

WORKING BIKES
FINANCIAL STATEMENTS
December 31, 2020
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, 2020, 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, 2020, 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

May 13, 2021
Chicago, IL

WORKING BIKES
STATEMENT OF FINANCIAL POSITION
December 31, 2020

Assets

Current assets

Cash and equivalents	\$ 200,305
Accounts and grants receivable	8,500
Inventory	403,154
Total current assets	<u>611,959</u>

Land	118,460
Buildings and improvements	569,813
Furniture and fixtures	9,700
Vehicles	3,500
	<u>701,473</u>

Less accumulated depreciation (164,456)

Net property and equipment 537,017

Total Assets **\$ 1,148,976**

Liabilities and Net Assets

Current Liabilities

Accrued expenses	\$ 4,058
	<u>4,058</u>

Total Liabilities **4,058**

Net Assets

Without donor restrictions	1,144,918
	<u>1,144,918</u>

Total net assets 1,144,918

Total Liabilities and Net Assets **\$ 1,148,976**

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

WORKING BIKES
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Public Support and Revenue

Bicycle sales	\$ 560,855
Cost of goods sold	(292,456)
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Bicycle sales, net	268,399
	<hr/>
Contributions	
Corporate and foundations	87,589
Individuals	74,181
Government grants	92,120
Other revenue	
Donated bikes and associated inventory	423,834
In-kind services	88,848
Miscellaneous	3,781
	<hr/>
Total Revenue	1,038,752
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<u>Expenses</u>	
Program services	834,228
Management and general	96,609
Fundraising	4,823
	<hr/>
Total Expenses	935,660
	<hr/>
Change in net assets	103,092
Net assets	
Beginning of year	1,041,826
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End of year	\$ 1,144,918
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See independent auditor's report and notes to financial statements.

WORKING BIKES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 392,058	\$ 19,044	\$ 2,898	\$ 414,000
Payroll taxes and benefits	62,656	3,044	463	66,163
Advertising	90,625	-	-	90,625
Donated bikes	216,532	-	-	216,532
Equipment	1,296	63	10	1,369
Fuel and shipping	17,117	-	1,381	18,498
Insurance	14,326	1,592	-	15,918
License and fees	-	15,619	-	15,619
Office expense	3,125	152	23	3,300
Professional fees	-	11,027	-	11,027
Repairs and maintenance	2,821	42,557	21	45,399
Telephone	1,640	80	12	1,732
Travel	227	25	-	252
Volunteer meals	2,047	100	15	2,162
Utilities	10,754	1,195	-	11,949
Depreciation	19,004	2,111	-	21,115
Total Expenses	\$ 834,228	\$ 96,609	\$ 4,823	\$ 935,660

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

WORKING BIKES
STATEMENT OF CASH FLOWS
For the year ended December 31, 2020

Cash Flows from Operating Activities

Increase in net assets	\$ 103,092
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	21,115
Changes in assets - Decrease (Increase)	
Accounts receivable	(3,828)
Inventory	(17,248)
Changes in liabilities - Increase (Decrease)	
Accrued expenses	371
Net cash provided by operating activities	<u>103,502</u>

Cash Flows from Investing Activities

Purchases of fixed assets	<u>(87,566)</u>
Net cash used by investing activities	<u>(87,566)</u>

Cash Flows from Financing Activities

Proceeds from PPP loan	82,120
Proceeds from EIDL grant	10,000
Receipts from SBA government grants	<u>(92,120)</u>
Net cash used by financing activities	<u>-</u>

Net increase in cash and equivalents	15,936
Cash and equivalents, beginning of year	<u>184,369</u>
Cash and equivalents, end of year	<u><u>\$ 200,305</u></u>

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

**WORKING BIKES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020, 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, 2020

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

The Organization did not pay any amounts for interest or income tax during the year ended December 31, 2020.

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 \$21,115 for the year ended December 31, 2020.

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, 2020.

WORKING BIKES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

Advertising

Advertising costs are expensed as incurred. For the year ended December 31, 2020, the amount charged to expense was \$90,625.

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 \$88,848 have been received in the year ended December 31, 2020. 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, 2020, the Organization received \$423,834 of donated bicycles and associated inventory, of which approximately \$216,500 has been expensed 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, 2020.

Revenue Recognition

Revenue related to sales of bikes and accessories is recognized when control of these items is transferred to its customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for that product. Sales taxes the Organization collects concurrent with these sales are excluded from revenue. Shipping and handling fees charged to customers are reported within revenue. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale.

**WORKING BIKES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Performance Obligations

For performance obligations related to sale bikes and accessories, control transfers to the customer at a point in time. The Organization’s principal terms of sale for these sales are at the time of sale or FOB Shipping Point and the Organization transfers control and records revenue for product sales upon shipment. Terms of sale for services are to record revenue at time service is provided.

Support and Other Revenue

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return- are not recognized until the conditions on which they depend have been met. 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, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ending September 30, 2020 no such gifts of land, buildings, or equipment were received.

The Organization recognizes contract revenue at an amount that reflects consideration to which the Organization expects to be entitled to in exchange for transferring goods or services to a customer. The Organization is not currently engaged if this type of contract, which is based on performance reporting. All contracts recognize revenue in accordance with ASU No. 2014-09 and prior year revenues have been retrospectively adjusted. There was no contract revenue recorded in 2020 for any performance obligations met in the prior year.

For performance reporting contracts, a customer pays the agreed upon amounts after the completion and submission of specified deliverables in the contract. For these contracts, the Organization will allocate the transaction price of the contract to the specific performance obligations based on the contract. The Organization recognizes revenue when the performance obligations are met and delivered to the customer. The Organization had no contracts during 2020 that were performance reporting contracts. There are no contract assets or liabilities.

**WORKING BIKES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 has evaluated subsequent events through May 13, 2021, 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.

Note 2 – Financial Assets and Liquidity Resources

As of December 31, 2020, 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	\$ 200,305
Accounts and grants receivable	<u>8,500</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 208,805</u>

The Organization obtains bicycles, refurbishes, and resells them as well as receives 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. As of December 31, 2020 the level of liquidity and reserves was managed within their policy requirements.

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, 2020 are as follows:

Bicycle inventory	\$ 345,621
Bicycle parts and supply inventory	<u>57,533</u>
	<u>\$ 403,154</u>

**WORKING BIKES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 4 – Paycheck Protection Loan

On May 12, 2020, the Organization received loan proceeds in the amount of \$82,120 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization has used the proceeds for purposes consistent with the PPP and elected to follow ASC 958-605 and record the loan as a refundable advance where when forgiveness conditions are substantially met or explicitly waived, the entity would reduce the refundable advance and record a contribution for the amount forgiven. The Organization has recognized the full amount of \$82,120 as a government contribution for the year ended December 31, 2020.

Note 5 – Economic Injury Disaster Loan

On April 14, 2020, the Organization executed the standard loan documents required for securing an Economic Injury Disaster Loan (the “EIDL”) from the Small Business Administration (“SBA”) under its assistance program in light of the impact of the Coronavirus 19 (“COVID-19”) pandemic on the Organization’s business.

Pursuant to the Loan Authorization and Agreement (the “SBA Loan Agreement”), the EIDL proceeds are to be used for working capital purposes. Interest accrues at the rate of 2.75% per annum only on funds advanced under the loan and installment payments, which include principal and interest, that are due monthly. The loan matures in 30 years. The Organization received a \$10,000 advance, which does not have to be repaid. The grant was recognized as a government contribution for the year ended December 31, 2020.