

BIKE WORKS SEATTLE

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2019 AND 2018



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, 2019 and 2018, 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, 2019 and 2018, 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
November 9, 2020

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BIKE WORKS SEATTLE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 649,728	\$ 470,785
Pledges receivable	-	117,917
Inventory	399,506	318,800
Prepaid expenses	43,219	40,859
Total current assets	1,092,453	948,361
Property and equipment, net	25,713	55,857
	\$ 1,118,166	\$ 1,004,218
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 31,174	\$ 12,856
Accrued expenses	29,368	20,605
Unearned income	3,005	2,126
Total current liabilities	63,547	35,587
 NET ASSETS		
Without donor restrictions	929,248	750,714
With donor restrictions	125,371	217,917
Total net assets	1,054,619	968,631
	\$ 1,118,166	\$ 1,004,218

BIKE WORKS SEATTLE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 530,970	\$ 125,371	\$ 656,341
In-kind contributions	189,546	-	189,546
Grants	365,328	-	365,328
Special events, net of costs	311,274	-	311,274
Shop sales, net of cost of sales	400,092	-	400,092
Program income	65,332	-	65,332
Investment return and other	3,151	-	3,151
	<u>1,865,693</u>	<u>125,371</u>	<u>1,991,064</u>
Net asset released:			
Purpose restrictions met	117,917	(117,917)	-
Time restrictions met	100,000	(100,000)	-
	<u>217,917</u>	<u>(217,917)</u>	<u>-</u>
 Total support and revenue	 <u>2,083,610</u>	 <u>(92,546)</u>	 <u>1,991,064</u>
EXPENSES			
Program services	1,417,341	-	1,417,341
Management and general	346,214	-	346,214
Fundraising	141,521	-	141,521
Total expenses	<u>1,905,076</u>	<u>-</u>	<u>1,905,076</u>
 CHANGE IN NET ASSETS	 178,534	 (92,546)	 85,988
NET ASSETS			
Beginning of the year	<u>750,714</u>	<u>217,917</u>	<u>968,631</u>
End of the year	<u>\$ 929,248</u>	<u>\$ 125,371</u>	<u>\$ 1,054,619</u>

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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	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	\$ 29,591	\$ 30,420	\$ 193,720	\$ 341,020	\$ 24,350	\$ 221,649	\$ 840,750	\$ 248,131	\$ 24,953	\$ 1,113,834
Occupancy	54,369	34,211	43,521	43,521	34,211	23,143	232,976	30,096	3,242	266,314
Professional services	12,164	24,168	7,969	11,609	10,722	10,208	76,840	21,600	47,951	146,391
Bike program materials	-	65,050	-	-	-	-	65,050	-	-	65,050
Printing and publications	1,482	9,874	1,830	6,899	1,794	428	22,307	2,432	31,655	56,394
Meals and snacks	-	3,733	813	5,069	515	466	10,596	17,172	12,548	40,316
Depreciation and amortization	11,364	-	8,053	-	-	12,577	31,994	-	-	31,994
Advertising and promotion	154	17,253	366	758	158	8,647	27,336	1,105	2,118	30,559
Bank charges	78	287	-	746	1,378	21,057	23,546	80	5,217	28,843
Materials, supplies and equipment	-	10,708	2,113	-	73	4,174	17,068	2,511	3,476	23,055
Utilities	1,881	1,958	2,703	2,574	1,999	3,983	15,098	2,305	-	17,403
Insurance	2,136	2,170	2,136	3,082	3,060	2,161	14,745	2,136	-	16,881
Facilities maintenance	283	799	814	799	283	12,488	15,466	-	-	15,466
Travel	1,511	4,105	3,632	3,028	-	105	12,381	1,652	332	14,365
Information technology	16	15	14	15	15	1,742	1,817	8,573	1,335	11,725
Postage and shipping	-	22	-	466	-	58	546	4,092	1,914	6,552
Taxes	-	-	-	-	-	5,571	5,571	-	-	5,571
Dues and subscriptions	-	500	-	49	-	125	674	767	3,802	5,243
Office expenses	-	-	-	31	-	-	31	3,472	-	3,503
Licenses and permits	-	-	326	731	-	522	1,579	50	1,493	3,122
Activities and admission	-	-	-	784	186	-	970	40	1,485	2,495
Total expenses	115,029	205,273	268,010	421,181	78,744	329,104	1,417,341	346,214	141,521	1,905,076
Direct donor benefits	-	-	-	-	-	-	-	-	54,598	54,598
Cost of sales	-	-	-	-	-	171,842	171,842	-	-	171,842
Total functional expenses	\$ 115,029	\$ 205,273	\$ 268,010	\$ 421,181	\$ 78,744	\$ 500,946	\$ 1,589,183	\$ 346,214	\$ 196,119	\$ 2,131,516

See accompanying notes to financial statements.

BIKE WORKS SEATTLE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services						Support Services			
	Bike Mobile	Community	Reuse and Recycle	Youth	Adult	Shop and Retail	Total Program	Management and General	Fundraising	Total
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
Professional services	7,905	9,501	7,992	9,976	8,491	8,366	52,231	21,915	31,121	105,267
Bike program materials	-	-	174,650	-	-	-	174,650	-	-	174,650
Printing and publications	1,435	2,781	1,516	5,323	1,704	-	12,759	1,999	21,833	36,591
Meals and snacks	212	2,948	712	4,525	1,227	295	9,919	6,544	8,267	24,730
Depreciation and amortization	24,013	-	8,052	-	-	1,644	33,709	-	-	33,709
Advertising and promotion	134	4,952	688	138	138	7,268	13,318	6	1,139	14,463
Bank charges	-	-	-	431	788	20,128	21,347	587	3,348	25,282
Materials, supplies and equipment	220	18,130	3,494	25,515	8,500	10,991	66,850	10,416	6,025	83,291
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
Facilities maintenance	527	5,849	603	637	527	2,387	10,530	3,494	-	14,024
Travel	91	1,289	364	8,719	-	149	10,612	3,956	418	14,986
Information technology	37	37	36	2,312	37	2,010	4,469	3,386	1,734	9,589
Postage and shipping	625	650	625	1,159	625	1,483	5,167	1,198	6,273	12,638
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
Activities and admission	-	-	-	1,050	-	-	1,050	-	250	1,300
Auto maintenance	1,438	-	2,930	1,778	-	-	6,146	-	-	6,146
Fuel	100	152	523	1,231	-	-	2,006	-	-	2,006
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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, special events and grants	\$ 1,450,860	\$ 1,233,527
Cash received from shop sales and program income	424,210	275,075
Cash received from interest and other income	3,151	20,236
Cash paid to employees and suppliers	(1,697,428)	(1,378,219)
	180,793	150,619
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,850)	(12,392)
	(1,850)	(12,392)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	178,943	138,227
 CASH AND CASH EQUIVALENTS		
Beginning of the year	470,785	332,558
End of the year	\$ 649,728	\$ 470,785

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

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, 2019 and 2018, 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 were 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, 2019 AND 2018

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.

The Organization recognizes revenue from shop sales when products are sold at the point of sale.

Program income may give rise to performance obligations for the Organization. Revenue from program income with performance obligations is recognized when the Organization satisfies a performance obligation by transferring a promised good or service to a customer at a point in time. For the Organization, these revenues consist of program fees for various trainings, classes, and camps for youth and adults. The registration fee does not have a significant financing component, and the consideration amount is not variable. For the related performance obligations, control of the promised good or service transfers to the customer at a point in time. Payment is typically due in full when the customer completes registration and revenue is recognized in the period in which the related educational instruction is performed. The Organization records revenue in the period in which the related educational instruction 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 \$189,546 and \$458,541 for the years ended December 31, 2019 and 2018, respectively.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statements 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 and the Executive Director’s salary is allocated across all departments based on estimates of time and effort. The Development and Admin departments are allocated on estimates of time and money.

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.

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

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).

New Accounting Pronouncements – The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates (ASUs) that will affect the Organization’s revenue recognition.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09, and all subsequently-issued clarifying ASUs, replaced most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP). ASU 2014-09 also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASU 2014-09 effective January 1, 2019, using the modified retrospective approach. There was no cumulative effect from the initial application recognized as an adjustment to opening net assets as a result of the adoption, and the adoption did not have a significant impact on the financial statements for the year ended December 31, 2019.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides guidance in evaluating whether transactions should be accounted for as nonexchange or exchange transactions. In addition, ASU 2018-08 provides guidance for the identification and recognition of conditional nonexchange transactions. The Organization adopted ASU 2018-08 effective January 1, 2019, using the modified prospective approach. The adoption did not have a significant impact on the financial statements for the year ended December 31, 2019.

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:

	2019	2018
Financial Assets		
Cash and cash equivalents	\$ 649,728	\$ 470,785
Pledges receivable	-	117,917
Financial assets available within one year	\$ 649,728	\$ 588,702

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2 – Liquidity and Availability (Continued)

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.

Note 3 – Property and Equipment

Property and equipment consist of the following at December 31:

	2019	2018
Vehicles	\$ 146,219	\$ 146,219
Leasehold improvements	53,827	51,977
	200,046	198,196
Less accumulated depreciation	(174,333)	(142,339)
	<u>\$ 25,713</u>	<u>\$ 55,857</u>

Note 4 – Inventory

Inventory consists of the following at December 31:

	2019	2018
Bikes and other supplies for program use	\$ 140,279	\$ 112,355
Bikes	107,615	90,704
Used parts	76,226	59,014
New parts	75,386	56,727
	<u>\$ 399,506</u>	<u>\$ 318,800</u>

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 5 – Net Assets With Donor Restrictions

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

	2019	2018
Youth programs	\$ 100,000	\$ 117,917
Time restricted - for use in subsequent year	25,371	100,000
	\$ 125,371	\$ 217,917

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:

	2019	2018
Gross special events revenue	\$ 365,872	\$ 288,339
Less cost of direct donor benefits	(54,598)	(52,348)
	\$ 311,274	\$ 235,991

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:

	2019	2018
Gross bicycle shop sales	\$ 571,934	\$ 588,312
Less new parts cost of sales	(86,648)	(96,383)
Less in-kind cost of sales	(85,194)	(246,736)
	\$ 400,092	\$ 245,193

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 8 – Lease Commitments

The Organization leases its shop and office space with lease terms that expire in 2020 and 2026, respectively. Lease expense under these agreements was \$223,837 and \$218,351 for the years ended December 31, 2019 and 2018, respectively. Future minimum lease payments under the leases are as follows for the years ending December 31:

2020	\$ 236,700
2021	224,174
2022	228,662
2023	233,228
2024	237,898
Thereafter	<u>282,156</u>
	<u>\$ 1,442,818</u>

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 ended December 31, 2019 and 2018.

Note 10 – Concentration

At December 31, 2018, a single foundation represented 85% of total pledges receivable.

Note 11 – Subsequent Events

Subsequent events were evaluated through November 9, 2020, which is the date the financial statements were available to be evaluated.

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared the outbreak to be a global pandemic. The extent of the impact of COVID-19 on the Organization's operations will depend on certain developments, including the duration and spread of the outbreak and the impact to donors, customers, and employees, all of which are uncertain and cannot be determined.

BIKE WORKS SEATTLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 11 – Subsequent Events (Continued)

As a result of the pandemic, the Organization expects a decline in shop sales due to the closure of its social enterprise community Bike Shop, which later moved to an online platform while accepting appointment-only bike repair, and a significant decline in program income due to cancellation of camps and classes and reduction in fees charged. The Organization's annual fundraising event was cancelled in March 2020 and moved to October 2020, which will be a virtual event. To help cover the shortfall, the Organization received a \$199,933 Payroll Protection Program loan through the Small Business Administration as part of the CARES Act. The Organization has not laid off or furloughed any fulltime employees to date, and expects to meet the qualifications to have all or most of the loan amount forgiven, pending final rules and guidance from Congress.