

CASCADE BICYCLE CLUB

CONSOLIDATED FINANCIAL STATEMENTS  
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2014 AND 2013



CASCADE BICYCLE CLUB

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

May 16, 2015

Board of Directors  
Cascade Bicycle Club  
Seattle, Washington

We have audited the accompanying consolidated financial statements of Cascade Bicycle Club, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years 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 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 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, 2014 and 2013, 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.

*Jacobson Jarvis & Co, PLLC*

Jacobson Jarvis & Co, PLLC

CASCADE BICYCLE CLUB

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 360,661	\$ 606,370
Investments	529,247	521,490
Accounts receivable	28,363	40,575
Promises to give	150,410	57,000
Prepaid expense and other assets	54,373	93,812
	<u>1,123,054</u>	<u>1,319,247</u>
Cash Restricted to Investment in Property	-	50,000
Promises to Give, long term	77,500	32,000
Property and Equipment, net	<u>1,402,771</u>	<u>47,276</u>
	<u>\$ 2,603,325</u>	<u>\$ 1,448,523</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 42,846	\$ 35,038
Accrued vacation payable	87,397	76,587
Deferred revenue - membership fees	202,336	194,569
Deferred revenue - event sponsorships and fees	45,715	121,385
	<u>378,294</u>	<u>427,579</u>
Net Assets		
Unrestricted	1,224,031	709,572
Temporarily restricted	<u>1,001,000</u>	<u>311,372</u>
	<u>2,225,031</u>	<u>1,020,944</u>
	<u>\$ 2,603,325</u>	<u>\$ 1,448,523</u>

CASCADE BICYCLE CLUB

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support, Revenue and Other Support						
Revenue						
Events	\$ 2,789,338		\$ 2,789,338	\$ 2,540,144		\$ 2,540,144
Member dues	459,653		459,653	431,355		431,355
Commissions	146,654		146,654	136,528		136,528
Other income	87,118		87,118	113,712		113,712
Advertising	33,660		33,660	37,897		37,897
Interest income	14,678		14,678	17,439		17,439
Total Revenue	<u>3,531,101</u>		<u>3,531,101</u>	<u>3,277,075</u>		<u>3,277,075</u>
Public Support						
Grants and contributions	570,937	\$ 1,001,000	1,571,937	481,532	\$ 311,372	792,904
Event sponsorships and fees	260,635	-	260,635	262,650	-	262,650
In-kind contributions	641,694	-	641,694	192,597	-	192,597
Total Public Support	<u>1,473,266</u>	<u>1,001,000</u>	<u>2,474,266</u>	<u>936,779</u>	<u>311,372</u>	<u>1,248,151</u>
Net Assets Released from Restrictions						
Satisfaction of purpose restriction	<u>311,372</u>	<u>(311,372)</u>	<u>-</u>	<u>228,647</u>	<u>(228,647)</u>	<u>-</u>
Total Public Support, Revenue, and Other Support	<u>5,315,739</u>	<u>689,628</u>	<u>6,005,367</u>	<u>4,442,501</u>	<u>82,725</u>	<u>4,525,226</u>
Expenses						
Program services	3,378,421		3,378,421	3,138,151		3,138,151
Management and general	970,127		970,127	749,415		749,415
Fundraising	452,732		452,732	773,590		773,590
Total Expenses	<u>4,801,280</u>		<u>4,801,280</u>	<u>4,661,156</u>		<u>4,661,156</u>
Change in Net Assets	514,459	689,628	1,204,087	(218,655)	82,725	(135,930)
Net Assets - beginning of year	<u>709,572</u>	<u>311,372</u>	<u>1,020,944</u>	<u>928,227</u>	<u>228,647</u>	<u>1,156,874</u>
Net Assets - end of year	<u>\$ 1,224,031</u>	<u>\$ 1,001,000</u>	<u>\$ 2,225,031</u>	<u>\$ 709,572</u>	<u>\$ 311,372</u>	<u>\$ 1,020,944</u>

CASCADE BICYCLE CLUB

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	<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	\$ 520,660	\$ 141,742	\$ 316,392	\$ 314,070	\$ 1,292,864	\$ 337,467	\$ 170,861	\$ 1,801,192
Payroll taxes and benefits	<u>127,140</u>	<u>37,393</u>	<u>63,000</u>	<u>68,342</u>	<u>295,875</u>	<u>84,791</u>	<u>37,457</u>	<u>418,123</u>
Total Payroll Expenses	647,800	179,135	379,392	382,412	1,588,739	422,258	208,318	2,219,315
Event costs	644,912	-	3,599	-	648,511	4,485	17,600	670,596
Event souvenirs	362,795	-	1,460	-	364,255	164	43,513	407,932
Professional fees	14,328	7,130	1,350	10,360	33,168	220,119	49,371	302,658
Office expenses	10,619	4,007	18,237	1,508	34,371	195,421	17,712	247,504
In-kind expenses	204,750	-	1,000	-	205,750	927	9,617	216,294
Volunteer incentives	80,946	1,057	13,865	10,000	105,868	43,902	18,392	168,162
Printing	42,206	53,159	1,887	1,376	98,628	13,317	38,765	150,710
Postage	22,176	70,596	255	81	93,108	3,931	20,417	117,456
Travel	51,817	129	10,733	13,583	76,262	9,841	7,452	93,555
Depreciation	19,026	5,506	9,888	10,497	44,917	12,611	5,772	63,300
Insurance	15,044	4,354	7,819	8,300	35,517	9,972	4,564	50,053
Marketing	5,475	6,363	938	310	13,086	24,439	2,365	39,890
Temporary labor	22,827	-	10,278	-	33,105	3,580	1,792	38,477
Business permits and taxes	2,600	-	380	22	3,002	2,306	4,470	9,778
Other expenses	<u>129</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>134</u>	<u>2,854</u>	<u>2,612</u>	<u>5,600</u>
Total Expenses	<u>\$ 2,147,450</u>	<u>\$ 331,436</u>	<u>\$ 461,086</u>	<u>\$ 438,449</u>	<u>\$ 3,378,421</u>	<u>\$ 970,127</u>	<u>\$ 452,732</u>	<u>\$ 4,801,280</u>

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
Volunteer incentives	61,733	87	23,212	7,018	92,050	20,852	7,076	119,978
Printing	26,877	44,692	9,911	8,338	89,818	2,622	27,728	120,168
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
Depreciation	5,586	373	6,657	3,825	16,441	5,443	13,253	35,137
Insurance	7,819	1,069	2,982	3,477	15,347	15,591	6,726	37,664
Marketing	3,156	5,794	3,646	2,866	15,462	13,885	497	29,844
Temporary labor	23,452	-	20,974	6,000	50,426	3,520	2,432	56,378
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 STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from:		
Events	\$ 2,789,338	\$ 2,540,144
Donors	1,519,362	916,554
Members	467,420	424,752
Other	203,974	270,375
Interest	6,921	7,910
Cash paid for:		
Personnel	(2,208,505)	(2,176,623)
Services and supplies	<u>(2,255,124)</u>	<u>(2,323,670)</u>
Net Cash Provided (Used) by Operating Activities	523,386	(340,558)
<b>Cash Flows Used by Investing Activities</b>		
Purchase of property and equipment	(993,395)	-
<b>Cash Flows Provided by Financing Activities</b>		
Proceeds from contributions restricted to investment in property	<u>174,300</u>	<u>50,000</u>
Changes in Cash and Cash Equivalents	(295,709)	(290,558)
Cash and Cash Equivalents - beginning of year	<u>656,370</u>	<u>946,928</u>
Cash and Cash Equivalents - end of year	<u>\$ 360,661</u>	<u>\$ 656,370</u>

CASCADE BICYCLE CLUB

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>Reconciliation of Change in Net Assets to Net Cash from Operating Activities</b>		
Change in net assets	\$ 1,204,087	\$ (135,930)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	63,300	35,137
Reinvested investment earnings	(7,757)	(9,529)
Contributions restricted to investment in property	(321,800)	(50,000)
In-kind construction costs	(425,400)	-
Change in:		
Accounts receivable	12,212	(5,282)
Promises to give	8,590	(89,000)
Prepaid expense and other assets	39,439	(20,203)
Accounts payable	7,808	(44,624)
Accrued vacation payable	10,810	(2,044)
Deferred revenue - membership fees	7,767	(6,603)
Deferred revenue - event sponsorships and fees	<u>(75,670)</u>	<u>(12,480)</u>
Net Cash Used by Operating Activities	<u>\$ 523,386</u>	<u>\$ (340,558)</u>

## CASCADE BICYCLE CLUB

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

#### NOTE A - ORGANIZATION

Cascade Bicycle Club, located in Seattle, Washington, is a nonprofit organization established in 1974 to encourage bicycle riding, to promote a healthy lifestyle, 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. The two entities operate under the name Cascade Bicycle Club ("the Club").

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.

Cascade Bicycle Club, the nation's largest locally based bicycle organization, is 15,000-members and 38-staff strong, and serves bike riders of all ages and abilities throughout the Puget Sound region. With a mission to improve lives through bicycling, we teach the joys of bicycling, advocate for safe places to ride, and produce world-class rides and events. Our signature programs include the STP, Connect Puget Sound, Free Group Rides, the Bike Month Challenge, Basics of Bicycling and the Major Taylor Project.

United by a love of bicycling, in 1970 a small group of bike riders founded Cascade Bicycle Club. Focusing on exceptional opportunities to ride and transforming the region through bicycling, two early successes were Chilly Hilly and the Burke-Gilman Trail. In the 1970s and 80s, the volunteer-led club went on to create STP and RSVP, two iconic bike events. Fueled by excellent leadership and professional staff, in the 1990s and 2000s the Club experienced rapid growth and expanded into bike education. In the 2010s, the organization's size and stature has continued to grow. In 2014, to better serve its community, the Club created the Cascade Bicycling Center.

Our work:

**Education** - Our education department offers school and community-based programming to encourage and educate people of all ages and abilities to ride safely. Our youth programming includes in-school bicycle safety in four school districts, after-school riding clubs, and bike to school encouragement, as well as summer camps. Focused on fostering livable and connected communities, we also provide adult riding and maintenance classes, commute workshops to organizations, and resources to promote healthy transportation.

## CASCADE BICYCLE CLUB

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

#### NOTE A - ORGANIZATION (Continued)

**Advocacy** - The Club's advocacy team works to make sure that all who ride a bicycle in the Puget Sound Region have safe, comfortable and convenient places to ride. We work on this goal by focusing in three key areas: (1) educating and empowering community leaders; (2) training city staff and transportation engineers around bicycle infrastructure design, planning and policy and (3) informing and electing leaders who will work to fund bicycle infrastructure and create safer streets regardless of political affiliation. Our nationally recognized programs include Advocacy Leadership Institute and Connect Puget Sound.

**Diversity & Inclusion** - Our Diversity & Inclusion department works to ensure that the benefits of bicycling are accessible to people of all walks of life regardless of age, race, gender and income. We aim to engage diverse riders and strive to have the demographics of our staff, board, membership and participants reflect those of the Puget Sound region. Our community-driven programming includes the Major Taylor Project and She Bikes Cascade.

**Rides & Events** -The Club strives to create exceptional opportunities to ride for people of all abilities. From short, urban rides to multi-day tours, the Club offers world-class events, training series and social Free Group Rides every day of the year. Serving over 30,000 people annually, our flagship events including the Chilly Hilly, STP and RSVP.

**Membership & Outreach** - The Membership & Outreach team builds community through engaging the Club's 15,000 members, 1,500 volunteers and the Puget Sound region as a whole. With programming such as Bike Month, and business engagement, we help people discover the joys of bicycling, and strengthen our community with new riders and business support.

**Development** - The development team fosters important relationships with philanthropic organizations and individuals to raise the financial support for the Club to run its programs and fulfill its mission. Our biggest fundraiser event is the Bike Everywhere Breakfast in May.

**Communications** - The Club's communication department tells the story of the Club and our region, and fosters community engagement. From apparel to the Cascade.org website and the Cascade Courier, the communications team ensures consistent branding across all platforms and materials, on-message portrayals in the media, and fun and effective interactions with members, event riders and the community.

**Strategic Development** - The Strategic Development department stewards the Club's recently adopted five-year strategic plan by integrating it into the culture and work while also reporting its progress to the Board of Directors and the public. Through the implementation process, we foster cross-departmental collaboration, establish baselines, standardize measurements and build more capacity throughout the organization.

## CASCADE BICYCLE CLUB

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

#### NOTE B - SIGNIFICANT ACCOUNTING POLICIES

##### Principles of consolidation

Cascade Bicycle Club and Cascade Bicycle Club Education Foundation are under common control and serve a common population. 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 of \$1,001,000 and \$261,372 were available for Foundation program activities as of December 31, 2014 and 2013, respectively. As of December 31, 2013, \$50,000 was also available for capital projects.

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, 2014.

##### 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.

##### 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.

CASCADE BICYCLE CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management believes all accounts are fully 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, 2014.

Promises to give are stated at net realizable value. Uncollectible amounts are expected to be immaterial and discount on long term promises is insignificant. Unconditional promises to give as of December 31, 2014 are due as follows:

Receivable in less than one year	\$ 152,000
Receivable in one to five years	<u>77,500</u>
	<u>\$ 229,500</u>

Property and equipment

Property and equipment is stated at cost or, if donated, at 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. 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:

	<u>2014</u>	<u>2013</u>
Equipment	\$ 327,586	\$ 223,366
Software	89,112	89,112
Leasehold improvements	<u>1,333,625</u>	<u>19,050</u>
	1,750,323	331,528
Less: Accumulated depreciation	<u>(347,552)</u>	<u>(284,252)</u>
	<u>\$ 1,402,771</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.

CASCADE BICYCLE CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The following in-kind support has been recorded in the financial statements for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Event food, advertising and equipment rental	\$ 216,294	\$ 192,597
Construction services	<u>425,400</u>	<u>-</u>
Total in-kind support	<u>\$ 641,694</u>	<u>\$ 192,597</u>

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.

Advertising expense

The Club expenses advertising costs as incurred. Such expenses were \$15,330 and \$13,008 for the years ended December 31, 2014 and 2013, respectively.

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.

CASCADE BICYCLE CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. No joint costs existed for the year ended December 31, 2014. The joint costs for the year ended December 31, 2013 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 Internal Revenue Service 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 in 2013. No income tax expense was incurred in 2014.

The Foundation is exempt from federal income tax under IRCS 501(c)(3). 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).

NOTE C - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis (at least annually) are as follows as of December 31, 2014:

	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Fixed income annuities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 529,247</u>	<u>\$ 529,247</u>



CASCADE BICYCLE CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

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 January 1, 2014	521,490
Income earned	7,757
Withdrawals, subject to penalties	-
Fair Value as of December 31, 2014	\$ 529,247

Fixed income annuities are valued at the sum of all premiums paid, plus all interest earned at rates ranging from 1.3% to 2.4% during 2014 and 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 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 \$38,262 and \$35,334 for the years ended December 31, 2014 and 2013, respectively.

CASCADE BICYCLE CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE E - OPERATING LEASE

Effective November 15, 2014, the Club entered into a lease with the City of Seattle for new office space within Warren G. Magnuson Park. The initial lease term expires November 30, 2024. Monthly rent during the initial lease term totals \$11,313. The Club has the option to extend the term of the lease for up to four successive five-year terms, provided the Club makes minimum capital improvements to the premises of \$1,250,000. Rent expense incurred under this lease for the year ended December 31, 2014 totaled \$11,313. Related minimum future rental commitments on this lease are as follows:

2015	\$ 135,750
2016	135,750
2017	135,750
2018	135,750
2019	135,750
Thereafter	<u>667,438</u>
	<u>\$1,346,188</u>

NOTE F - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2014 through May 16, 2015, 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, 2014, including the estimates inherent in the processing of financial statements.