

**WORKING BIKES**  
**FINANCIAL STATEMENTS**  
**December 31, 2018**  
**And for the Year Then Ended**

**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 - 11



# 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, 2018, 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, 2018, 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.

***Emphasis of Matter***

As discussed in note 2 to the financial statements, in 2018, Working Bikes adopted Accounting Standards Update No. 2016-14, *Non-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The requirements of the ASU have been applied retrospectively to all periods. Our opinion is not modified with respect to this matter.

*Desmond & Ahern, Ltd*

May 9, 2019  
Chicago, IL

**WORKING BIKES**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2018**

**Assets**

Current assets	
Cash and equivalents	\$ 142,777
Accounts and grants receivable, net	24,991
Inventory	451,361
Total current assets	<u>619,129</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>(124,064)</u>
Net property and equipment	<u>485,844</u>
<b>Total Assets</b>	<b><u><u>\$ 1,104,973</u></u></b>

**Liabilities and Net Assets**

Current Liabilities	
Accrued expenses	\$ 15,212
Loan payable, current portion	7,795
Total current liabilities	<u>23,007</u>
<b>Total Liabilities</b>	<b><u>23,007</u></b>
Net Assets	
Without donor restrictions	<u>1,081,966</u>
Total net assets	<u>1,081,966</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 1,104,973</u></u></b>

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

**WORKING BIKES**  
**STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2018**

**Public Support and Revenue**

Bicycle sales	\$ 588,285
Cost of goods sold	(341,645)
	<hr/>
Bicycle sales, net	246,640
	<hr/>
Contributions	
Corporate and foundations	73,710
Individuals	42,205
Other revenue	
Donated bikes and associated inventory	613,708
In-kind services	57,888
Miscellaneous	9,372
	<hr/>
<b>Total Revenue</b>	<b>1,043,523</b>
	<hr/>
<b><u>Expenses</u></b>	
Program services	847,800
Management and general	61,513
Fundraising	3,701
	<hr/>
<b>Total Expenses</b>	<b>913,014</b>
	<hr/>
<b>Change in net assets</b>	<b>130,509</b>
<b>Net assets</b>	
<b>Beginning of year</b>	<b>951,457</b>
	<hr/>
<b>End of year</b>	<b>\$ 1,081,966</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, 2018**

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 316,856	\$ 20,609	\$ 644	\$ 338,109
Payroll taxes and benefits	45,893	2,985	93	48,971
Donated bikes	317,390	-	-	317,390
Professional fees	-	22,785	-	22,785
Fees	-	8,424	-	8,424
Travel	2,125	236	-	2,361
Fuel and shipping	36,315	-	2,911	39,226
Licenses	1,520	-	-	1,520
Interest	1,729	192	-	1,921
Insurance	11,912	1,324	-	13,236
Telephone	1,840	120	4	1,964
Volunteer meals	10,675	694	22	11,391
Advertising	1,087	-	-	1,087
Miscellaneous	514	57	-	571
Office expense	7,497	508	15	8,020
Repairs and maintenance	5,674	369	12	6,055
Utilities	11,536	1,282	-	12,818
In-kind	57,888	-	-	57,888
Depreciation	17,349	1,928	-	19,277
<b>Total Expenses</b>	<b>\$ 847,800</b>	<b>\$ 61,513</b>	<b>\$ 3,701</b>	<b>\$ 913,014</b>

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

**WORKING BIKES**  
**STATEMENT OF CASH FLOW**  
**For the year ended December 31, 2018**

**Cash Flows from Operating Activities**

Increase in net assets	\$ 130,509
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	19,277
Changes in assets - Decrease (Increase)	
Accounts receivable	(24,991)
Prepaid expenses	8,611
Inventory	(61,828)
Changes in liabilities - Increase (Decrease)	
Accrued expenses	3,919
Net cash provided in operating activities	<u>75,497</u>

**Cash Flows from Financing Activities**

Payments on term loan	<u>(76,079)</u>
Net cash used by financing activities	<u>(76,079)</u>

<b>Net decrease in cash and equivalents</b>	(582)
<b>Cash and equivalents, beginning of year</b>	<u>143,359</u>
<b>Cash and equivalents, end of year</b>	<u><u>\$ 142,777</u></u>

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

**WORKING BIKES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**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, 2018, 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, 2018**

**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 \$1,921 and no amount was paid for income tax during the year ended December 31, 2018.

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, 2018.

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, 2018.

**WORKING BIKES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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 \$57,888 have been received in the year ended December 31, 2018. 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, 2018, the Organization received \$613,708 of donated bicycles and associated inventory, of which approximately \$317,000 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 an 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 to be \$3,000 at December 31, 2018.

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 May 9, 2019, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

**WORKING BIKES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

Non-for-Profit Financial Statement Presentation

During 2018, the Organization adopted Accounting Standards Update (“ASU”) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The other main provisions of this guidance that may impact the Organization are: presentation of two classes of net assets versus the previously required three; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

No reclassification of 2017 net assets were necessary by the adoption of ASU No. 2016-14 by the Organization as of December 31, 2018.

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

As of December 31, 2018, 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	\$ 142,777
Accounts and grants receivable	<u>27,991</u>
Total financial assets, at year-end	<u>170,768</u>
Less amounts not available to be used within one year:	
Allowance for doubtful accounts	<u>(3,000)</u>
Financial assets not available to be used within one year	<u>(3,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 167,768</u>

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 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.

**WORKING BIKES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**Note 3 – Inventory (cont.)**

Inventories at December 31, 2018 are as follows:

Bicycle inventory	\$ 357,509
Bicycle parts and supply inventory	<u>93,852</u>
	<u>\$ 451,361</u>

**Note 4 – Long Term Debt**

Long-term debt consists of the following at December 31, 2018:

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>\$ 7,795</u>
---	-----------------

Principal maturities of the note for the year ending December 31, 2019 are \$7,795 in which the final payment was made in March 2019 that provided full satisfaction of any outstanding long-term debt obligations against the Organization.