

ASSOCIATED RECREATION COUNCIL

Financial Statements
December 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Associated Recreation Council
Seattle, Washington

Opinion

We have audited the accompanying financial statements of Associated Recreation Council (a nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, 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 financial statements referred to above present fairly, in all material respects, the financial position of Associated Recreation Council as of December 31, 2025 and 2024, and the changes in its net assets and its 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 audits 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 Associated Recreation Council 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 Associated Recreation Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Associated Recreation Council'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 Associated Recreation Council'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.

Greenwood Ohlund

Seattle, Washington
May 20, 2026

ASSOCIATED RECREATION COUNCIL

STATEMENTS OF FINANCIAL POSITION
December 31, 2025 and 2024

ASSETS	2025	2024
Current Assets		
Cash and cash equivalents	\$ 3,800,767	\$ 2,826,948
Investments	6,185,324	6,928,235
Class fees receivable	4,697,815	3,815,187
Contributions and grants receivable	870,805	503,097
Other receivables	8,628	44,467
Prepaid expenses	9,929	15,214
Total current assets	15,573,268	14,133,148
Operating Lease – Right-of-Use Asset	338,451	498,360
Total assets	\$ 15,911,719	\$ 14,631,508
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,057,154	\$ 1,967,792
Deferred revenue	5,066,929	4,120,119
Operating lease liability	169,661	159,012
Total current liabilities	7,293,744	6,246,923
Operating Lease Liability, less current portion	180,713	350,374
Total liabilities	7,474,457	6,597,297
Net Assets		
Without donor restrictions	7,691,200	7,348,346
With donor restrictions	746,062	685,865
Total net assets	8,437,262	8,034,211
Total liabilities and net assets	\$ 15,911,719	\$ 14,631,508

See accompanying notes to financial statements.

ASSOCIATED RECREATION COUNCIL

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Class fees	\$ 14,111,342	\$ -	\$ 14,111,342	\$ 12,062,609	\$ -	\$ 12,062,609
Sports fees	612,197	-	612,197	274,177	-	274,177
Contributions and grants	3,416,953	110,515	3,527,468	4,008,279	38,803	4,047,082
Special events	685,841	-	685,841	677,974	-	677,974
Special events – direct benefit to donor	(155,384)	-	(155,384)	(104,319)	-	(104,319)
Investment return	466,633	-	466,633	550,978	-	550,978
Retail sales, print shop proceeds, and other	151,931	-	151,931	309,552	-	309,552
Net assets released from restrictions	50,318	(50,318)	-	49,295	(49,295)	-
Total support and revenue	19,339,831	60,197	19,400,028	17,828,545	(10,492)	17,818,053
Expenses						
Programs	15,116,363	-	15,116,363	13,149,220	-	13,149,220
Management and general	3,698,994	-	3,698,994	3,939,829	-	3,939,829
Fundraising	181,620	-	181,620	307,011	-	307,011
Total expenses	18,996,977	-	18,996,977	17,396,060	-	17,396,060
Change in net assets before Campaign expenditures	342,854	60,197	403,051	432,485	(10,492)	421,993
Campaign Expenditures	-	-	-	(239,501)	(730,499)	(970,000)
Change in net assets	342,854	60,197	403,051	192,984	(740,991)	(548,007)
Net Assets, beginning of year	7,348,346	685,865	8,034,211	7,155,362	1,426,856	8,582,218
Net Assets, end of year	<u>\$ 7,691,200</u>	<u>\$ 746,062</u>	<u>\$ 8,437,262</u>	<u>\$ 7,348,346</u>	<u>\$ 685,865</u>	<u>\$ 8,034,211</u>

See accompanying notes to financial statements.

ASSOCIATED RECREATION COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2025

	Program Expenses				Management and General	Fundraising	Total
	Preschool	Recreation and Education	School Age Care	Total Programs			
Personnel	\$ 1,276,356	\$ 3,102,903	\$ 5,093,734	\$ 9,472,993	\$ 2,754,036	\$ 272,520	\$ 12,499,549
System fees	28,694	612,926	1,304,221	1,945,841	74,468	1,506	2,021,815
Professional fees	-	766,740	3,599	770,339	325,203	21,852	1,117,394
Equipment	5,880	381,088	32,127	419,095	79,599	1,140	499,834
Food and appreciation	30,647	113,097	228,175	371,919	31,053	438	403,410
Supplies	34,195	155,075	159,948	349,218	42,603	2,156	393,977
Travel	-	348,343	3,032	351,375	5,377	19	356,771
Facility rental	-	94,913	-	94,913	185,281	-	280,194
Events	-	161,767	435	162,202	44,762	29,124	236,088
Insurance	-	140,288	77,980	218,268	15,978	-	234,246
Scholarships	-	100,653	128,700	229,353	-	-	229,353
Transportation	11,777	28,681	80,937	121,395	52,425	7,504	181,324
Miscellaneous	21,500	45,710	40,848	108,058	64,140	223	172,421
Taxes and fees	50	126,952	34,863	161,865	1,789	478	164,132
Registration fees	-	108,700	528	109,228	6,368	-	115,596
Field trips	5,828	22,242	70,657	98,727	1,611	-	100,338
Uniforms	-	82,498	8,273	90,771	6,961	-	97,732
Printing and advertising	8,494	32,015	-	40,509	7,340	44	47,893
Program monitoring	-	294	-	294	-	-	294
Total expenses	1,423,421	6,424,885	7,268,057	15,116,363	3,698,994	337,004	19,152,361
Less: Special events – direct benefit to donor	-	-	-	-	-	(155,384)	(155,384)
	<u>\$ 1,423,421</u>	<u>\$ 6,424,885</u>	<u>\$ 7,268,057</u>	<u>\$ 15,116,363</u>	<u>\$ 3,698,994</u>	<u>\$ 181,620</u>	<u>\$ 18,996,977</u>

See accompanying notes to financial statements.

ASSOCIATED RECREATION COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2024

	Program Expenses				Management and General	Fundraising	Total
	Preschool	Recreation and Education	School Age Care	Total Programs			
Personnel	\$ 1,276,267	\$ 2,905,870	\$ 4,265,187	\$ 8,447,324	\$ 3,041,616	\$ 311,263	\$ 11,800,203
System fees	33,181	483,255	957,704	1,474,140	66,738	2,258	1,543,136
Capital grant	-	970,000	-	970,000	-	-	970,000
Professional fees	-	661,716	13,672	675,388	243,998	28,970	948,356
Travel	-	403,132	814	403,946	10,404	864	415,214
Supplies	38,984	176,434	115,887	331,305	40,001	1,163	372,469
Food and appreciation	32,889	92,582	193,643	319,114	30,230	286	349,630
Equipment	5,798	223,243	24,760	253,801	59,615	1,963	315,379
Facility rental	-	87,762	-	87,762	205,995	-	293,757
Insurance	-	187,624	75,699	263,323	-	-	263,323
Scholarships	-	90,527	119,000	209,527	-	-	209,527
Transportation	10,781	51,376	55,345	117,502	53,088	10,552	181,142
Events	-	88,218	-	88,218	36,436	52,704	177,358
Taxes and fees	50	100,175	53,920	154,145	3,504	-	157,649
Miscellaneous	4,364	22,269	13,325	39,958	96,097	662	136,717
Registration fees	-	110,726	-	110,726	6,612	-	117,338
Uniforms	-	71,390	-	71,390	19,571	-	90,961
Printing and advertising	7,958	41,764	-	49,722	25,307	645	75,674
Field trips	4,075	9,874	37,912	51,861	617	-	52,478
Program monitoring	-	68	-	68	-	-	68
Total expenses	1,414,347	6,778,005	5,926,868	14,119,220	3,939,829	411,330	18,470,379
Less: Special events – direct benefit to donor	-	-	-	-	-	(104,319)	(104,319)
Less: Campaign expenditures	-	(970,000)	-	(970,000)	-	-	(970,000)
	<u>\$ 1,414,347</u>	<u>\$ 5,808,005</u>	<u>\$ 5,926,868</u>	<u>\$ 13,149,220</u>	<u>\$ 3,939,829</u>	<u>\$ 307,011</u>	<u>\$ 17,396,060</u>

See accompanying notes to financial statements.

ASSOCIATED RECREATION COUNCIL

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Cash received from:		
Customers	\$ 14,975,491	\$ 12,934,065
Donors	3,845,601	5,181,689
Interest and dividends	294,588	538,581
Cash paid to:		
Personnel	(12,536,967)	(11,860,705)
Vendors	(6,519,850)	(5,681,539)
Grantees	-	(970,000)
Net cash flows from operating activities	<u>58,863</u>	<u>142,091</u>
Cash Flows from Investing Activities		
Purchases of investments	(1,335,469)	(3,013,803)
Proceeds from sales of investments	<u>2,250,425</u>	<u>3,538,670</u>
Net cash flows from investing activities	<u>914,956</u>	<u>524,867</u>
Net change in cash and cash equivalents	973,819	666,958
Cash and Cash Equivalents, beginning of year	<u>2,826,948</u>	<u>2,159,990</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 3,800,767</u></u>	<u><u>\$ 2,826,948</u></u>

See accompanying notes to financial statements.

ASSOCIATED RECREATION COUNCIL

NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Associated Recreation Council (ARC) is an independent nonprofit corporation, the purpose of which is to benefit and support the City of Seattle Department of Parks and Recreation (the City) and its officially recognized Advisory Councils in providing public recreation programs at various parks and community centers throughout the city. In 2024, ARC created a new council called the “Youth Advisory Council” whose members are all teenage youth who live in Seattle. As of December 31, 2025, there were 37 Advisory Councils providing programs, classes, and activities. Support provided by ARC involves the collection, administration, and disbursement of funds for member Advisory Councils in connection with all programs, classes, and activities provided through the ARC system.

These financial statements include the assets, liabilities, revenue, and expenses of ARC and those of the Advisory Councils other than the assets and liabilities represented by the park and community center facility properties. Ownership of these properties remains with the City of Seattle. ARC also provides monetary support to the City (see Note 5).

ARC had an ongoing fundraising campaign to support the construction of a boathouse at the Green Lake Small Craft Center. During the year ended December 31, 2024, ARC made disbursements to the City totaling \$970,000 and construction was completed on the boathouse. By distributing \$970,000 to the City, ARC fulfilled its contractual obligations, and this fundraising campaign concluded.

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Financial Statement Presentation

ARC reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions are available to support the general operations of ARC.

Net assets with donor restrictions consist of unexpended contributions restricted for particular programs or time periods. Contributions with donor restrictions that are met within the same reporting period are recognized as increases in net assets without donor restrictions. Net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or as the time restrictions are met.

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ASSOCIATED RECREATION COUNCIL

NOTES TO FINANCIAL STATEMENTS

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2025</u>	<u>2024</u>
Mt. Baker equipment fund	\$ 426,346	\$ 341,594
Sharon Gowdey Memorial Fund special programs	78,509	84,409
Troops for Fitness program	62,334	62,334
Seal Sitters program fund	30,470	46,753
Montlake Family Fitness capital project	28,499	28,499
Cascade Park	28,122	28,122
Friends of Heron Habitat	26,049	24,549
Carkeek Park trails maintenance	21,162	21,162
Annie's Playground, Meadowbrook	16,082	16,082
Grand Army of the Republic	10,867	10,867
East African Meals program	4,933	4,933
Green Lake rowing scholarship fund	-	3,872
Other programs and fiscal sponsorships	12,689	12,689
	<u>\$ 746,062</u>	<u>\$ 685,865</u>

Cash and Cash Equivalents

ARC considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. ARC occasionally has cash balances in excess of federally insured limits. ARC has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Fair Value Measurements

Fair value is a market-based measurement determined using assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable market inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

ASSOCIATED RECREATION COUNCIL

NOTES TO FINANCIAL STATEMENTS

Investments

Certificates of deposit are stated at cost plus accrued interest. Investments in equities and mutual funds are reported at their fair value using quoted prices in active markets (Level 1 inputs) in the statements of financial position and consist of the following at December 31:

	2025	2024
Cash Equivalents	\$ 16,014	\$ 50,458
Certificates of Deposit	1,000,363	2,996,040
Digital Asset Mutual Funds	227,397	95,490
Domestic Common Stocks	408,615	-
 Bond and Preferred Stock Mutual Funds		
Government bond funds	3,683,213	2,404,573
Intermediate-term bond funds	171,535	133,047
Multisector bond funds	9,851	375,380
High-yield bond funds	-	380,440
 Equity Mutual Funds		
Large blend equity funds	513,612	370,351
International large blend equity funds	67,204	47,644
Foreign large growth equity funds	22,589	15,305
Diversified emerging markets	22,446	13,508
Small blend equity funds	21,849	16,808
Foreign large value equity funds	20,636	17,006
Global real estate equity funds	-	12,185
	\$ 6,185,324	\$ 6,928,235

Investment return consists of interest and dividends and realized and unrealized gains or losses, net of external investment fees.

Receivables

Class fees receivable consists of amounts due from the City, which manages the enrollment of classes and collects registration fees for classes in advance. Amounts due from the City relate to class fees collected by the City that have not been earned and are stated at the amount management expects to collect from outstanding balances. The unearned amounts recognized as being receivable are also included in deferred revenue as discussed below.

Management reviews the collectability of receivables on a periodic basis and determines the appropriate amount of an allowance for doubtful accounts, if any. ARC writes off receivables against the allowance when it is determined that a receivable is not collectible. Management believes all receivables are collectible at December 31, 2025 and 2024, and therefore, no allowance has been recognized.

ASSOCIATED RECREATION COUNCIL

NOTES TO FINANCIAL STATEMENTS

Contributions and grants receivable expected to be collected in one year are recorded at net realizable value. ARC assesses the need for an allowance on its contributions and grants receivable in the same manner as its class fees receivable. Management determined that an allowance was not necessary as of December 31, 2025 or 2024.

Contributions and grants receivable from the City represented 68% and 93% of total contributions and grants receivable at December 31, 2025 and 2024, respectively.

Leases

ARC determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position.

ROU assets represent ARC's right to use an underlying asset for the lease term, and lease liabilities represent ARC's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when they are reasonably certain to be exercised. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

ARC has elected to recognize payments for short-term leases with terms of 12 months or less as expense as incurred, and these leases are not included in ROU assets or lease liabilities on the statements of financial position. The individual lease contract does not provide information about the discount rate implicit in the lease. Therefore, ARC has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Revenue Recognition

ARC's primary source of revenue is derived from class registration fees and participation fees for organized sports. Class fees and sports fees are recognized as revenue over time using the output method as the benefits of the services are transferred to the customer on a pro rata basis during the term of the class or sport season, which do not exceed one year. Revenue from retail sales, print shop proceeds, and other is recognized over time using the output method as the benefit of the services is transferred to the customer or at the point in time when the control of goods is transferred to the customer. Prices for these services and goods are determined using stated rates, and there are no significant judgments that affect the determination of the amount and timing of recognition of revenue from contracts with customers. ARC does not incur costs to obtain contracts.

Class fees receivable represent amounts collected by the City from customers and payable to ARC for classes and/or sport seasons that are not complete. Contract liabilities include deferred revenue related to payments for class and sports participation fees received before the end of the year for classes and/or sport seasons that are not complete. Deferred revenue also includes unearned amounts recognized as being receivable.

Deferred revenue at December 31, 2023, recognized to revenue during the year ended December 31, 2024, was \$3,120,617. Deferred revenue at December 31, 2024, recognized to revenue during the year ended December 31, 2025, was \$4,120,119.

ASSOCIATED RECREATION COUNCIL

NOTES TO FINANCIAL STATEMENTS

Contributions and grants (including those from government agencies and those received at special events) are recorded when unconditionally pledged as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Revenue from government grants is subject to audit, which could result in adjustments to revenue. These adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. No significant adjustments were made during the years ended December 31, 2025 or 2024.

As of December 31, 2025, ARC had conditional awards outstanding of approximately \$38,000, which ARC has yet to receive. These amounts are not recognized in these financial statements as they are conditional upon ARC performing certain measurables related to programs run by ARC.

Contributions and grants from the City represented 12% and 16% of total support and revenue during the years ended December 31, 2025 and 2024, respectively.

In addition, during the years ended December 31, 2025 and 2024, ARC met the conditions for and received \$257,176 and \$962,845, respectively, from the Internal Revenue Service under the Employee Retention Tax Credit program. This amount is included within revenue from contributions and grants in the statements of activities.

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel costs are allocated based on employee hours, and all other expenses are allocated based on the employee head count of each cost center.

Income Taxes

ARC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

ARC has evaluated subsequent events through the date these financial statements were available to be issued, which was May 20, 2026.

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ASSOCIATED RECREATION COUNCIL

NOTES TO FINANCIAL STATEMENTS

Note 2 – Liquidity and Availability of Resources

ARC strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash needs are invested in open-end mutual funds. All investments are available for liquidation within three days of request.

Net assets with donor restrictions are considered unavailable to meet the daily cash needs for general expenditures and have been reduced from financial assets available for general expenditures.

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

	2025	2024
Financial assets		
Cash and cash equivalents	\$ 3,800,767	\$ 2,826,948
Investments	6,185,324	6,928,235
Class fees receivable	4,697,815	3,815,187
Contributions and grants receivable	870,805	503,097
Other receivables	8,628	44,467
	15,563,339	14,117,934
Less: Amounts not available for general use within one year		
Net assets with donor restrictions	(746,062)	(685,865)
	\$ 14,817,277	\$ 13,432,069

Note 3 – Operating Lease

In 2023, ARC began subleasing space from the City of Seattle at the Elliot Bay Office Park under a noncancellable operating lease with a term through December 31, 2027. Operating lease cost under this lease totaled \$175,551 during each of the years ended December 31, 2025 and 2024, and is included in facility rental in the statements of functional expenses. Operating cash flows under this lease were \$174,654 and \$170,072 during the years ended December 31, 2025 and 2024, respectively.

A maturity analysis of annual future undiscounted cash flows required under this lease as of December 31, 2025, is as follows for the years ending December 31:

2026	\$ 179,226
2027	183,800
	363,026
Less: Imputed interest at 3.7%	(12,652)
	\$ 350,374

ASSOCIATED RECREATION COUNCIL

NOTES TO FINANCIAL STATEMENTS

The operating lease liability is presented as follows in the statements of financial position at December 31:

	2025	2024
Operating lease liability (a current liability)	\$ 169,661	\$ 159,012
Operating lease liability, less current portion	180,713	350,374
	<u>\$ 350,374</u>	<u>\$ 509,386</u>

Note 4 – Employee Benefit Plan

ARC has a 401(k) plan for employees who meet the eligibility requirements set forth in the plan. ARC matches a portion of employee contributions, which amounted to \$156,312 and \$141,478 for the years ended December 31, 2025 and 2024, respectively.

Note 5 – Annual Services Agreement with the City of Seattle Department of Parks and Recreation

ARC and the City operate under an Annual Services Agreement (the Agreement) that attempts to plan for and address biennial budget issues. The Agreement includes, but is not limited to, the following amounts paid to the City of Seattle:

- Participation Fee – a fee of 4% of gross receipts (excluding grants and contributions) of all Advisory Councils, excluding rowing and sailing, is set by the Seattle City Council on users of Parks facilities for the benefit of the City. ARC collects and pays this fee to the City.
- Assistant Coordinators Wage Reimbursement – the City will provide nine full-time Assistant Coordinators, and ARC will pay the related wages and taxes.
- Building Monitors Wage Reimbursement – up to \$50,000 for wages and taxes related to Recreation Attendants serving as building monitors.
- Other – includes support for capital improvements and project expenses and general operational support.

Support paid to the City is included in various expense categories on the statements of functional expenses and totaled \$2,073,530 and \$1,877,295 for the years ended December 31, 2025 and 2024, respectively. At December 31, 2025 and 2024, ARC had balances payable to the City totaling \$907,328 and \$1,119,818, respectively, which are included in accounts payable and accrued expenses on the statements of financial position.

Additionally, during the years ended December 31, 2025 and 2024, ARC purchased vehicles, furniture and fixtures, and other long-lived assets totaling \$289,602 and \$69,177, respectively, which were immediately donated to the City. These amounts are included in equipment on the statements of functional expenses.

Note 6 – Litigation

ARC is named as a defendant in a lawsuit involving a former employee. As of May 20, 2026, this matter is still ongoing and the potential liability to ARC cannot be reasonably estimated.