

Washington Area Bicyclist Association and Affiliate

Consolidated Financial Statements
and Independent Auditor's Report

December 31, 2023 and 2022

Washington Area Bicyclist Association and Affiliate

Consolidated Financial Statements
December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Washington Area Bicyclist Association and Affiliate

Opinion

We have audited the accompanying consolidated financial statements of Washington Area Bicyclist Association and Affiliate (collectively, "the Association"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022; 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2023 and 2022, 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 Consolidated 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Consolidated Financial Statements

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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.
- 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 consolidated 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.

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

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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, flowing style.

Vienna, Virginia
July 30, 2024

Washington Area Bicyclist Association and Affiliate

Consolidated Statements of Financial Position December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 1,321,397	\$ 1,282,786
Investments	64,486	60,809
Government grants receivable	369,407	224,114
Prepaid expenses	24,709	40,276
Property and equipment, net	45,512	57,869
Right-of-use assets – operating leases	143,760	214,509
Deposits	10,230	4,325
Total assets	<u>\$ 1,979,501</u>	<u>\$ 1,884,688</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 197,537	\$ 141,106
Due to sponsored projects	35,024	31,647
Lease liabilities – operating leases	147,122	217,490
Total liabilities	<u>379,683</u>	<u>390,243</u>
Net Assets		
Without donor restrictions	1,388,212	1,387,798
With donor restrictions	211,606	106,647
Total net assets	<u>1,599,818</u>	<u>1,494,445</u>
Total liabilities and net assets	<u>\$ 1,979,501</u>	<u>\$ 1,884,688</u>

See accompanying notes.

Washington Area Bicyclist Association and Affiliate

Consolidated Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 669,641	\$ 310,805	\$ 980,446
Government grants	1,499,694	-	1,499,694
Sponsorships	141,679	-	141,679
Memberships	247,609	-	247,609
Registrations	128,611	-	128,611
Contracts	7,098	-	7,098
Investment return	21,495	-	21,495
Miscellaneous revenue	1,964	-	1,964
Released from restrictions	205,846	(205,846)	-
Total revenue and support	2,923,637	104,959	3,028,596
Expenses			
Program services:			
Member programs and development	188,579	-	188,579
Advocacy and promotion of cycling	767,858	-	767,858
Adult education	181,038	-	181,038
Youth education	210,740	-	210,740
Events	119,544	-	119,544
Trail Rangers	609,869	-	609,869
Outreach	163,114	-	163,114
Total program services	2,240,742	-	2,240,742
Supporting services:			
Management and general	389,640	-	389,640
Fundraising	292,841	-	292,841
Total supporting services	682,481	-	682,481
Total expenses	2,923,223	-	2,923,223
Change in Net Assets	414	104,959	105,373
Net Assets, beginning of year	1,387,798	106,647	1,494,445
Net Assets, end of year	\$ 1,388,212	\$ 211,606	\$ 1,599,818

See accompanying notes.

Washington Area Bicyclist Association and Affiliate

Consolidated 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	215,271	-	215,271
Advocacy and promotion of cycling	596,186	-	596,186
Adult education	174,822	-	174,822
Youth education	190,133	-	190,133
Events	152,735	-	152,735
50 States Ride	8,281	-	8,281
Trail Rangers	632,678	-	632,678
Outreach	201,928	-	201,928
Total program services	2,172,034	-	2,172,034
Supporting services:			
Management and general	216,989	-	216,989
Fundraising	239,526	-	239,526
Total supporting services	456,515	-	456,515
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 and Affiliate

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services							Supporting Services			Total Expenses	
	Member Programs and Development	Advocacy and Promotion of Cycling	Adult Education	Youth Education	Events	Trail Rangers	Outreach	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 105,762	\$ 528,237	\$ 95,778	\$ 141,448	\$ 64,900	\$ 462,063	\$ 117,226	\$ 1,515,414	\$ 141,633	\$ 199,506	\$ 341,139	\$ 1,856,553
Employee benefits	11,497	55,517	10,411	14,937	7,055	50,232	12,743	162,392	44,512	21,147	65,659	228,051
Payroll taxes	8,804	43,943	7,973	11,775	5,403	38,465	9,759	126,122	11,790	16,608	28,398	154,520
Consultants	26,415	79,899	52,841	29,911	4,436	3,902	4,497	201,901	47,574	16,050	63,624	265,525
Accounting	-	-	-	-	-	-	-	-	26,571	-	26,571	26,571
Equipment	-	6,502	2,072	375	19,380	12,788	128	41,245	10,766	-	10,766	52,011
Utilities	-	-	-	-	-	-	-	-	4,117	-	4,117	4,117
Insurance	-	-	-	-	-	-	-	-	26,275	-	26,275	26,275
Telephone and internet	588	-	-	-	-	3,476	-	4,064	10,900	-	10,900	14,964
Meetings and development	-	1,619	1,678	-	-	2,186	-	5,483	1,126	-	1,126	6,609
Supplies	512	2,774	(191)	1,933	2,714	5,655	1,130	14,527	11,712	-	11,712	26,239
Rent	5,288	29,531	4,788	7,072	3,245	23,101	5,861	78,886	8,931	9,974	18,905	97,791
Travel and subsistence	-	3,603	44	778	610	271	309	5,615	1,563	-	1,563	7,178
Advertising and mailing services	580	6,232	104	155	1,272	350	712	9,405	5,403	-	5,403	14,808
Miscellaneous	374	7,223	805	86	2,199	4,157	758	15,602	11,266	390	11,656	27,258
Freight, postage, and delivery	3,826	-	-	-	-	11	-	3,837	1,187	-	1,187	5,024
Printing and design	40	1,264	-	5	1,186	1,651	-	4,146	302	22,035	22,337	26,483
Bank charges	7,911	136	1,077	186	5,597	-	21	14,928	1,626	6,642	8,268	23,196
Depreciation and amortization	-	-	-	-	-	-	-	-	19,142	-	19,142	19,142
Permits and fees	375	1,378	1,240	235	1,493	300	770	5,791	1,088	50	1,138	6,929
Member premiums	16,607	-	2,418	1,844	54	1,261	9,200	31,384	2,156	439	2,595	33,979
Total Expenses	\$ 188,579	\$ 767,858	\$ 181,038	\$ 210,740	\$ 119,544	\$ 609,869	\$ 163,114	\$ 2,240,742	\$ 389,640	\$ 292,841	\$ 682,481	\$ 2,923,223

See accompanying notes.

Washington Area Bicyclist Association and Affiliate

Consolidated 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	15,891	73,781	46,257	19,409	13,050	-	15,410	12,899	196,697	26,869	-	26,869	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	\$ 215,271	\$ 596,186	\$ 174,822	\$ 190,133	\$ 152,735	\$ 8,281	\$ 632,678	\$ 201,928	\$ 2,172,034	\$ 216,989	\$ 239,526	\$ 456,515	\$ 2,628,549

See accompanying notes.

Washington Area Bicyclist Association and Affiliate

Consolidated Statements of Cash Flows For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 105,373	\$ 127,693
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	(832)	1,231
Depreciation and amortization	19,142	17,784
Right-of-use assets – operating leases	70,749	(214,509)
Change in operating assets and liabilities:		
Decrease (increase) in:		
Grants and contributions receivable	-	27,500
Government grants receivable	(145,293)	(149,810)
Prepaid expenses	15,567	(8,923)
Deposits	(5,905)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	56,431	(517)
Due to sponsored projects	3,377	3,140
Lease liabilities – operating leases	(70,368)	217,490
	48,241	21,079
Net cash provided by operating activities		
Cash Flows from Investing Activities		
Purchases of property and equipment	(6,785)	(33,119)
Reinvestment of dividends	(2,845)	(1,067)
	(9,630)	(34,186)
Net cash used in investing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	38,611	(13,107)
Cash and Cash Equivalents, beginning of year	1,282,786	1,295,893
Cash and Cash Equivalents, end of year	\$ 1,321,397	\$ 1,282,786
Noncash Transactions Arising from ASC 842 Adoption		
Establishment of right-of-use asset – operating copier lease	\$ 24,467	\$ -
Establishment of lease liability – operating copier lease	\$ 24,467	\$ -

See accompanying notes.

Washington Area Bicyclist Association and Affiliate

Consolidated Notes to Financial Statements
December 31, 2023 and 2022

1. Nature of Operations

The Washington Area Bicyclist Association and Affiliate (WABA) 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.

Gearin' Up LLC, a single-member limited liability company, was formed in September 2023 in Washington, DC. The purpose of Gearin' Up LLC is creating career development opportunities and teaching essential workplace skills to underserved youth and young adults, while encouraging cycling as a practical, healthy means of transportation. Gearin' Up LLC will also run a community bike shop, where participants will help Gearin' Up LLC sell bicycles they have refurbished. Although Gearin's Up LLC was incorporate during 2023, there were no operations or activities for the year ended December 31, 2023.

2. Summary of Significant Accounting Policies

Principles of Consolidation

WABA maintains a controlling financial interest in Gearin' Up LLC, which was established as a single-member limited liability company to provide access to quality, affordable, used bicycles for those in need and hosts various community outreach programs throughout the year. These consolidated entities are collectively referred to as "the Association" in the accompanying notes to the consolidated financial statements. All significant intercompany transactions have been eliminated in the consolidation.

Basis of Accounting and Presentation

The Association's consolidated 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.

Washington Area Bicyclist Association and Affiliate

Consolidated Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

- *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 affects 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.

Cash Equivalents

For the purpose of the consolidated 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 consolidated statements of activities.

Washington Area Bicyclist Association and Affiliate

Consolidated Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

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, 2023 and 2022, 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 state and local 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, 2023 and 2022, as management believes that all amounts are fully collectible.

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.

Operating Leases

The Association determines if an arrangement is a lease at inception. Operating leases are 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.

Washington Area Bicyclist Association and Affiliate

Consolidated Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Operating Leases (continued)

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 consolidated statements of activities as net assets released from restrictions.

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. Additionally, the Association has agreements with state and local government agencies that contain substantial conditions that must be met prior to recognition of revenue. The donor-imposed conditions primarily consist of qualifying expenditure that must be incurred by the Association before state and local government agencies will reimburse these expenditures. 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. There were no refundable advance or deferred revenue in the accompanying consolidated statements of financial position relating to conditional revenue from state and local government agencies at December 31, 2023 and 2022.

Washington Area Bicyclist Association and Affiliate

Consolidated Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

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 consolidated statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

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.

Advertising Expenses

The Association expenses advertising costs as incurred. Advertising expenses totaled \$14,808 and \$4,294 for the years ended December 31, 2023 and 2022, respectively.

Washington Area Bicyclist Association and Affiliate

Consolidated Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated 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.

Reclassifications

Certain amounts in the 2022 consolidated financial statements have been reclassified to conform to the 2023 presentation. These reclassifications have no effect on the change in net assets previously reported.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

In preparing these consolidated financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 30, 2024, the date the consolidated 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 and Affiliate

Consolidated Notes to Financial Statements
December 31, 2023 and 2022

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,321,397	\$ 1,282,786
Investments	64,486	60,809
Government grants receivable	<u>369,407</u>	<u>224,114</u>
Total available for general expenditures	<u>\$ 1,755,290</u>	<u>\$ 1,567,709</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, 2023 and 2022, a substantial portion of the Association's revenue was generated from one source. The revenues totaled 41% and 50% of the Association's total revenue and support for the years ended December 31, 2023 and 2022, 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.

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5. Investments and Fair Value Measurements

The Association follows Financial Accounting Standards Board Accounting Standards Codification 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, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 64,486	\$ -	\$ -	\$ 64,486
Total investments	\$ 64,486	\$ -	\$ -	\$ 64,486

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

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5. Investments and Fair Value Measurements (continued)

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 20,663	\$ 1,402
Unrealized gain (loss)	<u>832</u>	<u>(1,231)</u>
Total investment return	<u><u>\$ 21,495</u></u>	<u><u>\$ 171</u></u>

The Association did not have any investment fees during the years ended December 31, 2023 and 2022.

6. Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Computers	\$ 90,442	\$ 83,657
Furniture and equipment	5,650	5,650
Bikes	<u>39,503</u>	<u>39,503</u>
Total property and equipment	135,595	128,810
Less: accumulated depreciation and amortization	<u>(90,083)</u>	<u>(70,941)</u>
Property and equipment, net	<u><u>\$ 45,512</u></u>	<u><u>\$ 57,869</u></u>

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7. Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Purpose restricted:		
Bega fund	\$ 111,606	\$ -
Political support in Montgomery County District of Columbia Families for Safe Streets	-	75,000
Black Women Bike DC	-	5,340
Time restricted	100,000	26,307
	<u>100,000</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 211,606</u>	<u>\$ 106,647</u>

8. Fiscal Sponsorship

During the year ended December 31, 2022, the Association had formal agreements to fiscally sponsor the District of Columbia Families for Safe Streets (DC-FSS) and Black Women Bike DC (BWBDC). During the year ended December 31, 2023, the Association entered into formal agreements to fiscally sponsor Montgomery County for Safe Streets (MoCo FSS) and Police Out of Traffic Enforcement Coalition (POOTEC).

The Association sponsors these organizations, 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, MoCo FSS, and POOTEC, the Association earns a 5% fiscal sponsorship administrative fee, which totaled \$0 and \$135 for the years ended December 31, 2023 and 2022, respectively. This represents the fiscal sponsorship fee for providing financial, administrative, and legal responsibilities that the Association assumes on behalf of DC-FSS, MoCo FSS, and POOTEC. There was no administrative fee associated with the BWBDC fiscal sponsor arrangement.

During the years ended December 31, 2023 and 2022, the Association received a total of \$7,509 and \$8,192, respectively, in revenue designated to support operations for the fiscally sponsored organizations. Total expenditures for the years ended December 31, 2023 and 2022 were \$4,132 and \$4,912, respectively. The remaining balances of unspent funds are reflected in net assets with donor restrictions in the accompanying consolidated financial statements.

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9. Commitments and Contingencies

Government Grants

Revenue that the Association receives from state and local 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 consolidated statements of financial position.

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%. Total rent expense for the years ended December 31, 2023 and 2022 totaled \$97,791 and \$97,422, respectively.

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.

Supplemental qualitative information related to the office lease is as follows at December 31:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 96,850	\$ 92,822
Cash paid for amounts included in the measurement of lease liabilities – operating cash flows	\$ 96,468	\$ 89,842
Right-of-use assets obtained in exchange for lease obligations	\$ 143,760	\$ 214,509
Weighted-average remaining lease term (in years)	1.8	2.3
Weighted-average discount rate	0.86%	0.78%

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9. Commitments and Contingencies (continued)

Operating Leases (continued)

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

2024	\$	99,951
2025		36,839
2026		4,833
2027		4,833
2028		2,014
		<hr/>
Total minimum lease payments		148,470
Less: discount to present value 0.86%		(1,348)
		<hr/>
Present value of operating lease liabilities	\$	<u>147,122</u>

10. Functionalized Expenses

The consolidated 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, 2023 and 2022, the Association received contributions from Board members in the amount of \$118,125 and \$10,025, 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, 2023 and 2022 were \$39,177 and \$32,014, respectively.

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13. Income Taxes

WABA 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 consolidated financial statements, as there was no significant net unrelated business taxable income. Contributions to WABA are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management evaluated WABA's tax positions and concluded that there are no significant uncertain tax positions that qualify for either recognition or disclosure in the accompanying consolidated financial statements.

Gearin' Up LLC is a disregarded entity for income tax purposes. As a single-member LLC, all items of income and expenditures are attributable to WABA and are reported on its annual Form 990. All activities are related to the mission of WABA.

Management has evaluated the Association's tax position and concluded that the Association had no significant uncertain tax positions at December 31, 2023 and 2022.