The Cycle Effect

Financial Statements

December 31, 2019

(Together with Independent Auditor's Report)

WIPFLI

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Cycle Effect
Eagle, Colorado

We have audited the accompanying financial statements of The Cycle Effect (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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; 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. 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 The Cycle Effect, as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

May 5, 2020
Denver, Colorado

THE CYCLE EFFECT

Statement of Financial Position
December 31, 2019

ASSETS

Assets		
Cash and cash equivalents	$	361,968
Contributions and grants receivable		118,200
Property and equipment, net		41,209
Total Assets	$	521,377

LIABILITIES AND NET ASSETS

Liabilities		
Accrued expenses	$	8,142
Deferred revenues		2,500
Total Liabilities		10,642
Net Assets		
Net assets without donor restrictions		392,535
Net assets with donor restrictions		118,200
Total Net Assets		510,735
Total Liabilities and Net Assets	$	521,377

The accompanying notes are an integral part of the financial statements.

THE CYCLE EFFECT

Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions and grants	$ 619,804	$ 118,200	$ 738,004
Program service fees	13,556	-	13,556
Donated materials and occupancy	123,530	-	123,530
Donated property and equipment	6,791	-	6,791
Miscellaneous	1,695	-	1,695
Interest income	680	-	680
Net assets released from restrictions	2,600	(2,600)	-
Total Support and Revenues	768,656	115,600	884,256
Expenses			
Program Services	559,775	-	559,775
Supporting Services			
Management and general	46,421	-	46,421
Fundraising	109,093	-	109,093
Total Supporting Services	155,514	-	155,514
Total Expenses	715,289	-	715,289
Change in Net Assets	53,367	115,600	168,967
NET ASSETS, Beginning of Year	339,168	2,600	341,768
NET ASSETS, End of Year	$ 392,535	$ 118,200	$ 510,735

The accompanying notes are an integral part of the financial statements.

THE CYCLE EFFECT

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	Supporting Services: Management and General	Supporting Services: Fund-Raising	Total
Salaries	$ 242,952	$ 21,279	$ 68,526	$ 332,757
Payroll taxes	23,548	2,050	6,567	32,165
Employee benefits	5,606	488	1,564	7,658
Total payroll related costs	272,106	23,817	76,657	372,580
Bikes, supplies, and repairs	61,321	-	-	61,321
Travel and automobile	28,864	4,689	431	33,984
Advertising and promotion	20,524	683	2,973	24,180
Event costs	-	-	20,585	20,585
Insurance	18,021	665	-	18,686
Program expenses	14,491	-	-	14,491
Professional services	363	11,080	2,406	13,849
Depreciation	12,731	-	-	12,731
Office and other	5,138	1,865	1,373	8,376
Technology	6,345	683	485	7,513
Dues and subscriptions	2,500	886	77	3,463
	442,404	44,368	104,987	591,759
Donated materials and occupancy:				
Bikes, supplies, and repairs	103,000			103,000
Occupancy	14,371	2,053	4,106	20,530
Total Expenses	$ 559,775	$ 46,421	$ 109,093	$ 715,289

The accompanying notes are an integral part of the financial statements.

THE CYCLE EFFECT

Statement of Cash Flows
Year Ended December 31, 2019

Cash Flows From Operating Activities	
Change in net assets	$ 168,967
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	12,731
Donated property and equipment	(6,791)
Changes in operating assets and liabilities:	
Contributions and grants receivable	(118,200)
Accounts payable	(3,272)
Accrued expenses	940
Deferred revenue	2,500
Net cash flows from operating activities	56,875
Cash Flows From Investing Activities	
Purchase of property and equipment	(11,099)
Net cash flows from investing activities	(11,099)
Net change in cash and cash equivalents	45,776
CASH AND CASH EQUIVALENTS, beginning of year	316,192
CASH AND CASH EQUIVALENTS, end of year	$ 361,968

The accompanying notes are an integral part of the financial statements.

1. Organization and Summary of Significant Accounting Policies

Nature of Operations

The Cycle Effect (the Organization), a Colorado nonprofit corporation, was incorporated in 2012. The Organization focuses on three primary goal areas: physical wellness; community impact and mentorship; and building brighter futures. By providing an opportunity for at-risk girls to be engaged in regular, healthy programs that help build their self-esteem and promotes overall wellness, girls are more likely to be healthier, stay engaged in school, and set goals that will support their future. The Organization seeks to achieve the following goals and objectives:

<u>Physical Wellness</u>

- Provide a positive, safe outlet during after-school and summer hours throughout the year for young women to engage in physical fitness and learn about healthy nutrition.
- Teach life skills such as goal setting, overcoming obstacles, time management, stress management, healthy decision making, and fitness and nutrition, that will transfer to their everyday lives outside of The Cycle Effect.

<u>Community Impact and Mentorship</u>

- Provide opportunities to engage directly with the local community to understand the importance and value of positively impacting the community and natural environment.
- Develop leadership skills in participants to foster mentoring of young/newer team members and becoming positive role models on the team and in the community.

<u>Building Brighter Futures</u>

- Instill a higher level of self-confidence, perseverance/grit and determination, and a sense of belonging by participating in a team and building relationships with individual coach mentors and teammates.
- Provide avenues to support their future and help them stay engaged in school and related activities through mentoring, life skills lessons, and college readiness.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

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

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions: net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and fringes are allocated based upon estimations of time and effort. Indirect costs such as occupancy and office related expenses have been allocated based upon time spent, utilization, and square footage.

Income Taxes

The Organization is a nonprofit corporation and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements contain no provision for income taxes. In addition, contributions to the Organization qualify for the charitable contribution deduction under Section 170(b)(1)(A), and The Cycle Effect has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2019.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

1. Organization and Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and contributions and grants receivable. The Organization places its cash and cash equivalents with high credit quality financial institutions. At various times during the year, the Organization's cash balances exceeded the federally insured limits. The Organization has never experienced any losses related to these balances.

Credit risk with respect to receivables is limited due to the number and creditworthiness of the entities from which the amounts are due.

The Organization receives substantially all of its revenues from public support. A significant reduction in the level of such support, if it were to occur, may have an adverse effect on the Organization's programs and activities.

Property and Equipment

Property and equipment are carried at cost. The Organization capitalizes property and equipment over $1,000 with an estimated useful life in excess of one year. Donated property is carried at the fair market value at date of gift. Assets are depreciated using the straight-line method over their estimated five year useful lives. Maintenance, repairs, and renewals which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in income.

Contributions and Grants Receivable

The Organization uses the allowance method to determine uncollectible contributions and grants receivable. The allowance is based on prior years' experience and management's analysis of specific receivable balances. At December 31, 2019 management deemed all contributions and grants to be fully collectible; accordingly, there is no allowance for uncollectible contributions and grants receivable.

Deferred Revenue

Sponsorship funding collected prior to the year to which they apply are deferred and recognized in the year to which the funding relates.

Grant Revenue

The Organization's grant awards are contributions which are evaluated for conditions and recognized as revenue when the conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

1. Organization and Summary of Significant Accounting Policies (continued)

Contribution Revenue
Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Donated Materials and Services
The Organization records the value of donated materials or services when there is an objective basis available to measure their value. The Organization recognizes the estimated fair value of contributed services that meet the following criteria:

- The services rendered either create or enhance nonfinancial assets.
- The services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

Advertising and promotion
Advertising and promotion costs totaled $24,180 for the year ended December 31, 2019. Advertising and promotion related costs are expensed as incurred.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, are comprised of the following as of December 31, 2019:

Cash and cash equivalents	$ 361,968
Contributions and grants receivable	118,200
Total financial assets available for general expenditure	$ 480,168

The Organization does not have a formal liquidity policy but generally maintains financial assets in liquid form at a level sufficient to cover approximately four to eight months of cash operating expenses.

3. Property and Equipment

Property and equipment consists of the following at December 31, 2019:

Vehicles	$ 60,291
Equipment	19,675
	79,966
Less: Accumulated depreciation	38,757
Net property and equipment	$ 41,209

4. In-Kind Contributions

Donated materials and services consist of the following for the year ended December 31, 2019:

Bikes, supplies and repairs	$ 103,000
Occupancy	20,530
Total	$ 123,530

No amounts have been reflected in the financial statements for donated volunteer services because the criteria for recognition under generally accepted accounting principles have not been satisfied. However, a substantial number of volunteers have donated significant amounts of their time to develop the Organization’s programs and fundraising events.

5. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2019:

Subject to the passage of time:	
Contributions and grants receivable	$ 118,200

Net assets totaling $2,600 were released from net assets with donor restrictions for the year ended December 31, 2019, as a result of the Organization incurring expenditures satisfying the related restricted purpose.

6. Employee Benefit Plan

The Organization sponsors a Simple IRA Plan for eligible employees. The Organization matches up to 3% of employee wages. Employer contributions to the Plan totaled $6,776 for the year ended December 31, 2019.

7. Subsequent Events

In accordance with the *Subsequent Events* Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Organization's financial statements were available to be issued on May 5, 2020, and this is the date through which subsequent events were evaluated.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic." First identified in late 2019 and known now as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. As of the date of issuance of the financial statements, the Organization's operations have not been significantly impacted, however, the Organization continues to monitor the situation. No impairments were recorded as of the statement of financial position date as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Organization's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.