

Bikes for the World, Inc.

Audited Financial Statements

*Years ended June 30, 2018 and 2017  
with Report of Independent Auditors*

Bikes for the World, Inc.

Audited Financial Statements

Years ended June 30, 2018 and 2017

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## Report of Independent Auditors

Board of Directors  
Bikes for the World, Inc.  
Washington, D.C.

We have audited the accompanying financial statements of Bikes for the World, Inc. ("the Organization"), which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities, functional expenses and cash flows for the years 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 over financial reporting. 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 Bikes for the World, Inc. as of June 30, 2018 and 2017 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.

A handwritten signature in black ink that reads 'Johnson Lambert LLP' in a cursive script.

Vienna, Virginia  
November 20, 2018

Bikes for the World, Inc.

Statements of Financial Position

	June 30,	
	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 99,496	\$ 224,080
Certificates of deposit	90,000	-
Accounts receivable	24,104	28,202
Prepaid expenses	9,287	7,656
Deposits	<u>4,725</u>	<u>4,725</u>
Total assets	<u>\$ 227,612</u>	<u>\$ 264,663</u>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable	\$ 9,780	\$ 7,481
Accrued payroll and related liabilities	11,236	12,404
Deferred rent	<u>14,684</u>	<u>9,719</u>
Total liabilities	35,700	29,604
Net assets:		
Unrestricted	189,702	228,611
Temporarily restricted	<u>2,210</u>	<u>6,448</u>
Total net assets	<u>191,912</u>	<u>235,059</u>
Total liabilities and net assets	<u>\$ 227,612</u>	<u>\$ 264,663</u>

*See accompanying notes to the financial statements.*

Bikes for the World, Inc.

Statements of Activities

	Years ended June 30,	
	<u>2018</u>	<u>2017</u>
<b>Change in unrestricted net assets</b>		
Revenue:		
In-kind contributions	\$ 1,083,115	\$ 999,787
Contributions	274,818	215,357
Shipping revenue	153,261	123,565
Sales	-	8,659
Other revenue	<u>7,914</u>	<u>2,438</u>
	1,519,108	1,349,806
Net assets released from restrictions	<u>4,238</u>	<u>2,049</u>
Total revenue	1,523,346	1,351,855
Expenses:		
Bike program	1,390,341	1,232,325
Management and general	80,934	93,398
Fundraising	<u>90,980</u>	<u>28,900</u>
Total expenses	<u>1,562,255</u>	<u>1,354,623</u>
Change in unrestricted net assets	(38,909)	(2,768)
<b>Change in temporarily restricted net assets</b>		
Contributions	-	200
Net assets released from restrictions	<u>(4,238)</u>	<u>(2,049)</u>
Change in temporarily restricted net assets	<u>(4,238)</u>	<u>(1,849)</u>
Net change in net assets	(43,147)	(4,617)
Net assets, beginning of year	<u>235,059</u>	<u>239,676</u>
Net assets, end of year	<u>\$ 191,912</u>	<u>\$ 235,059</u>

*See accompanying notes to the financial statements.*

## Bikes for the World, Inc.

### Statement of Functional Expenses

Year ended June 30, 2018

	<b>Program Services</b>	<b>Supporting Services</b>			<b>2018 Total Expenses</b>
	<b>Bike Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	
Accounting	\$ -	\$ 25,665	\$ -	\$ 25,665	\$ 25,665
Bad debt	-	914	3,058	3,972	3,972
Bank charges	-	2,425	-	2,425	2,425
Donations - bikes	992,459	-	-	-	992,459
Fuel, mileage, parking	12,532	-	-	-	12,532
Insurance	2,269	859	309	1,168	3,437
Legal	-	414	-	414	414
Facilities	1,943	-	-	-	1,943
Food	383	145	53	198	581
Miscellaneous	2,334	884	318	1,202	3,536
Website and software	-	2,215	7,415	9,630	9,630
Dues, licenses and fees	1,448	549	197	746	2,194
Payroll tax	12,707	3,567	6,019	9,586	22,293
Postage and delivery	3,053	1,156	416	1,572	4,625
Printing and copying	840	297	3,808	4,105	4,945
Program supplies	10,352	-	-	-	10,352
Salaries	146,127	41,018	69,089	110,107	256,234
Shipping expense	198,424	-	-	-	198,424
Telephone and internet	2,182	826	298	1,124	3,306
Vehicle rental	3,288	-	-	-	3,288
<b>Total expenses</b>	<b><u>\$ 1,390,341</u></b>	<b><u>\$ 80,934</u></b>	<b><u>\$ 90,980</u></b>	<b><u>\$ 171,914</u></b>	<b><u>\$ 1,562,255</u></b>

*See accompanying notes to the financial statements.*

## Bikes for the World, Inc.

### Statement of Functional Expenses

Year ended June 30, 2017

	<b>Program Services</b>	<b>Supporting Services</b>			<b>2017 Total Expenses</b>
	<b>Bike Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	
Accounting	\$ -	\$ 23,261	\$ -	\$ 23,261	\$ 23,261
Advertising and publicity	-	241	805	1,046	1,046
Bank charges	-	1,588	-	1,588	1,588
Donations - bikes	853,791	-	-	-	853,791
Fuel, mileage, parking	6,288	-	-	-	6,288
Insurance	1,704	646	232	878	2,582
Legal	-	414	-	414	414
Facilities	68,522	-	-	-	68,522
Food	526	199	72	271	797
Miscellaneous	7,325	2,775	998	3,773	11,098
Website and software	3,806	1,442	519	1,961	5,767
Dues, licenses and fees	964	365	131	496	1,460
Payroll tax	10,375	3,930	1,415	5,345	15,720
Postage and delivery	2,980	1,129	406	1,535	4,515
Printing and copying	830	293	3,761	4,054	4,884
Program supplies	3,839	-	-	-	3,839
Salaries	148,561	56,273	20,258	76,531	225,092
Shipping expense	113,089	-	-	-	113,089
Telephone and internet	2,222	842	303	1,145	3,367
Vehicle rental	7,503	-	-	-	7,503
<b>Total expenses</b>	<b><u>\$ 1,232,325</u></b>	<b><u>\$ 93,398</u></b>	<b><u>\$ 28,900</u></b>	<b><u>\$ 122,298</u></b>	<b><u>\$ 1,354,623</u></b>

*See accompanying notes to the financial statements.*

Bikes for the World, Inc.

Statements of Cash Flows

	Years ended June 30,	
	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (43,147)	\$ (4,617)
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:		
Inventory	-	6,100
Changes in assets and liabilities:		
Accounts receivable	4,098	(14,483)
Prepaid expenses	(1,631)	(3,084)
Deposits	-	(3,490)
Deferred rent	4,965	9,719
Accounts payable	2,299	5,966
Accrued payroll and related liabilities	<u>(1,168)</u>	<u>5,641</u>
Net cash (used in)/provided by operating activities	<u>(34,584)</u>	<u>1,752</u>
Net change in cash and cash equivalents	(34,584)	1,752
Cash and cash equivalents, beginning of year	<u>224,080</u>	<u>222,328</u>
Cash and cash equivalents, end of year	<u>\$ 189,496</u>	<u>\$ 224,080</u>

*See accompanying notes to the financial statements.*



# Bikes for the World, Inc.

## Notes to Financial Statements

Years ended June 30, 2018 and 2017

### **Note 1 - Organization**

Bikes for the World, Inc. ("the Organization") was incorporated on February 10, 2011 under the laws of the District of Columbia as a not-for-profit organization. The mission of the Organization is to make affordable, good quality used bicycles available to low income people in developing countries and provide satisfying environmental and humanitarian community service opportunities for volunteers in the United States. The Organization began operations on April 1, 2011. Prior to its incorporation, Bikes for the World was a program of the Washington Area Bicyclist Association, a nonprofit organization that promotes cycling and safety.

### **Note 2 - Summary of Significant Accounting Policies**

#### *Basis of Accounting*

The financial statements are prepared using the accrual basis of accounting. Consequently, revenue is recognized when earned, and expense is recognized when the obligation is incurred.

#### *Estimates*

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

#### *Subsequent Events*

The Organization has performed an evaluation of subsequent events through November 20, 2018, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

#### *Income Tax Status*

The Organization is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. The Organization is not considered to be a "private foundation" within the meaning of Section 509(a) of the Code. Management has concluded that the Organization has properly maintained its exempt status and has no uncertain tax positions as of June 30, 2018. In addition, all revenue within the statement of activities has been properly classified as exempt for the years ended June 30, 2018 and 2017.

## Bikes for the World, Inc.

### Notes to Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

##### *Cash Equivalents*

The Organization considers all short-term investments with original maturities of three months or less to be cash equivalents. The Federal Deposit Insurance Corporation ("FDIC") insures amounts on deposit with each financial institution up to limits as prescribed by law. Throughout the year, the Organization may hold funds with financial institutions in excess of the FDIC insured amount; however, the Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

##### *Property and Equipment*

Property and equipment is recorded at cost when purchased or appraised values if donated. All property and equipment greater than \$5,000 are carried at cost and depreciated over useful lives of three to seven years using the straight line method. All property and equipment was fully depreciated as of June 30, 2018.

##### *Inventory*

Inventory is stated at the lower of cost or market value based on the specific identification method, which is typically market value given inventory consists of donated high performance used bicycles. The donated high performance used bicycles are maintained in inventory for future sale. No inventory was recorded as of June 30, 2018 and 2017.

##### *Investments and Fair Value Measurement*

Investments consist of donated equity securities. Interest and dividends are reported as operating activities, while the current year changes in fair value of investments (realized and unrealized gains and losses, net) are reported as non-operating activities. The Organization recognizes transfers between levels of the GAAP fair value hierarchy at the end of the reporting period in which circumstances occur causing changes in the availability of inputs to the fair value methodology.

##### *Recognition of Revenue and Related Expenses*

Shipping revenue is recognized at the time of shipment. Revenue generated by sales, contracts and other revenue is recognized at the moment of sale.

## Bikes for the World, Inc.

### Notes to Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

##### *Contributions*

Contributions are recognized as revenue when received or unconditionally promised. The Organization records contributions and unconditional promises to give as unrestricted, temporarily restricted, or permanently restricted support based on the existence and/or nature of any donor restrictions or time restrictions. When a time restriction ends or a donor restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets are released from restrictions.

In-kind contributions consist of donated bicycles, bicycle spare parts and accessories, portable sewing machines, hand tools suitable for use in a bicycle shop, facilities and professional services. In-kind contributions are recorded at fair value at the date of contribution. Management calculates the valuation of the in-kind bike donations using a sampling method performed each quarter to establish an average value per bike. Management recognizes in-kind bike contribution revenue based on this calculated average value and the number of bikes shipped each year.

##### *Net Assets*

The accompanying financial statements present net assets in accordance with GAAP that require the reporting of information regarding the financial position and activities in three classes of net assets as follows:

Unrestricted net assets - Unrestricted net assets are generated from revenues without donor-imposed restrictions. These funds are available for the overall operations of the Organization.

Temporarily restricted net assets - Contributions received by the Organization and restricted by the donor for a future period or for a specified purpose are reported as temporarily restricted support. When the funds have been disbursed in accordance with the donor's restriction, or when a specified time period elapses, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Permanently restricted net assets represent contributions received by the Organization for which the use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. There were no permanently restricted net assets at June 30, 2018 and 2017.

## Bikes for the World, Inc.

### Notes to Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

##### *Functional Allocation of Expenses*

The allocation of the costs of providing various programs has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain indirect costs have been allocated to program and supporting activities based on management's estimate of effort devoted to these activities.

#### **Note 3 - In-Kind Contributions**

The Organization receives in-kind equipment donations of bikes, bike parts, and other miscellaneous supplies. These donations are integral to operations and are included in the inventory shipments to domestic and foreign organizations that the Organization supports. The estimated fair value of bike contributions for the years ended June 30, 2018 and 2017 were \$1,053,015 and \$931,702, respectively.

The Organization receives in-kind donations of facilities, professional services, and other items which were valued at \$30,100 and \$68,085, for the years ended June 30, 2018 and 2017, respectively.

For the year ended June 30, 2018, the Organization also received other in-kind donations for which a reasonable fair value is currently not assigned. These other in-kind donations include: sewing machines, bike parts, other donated equipment and vehicles, and approximately 2,500 hours of service from unpaid volunteers.

#### **Note 4 - Temporarily Restricted Net Assets**

At June 30, 2018 and 2017, temporarily restricted net assets of \$2,210 and \$6,448, respectively, were available for the Bike Program. During 2018 and 2017, \$4,238 and \$2,049, respectively, were released from restrictions by incurring expenses in accordance with the donors' specified purpose.

#### **Note 5 - Related Party Transactions**

The financial statements include approximately \$27,000 and \$17,210 in cash contributions, donated stock (that was subsequently sold), and a donated vehicle from members of the Organization's Board of Directors made during the years ending June 30, 2018 and 2017.

## Bikes for the World, Inc.

### Notes to Financial Statements (Continued)

#### **Note 6 - Commitments**

##### *Operating Leases*

The Organization leases office space under a non-cancelable operating lease agreement. The office space lease in Rockville, Maryland expires on March 1, 2022. The lease includes rent incentives and fixed increases in the monthly rental payment that have been deferred and are being amortized over the lives of the respective leases.

As of June 30, 2018, future minimum lease payments under non-cancelable lease agreements are as follows for the fiscal year ends June 30:

2019	\$	58,985
2020		60,755
2021		62,577
2022		<u>48,022</u>
	\$	<u>230,339</u>

Rent expense under these lease agreements for the years ended June 30, 2018 and 2017 was \$78,183 and \$20,311, respectively.

#### **Note 7 - Retirement Plan**

The Organization maintains a 403(b) Retirement Plan for the benefit of eligible employees. Employees may contribute to the plan via payroll deductions. The Organization does not contribute to the Plan on behalf of employees. As such, there were no contributions to the Plan by the Organization during the years ended June 30, 2018 and 2017.