

CASCADE BICYCLE CLUB
CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditor's Report
YEAR ENDED DECEMBER 31, 2013

CASCADE BICYCLE CLUB
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

May 3, 2014

Board of Directors
Cascade Bicycle Club
Seattle, Washington

We have audited the accompanying consolidated financial statements of Cascade Bicycle Club, which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to in the first paragraph of this letter present fairly, in all material respects, the financial position of Cascade Bicycle Club as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC

CASCADE BICYCLE CLUB

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

ASSETS

Current Assets	
Cash and cash equivalents	\$ 606,370
Investments	521,490
Accounts receivable	40,575
Promises to give	57,000
Prepaid expense and other assets	93,812
	<hr/>
Total Current Assets	1,319,247
Cash Restricted to Investment in Property	50,000
Promises to Give, long term	32,000
Property and Equipment, net	47,276
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	\$ 1,448,523

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 35,038
Accrued vacation payable	76,587
Deferred revenue - membership fees	194,569
Deferred revenue - event sponsorships and fees	121,385
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Total Current Liabilities	427,579
Net Assets	
Unrestricted	709,572
Temporarily restricted	311,372
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Total Net Assets	1,020,944
	<hr/>
	\$ 1,448,523

CASCADE BICYCLE CLUB

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support, Revenue and Other Support			
Revenue			
Events	\$ 2,540,144		\$ 2,540,144
Member dues	431,355		431,355
Commissions	136,528		136,528
Other income	113,712		113,712
Advertising	37,897		37,897
Interest income	17,439		17,439
Total Revenue	<u>3,277,075</u>		<u>3,277,075</u>
Public Support			
Grants and contributions	481,532	\$ 311,372	792,904
Event sponsorships and fees	262,650	-	262,650
In-kind contributions	192,597	-	192,597
Total Public Support	<u>936,779</u>	<u>311,372</u>	<u>1,248,151</u>
Net Assets Released from Restrictions			
Satisfaction of purpose restriction	228,647	(228,647)	-
Satisfaction of time restriction	-	-	-
Total Net Assets Released from Restrictions	<u>228,647</u>	<u>(228,647)</u>	<u>-</u>
Total Public Support, Revenue, and Other Support	<u>4,442,501</u>	<u>82,725</u>	<u>4,525,226</u>
Expenses			
Program services	3,138,151		3,138,151
Management and general	749,415		749,415
Fundraising	773,590		773,590
Total Expenses	<u>4,661,156</u>		<u>4,661,156</u>
Change in Net Assets	(218,655)	82,725	(135,930)
Net Assets - beginning of year	<u>928,227</u>	<u>228,647</u>	<u>1,156,874</u>
Net Assets - end of year	<u>\$ 709,572</u>	<u>\$ 311,372</u>	<u>\$ 1,020,944</u>

See notes to financial statements.

CASCADE BICYCLE CLUB

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013

	<u>Public Events</u>	<u>Newsletter</u>	<u>Education</u>	<u>Advocacy</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 379,463	\$ 68,337	\$ 254,974	\$ 359,596	\$ 1,062,370	\$ 315,520	\$ 420,653	\$ 1,798,543
Payroll taxes and benefits	79,337	14,288	53,309	75,184	222,118	65,968	87,950	376,036
Total Payroll Expenses	458,800	82,625	308,283	434,780	1,284,488	381,488	508,603	2,174,579
Event costs	605,127	-	7,682	-	612,809	4,002	16,898	633,709
Event souvenirs	414,268	-	-	-	414,268	-	56,082	470,350
Professional fees	75,229	11,368	38,897	52,590	178,084	103,801	77,113	358,998
Office expenses	15,184	1,132	24,158	12,044	52,518	168,503	25,990	247,011
In-kind expenses	192,597	-	-	-	192,597	-	-	192,597
Printing	26,877	44,692	9,911	8,338	89,818	2,622	27,728	120,168
Volunteer incentives	61,733	87	23,212	7,018	92,050	20,852	7,076	119,978
Postage	24,310	39,080	437	1,163	64,990	2,367	20,624	87,981
Travel	38,117	1,139	7,282	4,867	51,405	10,737	9,842	71,984
Temporary labor	23,452	-	20,974	6,000	50,426	3,520	2,432	56,378
Insurance	7,819	1,069	2,982	3,477	15,347	15,591	6,726	37,664
Depreciation	5,586	373	6,657	3,825	16,441	5,443	13,253	35,137
Marketing	3,156	5,794	3,646	2,866	15,462	13,885	497	29,844
Business permits and taxes	3,225	-	3,427	-	6,652	16,384	95	23,131
Other expenses	796	-	-	-	796	220	631	1,647
Total Expenses	<u>\$ 1,956,276</u>	<u>\$ 187,359</u>	<u>\$ 457,548</u>	<u>\$ 536,968</u>	<u>\$ 3,138,151</u>	<u>\$ 749,415</u>	<u>\$ 773,590</u>	<u>\$ 4,661,156</u>

CASCADE BICYCLE CLUB

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

Cash Flows from Operating Activities

Cash received from:

Events	\$ 2,540,144
Donors	916,554
Members	424,752
Other	270,375
Interest	7,910

Cash paid for:

Personnel	(2,176,623)
Services and supplies	<u>(2,323,670)</u>

Net Cash Used by Operating Activities (340,558)

Cash Flows Provided by Financing Activities

Contributions restricted to investment in property	<u>50,000</u>
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Changes in Cash and Cash Equivalents (290,558)

Cash and Cash Equivalents - beginning of year 946,928

Cash and Cash Equivalents - end of year \$ 656,370

Reconciliation of Change in Net Assets to Net Cash from Operating Activities

Change in net assets \$ (135,930)

Adjustments to reconcile change in net assets to net cash used by operating activities

Depreciation 35,137

Reinvested investment earnings (9,529)

Contributions restricted to investment in property (50,000)

Change in:

Accounts receivable (5,282)

Promises to give (89,000)

Prepaid expense and other assets (20,203)

Accounts payable (44,624)

Accrued vacation payable (2,044)

Deferred revenue - membership fees (6,603)

Deferred revenue - event sponsorships and fees (12,480)

Net Cash Used by Operating Activities \$ (340,558)

CASCADE BICYCLE CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Cascade Bicycle Club, located in Seattle, Washington, is a nonprofit organization established in 1974 to encourage bicycle riding, to promote a healthy life style, to provide recreational opportunities, and to demonstrate that cycling is a practical means of transportation. Cascade Bicycle Club Education Foundation (the Foundation) is a Washington nonprofit founded in 2001 to promote bicycling and bicycle safety.

Services include providing bicycle safety education programs and other resources for the community, conducting rides and other bicycle related events, providing services to the club membership and advocating increased support for cycling among the public, government agencies and elected officials.

Principles of consolidation

Cascade Bicycle Club and Cascade Bicycle Club Education Foundation are under common control, serve a common population, and operate under the name Cascade Bicycle Club (the Club). All significant intercompany transactions and accounts have been eliminated in consolidation.

Financial statement presentation

The Club reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets are available without restriction for support of the Club's operations.

Temporarily restricted net assets are restricted by donors to be used for certain purposes or future periods. This includes the net assets of the Foundation that are restricted with respect to the consolidated entity. Temporarily restricted net assets consist of the following at December 31, 2013:

Foundation program activities	261,372
Capital projects	<u>50,000</u>
	<u>\$ 311,372</u>

Permanently restricted net assets are those contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes. The Club had no permanently restricted net assets as of December 31, 2013.

Cash and cash equivalents

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

CASCADE BICYCLE CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management does not provide for uncollectible accounts as they believe all accounts are collectible.

Promises to give

In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Club had no conditional promises to give as of December 31, 2013.

Promises to give are stated at net realizable value. Uncollectible amounts are expected to be immaterial and discount on long term promises are insignificant. Promises to give of \$57,000 are due within one year and \$32,000 are due in one to five years. As of December 31, 2013, promises to give were due from a single donor.

Property and equipment

Property and equipment is stated at cost or, if donated, as fair value at date of donation. Depreciation is provided by the straight-line method over the estimated useful lives. The estimated useful lives of furniture, equipment and software are five years.

CASCADE BICYCLE CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold improvements are amortized over the remaining life of the lease. Purchases over \$1,500 are capitalized. Property and equipment consist of the following at December 31, 2013:

Equipment	\$ 223,366
Software	89,112
Leasehold improvements	<u>19,050</u>
	331,528
Less: Accumulated depreciation	<u>(284,252)</u>
	<u>\$ 47,276</u>

Deferred revenue

Income from membership and event sponsorship fees is deferred and recognized over the period to which the dues and fees relate.

Recognition of donor restricted contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the year in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Donated goods and services

Donations of goods and equipment 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 goods included event food, advertising and equipment rental. This was valued at \$192,597 for the year ended December 31, 2013.

Volunteers have made significant contributions of time to the Club's events, fundraising, and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services under accounting principles generally accepted in the United States of America, and, accordingly, is not reflected in the accompanying consolidated financial statements.

CASCADE BICYCLE CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising expense

The Club expenses advertising costs as incurred. Such expenses were \$13,008 for the year ended December 31, 2013.

Allocation of functional expenses

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

Joint costs

The Club achieves some of its program goals through the use of its website which includes requests for contributions or other fundraising elements. For the year ended December 31, 2013, the costs of conducting those activities included a total of \$230,000 of joint costs that are not directly attributable to either the program or the fundraising component of the activities. Those joint costs were allocated as follows:

Program services	\$ 144,900
Management and general	39,100
Fundraising	<u>46,000</u>
Total Joint Costs	<u>\$ 230,000</u>

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Federal income taxes

The IRS has determined that Cascade Bicycle Club is exempt from federal income tax under Internal Revenue Code Section (IRCS) 501(c)(4). Income from publication advertising and from sale of the Club's mailing list is subject to taxation as unrelated business income. An insignificant amount of unrelated business income tax was recorded for the year ended December 31, 2013.

The Foundation is exempt from federal income tax under IRCS 501(c)(3). The Foundation is not a private foundation under Section 509(a) of the Code. The Foundation qualifies for the charitable contribution deduction 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509 (a)(1).

CASCADE BICYCLE CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

NOTE B - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis (at least annually) are as follows as of December 31, 2013:

	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Fixed income annuities	\$ -	\$ -	\$ 521,490	\$ 521,490

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fixed Income Annuities
Fair Value as of January 1, 2013	\$ 511,961
Income earned	9,529
Withdrawals, subject to penalties	-
Fair Value as of December 31, 2013	\$ 521,490

Fixed income annuities are valued at the sum of all premiums paid, plus all interest earned at rates ranging from 2.4% to 1.3% in 2013, less any withdrawals taken. The annuities may be withdrawn without penalty beginning at times from June 2015 to June 2016 and thereafter. Any penalties for withdrawals prior to these dates would not have a material effect on the financial statements.

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input. The Club also uses fair value concepts to test various long-lived assets for impairment.

NOTE C - RESTATEMENT OF BEGINNING NET ASSETS

During 2013, the Club determined that the classification of net assets between unrestricted net assets and temporarily restricted net assets in the prior year was in error. In accordance with financial accounting standards, the net assets of the Foundation, which might otherwise be unrestricted to the Foundation, are temporarily restricted with respect to the consolidated entity as the purpose of the Foundation is more limited in nature than the overall purpose of the consolidated entity. As such, as of the beginning of 2013, unrestricted net assets have been decreased and temporarily restricted net assets have been increased by \$228,647.

In addition, the Club also reduced unrestricted net assets at the beginning of 2013 to correct an error resulting in the understatement of previously reported Deferred revenue - membership fees in the amount of \$103,369.

CASCADE BICYCLE CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

NOTE D - RETIREMENT PLAN

The Club has a SIMPLE IRA plan, as established by the Internal Revenue Service, to which they contribute a 3% match of employee contributions. Employer contributions were \$35,334 for the year ended December 31, 2013.

NOTE E - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2013 through May 3, 2014, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2013, including the estimates inherent in the processing of financial statements. The following events arose after December 31, 2013 relating to conditions that did not exist as of December 31, 2013.

Subsequent to December 31, 2013, the Club entered into a new, non-cancelable lease for office space commencing November 2014 and expiring October 2024. Related minimum future rental commitments on this lease are as follows:

2014	\$	22,625
2015		135,750
2016		135,750
2017		135,750
2018		135,750
Thereafter		<u>791,875</u>
		<u>\$1,357,500</u>