

Jack The Bike Man, Inc

Financial Statements

December 31, 2021

With Independent Auditors' Report

JACK THE BIKE MAN, INC

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Independent Auditors' Report

To The Board of Directors
Jack the Bike Man, Inc.

We have audited the accompanying statement of financial position of Jack the Bike Man, Inc. (a nonprofit organization) as of December 31, 2021, and the related statements of activities and changes in fund balance, functional expenses, and cash flows for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jack the Bike Man, Inc. as of December 31, 2021, and the statements of activities and changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



DiSalvo & Associates, PLLC
West Palm Beach, FL
July 29, 2022

JACK THE BIKE MAN INC.
Statement of Financial Position
December 31, 2021

<u>Assets</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 268,760	\$ 15,000	\$ 283,760
Inventory	113,985	-	113,985
Promise to give receivable, net	-	77,248	77,248
Total current assets	<u>382,745</u>	<u>92,248</u>	<u>474,993</u>
Property and equipment, net	<u>2,072,212</u>	<u>-</u>	<u>2,072,212</u>
Other assets:			
ROU lease asset	93,334	-	93,334
Leasehold improvements - in process	145,131	-	145,131
Security deposits	7,200	-	7,200
Prepaid expenses	<u>27,744</u>	<u>-</u>	<u>27,744</u>
Total other assets	<u>273,409</u>	<u>-</u>	<u>273,409</u>
Total assets	<u>\$ 2,728,366</u>	<u>\$ 92,248</u>	<u>\$ 2,820,614</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	\$ 17,688	\$ -	\$ 17,688
Credit card payable	20,036	-	20,036
Accrued expenses	41,993	-	41,993
Mortgage payable - current	43,687	-	43,687
ROU lease liability - current	95,698	-	95,698
Other current liabilities	<u>2,444</u>	<u>-</u>	<u>2,444</u>
Total current liabilities	<u>221,546</u>	<u>-</u>	<u>221,546</u>
Long-term liabilities:			
Mortgage payable - long-term	421,128	-	421,128
SBA loan	<u>148,718</u>	<u>-</u>	<u>148,718</u>
Total long-term liabilities	<u>569,846</u>	<u>-</u>	<u>569,846</u>
Net assets			
Without Donor Restrictions	1,936,974	-	1,936,974
With Donor Restrictions	-	92,248	92,248
Total Net Assets	<u>1,936,974</u>	<u>92,248</u>	<u>2,029,222</u>
Total liabilities and net assets	<u>\$ 2,728,366</u>	<u>\$ 92,248</u>	<u>\$ 2,820,614</u>

The accompanying notes are an integral part of these financial statements

JACK THE BIKE MAN INC.
Statement of Activities and Changes in Fund Balance
Year ended December 31, 2021

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenue, gains and other support:			
Contributions	\$ 275,303	\$ 253,125	\$ 528,428
Bike shop sales, net	47,892	-	47,892
In-kind contributions - bikes	315,750	-	315,750
In-kind contributions - other	844	-	844
Fundraising income	60,139	-	60,139
Interest income	620	-	620
Other income	8,628	-	8,628
	<u>709,176</u>	<u>253,125</u>	<u>962,301</u>
Total revenue			
Net assets released from restrictions	<u>1,560,877</u>	<u>(1,560,877)</u>	<u>-</u>
Total revenues, gains and other support	<u>2,270,053</u>	<u>(1,307,752)</u>	<u>962,301</u>
Expenses:			
Program services	692,678	-	692,678
General and administrative	122,267	-	122,267
Fundraising	156,516	-	156,516
	<u>971,461</u>	<u>-</u>	<u>971,461</u>
Total expenses			
Change in net assets	1,298,592	(1,307,752)	(9,160)
Net assets, beginning of year	<u>638,382</u>	<u>1,400,000</u>	<u>2,038,382</u>
Net assets, end of year	<u>\$ 1,936,974</u>	<u>\$ 92,248</u>	<u>\$ 2,029,222</u>

The accompanying notes are an integral part of these financial statements

JACK THE BIKE MAN INC.
Statement of Functional Expenses
Year Ended December 31, 2021

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and promotion	\$ 5,516	\$ -	\$ -	\$ 5,516
Auto expense	2,682	-	-	2,682
Bank and merchant Fees	9,154	-	-	9,154
Computer expense	7,446	1,633	-	9,079
Depreciation	18,426	4,606	-	23,032
Donations - In-kind	277,900	845	-	278,745
Employee benefits	-	4,153	-	4,153
Fees, licenses and taxes	6,035	-	-	6,035
Fundraising expense	-	-	83,579	83,579
Insurance expense	14,550	3,637	-	18,187
Office expense	25,303	1,986	-	27,289
Officer payroll	33,750	33,750	-	67,500
Payroll expense	91,573	17,065	67,500	176,138
Payroll tax expense	16,282	4,093	5,437	25,812
Printing	7,669	-	-	7,669
Professional and consultant fees	-	27,866	-	27,866
Rent	154,546	17,172	-	171,718
Repairs and maintenance	3,183	796	-	3,979
Telephone and internet expense	6,550	1,637	-	8,187
Utilities	12,113	3,028	-	15,141
Total functional expenses	<u>\$ 692,678</u>	<u>\$ 122,267</u>	<u>\$ 156,516</u>	<u>\$ 971,461</u>

The accompanying notes are an integral part of these financial statements

JACK THE BIKE MAN INC.
Statement of Cash Flows
Year Ended December 31, 2021

Cash flows from operating activities:	
Change in net assets	\$ (9,160)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	23,032
(Increase) decrease in:	
Inventory	13,315
Prepaid expenses	(19,170)
Promise to give receivable	(77,248)
Increase (decrease) in:	
Accounts payable	17,688
Credit card payable	17,443
Accrued expenses	25,020
Lease liability	2,364
Other current liabilities	(622)
Net cash provided (used) by operating activities	<u>(7,338)</u>
Cash flows from investing activities:	
Purchase of new building	(1,908,528)
Leasehold improvements - In process	<u>(113,373)</u>
Net cash provided (used) by investing activities	<u>(2,021,901)</u>
Cash flows from financing activities:	
Mortgage funds received	500,000
Mortgage principal payments	(35,184)
SBA loan principal payments	<u>(1,282)</u>
Net cash provided (used) by financing activities	<u>463,534</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,565,705)</u>
Cash and cash equivalents, beginning of year	<u>1,849,465</u>
Cash and cash equivalents, end of year	<u>\$ 283,760</u>
Supplemental disclosures of cash flow information	
Interest paid during the year	\$ 15,309
Interest received during the year	\$ 620

The accompanying notes are an integral part of these financial statements

JACK THE BIKE MAN, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note A – Organization

Jack The Bike Man, Inc. (the "Organization") was organized on July 19, 2007 as a not-for-profit organization in the State of Florida. The Organization's primary mission is to strengthen the community through bicycle education and safety programs and to create a community of healthy active individuals by providing hope to the less fortunate through support, training and access to bicycles.

Significant Programs:

Earn a Bike Project: This program provides a pathway to exchange work for a bicycle and is available to both adults and children. The Organization receives referrals from not-for-profit organizations that help individuals in early recovery programs and homeless programs. Participants can also be students or anyone else in the community willing to volunteer their time. Participants volunteer for 15-20 hours at the bike shop to earn a free bicycle.

Gotta-Get-a-Bike: This program is an after-school program that is designed to teach bicycle repair and bicycle safety in a 4-week program that meets twice per week. The Organization promotes bicycle riding to instill healthy physical fitness habits at a young age. Participants earn a bicycle at the end of the program.

Christmas Give Project: The Organization gives away free refurbished bicycles and helmets to children from economically challenged families during the holidays to children living in Palm Beach County.

Community Service Hours: In a partnership with the Drug Court of the Fifteenth Judicial Circuit of Florida and the Palm Beach Probation Office, the Organization offers participants a chance to earn community service hours in exchange for their volunteer services. This program is also offered to students and anyone else needing community service hours.

Character Counts: Through a partnership with local elementary schools in the School District of Palm Beach County, the Organization recognizes students for their exemplary character. The Organization provides a free bicycle and helmet to a student each month that has demonstrated one of the six pillars of character that is showcased for that month at school.

Bicycle Donations: The Organization gives away bicycles to a variety of schools, not-for-profits, community organizations and churches around the county that request assistance from the Organization.

Bike Registration: The Organization assists the West Palm Beach Police Department in registering every bicycle that is sold or given away. This registration provides the West Palm Beach Department the necessary information so that if the bike is ever stolen, they have a record of the serial number. This program is designed to aid in the recovery of lost or stolen bicycles.

JACK THE BIKE MAN, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note B – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets received that are not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Balance Sheet Classification

A one-year time period is used as the basis for classifying assets and liabilities.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents are comprised of \$283,760 in bank accounts at December 31, 2021.

Fair Value Measurement

Fair value measurement does not apply to non-public companies and not-for-profit organizations.

Contributions

The organization records contributions received as restricted or unrestricted support depending on the existence or nature of any donor restrictions. Contributions are recorded as income at the time of receipt from the donors.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using 3.79%, which is the interest rate utilized on the Organization's other debts, for the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The promise to give receivable equals

JACK THE BIKE MAN, INC
NOTES TO THE FINANCIAL STATEMENTS
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\$85,000 less the discount of \$7,752, resulting in a net promise to give of \$77,248 at December 31, 2021.

Donated Materials, Services and Facilities

Contributions of materials and services are reflected in the financial statements at the fair value of the property contributed. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization recorded in-kind income and an in-kind expense for services requiring specialized skills in the amount of \$845 for the year ended December 31, 2021. The Organization received donations of 6,315 bicycles valued at \$315,750 for the year ended December 31, 2021.

The Organization does not account for the value of non-specialized services provided by volunteers or court ordered community services. For the fiscal year ended, December 31, 2021, volunteer hours were 6,617 service hours.

Inventory

Inventory is reported at the lower of average cost or market and is principally comprised of bikes and bike related items such as helmets, bike locks, bike racks, and bike parts. Management reviews inventory periodically for obsolescence and has determined that, as of December 31, 2021, a reserve for inventory obsolescence was not deemed necessary.

Fixed Assets

The Organization capitalizes expenditures of \$1,000 or more for equipment and leasehold improvements at cost. The fair value of donated fixed assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2019 through 2021.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk and Uncertainties

Cash – The Organization maintains its bank accounts at financial institutions and their balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. Cash

JACK THE BIKE MAN, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

in the form of checking and money market accounts at various banking institutions as of December 31, 2021 were in excess of the Federal Deposit Insurance Corporation limits of \$250,000. The Organization believes there is no credit risk relative to its cash and cash equivalents.

Contributions – The Organization had contributions representing 21% of all revenue from its top five donors for the year ended December 31, 2021.

Functional Allocation of Expenses

The Organization allocates expenses on a functional basis among the various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on management's monitoring of the expenses and the functions to which the expenses relate.

Note C – Inventory

The Organization records the receipt of donated bikes and equipment at estimated fair value. The Organization does not account for spare parts that result from donated bikes that cannot be resold or donated. As of December 31, 2021, inventory consisted of the following:

Beginning Inventory	\$	127,300
Purchases		133,921
Bikes Donated In		315,750
Labor Costs		76,815
Less: Bikes donated out		(277,900)
Less: Cost of Goods Sold		(261,901)
Ending Inventory	\$	<u>113,985</u>

Note D – Property and Equipment

Property and equipment are summarized by major classifications as follows:

	Estimated useful lives (Years)	
Vehicles	5	\$ 80,896
Office furniture	7	27,347
Leasehold improvements	15	43,704
Building	39	<u>2,008,528</u>
Total		2,160,475
Accumulated depreciation		<u>(88,263)</u>
Net fixed assets		<u>\$ 2,072,212</u>

JACK THE BIKE MAN, INC
NOTES TO THE FINANCIAL STATEMENTS
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Depreciation expense was \$23,032 for the year ended December 31, 2021.

There is no depreciation expense for the building in 2021 as it has not yet been placed in service. See Note E for more information.

Note E – Leasehold Improvements – In Process

Leasehold improvements – In process – The Organization purchased a new building in February 2021. The building requires certain improvements to be completed prior to being placed in service. The building costs during the pre-in-service time period have been recorded on the balance sheet as Leasehold improvements – in process. Upon placing the building in service, the leasehold improvement costs as well as the cost of the building will be depreciated.

Note F – Net Assets with Donor Restrictions

1. Restricted net assets as of December 31, 2021 consist of the following:

2 nd Floor workstations	\$ 92,248
	<u>\$ 92,248</u>

2. Restricted revenue received during the year ended December 31, 2021 follows:

Building fund	\$ 51,604
2 nd Floor workstations	92,248
Program expenses	<u>109,273</u>
	<u>\$ 253,125</u>

3. Net assets that were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors during the year ended December 31, 2021 as follows:

Building fund	\$ 51,604
Program expenses	109,273
Building purchase	<u>1,400,000</u>
	<u>\$ 1,560,877</u>

Note G – Net Bike Shop Sales

Net bike shop sales are calculated as follows:

Bike Shop Sales	\$ 309,793
Cost of Goods Sold	<u>(261,901)</u>
Net bike shop sales	<u>\$ 47,892</u>

JACK THE BIKE MAN, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note H - Commitments

Lease commitments – Right of use lease assets and liabilities

The Organization leases its office/warehouse space under an operating agreement requiring monthly payments of \$14,361, plus operating expenses including real estate taxes, insurance, maintenance/repairs, utilities, etc. Rent expense for 2021 was \$171,718. The lease term is from September 2020 through August 2022. Management is evaluating whether to move to a temporary location after its current lease ends in August 2022.

The operating lease expense is recognized on a straight-line basis over the term of the lease. The right of use asset represents the rights to use the underlying assets, which is the office/warehouse space. The right of use lease asset was calculated using the present value of the future lease payments discounted at the incremental borrowing rate of 11.59%. The lease liability represents the present value of the future lease payments and equals the amount recorded as the right of use lease asset. The lease liability is divided into its current portion and its long-term portion on the balance sheet. On December 31, 2021, the right of use lease asset was \$93,334, the current lease liability was \$95,698, and there was no long-term lease liability as the lease term ends on August 31, 2022.

Lease commitments – Future annual minimum rental payments

Future minimum annual rental payments required under the non-cancellable operating leases are as follows:

Year	Annual rental payments
2021	115,753
2022	-
2023	-
2024	-
2025	-
Total	115,753

Note I – Line of Credit

The Organization has access to a revolving line of credit with a maximum limit of \$50,000. The interest rate is the highest prime rate published in the "Money Rates" section of The Wall Street Journal, which was 3.25% at December 31, 2021 plus 8.34%, totaling 11.59%. The line of credit renews automatically on a yearly basis. The balance of the line of credit at December 31, 2021 was \$0.

Note J – EIDL Loan

The Organization received an EIDL loan from the US Small Business Administration in the amount of \$150,000 in July 2020. The loan is currently in deferment for 30 months. Interest is accruing at a rate of 2.75% per year. The loan is payable in monthly payments over 30 years beginning in January 2023.

JACK THE BIKE MAN, INC
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Note K - Mortgage payable

The Organization received a mortgage in the amount of \$500,000 in February 2021 for the purchase of its new building. The total cost of the new building was \$2,000,000, of which \$1,500,000 was paid in cash at the time of purchase. The mortgage term is 10 years with monthly payments of \$5,049. The interest rate is 3.79%. The balance due at December 31, 2021 was \$464,815

Note L – Related Party Transactions

Management has reviewed all transactions of the Organization for the year and has determined that there are no material related party transactions that require disclosure.

Note M – COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (COVID-19) originating in Wuhan, China and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. Management has assessed the impact to its operations and has determined that no adjustments are necessary to the financial statements.

Note N – Subsequent Events

Management has evaluated events and transactions subsequent to the date of the financial statements and through the date of the audit report. Management has determined that there are no material subsequent events to disclose at this time.

