

WORKING BIKES
FINANCIAL STATEMENTS
December 31, 2021
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 - 12



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors of
Working Bikes
Chicago, IL

Opinion

We have audited the accompanying financial statements of Working Bikes (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Working Bikes and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Working Bikes' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Working Bikes' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Working Bikes' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Desmond & Ahern, Ltd

May 13, 2022
Chicago, IL

WORKING BIKES
STATEMENT OF FINANCIAL POSITION
December 31, 2021

Assets

Current assets

Cash and equivalents	\$ 286,377
Accounts and grants receivable	60,562
Inventory	418,902
Total current assets	<u>765,841</u>

Land	118,460
Buildings and improvements	569,813
Furniture and fixtures	9,700
Vehicles	11,000
	<u>708,973</u>
Less accumulated depreciation	<u>(186,544)</u>
Net property and equipment	<u>522,429</u>
Total Assets	<u><u>\$ 1,288,270</u></u>

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 12,387
Total current liabilities	<u>12,387</u>

Total Liabilities	<u>12,387</u>
--------------------------	----------------------

Net Assets

Without donor restrictions	<u>1,275,883</u>
Total net assets	<u>1,275,883</u>

Total Liabilities and Net Assets	<u><u>\$ 1,288,270</u></u>
---	-----------------------------------

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

WORKING BIKES
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

Public Support and Revenue

Bicycle sales	\$ 670,992
Cost of goods sold	<u>(322,855)</u>
Bicycle sales, net	<u>348,137</u>
Contributions	
Corporate and foundations	113,769
Individuals	98,123
Government grants	86,510
Other revenue	
Donated bikes and associated inventory	522,089
In-kind services	67,873
Miscellaneous	<u>3,888</u>
Total Revenue	<u>1,240,389</u>
<u>Expenses</u>	
Program services	1,038,542
Management and general	66,901
Fundraising	<u>3,981</u>
Total Expenses	<u>1,109,424</u>
Change in net assets	130,965
Net assets - beginning of year	<u>1,144,918</u>
Net assets - end of year	<u>\$ 1,275,883</u>

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

WORKING BIKES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 470,595	\$ 23,423	\$ 1,189	\$ 495,207
Payroll taxes and benefits	66,609	3,316	168	70,093
Advertising	68,453	-	-	68,453
Donated bikes	337,657	-	-	337,657
Equipment	4,016	201	10	4,227
Fuel and shipping	17,888	-	2,384	20,272
Insurance	9,077	1,008	-	10,085
License and fees	-	21,456	-	21,456
Miscellaneous	10,837	1,177	169	12,183
Office expense	1,392	69	4	1,465
Professional fees	-	11,752	-	11,752
Repairs and maintenance	13,123	749	33	13,905
Telephone	2,724	136	7	2,867
Travel and parking	576	64	-	640
Volunteer meals	6,609	329	17	6,955
Utilities	9,107	1,012	-	10,119
Depreciation	19,879	2,209	-	22,088
Total Expenses	\$ 1,038,542	\$ 66,901	\$ 3,981	\$ 1,109,424

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

WORKING BIKES
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

Cash Flows from Operating Activities

Increase in net assets	\$ 130,965
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	22,088
Changes in assets - Decrease (Increase)	
Accounts receivable	(52,062)
Inventory	(15,748)
Changes in liabilities - Increase (Decrease)	
Accrued expenses	8,329
Net cash provided by operating activities	<u>93,572</u>

Cash Flows from Investing Activities

Purchases of fixed assets	<u>(7,500)</u>
Net cash used by investing activities	<u>(7,500)</u>

Net increase in cash and equivalents	86,072
Cash and equivalents, beginning of year	<u>200,305</u>
Cash and equivalents, end of year	<u><u>\$ 286,377</u></u>

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

**WORKING BIKES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021, 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, 2021

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, 2021.

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. Land is non-depreciable asset. Depreciation expense was \$22,088 for the year ended December 31, 2021.

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, 2021.

**WORKING BIKES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021, the amount charged to expense was \$68,453.

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 \$67,873 have been received in the year ended December 31, 2021. 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, 2021, the Organization received \$522,089 of donated bicycles and associated inventory, of which approximately \$337,500 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, 2021.

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, 2021

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 December 31, 2021 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 2021 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 2021 that were performance reporting contracts. There are no contract assets or liabilities.

**WORKING BIKES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2022, 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, 2021, 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	\$ 286,377
Accounts and grants receivable	<u>60,562</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 346,939</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, 2021 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, 2021 are as follows:

Bicycle inventory	\$ 358,442
Bicycle parts and supply inventory	<u>60,460</u>
	<u>\$ 418,902</u>

**WORKING BIKES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 4 – Paycheck Protection Loan

During January 2021, the Organization received loan proceeds in the amount of \$86,510 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 \$86,510 as a government contribution for the year ended December 31, 2021.