

Washington Area Bicyclist Association

Financial Statements
and Independent Auditor's Report

December 31, 2022 and 2021

Washington Area Bicyclist Association

Financial Statements
December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Washington Area Bicyclist Association

Opinion

We have audited the accompanying financial statements of Washington Area Bicyclist Association (“the Association”), which comprise the statements of financial position as of December 31, 2022 and 2021; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Association adopted Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases*, and all subsequent ASUs that modified ASC 842. The Association has applied the modified retrospective method to adopt this standard during the year ended December 31, 2022, and adjusted the presentation in the financial statements as permitted by ASC 842. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
September 20, 2023

Washington Area Bicyclist Association

Statements of Financial Position December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 1,282,786	\$ 1,295,893
Investments	60,809	60,973
Grants and contributions receivable	-	27,500
Government grants receivable	224,114	74,304
Prepaid expenses	40,276	31,353
Property and equipment, net	57,869	42,534
Right-of-use asset – operating lease	214,509	-
Deposits	4,325	4,325
	<u> </u>	<u> </u>
Total assets	<u>\$ 1,884,688</u>	<u>\$ 1,536,882</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 141,106	\$ 141,623
Due to sponsored projects	31,647	28,507
Lease liability – operating lease	217,490	-
	<u> </u>	<u> </u>
Total liabilities	<u>390,243</u>	<u>170,130</u>
Net Assets		
Without donor restrictions	1,387,798	1,366,752
With donor restrictions	106,647	-
	<u> </u>	<u> </u>
Total net assets	<u>1,494,445</u>	<u>1,366,752</u>
Total liabilities and net assets	<u>\$ 1,884,688</u>	<u>\$ 1,536,882</u>

See accompanying notes.

Washington Area Bicyclist Association

Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 490,710	\$ 231,559	\$ 722,269
Government grants	1,478,464	-	1,478,464
Sponsorships	152,175	-	152,175
Memberships	208,047	-	208,047
Registrations	182,115	-	182,115
Contracts	4,950	-	4,950
Investment return	171	-	171
Miscellaneous revenue	8,051	-	8,051
Released from restrictions	124,912	(124,912)	-
Total revenue and support	2,649,595	106,647	2,756,242
Expenses			
Program services:			
Member programs and development	215,867	-	215,867
Advocacy and promotion of cycling	597,970	-	597,970
Adult education	175,164	-	175,164
Youth education	190,699	-	190,699
Events	153,040	-	153,040
50 States Ride	8,281	-	8,281
Trail Rangers	634,590	-	634,590
Outreach	202,538	-	202,538
Total program services	2,178,149	-	2,178,149
Supporting services:			
Management and general	210,110	-	210,110
Fundraising	240,290	-	240,290
Total supporting services	450,400	-	450,400
Total expenses	2,628,549	-	2,628,549
Change in Net Assets	21,046	106,647	127,693
Net Assets, beginning of year	1,366,752	-	1,366,752
Net Assets, end of year	\$ 1,387,798	\$ 106,647	\$ 1,494,445

See accompanying notes.

Washington Area Bicyclist Association

Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 652,682	\$ 86,459	\$ 739,141
Government grants	820,731	-	820,731
Sponsorships	65,355	-	65,355
Memberships	226,473	-	226,473
Registrations	132,559	-	132,559
Contracts	28,575	-	28,575
Investment return	636	-	636
Miscellaneous revenue	8,087	-	8,087
Released from restrictions	186,459	(186,459)	-
Total revenue and support	2,121,557	(100,000)	2,021,557
Expenses			
Program services:			
Member programs and development	201,999	-	201,999
Advocacy and promotion of cycling	495,849	-	495,849
Adult education	163,046	-	163,046
Youth education	116,423	-	116,423
Events	134,479	-	134,479
50 States Ride	4,186	-	4,186
Trail Rangers	109,132	-	109,132
Outreach	239,763	-	239,763
Total program services	1,464,877	-	1,464,877
Supporting services:			
Management and general	303,574	-	303,574
Fundraising	179,255	-	179,255
Total supporting services	482,829	-	482,829
Total expenses	1,947,706	-	1,947,706
Change in Net Assets	173,851	(100,000)	73,851
Net Assets, beginning of year	1,192,901	100,000	1,292,901
Net Assets, end of year	\$ 1,366,752	\$ -	\$ 1,366,752

See accompanying notes.

Washington Area Bicyclist Association

Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services									Supporting Services			Total Expenses
	Member Programs and Development	Advocacy and Promotion of Cycling	Adult Education	Youth Education	Events	50 States Ride	Trail Rangers	Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 137,570	\$ 411,734	\$ 78,936	\$ 130,586	\$ 70,490	\$ -	\$ 410,597	\$ 140,818	\$ 1,380,731	\$ 67,079	\$ 176,388	\$ 243,467	\$ 1,624,198
Employee benefits	11,841	35,439	6,794	11,240	6,067	-	35,341	12,121	118,843	5,774	15,182	20,956	139,799
Payroll taxes	11,568	34,622	6,638	10,981	5,927	-	34,527	11,841	116,104	5,641	14,832	20,473	136,577
Consultants	16,487	75,565	46,599	19,975	13,355	-	17,322	13,509	202,812	19,990	764	20,754	223,566
Accounting	-	-	-	-	-	-	-	-	-	14,357	-	14,357	14,357
Equipment	-	211	26,973	4,350	8,633	150	43,928	1,368	85,613	7,961	-	7,961	93,574
Utilities	-	-	-	-	-	-	-	-	-	3,526	-	3,526	3,526
Insurance	-	-	-	-	-	-	-	-	-	27,449	-	27,449	27,449
Telephone and internet	305	-	-	-	-	-	3,394	-	3,699	14,557	-	14,557	18,256
Meetings and development	-	50	1,895	854	-	-	20,419	-	23,218	2,219	45	2,264	25,482
Supplies	1,191	135	122	1,543	4,508	1,381	32,013	-	40,893	5,146	249	5,395	46,288
Rent	7,610	22,775	4,966	8,423	3,899	1,000	22,712	7,789	79,174	8,491	9,757	18,248	97,422
Travel and subsistence	160	14,742	40	2,331	28,263	2,133	1,467	590	49,726	2,229	216	2,445	52,171
Advertising and mailing services	239	105	-	310	1,401	-	610	-	2,665	1,629	-	1,629	4,294
Miscellaneous	-	-	-	-	-	-	-	-	-	40	-	40	40
Freight, postage, and delivery	3,427	-	-	-	-	-	180	-	3,607	356	1,573	1,929	5,536
Printing and design	1,279	1,926	-	-	-	-	1,827	11,444	16,476	693	12,026	12,719	29,195
Bank charges	6,114	154	941	46	4,513	2,094	-	30	13,892	245	8,009	8,254	22,146
Depreciation and amortization	-	-	-	-	-	-	-	-	-	17,784	-	17,784	17,784
Permits and fees	-	-	1,260	60	933	23	28	-	2,304	2,635	1,249	3,884	6,188
Member premiums	18,076	512	-	-	5,051	1,500	10,225	3,028	38,392	2,309	-	2,309	40,701
Total Expenses	\$ 215,867	\$ 597,970	\$ 175,164	\$ 190,699	\$ 153,040	\$ 8,281	\$ 634,590	\$ 202,538	\$ 2,178,149	\$ 210,110	\$ 240,290	\$ 450,400	\$ 2,628,549

See accompanying notes.

Washington Area Bicyclist Association

Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services									Supporting Services			Total Expenses
	Member Programs and Development	Advocacy and Promotion of Cycling	Adult Education	Youth Education	Events	50 States Ride	Trail Rangers	Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 118,621	\$ 314,327	\$ 72,862	\$ 78,142	\$ 92,925	\$ -	\$ 79,198	\$ 182,565	\$ 938,640	\$ 111,581	\$ 123,079	\$ 234,660	\$ 1,173,300
Employee benefits	12,790	33,893	7,856	8,426	10,020	-	8,540	19,685	101,210	12,031	13,271	25,302	126,512
Payroll taxes	10,281	27,244	6,315	6,773	8,054	-	6,864	15,824	81,355	9,671	10,668	20,339	101,694
Consultants	12,990	93,676	45,786	15,362	-	-	-	1,250	169,064	72,757	-	72,757	241,821
Accounting	-	-	-	-	-	-	-	-	-	15,993	-	15,993	15,993
Equipment	-	-	21,075	-	351	450	25	-	21,901	6,172	-	6,172	28,073
Utilities	-	-	-	-	-	-	-	-	-	3,805	-	3,805	3,805
Insurance	-	-	-	-	-	-	-	-	-	20,697	-	20,697	20,697
Telephone and internet	818	-	268	-	-	-	373	-	1,459	11,627	-	11,627	13,086
Meetings and development	-	700	425	90	53	-	-	53	1,321	13,942	-	13,942	15,263
Supplies	1,595	822	877	67	3,343	729	4,639	170	12,242	74	-	74	12,316
Rent	8,828	23,393	5,422	5,815	6,916	-	5,894	13,587	69,855	10,104	9,160	19,264	89,119
Travel and subsistence	-	207	-	129	3,038	815	-	16	4,205	1,079	185	1,264	5,469
Advertising and mailing services	440	455	173	719	-	-	600	-	2,387	75	1,000	1,075	3,462
Miscellaneous	40	-	-	-	-	-	-	-	40	-	-	-	40
Freight, postage, and delivery	4,837	-	-	-	-	-	-	-	4,837	112	1,435	1,547	6,384
Printing and design	238	985	-	-	-	-	-	6,610	7,833	-	10,468	10,468	18,301
Bank charges	7,179	147	822	780	2,420	2,072	-	3	13,423	6	9,211	9,217	22,640
Depreciation and amortization	-	-	-	-	-	-	-	-	-	12,179	-	12,179	12,179
Permits and fees	-	-	1,165	120	802	120	-	-	2,207	1,048	778	1,826	4,033
Member premiums	23,342	-	-	-	6,557	-	2,999	-	32,898	621	-	621	33,519
Total Expenses	\$ 201,999	\$ 495,849	\$ 163,046	\$ 116,423	\$ 134,479	\$ 4,186	\$ 109,132	\$ 239,763	\$ 1,464,877	\$ 303,574	\$ 179,255	\$ 482,829	\$ 1,947,706

See accompanying notes.

Washington Area Bicyclist Association

Statements of Cash Flows For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 127,693	\$ 73,851
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss on investments	1,231	123
Depreciation and amortization	17,784	12,179
Change in operating assets and liabilities:		
Decrease (increase) in:		
Grants and contributions receivable	27,500	(27,500)
Government grants receivable	(149,810)	(25,745)
Prepaid expenses	(8,923)	1,191
Right-of-use asset – operating lease	(214,509)	-
(Decrease) increase in:		
Accounts payable and accrued expenses	(517)	24,087
Due to sponsored projects	3,140	48
Lease liability – operating lease	217,490	-
Net cash provided by operating activities	21,079	58,234
Cash Flows from Investing Activities		
Purchases of property and equipment	(33,119)	(8,677)
Reinvestment of dividends	(1,067)	(386)
Net cash used in investing activities	(34,186)	(9,063)
Net (Decrease) Increase in Cash and Cash Equivalents	(13,107)	49,171
Cash and Cash Equivalents, beginning of year	1,295,893	1,246,722
Cash and Cash Equivalents, end of year	\$ 1,282,786	\$ 1,295,893

See accompanying notes.

Washington Area Bicyclist Association

Notes to Financial Statements
December 31, 2022 and 2021

1. Nature of Operations

The Washington Area Bicyclist Association (“the Association”) is a not-for-profit organization incorporated in the District of Columbia in 1972 for the purpose of advocating the use of bicycling for recreation and transportation purposes; identifying bicycle problems and researching possible solutions; and studying and developing programs for advancing traffic safety including, but not limited to, education of motorists and bicyclists, and planning for efficient traffic systems.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Association’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- *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. The Association reports contributions and grants 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. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Fiscal Sponsorship

The Association effects change, not only through the direct impact of its own programs, but also by supporting members who have yet to receive their tax-exempt status. One of the ways the Association does this is by becoming a fiscal sponsor to independent projects to further their mission. As a fiscal sponsor, the Association receives donations and provides organizational infrastructure, legal services, and tax-exempt status for the projects it sponsors for a small fee.

Washington Area Bicyclist Association

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

For the purpose of the statements of cash flows, the Association considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase.

Investments

Investments are recorded at fair value based on quoted market prices. All interest and dividends, and realized and unrealized gains and losses are reported as a component of investment return in the accompanying statements of activities.

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional amounts committed to the Association. All grants and contributions receivable are reflected at either net realizable value or at net present value based on projected cash flows. The Association may provide an allowance for uncollectible grants and contributions that is based on management's judgment considering historical information. At December 31, 2022 and 2021, all amounts are deemed to be fully collectible, and no allowance is deemed necessary.

Government Grants Receivable

Government grants receivable consist primarily of amounts to be reimbursed to the Association for expenses incurred under agreements with various government agencies. The Association uses the allowance method to account for amounts that are considered to be uncollectible, based on prior years' experience and management's current estimates of potentially uncollectible accounts. No allowance for doubtful government grants receivable is recorded at December 31, 2022 and 2021, as management believes that all amounts are fully collectible.

Washington Area Bicyclist Association

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment acquisitions with a cost in excess of \$1,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the individual assets, which range from three to five years. Repairs and maintenance costs are expensed as incurred. Donated assets are capitalized at fair market value on the date of donation.

Leases

The Association determines if an arrangement is a lease at inception. Operating lease is included in the right-of-use (“ROU”) assets, which represent the Association’s right to use an underlying asset for the lease terms, and lease liabilities represent the Association’s obligation to make lease payments arising from the lease. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Association’s lease does not provide an implicit rate, the Association used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The ROU assets also include any lease payments made and exclude lease incentives. The Association’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Association will exercise that option. Lease expense for lease payments is recognized in a straight-line basis over the lease term.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. The Association reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Association’s programs or to a future year. When a donor restriction expires, that is, 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 statements of activities as net assets released from restrictions.

Washington Area Bicyclist Association

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Association is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

Memberships to the Association are accounted for in accordance with contribution accounting. Memberships run on an anniversary basis, and include benefits such as discounted and waived ride registrations and certain logo items. These benefits are provided to members almost immediately upon initial joining or renewal; and any unused portion of benefits is immaterial at the end of the calendar year. Management considers memberships to be contributions, and also offers memberships to be tax deductible contributions to the Association.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Association satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Association expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Association combines it with other performance obligations until a distinct bundle of goods or services exists. Amounts and funds received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the accompanying statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Washington Area Bicyclist Association

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (continued)

Registration revenue consists of fees for events and services. Revenue is recognized when the events are held and services are provided. Amounts received in advance are deferred and recognized when the performance obligations are met.

Contracts revenue consists of agreements and contracts in which the Association provides services in support of its programs and mission, and meets performance obligations per the contract arrangements to earn revenue. Amounts received in advance are recorded as deferred revenue until the performance obligations are met and the revenue is earned.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Expenses

The Association expenses advertising costs as incurred. Advertising expenses totaled \$4,294 and \$3,462 for the years ended December 31, 2022 and 2021, respectively.

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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Washington Area Bicyclist Association

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Accounting Standards Codification (ASC) 842, *Leases*. The update requires a lessee to recognize an ROU asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The Association adopted ASC 842 during the year ended December 31, 2022, and adjusted the presentation in the financial statements as permitted by ASC 842. A modified retrospective transition approach is required for lessees for finance and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 20, 2023, the date the financial statements were available to be issued.

3. Liquidity and Availability

The Association strives to maintain liquid financial assets on hand to meet its general expenditures and obligations as they become due. Management periodically reviews the Association's liquid asset needs and adjusts the cash and cash equivalents balances as necessary. Amounts in excess of operating liquidity are invested in short-term and highly liquid securities.

Additionally, the Association considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

Washington Area Bicyclist Association

Notes to Financial Statements
December 31, 2022 and 2021

3. Liquidity and Availability (continued)

Financial assets available for general expenditures within one year of the statements of financial position date, comprise the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,282,786	\$ 1,295,893
Investments	60,809	60,973
Grants and contributions receivable	-	27,500
Government grants receivable	<u>224,114</u>	<u>74,304</u>
Total available for general expenditures	<u>\$ 1,567,709</u>	<u>\$ 1,458,670</u>

4. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject the Association to significant concentrations of credit risk consist of cash and cash equivalents, and investments. The Association maintains cash deposit and transaction accounts, along with investments, at a financial institution, and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Association has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of the financial institution and believes that the risk of any credit loss is minimal.

Revenue Risk

For the years ended December 31, 2022 and 2021, a substantial portion of the Association's revenue was generated from one source. The revenues totaled 50% and 35% of the Association's total revenue and support for the years ended December 31, 2022 and 2021, respectively. A potential reduction or change in funding from this donor in the future could significantly impact the Association's ability to carry out its program activities.

Washington Area Bicyclist Association

Notes to Financial Statements
December 31, 2022 and 2021

5. Investments and Fair Value Measurements

The Association follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Association recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, the Association uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table presents the Association's fair value hierarchy for those investments measured on a recurring basis at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 60,809	\$ -	\$ -	\$ 60,809
Total investments	\$ 60,809	\$ -	\$ -	\$ 60,809

The following table presents the Association's fair value hierarchy for those investments measured on a recurring basis at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 60,973	\$ -	\$ -	\$ 60,973
Total investments	\$ 60,973	\$ -	\$ -	\$ 60,973

Washington Area Bicyclist Association

Notes to Financial Statements
December 31, 2022 and 2021

5. Investments and Fair Value Measurements (continued)

Investment return consists of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 1,402	\$ 759
Unrealized loss	<u>(1,231)</u>	<u>(123)</u>
Total investment return	<u>\$ 171</u>	<u>\$ 636</u>

The Association did not have any investment fees during the years ended December 31, 2022 and 2021.

6. Property and Equipment

The Association held the following property and equipment at December 31:

	<u>2022</u>	<u>2021</u>
Computers	\$ 83,657	\$ 64,729
Furniture and equipment	5,650	5,650
Bikes	<u>39,503</u>	<u>25,312</u>
Total property and equipment	128,810	95,691
Less: accumulated depreciation and amortization	<u>(70,941)</u>	<u>(53,157)</u>
Property and equipment, net	<u>\$ 57,869</u>	<u>\$ 42,534</u>

7. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted as follows at December 31:

	<u>2022</u>	<u>2021</u>
Political support in Montgomery County	\$ 75,000	\$ -
District of Columbia Families for Safe Streets	5,340	-
Black Women Bike DC	<u>26,307</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 106,647</u>	<u>\$ -</u>

Washington Area Bicyclist Association

Notes to Financial Statements
December 31, 2022 and 2021

8. Fiscal Sponsorship

During the years ended December 31, 2022 and 2021, the Association had formal agreements to fiscally sponsor the District of Columbia Families for Safe Streets (DC-FSS) and Black Women Bike DC (BWBDC). The Association sponsors DC-FSS and BWBDC, as they are in the process of obtaining tax exemption under Section 501(c)(3) of the Internal Revenue Code (IRC). The sponsored organizations maintain similar missions to the Association. For the performance of its fiscal sponsor services with DC-FSS, the Association earns a 5% fiscal sponsorship administrative fee, which totaled \$135 and \$0 for the years ended December 31, 2022 and 2021, respectively. This represents the fiscal sponsorship fee for providing financial, administrative, and legal responsibilities that the Association assumes on behalf of DC-FSS. There was no administrative fee associated with the BWBDC fiscal sponsor arrangement.

During the years ended December 31, 2022 and 2021, the Association received a total of \$8,192 and \$34,826, respectively, in revenue designated to support operations for the fiscally sponsored organizations. Total expenditures for the years ended December 31, 2022 and 2021 were also \$4,912 and \$6,459, respectively. The remaining balances of unspent funds are reflected in net assets with donor restrictions in the accompanying financial statements.

Subsequent to year end on June 5, 2023, the Association entered into another formal agreement to fiscally sponsor Montgomery County Families for Safe Street (“MoCo FSS”). The Association sponsors MoCo FSS, as it is also in the process of obtaining tax exemption under IRC Section 501(c)(3). The terms of the agreement are similar to the other fiscal sponsorship arrangements, as noted above.

9. Commitment and Contingencies

Government Grants

Revenue that the Association receives from government sources is subject to audit and compliance under the provisions of the grant agreements. The ultimate determination of amounts received is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grants and contracts are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists in the accompanying statements of financial position.

Washington Area Bicyclist Association

Notes to Financial Statements
December 31, 2022 and 2021

9. Commitment and Contingencies (continued)

Operating Leases

In May 2015, the Association entered into an operating lease agreement to utilize office space. The initial lease agreement expired on April 30, 2020. In May 2020, the lease was extended for an additional five-year term, expiring on April 30, 2025. The agreement and addendum require monthly rental payments with scheduled annual increases of 3%. The difference between the straight-line rent over the term of the lease and the cash payments required by the lease was not reflected as deferred rent in the accompanying statements of financial position at December 31, 2021 under ASC 840 due to immateriality. Rent expense for the years ended December 31, 2022 and 2021 totaled \$97,422 and \$89,119, respectively.

Supplemental qualitative information related to the office lease is as follows:

Operating lease cost	\$	92,822
Cash paid for amounts included in the measurement of lease liability – operating cash flows	\$	89,842
Right-of-use asset obtained in exchange for lease obligations	\$	305,261
Weighted-average remaining lease term (in years)		2.33
Weighted-average discount rate		0.78%

Maturities of the lease liability under the Association's office lease are as follows for the years ending December 31:

2023	\$	92,441
2024		95,119
2025		32,007
		<hr/>
Total minimum lease payments		219,567
Less: discount to present value at 0.78%		(2,077)
		<hr/>
Present value of operating lease liability	\$	<u>217,490</u>

Washington Area Bicyclist Association

Notes to Financial Statements
December 31, 2022 and 2021

9. Commitment and Contingencies (continued)

Operating Leases (continued)

Subsequent to year end, on March 15, 2023, the Association entered into an operating lease for office equipment. The lease commenced in March 2023, and is scheduled to expire in March 2028. The lease requires fixed monthly payments over the term of the lease.

10. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Where feasible, the Association allocates its expenses directly to specific programs or functions. The Association also utilizes an indirect cost allocation methodology to allocate its expenses, such as salaries, employee benefits, payroll taxes, and other expenses, which are allocated on the basis of estimates of time and effort across specific programs or functions.

11. Related Party Transactions

During the years ended December 31, 2022 and 2021, the Association received contributions from Board members in the amount of \$10,025 and \$11,356, respectively.

12. Retirement Plan

The Association provides retirement benefits to its employees through a defined contribution plan qualified under IRC Section 403(b). The plan covers all full-time employees with one year of eligible experience. The Association matches up to 5% of each full-time employee's salary. Employer contributions to the plan during the years ended December 31, 2022 and 2021 were \$32,014 and \$33,464, respectively.

13. Income Taxes

The Association is recognized as a tax-exempt organization under IRC Section 501(c)(3) and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements, as there was no significant net unrelated business taxable income. Contributions to the Association are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management evaluated the Association's tax positions and concluded that the Association's financial statements do not include any uncertain tax positions.