

**WORKING BIKES**  
**FINANCIAL STATEMENTS**

**For the Year Ended**  
**December 31, 2016**

**WORKING BIKES**  
**Annual Financial Report**

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**Independent Auditor's Report**

To the Board of Directors of  
Working Bikes  
Chicago, IL

We have audited the accompanying financial statements of Working Bikes (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Working Bikes as of December 31, 2016, 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.

*Desmond & Ahern, Ltd*

April 7, 2017  
Chicago, IL

**WORKING BIKES**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2016**

**Assets**

Current assets

Cash and cash equivalents	\$ 74,960
Prepaid expenses	4,301
Inventory	372,675
Total current assets	<u>451,936</u>

Land	118,460
Buildings and improvements	478,248
Furniture and fixtures	9,700
Vehicles	3,500
	<u>609,908</u>
Less accumulated depreciation	(85,509)
Net property and equipment	<u>524,399</u>
<b>Total Assets</b>	<b><u>\$ 976,335</u></b>

**Liabilities and Net Assets**

Current Liabilities

Accrued expenses	\$ 943
Total liabilities	<u>943</u>

Net Assets

Unrestricted	<u>975,392</u>
Total net assets	<u>975,392</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 976,335</u></b>

See independent auditor's report and notes to financial statements.

**WORKING BIKES**  
**STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2016**

**Public Support and Revenue**

Bicycle sales	\$ 580,664
Cost of goods sold	(337,572)
Bicycle sales, net	<u>243,092</u>
Contributions	
Corporate and foundations	38,202
Individuals	34,583
In-kind revenue	
Bikes and associated inventory	582,286
Miscellaneous	4,325
<b>Total Revenue</b>	<u><u>902,488</u></u>

**Expenses**

Program services	745,692
Management and general	45,324
Fundraising	15,818
<b>Total Expenses</b>	<u><u>806,834</u></u>

**Change in net assets** 95,654

**Unrestricted net assets**

Beginning of year	<u>879,738</u>
End of year	<u><u>\$ 975,392</u></u>

See independent auditor's report and notes to financial statements.

**WORKING BIKES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**December 31, 2016**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 249,908	\$ 16,715	\$ 2,710	\$ 269,333
Payroll taxes and benefits	26,161	1,750	284	28,195
Donated bikes	334,858	-	-	334,858
Professional fees	-	8,100	-	8,100
Fees	-	8,962	-	8,962
Travel	3,130	348	-	3,478
Fuel and shipping	26,014	-	11,881	37,895
Licenses	901	-	-	901
Interest	8,881	987	-	9,868
Insurance	9,288	1,032	-	10,320
Telephone	2,709	181	29	2,919
Volunteer meals	6,088	407	66	6,561
Advertising	24	2	-	26
Miscellaneous	863	-	575	1,438
Office expense	13,838	834	135	14,807
Repairs and maintenance	12,327	824	134	13,285
Dues and subscriptions	347	23	4	374
Equipment rental	3,926	-	-	3,926
Utilities	5,529	614	-	6,143
Real estate taxes	19,017	2,113	-	21,130
Depreciation	21,883	2,432	-	24,315
<b>Total Expenses</b>	<u>\$ 745,692</u>	<u>\$ 45,324</u>	<u>\$ 15,818</u>	<u>\$ 806,834</u>

See independent auditor's report and notes to financial statements.

**WORKING BIKES**  
**STATEMENT OF CASH FLOW**  
**December 31, 2016**

**Cash Flows from Operating Activities**

Increase in net assets	\$ 95,654
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	24,315
Changes in assets - Decrease (Increase)	
Accounts receivable	1,000
Prepaid expenses	21,250
Inventory	(56,251)
Changes in liabilities - Increase (Decrease)	
Accrued expenses	943
Net cash provided by operating activities	<u>86,911</u>

**Cash Flows from Financing Activities**

Principal payments on loans	<u>(215,952)</u>
Net cash used in financing activities	<u>(215,952)</u>

<b>Net decrease in cash and equivalents</b>	(129,041)
<b>Cash and equivalents, beginning of year</b>	<u>204,001</u>
<b>Cash and equivalents, end of year</b>	<u><u>\$ 74,960</u></u>

See independent auditor's report and notes to financial statements.

**WORKING BIKES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

Organization

Working Bikes (the Organization) was founded in 1999 as a not-for-profit corporation in Illinois. The Organization rescues discarded bicycles and gives them new life by redistributing them as tools of empowerment in local and global communities.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

As required by the generally accepted accounting principles for Not-for-Profit accounting, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of December 31, 2016, the Organization had no permanently or temporarily restricted net assets.

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 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.

Cash and Cash Equivalents

The Organization maintains its cash in bank deposit accounts which at times may exceed federally insured limits. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents. During the year ended December 31, 2016, \$10,320 of cash was paid for interest. No cash was paid for taxes for the year ended December 31, 2016.

Functional Allocation of Expenses

The costs of providing various programs and other activities has been summarized on a functional basis in the statement of activities and changes in net assets and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services.

**WORKING BIKES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Property and Equipment

Acquisitions of property and equipment in excess of \$4,000 are capitalized. Property and equipment are stated at cost. Depreciation is recorded by the straight-line method over the estimated useful lives ranging from 6 years for furniture, equipment and vehicles to 26 years for buildings and improvements. Depreciation expense was \$24,315 for the year ended December 31, 2016.

Income Taxes

The Organization is exempt from federal income taxes under the provisions of Section 501 (c) (3) of the Internal Revenue Code. Management believes that it did not engage in any unrelated business activities; thus, no provision for income tax has been provided for the financial statements. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they have been filed.

The Organization has adopted the requirements for accounting for uncertain tax positions and management has determined that it was not required to record a liability related to uncertain tax positions as of December 31, 2016.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No services have been received in the year ended December 31, 2016. Additionally, a number of volunteers, including the Board of Directors, have made significant contributions of time to the Organization's programs and support functions, but the value of this contributed time does not meet the above criteria for recognition of contributed services contained per Generally Accepted Accounting Principles.

In-Kind Contributions and Donated Facilities

In addition to receiving cash contributions, the Organization received in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by a like amount. Revenue is recorded at the date of donation. For the year ending December 31, 2016, the Organization received \$582,286 of donated bicycles and associated inventory, of which \$230,088 has been included in Cost of Goods Sold (COGS) with the remaining balance still held in inventory at year end.

Revenue Recognition

Revenue is recognized at the time the goods are sold net of discounts.

**WORKING BIKES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**Note 2 – Inventory**

Donated Bikes are stated at fair value. The Organization uses an inventory management system to value inventory donated to the Organization. Inventory is maintained on the first in, first out, method. Inventory is valued based upon the Organization's fair market policy which values inventory based upon the fair market value. Inventories at December 31, 2016 are as follows:

Bicycle inventory	\$ 303,244
Bicycle parts and supply inventory	<u>69,431</u>
	<u>\$ 372,675</u>

**Note 3 – Subsequent Events**

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Organization has evaluated subsequent events through the date of the report on the financial statements, which is the date the statements were available to be issued.

On January 28, 2017, the Organization entered into a promissory note secured by their main location. The promissory note has a value of \$154,676 at January 28, 2017 with a fixed interest rate of 3.75%, maturing on January 28, 2022. This promissory note is a restructuring of debt to lower borrowing costs and extend the maturity date.