

**WORKING BIKES**  
**FINANCIAL STATEMENTS**  
**December 31, 2019**  
**And for the Year Then Ended**

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

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# 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, 2019, 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, 2019, 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 20, 2020  
Chicago, IL

**WORKING BIKES**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2019**

**Assets**

|                                |                                   |
|--------------------------------|-----------------------------------|
| Current assets                 |                                   |
| Cash and equivalents           | \$ 184,369                        |
| Accounts and grants receivable | 4,672                             |
| Inventory                      | 385,906                           |
| Total current assets           | <u>574,947</u>                    |
| Land                           | 118,460                           |
| Buildings and improvements     | 482,248                           |
| Furniture and fixtures         | 9,700                             |
| Vehicles                       | 3,500                             |
|                                | <u>613,908</u>                    |
| Less accumulated depreciation  | <u>(143,342)</u>                  |
| Net property and equipment     | <u>470,566</u>                    |
| <b>Total Assets</b>            | <b><u><u>\$ 1,045,513</u></u></b> |

**Liabilities and Net Assets**

|   |                                   |
|---|-----------------------------------|
| Current Liabilities                     |                                   |
| Accrued expenses                        | \$ 3,687                          |
| <b>Total Liabilities</b>                | <u>3,687</u>                      |
| Net Assets                              |                                   |
| Without donor restrictions              | <u>1,041,826</u>                  |
| Total net assets                        | <u>1,041,826</u>                  |
| <b>Total Liabilities and Net Assets</b> | <b><u><u>\$ 1,045,513</u></u></b> |

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

**WORKING BIKES**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2019**

**Public Support and Revenue**

|  |                     |
|--|---------------------|
| Bicycle sales                          | \$ 611,297          |
| Cost of goods sold                     | (372,118)           |
|  | <hr/>               |
| Bicycle sales, net                     | 239,179             |
|  | <hr/>               |
| Contributions                          |                     |
| Corporate and foundations              | 62,584              |
| Individuals                            | 66,212              |
| Other revenue                          |                     |
| Donated bikes and associated inventory | 585,773             |
| In-kind services                       | 97,333              |
| Miscellaneous                          | 6,778               |
|  | <hr/>               |
| <b>Total Revenue</b>                   | <b>1,057,859</b>    |
|  | <hr/>               |
| <b><u>Expenses</u></b>                 |                     |
| Program services                       | 1,038,828           |
| Management and general                 | 55,466              |
| Fundraising                            | 3,705               |
|  | <hr/>               |
| <b>Total Expenses</b>                  | <b>1,097,999</b>    |
|  | <hr/>               |
| <b>Change in net assets</b>            | <b>(40,140)</b>     |
| <b>Net assets</b>                      |                     |
| <b>Beginning of year</b>               | <b>1,081,966</b>    |
|  | <hr/>               |
| <b>End of year</b>                     | <b>\$ 1,041,826</b> |
|  | <hr/> <hr/>         |

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

**WORKING BIKES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2019**

|                            | <u>Program</u>      | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>        |
|----------------------------|---------------------|-----------------------------------|--------------------|---------------------|
| Salaries and wages         | \$ 362,578          | \$ 19,432                         | \$ 736             | \$ 382,746          |
| Payroll taxes and benefits | 49,194              | 2,636                             | 100                | 51,930              |
| Advertising                | 98,376              | -                                 | -                  | 98,376              |
| Donated bikes              | 424,024             | -                                 | -                  | 424,024             |
| Equipment                  | 960                 | 51                                | 2                  | 1,013               |
| Fuel and shipping          | 34,801              | -                                 | 2,832              | 37,633              |
| Insurance                  | 12,520              | 1,391                             | -                  | 13,911              |
| License and fees           | -                   | 13,428                            | -                  | 13,428              |
| Miscellaneous              | 1,310               | 145                               | -                  | 1,455               |
| Office expense             | 3,109               | 167                               | 6                  | 3,282               |
| Professional fees          | -                   | 13,277                            | -                  | 13,277              |
| Repairs and maintenance    | 9,102               | 810                               | 7                  | 9,919               |
| Telephone                  | 1,984               | 106                               | 4                  | 2,094               |
| Travel                     | 2,310               | 257                               | -                  | 2,567               |
| Volunteer meals            | 9,023               | 484                               | 18                 | 9,525               |
| Utilities                  | 12,038              | 1,337                             | -                  | 13,375              |
| Interest                   | 150                 | 17                                | -                  | 167                 |
| Depreciation               | 17,349              | 1,928                             | -                  | 19,277              |
| <b>Total Expenses</b>      | <u>\$ 1,038,828</u> | <u>\$ 55,466</u>                  | <u>\$ 3,705</u>    | <u>\$ 1,097,999</u> |

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

**WORKING BIKES**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2019**

**Cash Flows from Operating Activities**

|  |                 |
|--|-----------------|
| Decrease in net assets   | \$ (40,140)     |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                 |
| Depreciation   | 19,277          |
| Changes in assets - Decrease (Increase)  |                 |
| Accounts receivable  | 20,320          |
| Inventory  | 65,455          |
| Changes in liabilities - Increase (Decrease)   |                 |
| Accrued expenses   | <u>(11,525)</u> |
| Net cash provided by operating activities  | <u>53,387</u>   |

**Cash Flows from Investing Activities**

|                                       |                |
|---------------------------------------|----------------|
| Purchases of fixed assets             | <u>(4,000)</u> |
| Net cash used by investing activities | <u>(4,000)</u> |

**Cash Flows from Financing Activities**

|                                       |                |
|---------------------------------------|----------------|
| Payments on term loan                 | <u>(7,795)</u> |
| Net cash used by financing activities | <u>(7,795)</u> |

|  |                   |
|--|-------------------|
| <b>Net increase in cash and equivalents</b>    | 41,592            |
| <b>Cash and equivalents, beginning of year</b> | <u>142,777</u>    |
| <b>Cash and equivalents, end of year</b>       | <u>\$ 184,369</u> |

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

**WORKING BIKES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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 Presentation

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, payable, and other liabilities.

As required by the generally accepted accounting principles (GAAP) for Not-for-Profit accounting, the Organization is required to report information regarding its financial position and activities according to two classes:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Such gifts include gifts without restrictions, including an investment account designated by the Board to function as restricted and restricted gifts whose donor-imposed restrictions were met during the fiscal year.

With donor restrictions of net assets – Net assets subject to donor-imposed restrictions which will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Restrictions that have been met on net assets with donor restrictions are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift is to be held in perpetuity and that only the income be made available for programs.

For the year ended December 31, 2019, the Organization had no net assets with donor restrictions.

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.

**WORKING BIKES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

Cash and Cash Equivalents

The Organization maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Organization has never experienced such losses in these accounts. For purposes of the statement of cash flows, the Organization considers all highly liquid investments and debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents.

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 the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services.

The financial statements report certain categories of expenses that are attributable to one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses include salaries and benefits which are allocated on the basis of estimates of time.

Statement of Cash Flows

Cash paid for interest expense was \$167 and no amount was paid for income tax during the year ended December 31, 2019.

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, 2019.

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, 2019.

**WORKING BIKES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

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 \$97,333 have been received in the year ended December 31, 2019. 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, 2019, the Organization received \$585,773 of donated bicycles and associated inventory, of which approximately \$424,000 has been included in Cost of Goods Sold (COGS) with the remaining balance still held in inventory at year end.

Accounts Receivable

Accounts receivable consists of unconditional promises to give by donors and other payments. Unconditional promises to give are recorded in the year the promises are made. Accounts receivable are carried net of allowance for doubtful accounts. The Organization records an allowance for doubtful accounts based on specifically identified amounts that are not certain to be collected. Management has deemed an allowance for doubtful accounts not to be necessary at December 31, 2019.

Revenue Recognition

Revenue from sales is recognized at the time the goods are sold.

Support and Other Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

**WORKING BIKES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

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’s operations could be significantly impacted by the novel coronavirus pandemic after the Organization fiscal year end of December 31, 2019. Management is maintaining operations to the extent possible however some operations may be affected. The value of several of the Organization’s net assets could be affected by this crisis. It is not possible to reasonably estimate the effect of this Crisis on the Organization or whether would be material to the Organization's financial statements at December 31, 2019.

The Organization has evaluated subsequent events through April 20, 2020, which is the date the financial statements were available to be issued. No other subsequent events have been identified that are required to be disclosed as of that date.

Adoption of New Accounting Standard

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “*Revenue from Contracts with Customers (Topic 606)*”. Topic 606 supersedes the revenue recognition requirements in Accounting Standards Codification (“ASC”) Topic 605, “*Revenue Recognition (Topic 605)*”, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the considerations to which the entity expects to be entitled to in exchange for those goods and services.

The Organization adopted the requirements of ASU 2014-09 as of January 1, 2019. The update addresses the complexity of revenue recognition and provides sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. No cumulative-effect adjustment to net assets was recorded because the adoption did not impact the Organization’s reported historical revenue.

Revenue recognition related to sales and contributions remained substantially unchanged.

**Note 2 – Financial Assets and Liquidity Resources**

As of December 31, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

|  |                   |
|--|-------------------|
| Financial assets, at year-end:   |                   |
| Cash and equivalents   | \$ 184,369        |
| Accounts and grants receivable   | 4,672             |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 189,041</u> |

**WORKING BIKES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 2 – Financial Assets and Liquidity Resources (cont.)**

The Organization obtains bicycles, refurbishes, and resells them as well as receives unrestricted contributions from individual, corporation, and foundation donors to meet cash needs for general operating purposes. The Organization manages its liquidity and reserves by operating with a balanced budget while anticipating sufficient sales and contributions to cover general expenditures.

**Note 3 – 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 a weighted-average cost basis. Inventory is valued based upon the Organization’s fair market policy which values inventory based upon the fair market value.

Inventories at December 31, 2019 are as follows:

|                                    |                   |
|------------------------------------|-------------------|
| Bicycle inventory                  | \$ 324,967        |
| Bicycle parts and supply inventory | <u>60,939</u>     |
|                                    | <u>\$ 385,906</u> |

**Note 4 – Long Term Debt**

Long-term debt consisted of a 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 with an interest rate computed at 3.75%. The promissory note was secured by the building and land. The promissory note was paid in full during March 2019 and as of December 31, 2019 there were no other outstanding long-term debt obligations.