

BIKE WORKS SEATTLE

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2018 AND 2017



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, 2018 and 2017, 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, 2018 and 2017, 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
June 24, 2019

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BIKE WORKS SEATTLE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 470,785	\$ 332,558
Pledges receivable, current	117,917	120,417
Inventory	318,800	289,018
Prepaid expenses	40,859	36,191
Total current assets	948,361	778,184
Pledges receivable, net of current	-	100,000
Property and equipment, net	55,857	77,174
	\$ 1,004,218	\$ 955,358
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 12,856	\$ 23,097
Accrued expenses	20,605	23,959
Unearned income	2,126	3,370
Total current liabilities	35,587	50,426
 NET ASSETS		
Without donor restrictions	750,714	647,015
With donor restrictions	217,917	257,917
Total net assets	968,631	904,932
	\$ 1,004,218	\$ 955,358

BIKE WORKS SEATTLE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 555,439	\$ 102,917	\$ 658,356
In-kind contributions	458,541	-	458,541
Grants	221,680	15,000	236,680
Special events, net of costs	235,991	-	235,991
Shop sales, net of cost of sales	245,193	-	245,193
Program income	73,219	-	73,219
Investment return and other	20,236	-	20,236
	<u>1,810,299</u>	<u>117,917</u>	<u>1,928,216</u>
Net asset released:			
Purpose restrictions met	57,917	(57,917)	-
Time restrictions met	100,000	(100,000)	-
	<u>157,917</u>	<u>(157,917)</u>	<u>-</u>
 Total support and revenue	 <u>1,968,216</u>	 <u>(40,000)</u>	 <u>1,928,216</u>
EXPENSES			
Program services	1,442,664	-	1,442,664
Management and general	311,521	-	311,521
Fundraising	110,332	-	110,332
Total expenses	<u>1,864,517</u>	<u>-</u>	<u>1,864,517</u>
 CHANGE IN NET ASSETS	 103,699	 (40,000)	 63,699
NET ASSETS			
Beginning of the year	<u>647,015</u>	<u>257,917</u>	<u>904,932</u>
End of the year	<u>\$ 750,714</u>	<u>\$ 217,917</u>	<u>\$ 968,631</u>

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

	Without Donor Restrictions	With Donor Restrictions	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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services						Support Services			Total
	Bike Mobile	Community	Reuse and Recycle	Youth	Adult	Shop and Retail	Total Program	Management and General	Fundraising	
Salaries,wages and related	\$ 32,847	\$ 27,839	\$ 168,934	\$ 316,712	\$ 25,035	\$ 206,940	\$ 778,307	\$ 216,123	\$ 25,349	\$ 1,019,779
Occupancy	33,734	33,684	39,678	39,678	33,734	20,329	200,837	34,984	1,365	237,186
Granted to others	-	-	174,650	-	-	-	174,650	-	-	174,650
Professional services	7,905	9,501	7,992	9,976	8,491	8,366	52,231	21,915	31,121	105,267
Materials, supplies and equipment	220	18,130	3,494	25,515	8,500	10,991	66,850	10,416	6,025	83,291
Printing and publications	1,435	2,781	1,516	5,323	1,704	-	12,759	1,999	21,833	36,591
Depreciation and amortization	24,013	-	8,052	-	-	1,644	33,709	-	-	33,709
Bank charges	-	-	-	431	788	20,128	21,347	587	3,348	25,282
Meals and snacks	212	2,948	712	4,525	1,227	295	9,919	6,544	8,267	24,730
Utilities	1,766	1,974	3,025	2,704	1,908	3,793	15,170	2,046	-	17,216
Insurance	2,136	2,136	2,136	2,754	2,754	2,136	14,052	2,136	-	16,188
Travel	91	1,289	364	8,719	-	149	10,612	3,956	418	14,986
Advertising and promotion	134	4,952	688	138	138	7,268	13,318	6	1,139	14,463
Facilities maintenance	527	5,849	603	637	527	2,387	10,530	3,494	-	14,024
Postage and shipping	625	650	625	1,159	625	1,483	5,167	1,198	6,273	12,638
Information technology	37	37	36	2,312	37	2,010	4,469	3,386	1,734	9,589
Auto maintenance	1,438	-	2,930	1,778	-	-	6,146	-	-	6,146
Taxes	-	-	-	-	-	5,385	5,385	-	-	5,385
Dues and subscriptions	-	500	-	-	-	1,305	1,805	297	2,062	4,164
Office expenses	-	203	-	391	-	90	684	2,434	798	3,916
Licenses and permits	-	-	106	1,044	-	511	1,661	-	350	2,011
Fuel	100	152	523	1,231	-	-	2,006	-	-	2,006
Activities and admission	-	-	-	1,050	-	-	1,050	-	250	1,300
Total expenses	107,220	112,625	416,064	426,077	85,468	295,210	1,442,664	311,521	110,332	1,864,517
Direct donor benefits	-	-	-	-	-	-	-	-	52,348	52,348
Cost of sales	-	-	-	-	-	343,119	343,119	-	-	343,119
Total functional expenses	\$ 107,220	\$ 112,625	\$ 416,064	\$ 426,077	\$ 85,468	\$ 638,329	\$ 1,785,783	\$ 311,521	\$ 162,680	\$ 2,259,984

See accompanying notes to financial statements.

BIKE WORKS SEATTLE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program	Support Services		Total
		Management and General	Fundraising	
Salaries, wages and related	\$ 664,997	\$ 196,427	\$ 21,472	\$ 882,896
Occupancy	183,635	31,688	661	215,984
Granted to others	94,482	-	-	94,482
Professional services	55,470	19,866	27,356	102,692
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
Bank charges	10,569	764	11,413	22,746
Meals and snacks	8,880	6,549	7,330	22,759
Utilities	14,280	1,571	-	15,851
Insurance	12,649	1,251	-	13,900
Travel	8,151	203	282	8,636
Advertising and promotion	5,606	931	145	6,682
Facilities maintenance	9,268	3,612	-	12,880
Postage and shipping	2,962	1,379	3,755	8,096
Information technology	3,835	5,363	1,485	10,683
Auto maintenance	7,189	-	-	7,189
Taxes	5,046	-	-	5,046
Dues and subscriptions	1,572	463	600	2,635
Office expenses	331	3,515	1,401	5,247
Licenses and permits	1,089	878	-	1,967
Fuel	1,627	-	-	1,627
Activities and admission	1,014	439	-	1,453
Event entertainment	-	-	7,363	7,363
Total expenses	1,175,456	288,764	108,330	1,572,550
Direct donor benefits	-	-	40,441	40,441
Cost of sales	359,732	-	-	359,732
Total functional expenses	\$ 1,535,188	\$ 288,764	\$ 148,771	\$ 1,972,723

BIKE WORKS SEATTLE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, special events and grants	\$ 1,233,527	\$ 1,047,322
Cash received from shop sales and program income	275,075	205,422
Cash received from interest and other income	20,236	25,164
Cash paid to employees and suppliers	(1,378,219)	(1,122,841)
	150,619	155,067
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(12,392)	(57,461)
	(12,392)	(57,461)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	138,227	97,606
 CASH AND CASH EQUIVALENTS		
Beginning of the year	332,558	234,952
End of the year	\$ 470,785	\$ 332,558

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 financial statements have been prepared on the accrual basis of accounting and report information regarding the Organization’s financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There are no donor-restricted net assets of perpetual nature at December 31, 2018 and 2017.

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, 2018 and 2017, 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.

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. At December 31, 2018 all pledges receivable are due within 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.

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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 net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. 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 restriction.

It is the Organization's policy to recognize restricted contributions in the net assets without donor restrictions 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 \$458,541 and \$401,825 for the years ended December 31, 2018 and 2017, 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. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include administrative and development efforts. Depreciation is allocated based on square footage usage and the Executive Director's salary is allocated across all departments based on estimates of time and effort. The Development and Admin department are allocated based on estimates of time and funds expended.

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).

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

New Accounting Pronouncement – On August 18, 2016, the FASB issued Accounting Standards update ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances the required disclosures. Significant changes include presenting only two classes of net assets; adding disclosures around liquidity and the availability of resources; and providing additional information about expenses. The Organization has adopted the ASU for the year ended December 31, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events – Subsequent events were evaluated through June 24, 2019, which is the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure within one year of the statement of financial position date are as follows at December 31, 2018:

Financial Assets	
Cash and cash equivalents	\$ 470,785
Pledges receivable	117,917
Total financial assets	<u>588,702</u>
Less those unavailable for general expenditures within one year:	
Restricted by donors with purpose restrictions	<u>(100,000)</u>
Financial assets available within one year	<u><u>\$ 488,702</u></u>

The Organization's financial assets have seasonal variations during the year attributed to the timing of receipt of payments for programs, fundraising events, and how busy the Bike Shop is. The Organization has an operating reserve that is defined as capital on hand with a current goal of maintaining the equivalent of three months of expenses. The governing board has dedicated this amount with the objective of having sufficient funds available at any given time. In the event of an unanticipated liquidity need, the Organization could also draw upon \$200,000 of an available line of credit.

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 3 – Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Vehicles	\$ 146,219	\$ 146,219
Leasehold improvements	51,977	22,385
	<u>198,196</u>	<u>168,604</u>
Less accumulated depreciation	(142,339)	(108,630)
	<u>55,857</u>	<u>59,974</u>
Construction in progress	-	17,200
	<u>\$ 55,857</u>	<u>\$ 77,174</u>

Note 4 – Inventory

Inventory consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Bikes and other supplies for program use	\$ 112,355	\$ 121,355
Bikes	90,704	68,685
Used parts	59,014	48,638
New parts	56,727	50,340
	<u>\$ 318,800</u>	<u>\$ 289,018</u>

Note 5 – Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Youth programs	\$ 117,917	\$ 20,417
Time restricted - for use in subsequent year	100,000	237,500
	<u>\$ 217,917</u>	<u>\$ 257,917</u>

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 6 – 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:

	2018	2017
Gross special events revenue	\$ 288,339	\$ 264,890
Less cost of direct donor benefits	(52,348)	(40,441)
	\$ 235,991	\$ 224,449

Note 7 – 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:

	2018	2017
Gross bicycle shop sales	\$ 588,312	\$ 529,064
Less cost of sales	(343,119)	(359,732)
	\$ 245,193	\$ 169,332

Note 8 – 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 \$218,351 and \$198,675 for the years ending December 31, 2018 and 2017, respectively. Future minimum lease payments under the leases are as follows for the years ending December 31:

2019	\$ 187,329
2020	16,922
	\$ 204,251

Note 9 – Line of Credit

The Organization has a \$200,000 unsecured line of credit with a bank that expires in October 2020. No amounts have been borrowed on this line of credit in the years ending December 31, 2018 or 2017.

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 10 – Concentration

At December 31, 2018 and 2017, the same single foundation represented 85% and 91% of total pledges receivable, respectively.