Long-term debt consists of the following:

December 31,		**2021**		2020
Note payable with a bank	$	**160,001**	$	375,001
Note payable to related party		**503,894**		513,527
Note payable to related party		**-**		513,527
SBA EIDL loan		**147,603**		160,000
PPP loan round two		**630,000**		-
		1,441,498		1,562,055
Less: Current portion		**(729,282)**		(1,256,183)
Long-Term Debt, net of current portion	$	**712,216**	$	305,872

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

December 31,		
2022	$	729,282
2023		172,261
2024		174,072
2025		175,924
2026		61,804
Thereafter		128,155
	$	1,441,498

7. Pension Plan

The Club participates in a defined contribution pension plan (the Plan) under IRC Section 403(b) covering all eligible employees with 24 months or more of service. Contributions to the Plan totaled $148,836 and $192,824 for the years ended December 31, 2021, and 2020, respectively. Contributions are made at a rate of 10% of the employee’s annual salary.

8. 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, 2021, and 2020, the Club had $135,933 and $114,754 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.

9. 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 30 years after the completion of the main clubhouse renovation, with the option of two five-year extensions. 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. The Club believes the likelihood to terminate the agreement is remote; as such, no liability has been recognized in these financial statements as of December 31, 2021. The maximum amount that would be returned to the City is approximately $1,300,000 at December 31, 2021.

10. COVID-19 and Related Government Funding

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. On April 19, 2020, the Club applied for and received a PPP loan totaling $692,500. The note payable incurred interest at 1.0% and was unsecured. The principal and interest of the note was forgivable if the proceeds were spent on qualifying costs during the 24-week period following the date the note was issued. Qualified costs are considered as 60% of the loan amount on payroll costs, and 40% on non-payroll costs including rent and utilities. Interest payments were deferred for the first 10 months of the note period, following the 24-week period. The Club received forgiveness of both the outstanding balance and interest on November 27, 2020. The Club also received an EIDL loan. See note 7 for more details.

On December 27, 2020, former President Trump signed into law the Consolidated Appropriations Act, 2021 bill, which included additional economic stimulus and COVID-19 outbreak related relief including additional PPP funds and expansion of the Employment Retention Credit.

In April 2021, the Club received a second loan under the SBA PPP totaling $630,000. The proceeds from the loan were used to retain staff. The Club applied for forgiveness of the PPP loan in April 2022 and received confirmation that forgiveness was granted for the full balance of the loan.

On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021 (the American Rescue Plan), which included additional economic stimulus and tax credits, including additional expansion of the Employee Retention Credit.

During the year ended December 31, 2021, under the CARES Act and the American Rescue Plan Act of 2021, the Club claimed an Employee Retention Credit of $1,457,523. The Employee Retention Credit is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages (including qualified health plan expenses) and eligible employer pays to employees after March 12, 2020, and before January 1, 2021. In January 2021, this credit increased to 70% of the qualified wages (including qualified health plan expenses) an eligible employer pays to employees. Because the Club's average employee count was less than 101 in 2019 for each employee, qualified wages up to $10,000 can be counted to determine the amount of the 50% credit from March 12, 2020, to December 31, 2020. As of January 1, 2021, qualified wages up to $10,000 per quarter can be counted to determine the amount of 70% credit. Of the total $1,457,523 credit, $248,261 related to the year ended December 31, 2020 and $1,209,262 related to the year ended December 31, 2021. The Club continues to examine the impact that COVID-19, the CARES Act, the Consolidated Appropriations Act, and the American Rescue Plan Act may have on its business.