

WORKING BIKES
FINANCIAL STATEMENTS
For the Year Ended
December 31, 2017

WORKING BIKES
Annual Financial Report

Table of Contents

Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 9



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2017, 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, 2017, 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 6, 2018
Chicago, IL

WORKING BIKES
STATEMENT OF FINANCIAL POSITION
December 31, 2017

Assets

Current assets	
Cash and cash equivalents	\$ 143,359
Prepaid expenses	8,611
Inventory	389,533
Total current assets	<u>541,503</u>
Land	118,460
Buildings and improvements	478,248
Furniture and fixtures	9,700
Vehicles	3,500
	<u>609,908</u>
Less accumulated depreciation	<u>(104,787)</u>
Net property and equipment	<u>505,121</u>
Total Assets	<u><u>\$ 1,046,624</u></u>

Liabilities and Net Assets

Current Liabilities	
Accrued expenses	\$ 11,293
Loan payable, current portion	9,597
Total current liabilities	<u>20,890</u>
Other Liabilities	
Loan payable	<u>74,277</u>
Total other liabilities	<u>74,277</u>
Total Liabilities	<u>95,167</u>
Net Assets	
Unrestricted	<u>951,457</u>
Total net assets	<u>951,457</u>
Total Liabilities and Net Assets	<u><u>\$ 1,046,624</u></u>

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

WORKING BIKES
STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

Public Support and Revenue

Bicycle sales	\$ 534,481
Cost of goods sold	(389,188)
	<hr/>
Bicycle sales, net	145,293
	<hr/>
Contributions	
Corporate and foundations	74,834
Individuals	41,972
In-kind revenue	
Bikes and associated inventory	623,307
Services	59,289
Miscellaneous	7,846
	<hr/>
Total Revenue	952,541
	<hr/>

Expenses

Program services	883,742
Management and general	77,642
Fundraising	15,092
	<hr/>
Total Expenses	976,476
	<hr/>

Change in net assets (23,935)

Unrestricted net assets

Beginning of year	<hr/> 975,392
End of year	<hr/> \$ 951,457 <hr/>

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

WORKING BIKES
STATEMENT OF FUNCTIONAL EXPENSES
December 31, 2017

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 324,063	\$ 24,889	\$ 1,511	\$ 350,463
Payroll taxes and benefits	45,690	3,509	213	49,412
Donated bikes	360,727	-	-	360,727
Professional fees	-	28,041	-	28,041
Fees	-	9,951	-	9,951
Travel	7,972	886	-	8,858
Fuel and shipping	26,144	-	12,444	38,588
Licenses	1,274	-	-	1,274
Interest	3,779	420	-	4,199
Insurance	11,574	1,277	-	12,851
Telephone	2,086	160	10	2,256
Volunteer meals	10,893	835	51	11,779
Advertising	44,603	3,426	208	48,237
Miscellaneous	293	-	561	854
Office expense	8,520	654	40	9,214
Repairs and maintenance	11,585	890	54	12,529
Dues and subscriptions	34	3	-	37
Equipment rental	200	-	-	200
Utilities	6,956	772	-	7,728
Depreciation	17,349	1,929	-	19,278
Total Expenses	\$ 883,742	\$ 77,642	\$ 15,092	\$ 976,476

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

WORKING BIKES
STATEMENT OF CASH FLOW
December 31, 2017

Cash Flows from Operating Activities

Increase in net assets	\$ (23,935)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	19,278
Changes in assets - Decrease (Increase)	
Prepaid expenses	(8,611)
Inventory	(16,858)
Changes in liabilities - Increase (Decrease)	
Accrued expenses	14,651
Net cash used in operating activities	<u>(15,475)</u>

Cash Flows from Financing Activities

Payments on term loan	(70,801)
Proceeds from issuance of debt	154,675
Net cash provided by financing activities	<u>83,874</u>

Net increase in cash and equivalents	68,399
Cash and equivalents, beginning of year	74,960
Cash and equivalents, end of year	<u>\$ 143,359</u>

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

**WORKING BIKES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017, 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, 2017, \$4,199 of cash was paid for interest. No cash was paid for taxes for the year ended December 31, 2017.

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, 2017**

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 \$19,277 for the year ended December 31, 2017.

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, 2017.

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. Services in the amount of \$59,289 have been received in the year ended December 31, 2017. 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, 2017, the Organization received \$623,307 of donated bicycles and associated inventory, of which \$173,811 has been included in Cost of Goods Sold (COGS) with the remaining balance still held in inventory at year end.

WORKING BIKES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

Revenue Recognition

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

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.

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, 2017 are as follows:

Bicycle inventory	\$ 367,755
Bicycle parts and supply inventory	<u>60,693</u>
	<u><u>\$ 428,448</u></u>

Note 3 – Long Term Debt

Long-term debt consists of the following at December 31, 2017:

Promissory note payable to Mutual Federal Bank, due in monthly payments of \$800 and remaining amount as a one-time balloon payment maturing on January 28, 2022. Interest is computed at 3.75%. The promissory note is secured by the building and land.	<u><u>\$ 83,874</u></u>
---	-------------------------

Principal maturities of notes are as follows for the years ended December 31:

2018	\$ 9,597
2019	9,597
2020	9,597
2021	9,597
2022	<u>45,486</u>
	83,874
Less current portion	<u>(9,597)</u>
	<u><u>\$ 74,277</u></u>