

BIKE WORKS SEATTLE

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2017 AND 2016



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, 2017 and 2016, 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, 2017 and 2016, 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.

A handwritten signature in cursive script that reads "Jones & Associates PLLC, CPAs".

Jones & Associates, PLLC CPAs
May 14, 2018

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BIKE WORKS SEATTLE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 332,558	\$ 234,952
Accounts receivable	-	7,024
Pledges receivable, current	120,417	-
Inventory	289,018	254,775
Prepaid expenses	36,191	36,485
Total current assets	778,184	533,236
Pledges receivable, net of current	100,000	-
Property and equipment, net	77,174	46,943
	\$ 955,358	\$ 580,179
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 23,097	\$ 23,451
Accrued expenses	23,959	11,095
Unearned income	3,370	2,097
Total current liabilities	50,426	36,643
 NET ASSETS		
Unrestricted	647,015	478,036
Temporarily restricted	257,917	65,500
Total net assets	904,932	543,536
	\$ 955,358	\$ 580,179

BIKE WORKS SEATTLE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 472,132	\$ 220,417	\$ 692,549
In-kind contributions	401,825	-	401,825
Grants	350,741	-	350,741
Special events, net of costs	186,949	37,500	224,449
Shop sales, net of cost of sales	169,332	-	169,332
Program income	69,886	-	69,886
Investment return and other	25,164	-	25,164
	<u>1,676,029</u>	<u>257,917</u>	<u>1,933,946</u>
Net asset released:			
Purpose restrictions met	34,000	(34,000)	-
Time restrictions met	31,500	(31,500)	-
	<u>65,500</u>	<u>(65,500)</u>	<u>-</u>
 Total support and revenue	 <u>1,741,529</u>	 <u>192,417</u>	 <u>1,933,946</u>
EXPENSES			
Program services	1,175,456	-	1,175,456
Management and general	288,764	-	288,764
Fundraising	108,330	-	108,330
Total expenses	<u>1,572,550</u>	<u>-</u>	<u>1,572,550</u>
 CHANGE IN NET ASSETS	 168,979	 192,417	 361,396
NET ASSETS			
Beginning of the year	<u>478,036</u>	<u>65,500</u>	<u>543,536</u>
End of the year	<u>\$ 647,015</u>	<u>\$ 257,917</u>	<u>\$ 904,932</u>

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

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
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>
EXPENSES			
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)
NET ASSETS			
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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Support Services			Total
	Program	Management and General	Fundraising	
Salaries, wages and related	\$ 664,997	\$ 196,427	\$ 21,472	\$ 882,896
Occupancy	183,635	31,688	661	215,984
Professional services	55,470	19,866	27,356	102,692
Granted to others	94,482	-	-	94,482
Materials, supplies and equipment	44,052	5,636	3,445	53,133
Printing and publications	15,847	3,904	21,622	41,373
Depreciation and amortization	22,905	4,325	-	27,230
Meals and snacks	8,880	6,549	7,330	22,759
Bank charges	10,569	764	11,413	22,746
Utilities	14,280	1,571	-	15,851
Insurance	12,649	1,251	-	13,900
Facilities maintenance	9,268	3,612	-	12,880
Information technology	3,835	5,363	1,485	10,683
Travel	8,151	203	282	8,636
Postage and shipping	2,962	1,379	3,755	8,096
Event entertainment	-	-	7,363	7,363
Auto maintenance	7,189	-	-	7,189
Advertising and promotion	5,606	931	145	6,682
Office expenses	331	3,515	1,401	5,247
Taxes	5,046	-	-	5,046
Dues and subscriptions	1,572	463	600	2,635
Licenses and permits	1,089	878	-	1,967
Fuel	1,627	-	-	1,627
Activities and admission	1,014	439	-	1,453
	<u>\$ 1,175,456</u>	<u>\$ 288,764</u>	<u>\$ 108,330</u>	<u>\$ 1,572,550</u>

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

	Program	Support Services		Total
		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
Utilities	12,784	1,374	-	14,158
Insurance	10,776	1,764	-	12,540
Facilities maintenance	10,718	4,900	-	15,618
Information technology	6,022	6,100	2,905	15,027
Travel	7,857	1,420	466	9,743
Postage and shipping	937	1,031	6,697	8,665
Event entertainment	-	-	5,560	5,560
Auto maintenance	3,054	-	-	3,054
Advertising and promotion	6,256	-	640	6,896
Office expenses	1,095	3,215	213	4,523
Taxes	4,706	-	-	4,706
Dues and subscriptions	800	715	800	2,315
Licenses and permits	902	126	288	1,316
Fuel	2,447	46	-	2,493
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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, special events and grants	\$ 1,047,322	\$ 937,122
Cash received from shop sales and program income	205,422	265,935
Cash received from interest and other income	25,164	14,608
Cash paid to employees and suppliers	(1,122,841)	(1,181,475)
	155,067	36,190
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(57,461)	-
	(57,461)	-
 NET CHANGE IN CASH AND CASH EQUIVALENTS	97,606	36,190
 CASH AND CASH EQUIVALENTS		
Beginning of the year	234,952	198,762
End of the year	\$ 332,558	\$ 234,952
 RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 361,396	\$ (48,208)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,230	28,644
Change in:		
Accounts receivable	7,024	(7,020)
Pledges receivable	(220,417)	107,000
Inventory	(34,243)	(32,129)
Prepaid expenses	294	(22,990)
Accounts payable	(354)	8,877
Accrued expenses	12,864	2,329
Unearned income	1,273	(313)
	\$ 155,067	\$ 36,190

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016.

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, 2017 and 2016, cash and cash equivalents consist of checking, savings and money market accounts. The Organization maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

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. Pledges receivable that are expected to be collected in more than one year have not been discounted to the present value of estimated cash flows based on the Organization’s determination that the discount would not be material to the financial statements. No allowance for uncollectible balances has been established by management based upon the Organization’s historical experience in the collection of balances due. The \$100,000 in noncurrent pledges receivable is schedule to be collected in 2018.

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.

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

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.

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 \$401,825 and \$413,887 for the years ended December 31, 2017 and 2016, respectively.

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).

Subsequent Events – Subsequent events were evaluated through May 14, 2018, which is the date the financial statements were available to be issued.

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 2 – Property and Equipment

Property and equipment consist of the following at December 31:

	2017	2016
Vehicles	\$ 146,219	\$ 105,958
Leasehold improvements	22,385	22,385
	<u>168,604</u>	<u>128,343</u>
Less accumulated depreciation	(108,630)	(81,400)
	59,974	46,943
Construction in progress	17,200	-
	<u>\$ 77,174</u>	<u>\$ 46,943</u>

Note 3 – Inventory

Inventory consists of the following at December 31:

	2017	2016
Bikes and other supplies for program use	\$ 121,355	\$ 124,082
Bikes	68,685	38,865
New parts	50,340	48,625
Used parts	48,638	43,203
	<u>\$ 289,018</u>	<u>\$ 254,775</u>

Note 4 – Temporarily Restricted Net Assets

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

	2017	2016
Time restricted - for use in subsequent year	\$ 237,500	\$ 31,500
Youth programs	20,417	-
Equipment purchase	-	34,000
	<u>\$ 257,917</u>	<u>\$ 65,500</u>

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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:

	<u>2017</u>	<u>2016</u>
Gross special events revenue	\$ 264,890	\$ 198,643
Less cost of direct donor benefits	<u>(40,441)</u>	<u>(32,439)</u>
	<u>\$ 224,449</u>	<u>\$ 166,204</u>

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:

	<u>2017</u>	<u>2016</u>
Gross bicycle shop sales	\$ 529,064	\$ 595,478
Less cost of sales	<u>(359,732)</u>	<u>(427,564)</u>
	<u>\$ 169,332</u>	<u>\$ 167,914</u>

Note 7 – Lease Commitments

The Organization leases its shop and office space with lease terms that expire in 2020 and 2019, respectively. Lease expense under these agreements was \$198,768 and \$183,875 for the years ending December 31, 2017 and 2016, respectively. Future minimum lease payments under the leases are as follows for the years ending December 31:

2018	\$ 213,479
2019	183,269
2020	<u>16,922</u>
	<u>\$ 413,670</u>

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

2018	\$ 25,256
2019	<u>21,380</u>
	<u>\$ 46,636</u>

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 8 – Line of Credit

The Organization has a \$100,000 unsecured line of credit with a bank that renews each year in October. No amounts have been borrowed on this line of credit in the years ending December 31, 2017 or 2016.

Note 9 – Concentration

At December 31, 2017, one foundation represented 91% of total pledges receivable.