

**BIKE WORKS SEATTLE**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2016 AND 2015**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Bike Works Seattle  
Seattle, Washington

We have audited the accompanying financial statements of Bike Works Seattle (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 Bike Works Seattle as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Jones & Associates LLC, CPAs*

Jones & Associates, LLC CPAs  
May 15, 2017

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**BIKE WORKS SEATTLE**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 234,952	\$ 198,762
Accounts receivable	7,024	4
Pledges receivable	-	107,000
Inventory	254,775	222,646
Prepaid expenses	36,485	13,495
Total current assets	533,236	541,907
Property and equipment, net	46,943	75,587
	\$ 580,179	\$ 617,494
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 23,451	\$ 14,574
Accrued expenses	11,095	8,766
Unearned income	2,097	2,410
Total current liabilities	36,643	25,750
 <b>NET ASSETS</b>		
Unrestricted	478,036	481,744
Temporarily restricted	65,500	110,000
Total net assets	543,536	591,744
	\$ 580,179	\$ 617,494

**BIKE WORKS SEATTLE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 316,978	\$ 34,000	\$ 350,978
In-kind contributions	413,887	-	413,887
Grants	312,940	-	312,940
Special events, net of costs	134,704	31,500	166,204
Shop sales, net of cost of sales	167,914	-	167,914
Program income	91,677	-	91,677
Investment return and other	14,608	-	14,608
	<u>1,452,708</u>	<u>65,500</u>	<u>1,518,208</u>
Net asset released:			
Time restrictions met	110,000	(110,000)	-
	<u>110,000</u>	<u>(110,000)</u>	<u>-</u>
 Total support and revenue	 <u>1,562,708</u>	 <u>(44,500)</u>	 <u>1,518,208</u>
<b>EXPENSES</b>			
Program services	1,195,760	-	1,195,760
Management and general	258,585	-	258,585
Fundraising	112,071	-	112,071
Total expenses	<u>1,566,416</u>	<u>-</u>	<u>1,566,416</u>
 CHANGE IN NET ASSETS	 (3,708)	 (44,500)	 (48,208)
<b>NET ASSETS</b>			
Beginning of the year	481,744	110,000	591,744
End of the year	<u>\$ 478,036</u>	<u>\$ 65,500</u>	<u>\$ 543,536</u>

**BIKE WORKS SEATTLE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2015**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 222,446	\$ 19,000	\$ 241,446
In-kind contributions	376,745	-	376,745
Grants	267,264	-	267,264
Special events, net of costs	173,372	3,000	176,372
Shop sales, net of cost of sales	170,104	-	170,104
Program income	93,325	-	93,325
Investment return and other	6,184	-	6,184
	<u>1,309,440</u>	<u>22,000</u>	<u>1,331,440</u>
Net asset released:			
Purpose restrictions met	64,565	(64,565)	-
Time restrictions met	121,000	(121,000)	-
	<u>185,565</u>	<u>(185,565)</u>	<u>-</u>
 Total support and revenue	 <u>1,495,005</u>	 <u>(163,565)</u>	 <u>1,331,440</u>
<b>EXPENSES</b>			
Program services	1,137,629	-	1,137,629
Management and general	185,687	-	185,687
Fundraising	89,106	-	89,106
Total expenses	<u>1,412,422</u>	<u>-</u>	<u>1,412,422</u>
 CHANGE IN NET ASSETS	 82,583	 (163,565)	 (80,982)
<b>NET ASSETS</b>			
Beginning of the year	<u>399,161</u>	<u>273,565</u>	<u>672,726</u>
End of the year	<u>\$ 481,744</u>	<u>\$ 110,000</u>	<u>\$ 591,744</u>

**BIKE WORKS SEATTLE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2016**

	Support Services			Total
	Program	Management and General	Fundraising	
Salaries, wages and related	\$ 747,656	\$ 171,527	\$ 24,603	\$ 943,786
Occupancy	165,575	28,220	658	194,453
Professional services	55,168	17,210	30,859	103,237
Granted to others	64,655	-	-	64,655
Materials, supplies and equipment	36,231	2,010	3,672	41,913
Printing and publications	12,892	3,073	18,380	34,345
Depreciation and amortization	21,180	7,464	-	28,644
Meals and snacks	11,859	7,612	8,421	27,892
Bank charges	11,673	753	7,909	20,335
Facilities maintenance	10,718	4,900	-	15,618
Information technology	6,022	6,100	2,905	15,027
Utilities	12,784	1,374	-	14,158
Insurance	10,776	1,764	-	12,540
Travel	7,857	1,420	466	9,743
Postage and shipping	937	1,031	6,697	8,665
Advertising and promotion	6,256	-	640	6,896
Event entertainment	-	-	5,560	5,560
Taxes	4,706	-	-	4,706
Office expenses	1,095	3,215	213	4,523
Auto maintenance	3,054	-	-	3,054
Fuel	2,447	46	-	2,493
Dues and subscriptions	800	715	800	2,315
Licenses and permits	902	126	288	1,316
Activities and admission	439	25	-	464
Miscellaneous	78	-	-	78
	<u>\$ 1,195,760</u>	<u>\$ 258,585</u>	<u>\$ 112,071</u>	<u>\$ 1,566,416</u>

**BIKE WORKS SEATTLE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2015**

	Program	Support Services		Total
		Management and General	Fundraising	
Salaries, wages and related	\$ 752,172	\$ 128,679	\$ 17,437	\$ 898,288
Occupancy	137,756	23,191	450	161,397
Professional services	44,409	5,868	27,781	78,058
Granted to others	51,285	-	-	51,285
Materials, supplies and equipment	19,371	2,987	2,403	24,761
Printing and publications	15,088	2,286	14,831	32,205
Depreciation and amortization	27,732	-	-	27,732
Meals and snacks	13,910	3,671	3,432	21,013
Bank charges	10,559	1,061	8,624	20,244
Facilities maintenance	6,525	5,621	-	12,146
Information technology	3,117	1,871	2,324	7,312
Utilities	12,273	1,848	-	14,121
Insurance	8,769	1,394	-	10,163
Travel	6,125	2,309	418	8,852
Postage and shipping	748	1,976	2,643	5,367
Advertising and promotion	7,494	216	1,912	9,622
Event entertainment	-	-	5,967	5,967
Taxes	5,037	-	-	5,037
Office expenses	2,246	201	324	2,771
Auto maintenance	8,372	-	-	8,372
Fuel	2,521	78	-	2,599
Dues and subscriptions	872	1,275	300	2,447
Licenses and permits	596	303	260	1,159
Activities and admission	644	178	-	822
Miscellaneous	8	674	-	682
	<u>\$ 1,137,629</u>	<u>\$ 185,687</u>	<u>\$ 89,106</u>	<u>\$ 1,412,422</u>

**BIKE WORKS SEATTLE**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions, special events and grants	\$ 937,122	\$ 819,459
Cash received from shop sales and program income	265,935	311,968
Cash received from interest and other income	14,608	6,184
Cash paid to employees and suppliers	(1,181,475)	(1,097,098)
	36,190	40,513
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(14,093)
	-	(14,093)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	36,190	26,420
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of the year	198,762	172,342
End of the year	\$ 234,952	\$ 198,762
 <b>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (48,208)	\$ (80,982)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	28,644	27,732
Change in:		
Accounts receivable	(7,020)	385
Pledges receivable	107,000	134,377
Inventory	(32,129)	(42,432)
Prepaid expenses	(22,990)	(1,461)
Accounts payable	8,877	4,022
Accrued expenses	2,329	(2,438)
Unearned income	(313)	1,310
	\$ 36,190	\$ 40,513



**BIKE WORKS SEATTLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities** – Bike Works Seattle (the Organization) is a nonprofit that builds sustainable communities by educating and empowering youth and adults and making bicycling accessible and affordable to the Seattle community.

**Basis of Accounting and Presentation** – The Organization reports information regarding its financial position and activities according to three classes of net assets, depending on the existence and nature of donor restrictions: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization had no permanently restricted net assets at December 31, 2016 and 2015.

**Cash and Cash Equivalents** – For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. At December 31, 2016 and 2015, cash and cash equivalents consist of checking, savings and money market accounts.

**Accounts Receivable** – Accounts receivable consist primarily of amounts due from governmental agencies. All account balances are due in less than one year. No allowance for uncollectible balances has been established by management based on the Organization’s historical experience in the collection of balances due.

**Pledges Receivable** – Pledges receivable consist of unconditional promises to give from foundations. All pledge receivable balances are due in less than one year. No allowance for uncollectible balances has been established by management based upon the Organization’s historical experience in the collection of balances due.

**Inventory** – Inventories consist of donated and purchased bikes, parts and program supplies and are stated at the lower of cost, if purchased, or net realizable value, if donated. Cost is determined by the first-in, first-out method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

**Property and Equipment** – Property and equipment is carried at cost. Depreciation is computed using the straight-line method over five years for vehicles and the life of the office lease for leasehold improvements. The Organization follows a policy whereby it capitalizes purchases of property and equipment with a value in excess of \$10,000 that provide future benefits over a period longer than one year.

**Revenue Recognition** – Contributions, grants and special events are recorded as increases in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of any donor restrictions. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. It is the Organization’s policy to recognize restricted contributions in the unrestricted net asset class if the restrictions have been met in the same year.

**BIKE WORKS SEATTLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

Program income and shop sales are recognized in the period in which the related educational instruction, service or sale is performed. Accordingly, fees received for future instruction are deferred until the instruction commences.

**In-kind Contributions** – In-kind contributions include donated bicycles, bicycle parts and program supplies and have an estimated value of \$413,887 and \$376,258 for the years ended December 31, 2016 and 2015, respectively. Donated services related to management and general expense are \$487 for the year ended December 31, 2015.

**Expense Allocation** – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Estimates** – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Income Tax Status** – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Organization files information and tax returns in the U.S. federal jurisdiction, and state and local jurisdictions. The Organization is subject to U.S. federal, state and local examinations by tax authorities for the current year and certain prior years based on applicable laws and regulations.

**Subsequent Events** – Subsequent events were evaluated through the independent auditors' report date, which is the date the financial statements were available to be issued.

**Note 2 – Property and Equipment**

Property and equipment consist of the following at December 31:

	2016	2015
Vehicles	\$ 105,958	\$ 105,958
Leasehold improvements	22,385	22,385
	128,343	128,343
Less accumulated depreciation	(81,400)	(52,756)
	<u>\$ 46,943</u>	<u>\$ 75,587</u>

**BIKE WORKS SEATTLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**Note 3 – Inventory**

Inventory consists of the following at December 31:

	2016	2015
Bikes and other supplies for program use	\$ 124,082	\$ 108,061
New parts	48,625	36,617
Used parts	43,203	47,087
Bikes	38,865	30,881
	\$ 254,775	\$ 222,646

**Note 4 – Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at December 31:

	2016	2015
Equipment purchase	\$ 34,000	\$ -
Time restricted - for use in subsequent year	31,500	110,000
	\$ 65,500	\$ 110,000

**Note 5 – Special Events**

Special events revenue is shown in the statement of activities net of consumable costs that directly benefit the participants of the event. The net revenue is as follows for the years ended December 31:

	2016	2015
Gross special events revenue	\$ 198,643	\$ 213,178
Less cost of direct donor benefits	(32,439)	(36,806)
	\$ 166,204	\$ 176,372

**BIKE WORKS SEATTLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**Note 6 – Shop Sales**

Shop sales of bicycles and bicycle parts are shown in the statement of activities net of cost of sales. The net revenue is as follows for the years ended December 31:

	2016	2015
Gross bicycle shop sales	\$ 595,478	\$ 593,206
Less cost of sales	(427,564)	(423,102)
	<u>\$ 167,914</u>	<u>\$ 170,104</u>

**Note 7 – Lease Commitments**

The Organization leases its shop and office space with a lease term that expires in 2017 and 2019, respectively. Future minimum lease payments under the leases are as follows for the years ending December 31:

2017	\$ 180,892
2018	90,272
2019	77,460
	<u>\$ 348,624</u>

The future minimum lease obligation on the office space is offset by a sublease, with expected future minimum rental income as follows for the years ending December 31:

2017	\$ 24,776
2018	25,256
2019	21,380
	<u>\$ 71,412</u>

**Note 8 – Line of Credit**

The Organization has a \$100,000 unsecured line of credit with a bank that renews each year in September. No amounts have been borrowed on this line of credit in the years ending December 31, 2016 or 2015.