BOYS AND GIRLS CLUBS OF SOUTHWEST WASHINGTON

Audited Financial Statements

For the Year Ended December 31, 2025

McDONALD JACOBS

McDonald Jacobs
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys and Girls Clubs of Southwest Washington

Opinion

We have audited the accompanying financial statements of Boys and Girls Clubs of Southwest Washington (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of Southwest Washington as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Boys and Girls Clubs of Southwest Washington 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 Boys and Girls Clubs of Southwest Washington's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Boys and Girls Clubs of Southwest Washington'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 Boys and Girls Clubs of Southwest Washington'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.

Report on Summarized Comparative Information
We have previously audited Boys and Girls Clubs of Southwest Washington's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 18, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobs, P.C.

Portland, Oregon
June 17, 2026

BOYS AND GIRLS CLUBS OF SOUTHWEST WASHINGTON
STATEMENT OF FINANCIAL POSITION
December 31, 2025
(With comparative totals for 2024)

	2025	2024
ASSETS		
Cash and cash equivalents	$ 1,003,481	$ 1,103,268
Certificates of deposit	1,322,987	1,359,446
Contributions and grants receivable	355,382	540,058
Prepaid expenses and deposits	100,028	109,823
Beneficial interest in assets held	196,738	161,761
Investments	2,515,125	2,431,183
Operating lease right-of-use assets	789,173	891,678
Property and equipment, net	8,392,795	8,826,334
TOTAL ASSETS	$ 14,675,709	$ 15,423,551
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 59,689	$ 51,243
Accrued personnel expenses	235,045	222,786
Deferred revenue	622	30,467
Operating lease liabilities	790,989	894,649
Total liabilities	1,086,345	1,199,145
Net assets:		
Without donor restrictions:		
Undesignated	396,338	401,349
Board designated	2,339,684	2,336,220
Net property and equipment	8,392,795	8,826,334
Total without donor restrictions	11,128,817	11,563,903
With donor restrictions	2,460,547	2,660,503
Total net assets	13,589,364	14,224,406
TOTAL LIABILITIES AND NET ASSETS	$ 14,675,709	$ 15,423,551

See notes to financial statements.

BOYS AND GIRLS CLUBS OF SOUTHWEST WASHINGTON
STATEMENT OF ACTIVITIES
For the year ended December 31, 2025
(With comparative totals for 2024)

	2025			
	Without Donor Restrictions	With Donor Restrictions	Total	2024 Total
Operating support and revenue:				
Contributions	$ 611,616	$ 1,113,604	$ 1,725,220	$ 1,734,144
Government grants and contracts	1,644,992	-	1,644,992	1,259,472
Donated facilities, materials, and services	504,551	-	504,551	485,488
Special event revenue, net direct benefit expenses	1,095,854	-	1,095,854	1,143,085
Program revenues	134,994	-	134,994	138,491
Memberships	228,208	-	228,208	224,390
Interest and dividend income	94,924	94,369	189,293	195,750
Loss on disposal of vehicle	(55,468)	-	(55,468)	-
Net assets released from restrictions:				
Satisfaction of purpose restrictions	1,136,443	(1,136,443)	-	-
Satisfaction of time restrictions	321,661	(321,661)	-	-
Total operating support and revenue	5,717,775	(250,131)	5,467,644	5,180,820
Expenses:				
Program services	5,221,524	-	5,221,524	4,597,430
Management and general	713,803	-	713,803	926,066
Fundraising	290,968	-	290,968	477,329
Total expenses	6,226,295	-	6,226,295	6,000,825
Change in net assets from operating activitie	(508,520)	(250,131)	(758,651)	(820,005)
Non-operating activities:				
Change in beneficial interest in assets held	-	4,690	4,690	5,381
Change in value of investments	73,434	45,485	118,919	73,019
Change in net assets	(435,086)	(199,956)	(635,042)	(741,605)
Net assets:				
Beginning of year	11,563,903	2,660,503	14,224,406	14,966,011
End of year	$ 11,128,817	$ 2,460,547	$ 13,589,364	$ 14,224,406

See notes to financial statements.

BOYS AND GIRLS CLUBS OF SOUTHWEST WASHINGTON
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2025
(With comparative totals for 2024)

	2025				
	Program Services	Management and General	Fundraising	Total	2024 Total
Personnel expenses	$ 3,436,232	$ 398,410	$ 222,548	$ 4,057,190	$ 3,860,023
Professional fees	-	64,334	-	64,334	56,923
Program and event supplies	386,880	-	2,580	389,460	402,908
Rent	521,736	50,545	-	572,281	553,689
Utilities	60,488	7,655	-	68,143	68,784
Janitorial	47,598	-	-	47,598	51,900
Equipment and maintenance	56,611	8,095	-	64,706	55,856
Travel and meals	14,480	6,065	43,225	63,770	64,030
Scholarships	50,000	-	-	50,000	50,500
Contract services	75,539	21,317	40,756	137,612	108,896
Office expense	11,528	7,419	3,530	22,477	28,809
Professional development	26,047	8,779	743	35,569	46,354
Information technology	33,091	35,933	3,900	72,924	56,536
Insurance	20,138	67,033	-	87,171	76,121
Bank fees	9,944	3,778	8,328	22,050	23,817
Events	-	-	33,404	33,404	28,312
Miscellaneous	22,168	9,852	14,042	46,062	113,360
Taxes, licenses and dues	3,331	24,588	581	28,500	27,456
Depreciation	445,713	-	-	445,713	469,074
	5,221,524	713,803	373,637	6,308,964	6,143,348
Less direct benefit expenses netted with revenue	-	-	(82,669)	(82,669)	(142,523)
Total expenses	$ 5,221,524	$ 713,803	$ 290,968	$ 6,226,295	$ 6,000,825

See notes to financial statements.

BOYS AND GIRLS CLUBS OF SOUTHWEST WASHINGTON
STATEMENT OF CASH FLOWS
For the year ended December 31, 2025
(With comparative totals for 2024)

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ (635,042)	$ (741,605)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	445,713	469,074
Amortization of operating lease right-of-use assets	102,505	102,456
Loss of disposal of equipment	55,468	-
Change in value of investments	(118,919)	(73,019)
Net change in beneficial interest in assets held	(4,690)	(5,381)
(Increase) decrease in:		
Accounts receivable	-	17,087
Contributions and grants receivable	184,676	1,140,935
Prepaid expenses and deposits	9,795	(4,854)
Increase (decrease) in:		
Accounts payable and accrued personnel expenses	20,705	(116,779)
Deferred revenue	(29,845)	(17,291)
Operating lease liabilities	(103,660)	(102,240)
Net cash flows from operating activities	(73,294)	668,383
Cash flows from investing activities:		
Proceeds (purchases) of certificates of deposit	36,459	(52,757)
Proceeds from the sale of investments	250,195	76,056
Purchase of investments	(245,505)	(175,272)
Purchase of property and equipment	(67,642)	(267,985)
Net cash flows from investing activities	(26,493)	(419,958)
Net change in cash and cash equivalents	(99,787)	248,425
Cash and cash equivalents - beginning of year	1,103,268	854,843
Cash and cash equivalents - end of year	$ 1,003,481	$ 1,103,268
Supplemental cash flow information:		
Cash paid during the year for operating leases	$ 121,268	$ 121,383
Non-cash investing and financing activities:		
Obtaining right-of-use assets in exchange for operating lease liabilities	-	43,171

See notes to financial statements.

1. ORGANIZATION

Boys & Girls Clubs of Southwest Washington (the Organization) is a nonprofit corporation incorporated in the State of Washington in 1999 and affiliated with the Boys and Girls Clubs of America. The Organization operates as an independent organization.

The Organization offers programs to children in grades 1 to 12 in the following core areas:

- Education and career development
- Character and leadership development
- Health and life skills
- The arts, fitness and recreation

The Organization relies on the support of the community and grants for the majority of its revenue. The Organization operates nine clubs in Clark County, with some clubs located on school properties serving neighborhoods where students are most impacted by poverty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Certificates of Deposit

Certificates of deposit are recorded at cost plus accrued interest. Interest earned on the certificates range from 2.5%-3.59% during the year ended December 31, 2025 with maturities ranging from March 2026 to December 2026. Interest earned on the certificates range from 2%-4.46% during the year ended December 31, 2024 with maturities ranging from February 2025 to December 2025.

Accounts Receivable

Accounts receivable from program services are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances, current relationships with them, and management's expectations about current and future economic conditions, management has concluded that credit losses on balances outstanding at year-end will be immaterial.

Contributions and Grants Receivable

Contributions and grants receivable are unsecured and reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be insignificant.

Investments

Investments consist of marketable securities and are carried at fair value. Net appreciation (depreciation) in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) of those investments, is shown in the statement of activities. Interest income is accrued as earned. Donor-restricted investment income is reported as an increase in net assets with donor restrictions and classified according to the nature of the restriction.

Property and Equipment

Acquisitions of property and equipment in excess of $2,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of property and equipment is calculated using the straight-line method the estimated useful lives of the assets which range from 3 to 7 years for most furniture and equipment to 39 years for certain structures and other infrastructure assets. Leasehold improvements are capitalized and depreciated over the estimated useful life of the improvement or the lease term, whichever is less.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Leases

The Organization determines if an arrangement is or contains a lease at inception. Under FASB ASC 842, *Leases*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Revenue Recognition

Contributions: Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Contributions of cash or other assets to be used to acquire equipment or other long-lived assets with such donor stipulations are reported as revenues with donor restrictions. The restrictions for long-lived assets are considered to be released at the time the long-lived asset is placed into service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

Government Grants and Contracts: A portion of the Organization's revenue is derived from cost-reimbursable grants and contracts, which are conditional upon certain performance requirements and/ or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as advance on government grant in the statement of financial position. The Organization has been awarded cost-reimbursable grants of approximately $1.7 million through December 2027 that have not been recognized at December 31, 2025 because the qualifying expenditures have not yet been incurred.

Donated Facilities, Materials and Services: Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Contributions of equipment and other long-lived assets without donor-imposed stipulations concerning the use of such assets are reported as revenues without donor restrictions. The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special Events: The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. The portion of sponsorship revenue that relates to commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

Program Revenue: Program revenue is recognized at the time the services are provided. Funds received in advance of contractual obligations are deferred until the Organization meets the obligations and reported as deferred revenue on the statement of financial position.

Memberships: The Organization receives membership payments in advance of its membership period of September to June. The Organization also receives activity fees from members to support ongoing club activities throughout the year. As a practical expedient, the Organization recognizes all membership fees and activity fees as revenue when received. The Organization determined the application of this practical expedient to be materially consistent with revenue recognized without the practical expedient.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Unemployment Insurance

The Organization is self-insured for unemployment and makes periodic payments to a trust company in an amount equal to estimated future claims. Deposits to the trust are recorded as an asset. Unemployment claims paid reduce the trust asset and are expensed. Unpaid claims outstanding at year-end represent a liability of the Organization.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited as follows:

- Estimated time and effort - Personnel costs, office expenses, and other operating expenses.
- Estimated usage – Rent, utilities, and other facility costs of operating the club sites are allocated primarily to program expense.

Income Tax Status

Boys and Girls Clubs of Southwest Washington is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and comparable state law. No provision for income taxes is made in the accompanying financial statements as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes.* Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information for 2024

The financial information as of December 31, 2024 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events
The Organization has evaluated all subsequent events through June 17, 2026, the date the financial statements were available to be issued.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use. See Note 6 for information about the Organization's margin note payable.

Financial assets available for general expenditure consist of the following at December 31, 2025 and 2024:

	2025	2024
Cash and cash equivalents	$ 1,003,481	$ 1,103,269
Certificates of deposit	1,322,987	1,359,446
Contributions and grants receivable	355,382	540,058
Beneficial interest in assets held	196,738	161,761
Investments	2,515,125	2,431,183
	5,393,713	5,595,717
Estimated distributions from endowment	34,200	31,000
Margin note available (Note 6)	199,322	188,681
Time restrictions to be released	-	383,787
	5,627,235	6,199,185
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	(2,460,547)	(2,660,503)
Board designations	(2,339,684)	(2,336,220)
Financial assets available for general expenditure	$ 827,004	$ 1,202,462

Board designated funds are for various purposes and the release of funds may be approved by a majority vote of the Board of Directors. See Note 9 regarding board designated net assets.

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable are unsecured and due within one year at December 31, 2025 and 2024.

5. BENEFICIAL INTEREST IN ASSETS HELD

The Organization is the beneficiary of the Boys & Girls Club of Southwest Washington Expendable Fund (Expendable Fund established with The Community Foundation for Southwest Washington (Community Foundation). Under the terms of the agreement, variance power has been granted to the Community Foundation by the Organization in exchange for future distributions. The transfer was reciprocal in nature. Accordingly, the Community Foundation recognizes the funds as a liability on its statement of financial position. The balance of the beneficial interest at December 31, 2025 and 2024 is $196,738 and $161,761, respectively.

The Organization is also the beneficiary of the Boys & Girls Club of Southwest Washington Endowment Fund (Endowment Fund). During the year ended December 31, 2018 the Organization was designated as the beneficiary of a $1 million contribution to the Endowment Fund. This fund is excluded from the investments above and held in trust and administered by the Community Foundation. Under the terms of the Endowment Fund agreement, variance power has been granted to Community Foundation by donors but the transfer was not reciprocal in nature. Accordingly, the Community Foundation recognizes the funds as revenue when received. The Organization will receive annual distributions subject to the distribution policies set by the Community Foundation, currently at 3%, and will be recognized as contributions when received. The Organization received distributions of approximately $42,300 during 2025 and $41,200 during 2024. The Endowment Fund balance (not reflected on the Organization's statement of financial position) is $1,140,013 and $1,034,584 at December 31, 2025 and 2024, respectively.

6. INVESTMENTS

Investments consist of the following at December 31, 2025 and 2024:

	2025	2024
Cash and cash equivalents	$ 27,734	$ 59,237
Mutual funds - fixed income	881,236	794,746
Mutual funds - equities	1,606,155	1,577,200
Total investments	$ 2,515,125	$ 2,431,183

	2025	2024
Investments - without donor restrictions (held in board endowment, Note 11)	$ 862,713	$ 824,256
Investments - with donor restrictions	1,652,412	1,606,926
Total investments	$ 2,515,125	$ 2,431,182

Margin Note Payable

The Organization has a portfolio margin loan against the investments. Interest is payable at a variable rate by balance (10.075% and 10.82% as of December 31, 2025 and 2024). The total amount that may be withdrawn is approximately $199,000 and security buying power of approximately $266,000 as of December 31, 2025. There were no balances outstanding on the margin note as of December 31, 2025 and 2024.

7. PROPERTY AND EQUIPMENT

The Organization operates and leases various clubs and facilities owned by the Vancouver School District (Note 8). Related property, leasehold improvements and other property and equipment consist of the following at December 31, 2025 and 2024:

	2025	2024
Club equipment	$ 139,092	$ 155,655
Office equipment	147,849	144,317
Furniture and fixtures	176,580	226,676
Vehicles	118,842	188,679
Leasehold improvements	12,713,194	12,684,230
Total property and equipment	13,295,557	13,399,557
Less accumulated depreciation	(4,902,762)	(4,573,223)
Property and equipment, net	$ 8,392,795	$8,826,334

8. OPERATING LEASES

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms.

The Organization's operating leases consist of leases for office space and equipment with remaining lease terms of 1 month to 12.5 years. The office lease agreement includes escalating rent payments estimated at 3% annually.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of December 31, 2025 and 2024:

	2025	2024
Operating leases:		
Right-of-use-assets	$ 789,173	$ 891,678
Operating lease liabilities	$ 790,989	$ 894,649

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2025 and 2024:

	2025	2024
Weighted average remaining lease term	12.1 years	12.5 years
Weighted average discount rate	2.09%	2.07%

The maturities of operating leases as of December 31, 2025 are as follows:

Year ending December 31, 2026	$ 81,802
2027	78,625
2028	79,228
2029	70,366
2030	68,573
Thereafter	514,296
	892,890
Less discount/interest	(101,901)
Present value of lease liabilities	$ 790,989

8. OPERATING LEASES, Continued

For the each of the years ended December 31, 2025 and 2024, operating lease cost of approximately $120,100 and $121,600, respectively, is included in rent.

The Organization leases its club facilities from the Vancouver School District under operating leases below market rates. Donated rent has been recognized in the financial statement summarized in Note 12, but is excluded from the operating lease costs summarized above.

9. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of the following at December 31, 2025 and 2024:

	2025	2024
Reserve for operations	$ 1,322,987	$ 1,359,446
Reserve for capital replacement	153,984	152,518
Best Friends Forever Endowment (Note 11)	862,713	824,256
Total board designated net assets	$ 2,339,684	$ 2,336,220

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following restrictions at December 31, 2025 and 2024:

	2025	2024
College preparation	$ 1,652,411	$ 1,606,926
Specified club operations	701,977	731,916
Administrative initative	106,159	-
Time restricted	-	321,661
Total net assets with donor restrictions	$ 2,460,547	$ 2,660,503

11. BOARD DESIGNATED ENDOWMENT

Boys and Girls Clubs of Southwest Washington's endowment consists of a fund designated by the Board of Directors to function as an endowment. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions or Board designations.

Interpretation of Relevant Law
The Board of Directors of the Organization has interpreted Washington's enacted Uniform Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with perpetual restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts instrument at the time the accumulation is added to the fund.

The Board considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund,
(2) The purposes of the Organization and the donor-restricted endowment fund,
(3) General economic conditions and possible effect of inflation and deflation,
(4) The expected total return from income and the appreciation of investments,
(5) Other resources of the Organization, and
(6) The investment policies of the Organization.

Changes in board-designated endowment net assets for 2025 and 2024 are as follows:

	2025	2024
Endowment net assets - beginning of the year	$ 824,256	$ 798,461
Investment income, net of fees	77,176	65,220
Withdrawals	(38,719)	(39,425)
Endowment net assets - end of the year	$ 862,713	$ 824,256

11. BOARD DESIGNATED ENDOWMENT, Continued

Return Objectives and Risk Parameters
The Organization has adopted investment and spending policies for endowment net assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment net assets. Under this policy, as approved by the Board of Directors, the endowment net assets are invested in a manner that is intended to produce results that exceed inflation by 5% over the long-term (5+ years) while assuming a moderate level of investment risk.

Spending Policy and How the Investment Objectives Relate to Spending
The Organization has a policy of appropriating for distribution from the "Best Friends Forever" endowment a prudent amount while maintaining the purchasing power of the endowment net assets as well as provide additional real growth through investment return for the next 15 to 20 years.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization has adopted an asset allocation strategy that results in an acceptable risk and return profile while also providing and acceptable probability of achieving the investment objectives over the long-term.

12. DONATED FACILITIES AND MATERIALS

During 2025 and 2024, the Organization recognized the following donated facilities and materials:

	2025	2024
Leased occupancy	$ 432,156	$ 425,926
Supplies	72,395	59,562
Total donated facilities and materials	$ 504,551	$ 485,488

These in-kind contributions are reported in the statement of functional expenses by their respective classification according to function and are reported as program services for 2025 and 2024.

Contributed supplies are recorded at fair value based on the current cost to acquire the goods or services, or the sale price of comparable goods and services.

12. DONATED FACILITIES, MATERIALS, AND SERVICES, Continued

The Organization leases its club facilities from the Vancouver School District under operating leases with monthly rent below market rates. Management's estimate of the value of in-kind rent received under these agreements is based on the market rental rates for similar facilities in the area. Certain occupancy costs, such as maintenance and janitorial expenses, are included in these leases and based on the actual costs incurred by the Vancouver School District in providing these services. The amounts are set annually, and management has assumed the rate of increase over the lease term will be 2% per annum compounded.

The Organization holds a land lease with the Vancouver Housing Authority where the Skyline Club is built. Lease payments are $1 per year and the agreement expires in December 2044 with two ten-year options to renew. The Organization has determined the market value of the property cannot be readily determined and an in-kind contribution and asset for the land lease has not been reflected in the accompanying financial statements.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable and customer advances and deposits (contract liabilities). The Organization's contracts include performance obligations that are both determined to be satisfied over time and contracts with specific milestone and deliverables.

- **Program revenue**: Activity and other program fee revenues are recognized over time as members sign up for and engage in specific activity offerings. Activity and other program fees are paid in advance before revenue is recognized, resulting in deferred revenue (contract liabilities). Deferred revenue is relieved upon the Organization's completion of activities.

- **Membership fee revenue**: Membership fee revenue is recognized at a point in time at the beginning of the membership period (generally September to June). Membership fees are paid in advance of the membership period and are non-refundable. The Organization's membership fees are not established to significantly cover significant future operating costs, but rather to maximize access to the Organization's facilities and enrichment activities.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

Total revenue by contract type is as follows:

	2025	2024
Program revenue - point in time	$ 134,994	$ 138,491
Membership revenue - milestone based	228,208	224,390
Total program and membership revenue	$ 363,202	$ 362,881

The beginning and ending contract balances are as follows:

	2025	2024	2023
Deferred revenue (contract liability):			
Program revenue	$ 622	$ 30,467	$ 47,758

Deferred revenue amounts as of December 31, 2024 and 2023 were recognized as revenue during 2025 and 2024, respectively.

14. RETIREMENT PLAN

The Organization has a SIMPLE IRA plan for eligible employees. The Organization matches employee contributions up to an amount set by federal regulations. Contributions to the plan for 2025 and 2024 totaled approximately $42,200 and $41,000, respectively.

15. CONTINGENCIES

Amounts received or receivable from contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

16. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) or by National Credit Union Administration (NCUA) to $250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately $325,100 and $80,300 as of December 31, 2025 and 2024, respectively.

16. CONCENTRATIONS OF CREDIT RISK, Continued

Approximately 94% of total receivables is due from four entities at December 31, 2025 (one private, three government) and 89% from four entities at December 31, 2024 (two private, two government). Approximately 38% of total revenue was from one private and two state agencies in 2025 (33% of total revenue was from one private and two state agencies in 2024).

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

17. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

17. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on recurring basis at December 31, 2025 and 2024 are as follows:

	Total	Level 1	Level 3
December 31, 2025			
Investments:			
Mutual funds:			
Fixed income- domestic	$ 494,027	$ 494,027	$ -
Fixed income- international	387,209	387,209	-
Equities - domestic	1,001,352	1,001,352	-
Equities - international	604,803	604,803	-
Beneficial interest in asset held	196,738	-	196,738
Total fair value	$ 2,684,129	$ 2,487,391	$ 196,738

	Total	Level 1	Level 3
December 31, 2024			
Investments:			
Fixed income- domestic	$ 455,441	$ 455,441	$ -
Fixed income- international	339,305	339,305	-
Equities - domestic	1,258,202	1,258,202	-
Equities - international	318,998	318,998	-
Beneficial interest in asset held	161,761	-	161,761
Total fair value	$ 2,533,707	$ 2,371,946	$ 161,761

Fair values for investments in mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

Changes in investments valued using Level 3 inputs is as follows for the years ended December 31, 2025 and 2024:

	2025	2024
Balance at beginning of year	$ 161,761	$ 128,115
Newcharitable gift annuities received	30,287	28,265
Change in value, net	4,690	5,381
Balance at end of year	$ 196,738	$ 161,761

Beneficial interest in assets held represents investments held at the Community Foundation in pooled funds and are valued at net asset per unit as provided by the Community Foundation trustees. Net asset value is based on fair value of the underlying assets of the funds using a market approach, using quoted market prices when available.

18. RELATED PARTY TRANSACTIONS

The Organization maintains certain cash accounts at financial institutions where Board members are employed. In addition, during the year ended December 31, 2024, the Organization also contracted for Club property improvements with a company where a board member is employed. Total costs incurred were approximately $200,000. The company was not contracted with during 2025.

19. SUBSEQUENT EVENT

In March 2026, the Organization elected to renew its administrative office lease for three years. The operating lease, discounted at 3.75%, results in a right of use asset and lease liability of approximately $125,900. Future maturities under the agreement are approximately $26,200 (2026), $42,400 (2027), $45,400 (2027), and $11,800 (2028).