

# BIKE & BUILD, INC.

FINANCIAL STATEMENTS  
OCTOBER 31, 2018 AND 2017

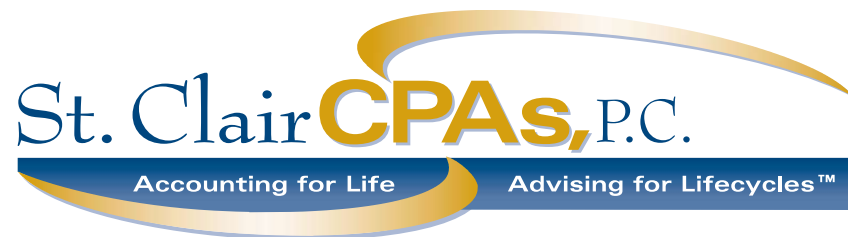
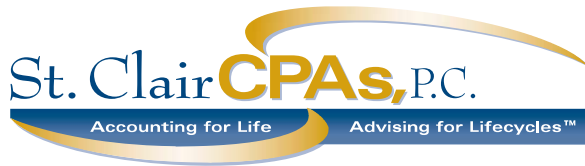


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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Bike & Build, Inc.  
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Bike & Build, Inc. (a nonprofit organization), which comprise the statements of financial position as of October 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 audits 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 & Build, Inc. as of October 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.

## **Correction of Error**

As described in Note 7 to the financial statements, prior period adjustments were recorded to correct temporarily restricted net assets.

*St. Clair CPAs, P.C.*

Certified Public Accountants

Merchantville, New Jersey  
January 22, 2019

**BIKE & BUILD, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**OCTOBER 31, 2018 AND 2017**

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	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 189,103	\$ 256,183
Receivables	1,990	-
Prepaid expenses	<u>23,094</u>	<u>37,819</u>
<b>TOTAL CURRENT ASSETS</b>	214,187	294,002
SECURITY DEPOSIT	1,700	1,700
PROPERTY AND EQUIPMENT, net	<u>73,442</u>	<u>143,030</u>
	<u><u>\$ 289,329</u></u>	<u><u>\$ 438,732</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 81,123	\$ 23,011
Deferred revenue	<u>12,806</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>93,929</u>	<u>23,011</u>
NET ASSETS		
Unrestricted		
Operations	45,325	278,239
Board designated	<u>80,831</u>	<u>80,831</u>
	126,156	359,070
Temporarily restricted	<u>69,244</u>	<u>56,651</u>
<b>TOTAL NET ASSETS</b>	<u>195,400</u>	<u>415,721</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 289,329</u></u>	<u><u>\$ 438,732</u></u>

See accompanying notes.

**BIKE & BUILD, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED OCTOBER 31, 2018 AND 2017**

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	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSETS		
UNRESTRICTED REVENUES AND SUPPORT		
Contributions	\$ 655,149	\$ 765,256
Apparel sales	27,629	34,335
Application fees	18,863	45,056
In-kind contributions	3,807	121,103
Gain on disposal of equipment	4,000	-
Other income	700	1,979
Net assets released from restrictions	<u>53,780</u>	<u>37,042</u>
<b>TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT</b>	<u>763,928</u>	<u>1,004,771</u>
EXPENSES		
Program services	647,384	717,268
Management and general	291,698	394,967
Fundraising	<u>57,760</u>	<u>39,267</u>
<b>TOTAL EXPENSES</b>	<u>996,842</u>	<u>1,151,502</u>
<b>DECREASE IN UNRESTRICTED NET ASSETS</b>	<u>(232,914)</u>	<u>(146,731)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	66,373	27,762
Net assets released from restrictions	<u>(53,780)</u>	<u>(37,042)</u>
<b>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>12,593</u>	<u>(9,280)</u>
<b>TOTAL DECREASE IN NET ASSETS</b>	<u>(220,321)</u>	<u>(156,011)</u>
NET ASSETS, BEGINNING	<u>415,721</u>	<u>571,732</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 195,400</u>	<u>\$ 415,721</u>

See accompanying notes.

**BIKE & BUILD, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED OCTOBER 31, 2018**

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	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
PERSONNEL				
Salaries	\$ 122,585	\$ 114,645	\$ 39,581	\$ 276,811
Payroll taxes	9,634	9,010	3,111	21,755
Employee benefits	<u>8,683</u>	<u>12,830</u>	<u>4,430</u>	<u>25,943</u>
	<u>140,902</u>	<u>136,485</u>	<u>47,122</u>	<u>324,509</u>
OTHER EXPENSES				
Advertising	2,145	-	5,004	7,149
Auto				
Fuel	24,888	1,310	-	26,198
Insurance	50,445	2,655	-	53,100
Other	2,121	1,423	-	3,544
Repairs and maintenance	-	8,139	-	8,139
Storage	-	7,200	-	7,200
Bank charges	-	8,520	-	8,520
Contributions	154,878	-	-	154,878
Depreciation and amortization	31,104	8,667	-	39,771
Fundraising	-	-	314	314
Insurance	61,546	1,713	69	63,328
License and permits	-	752	-	752
Miscellaneous	-	2,356	-	2,356
Occupancy	6,106	15,874	2,443	24,423
Office supplies	-	744	-	744
Payroll service fees	-	2,749	-	2,749
Postage and delivery	824	1,482	988	3,294
Professional development	-	1,306	-	1,306
Professional fees	-	26,973	-	26,973
Program activities	652	-	-	652
Technology expense	12,689	60,837	1,541	75,067
Telephone and internet	-	2,513	279	2,792
Travel	4,625	-	-	4,625
Trips	<u>154,459</u>	<u>-</u>	<u>-</u>	<u>154,459</u>
	<u>506,482</u>	<u>155,213</u>	<u>10,638</u>	<u>672,333</u>
<b>TOTAL EXPENSES</b>	<u>\$ 647,384</u>	<u>\$ 291,698</u>	<u>\$ 57,760</u>	<u>\$ 996,842</u>

See accompanying notes.

**BIKE & BUILD, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED OCTOBER 31, 2017**

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	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
PERSONNEL				
Salaries	\$ 112,158	\$ 132,790	\$ 16,443	\$ 261,391
Payroll taxes	9,285	10,993	1,361	21,639
Employee benefits	<u>7,863</u>	<u>13,553</u>	<u>1,734</u>	<u>23,150</u>
	<u>129,306</u>	<u>157,336</u>	<u>19,538</u>	<u>306,180</u>
OTHER EXPENSES				
Advertising	5,223	-	12,187	17,410
Auto				
Fuel	21,819	1,200	-	23,019
Insurance	49,860	2,624	-	52,484
Other	3,736	3,475	-	7,211
Repairs and maintenance	-	9,591	-	9,591
Storage	-	14,200	-	14,200
Bank charges	-	18,766	-	18,766
Contributions	219,175	-	-	219,175
Depreciation	37,937	13,699	-	51,636
Fundraising	-	-	1,387	1,387
Insurance	21,678	3,728	287	25,693
License and permits	-	4,610	-	4,610
Miscellaneous	-	3,478	-	3,478
Occupancy	6,129	15,976	2,451	24,556
Office supplies	-	1,441	-	1,441
Payroll service fees	-	2,936	-	2,936
Postage and delivery	777	1,397	932	3,106
Professional development	-	1,316	-	1,316
Professional fees	-	133,979	-	133,979
Program activities	497	-	-	497
Taxes, other	-	250	-	250
Technology expense	17,402	2,417	2,202	22,021
Telephone and internet	-	2,548	283	2,831
Travel	2,981	-	-	2,981
Trips	<u>200,748</u>	<u>-</u>	<u>-</u>	<u>200,748</u>
	<u>587,962</u>	<u>237,631</u>	<u>19,729</u>	<u>845,322</u>
<b>TOTAL EXPENSES</b>	<u>\$ 717,268</u>	<u>\$ 394,967</u>	<u>\$ 39,267</u>	<u>\$ 1,151,502</u>

See accompanying notes.



**BIKE & BUILD, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED OCTOBER 31, 2018 AND 2017**

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	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (220,321)	\$ (156,011)
Adjustments to reconcile decrease in net assets to net cash used by operating activities		
Depreciation and amortization	39,771	51,636
Gain on disposal of equipment	(4,000)	-
Write off of website costs	59,660	-
(Increase) decrease in		
Receivables	(1,990)	-
Prepaid expenses	14,725	29,733
Increase (decrease) in		
Accounts payable and accrued expenses	58,112	(6,559)
Deferred revenue	<u>12,806</u>	<u>-</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(41,237)</u>	<u>(81,201)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(29,843)	(9,975)
Proceeds from disposal of property and equipment	<u>4,000</u>	<u>-</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(25,843)</u>	<u>(9,975)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(67,080)	(91,176)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>256,183</u>	<u>347,359</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 189,103</u>	<u>\$ 256,183</u>
<b>NON-CASH ACTIVITIES:</b>		
Donation of property and equipment	<u>\$ -</u>	<u>\$ 3,900</u>

See accompanying notes.

**BIKE & BUILD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2018 AND 2017**

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Bike & Build, Inc. (the Organization) was incorporated as a not-for-profit organization and has been located in Pennsylvania since 2008. The Organization coordinates cross-country bike trips in an effort to raise funds for and communal awareness of affordable housing issues and to enable the Organization to provide grants to affordable housing organizations. These trips also act as a catalyst to build homes, foster the spirit of volunteerism, and empower young adults.

Basis of Accounting

The Organization's policy is to prepare its financial statements using the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of FASB ASC 958, *Presentation of Financial Statements for Not-for-Profit Organizations*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three (3) classes of net assets: (1) unrestricted net assets, (2) temporarily restricted net assets, and (3) permanently restricted net assets.

*Unrestricted* – Net assets which are free of donor-imposed restrictions; all revenues, gains and losses that are not changes in permanently or temporarily restricted net assets.

*Temporarily Restricted* – Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations.

*Permanently Restricted* – Net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

The Organization has temporarily restricted and unrestricted net assets at October 31, 2018 and 2017.

Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (where the donor-stipulated purpose has been fulfilled) are reported as net assets released from restrictions.

Cash and Cash Equivalents

The Organization considers all liquid investments with maturities of three (3) months or less at the time of purchase to be cash equivalents.

**BIKE & BUILD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2018 AND 2017**

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment and Depreciation

It is the Organization's policy to capitalize property and equipment whose cost is greater than \$500. Lesser amounts are expensed. Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value as of the date of donation. When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recorded in the statement of activities. Depreciation is computed using the straight-line method over the estimated useful lives ranging from three (3) to five (5) years.

Contributions

Contributions are recognized in the period pledged as unrestricted contributions if specified for the current period and there are no donor-imposed restrictions. Contributions specified for future periods or with donor-imposed restrictions are recognized in the period pledged as temporarily restricted contributions. When a restriction expires (either 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 restrictions.

Apparel Sales

The Organization's apparel items are sold primarily to registered cyclists. Revenue from apparel sales is recognized at the time of sale to the cyclists. Management has elected to expense the cost of the related apparel as a program expense when purchased because the Organization's logo is showcased on all apparel, and as such, Management believes the apparel services as a means of increasing the public awareness of the Organization while cyclists ride across the country.

Application Fees

The Organization recognizes application fees at the time cyclists' applications are reviewed and approved. These application fees are only refundable if, due to unforeseen circumstances, successful applicants are unable to participate in planned rides.

In-Kind Contributions and Expenses

Donations of property, equipment, materials, and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated property, equipment, materials, and other assets were \$3,807 and \$3,900 for the years ended October 31, 2018 and 2017, respectively.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services were \$-0- and \$117,203 for the years ended October 31, 2018 and 2017, respectively.

**BIKE & BUILD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2018 AND 2017**

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to taxable unrelated business income tax. The Organization is not a private foundation.

Through October 31, 2018, the Organization recognized no uncertain tax positions nor accrued interest and penalties associated with uncertain tax positions.

The Organization's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have a three year statute of limitations.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense Allocations

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

Advertising

All costs associated with advertising are expensed in the period incurred. Advertising expense was \$7,149 and \$17,410 for the years ended October 31, 2018 and 2017, respectively.

Fair Value Instruments

The carrying value of the Organization's cash and cash equivalents, prepaid expenses, and accrued expenses approximate market value as of October 31, 2018 and 2017 due to the short-term nature of the instruments.

**BIKE & BUILD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2018 AND 2017**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 Presentation of Financial Statements for Not-For-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. Main provisions of this guidance include presentation of two classes of net assets rather than the previously required three. The guidance also enhances disclosure for board designated amounts, compensation of net assets with donor restrictions, liquidity, and expenses by both their natural and functional classification. This ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Management has not determined the impact of this pronouncement on their future financial statements, but doesn't believe that it should have a significant impact on future financial reporting.

NOTE 2 CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in bank accounts, which may, at various times during the year, exceed the threshold for insurance provided by the Federal Deposit Insurance Corporation (FDIC). The Organization believes it is not exposed to any significant credit risk on its cash.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of October 31:

	<u>2018</u>	<u>2017</u>
Transportation equipment	\$ 214,321	\$ 229,510
Leasehold improvements	2,750	2,750
Office equipment and technology	<u>63,854</u>	<u>120,111</u>
	280,925	352,371
Less accumulated depreciation	<u>207,483</u>	<u>209,341</u>
	<u>\$ 73,442</u>	<u>\$ 143,030</u>

Depreciation and amortization expense was \$39,771 and \$51,636 for the years ended October 31, 2018 and 2017, respectively.

**BIKE & BUILD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2018 AND 2017**

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**NOTE 4      ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses consist of the following as of October 31:

	<u>2018</u>	<u>2017</u>
Payroll	\$ 2,830	\$ 969
Travel costs	-	3,446
Contributions	75,560	16,600
Professional fees	2,624	1,938
Other	109	58
	<u>\$ 81,123</u>	<u>\$ 23,011</u>

**NOTE 5      RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets consist of the following as of October 31:

	<u>2018</u>	<u>2017</u>
Contributions received for the Chris Weber Memorial Fund	\$ 550	\$ 550
Contributions received for the Scholarship Fund	61,244	26,908
Contributions received for the Wanninkhof Foundation	-	21,593
Contributions received for the Jamal C. Morris Foundation	7,450	7,450
Contributions received for the Ann Davis Memorial Fund	-	150
	<u>\$ 69,244</u>	<u>\$ 56,651</u>

**NOTE 6      COMMITMENTS**

The Organization leases its office and storage facilities under operating leases that expire at various dates through July 2019. Rental expense paid in connection with the operating leases totaled \$27,959 and \$35,744 for the years ended October 31, 2018 and 2017, respectively.

Future minimum lease payments are as follows:

<u>Year Ending October 31:</u>	
2019	\$ 29,492
2020	<u>18,576</u>
	<u>\$ 48,068</u>

**BIKE & BUILD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2018 AND 2017**

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NOTE 7      PRIOR PERIOD ADJUSTMENT

During the current year management discovered that contributions received for the Jamul C. Morris Foundation were not being properly recorded as temporarily restricted contributions and net assets. The financial statements as of and for the year ended October 31, 2017 have been restated to reflect this correction. The individual line items restated are as follows:

	Previously Reported	Adjustment	As Restated
<u>Statement of Financial Position</u>			
Unrestricted - Operations	\$ 285,689	\$ (7,450)	\$ 278,239
Temporarily restricted	\$ 49,201	\$ 7,450	\$ 56,651
<u>Statement of Activities</u>			
Unrestricted Revenue and Support Contributions	\$ 772,706	\$ (7,450)	\$ 765,256
Temporarily Restricted Net Assets Contributions	\$ 20,312	\$ 7,450	\$ 27,762

Also, during the current year management discovered that as of October 31, 2017 the temporarily restricted net assets for the Chris Weber Foundation was overstated by \$10,526 and temporarily restricted net assets for the Scholarship Fund was understated by the same \$10,526. The October 31, 2017 balances reflected in Note 5 have been restated to reflect this change.

NOTE 8      SUBSEQUENT EVENTS

The Organization evaluated all events and transactions that occurred after October 31, 2018 (the financial statement date) through January 22, 2019, the date that the financial statements were available to be issued. During this period, the Organization had no material recognizable subsequent events.