

Bikes for the World, Inc.

Audited Financial Statements

*Years ended June 30, 2019 and 2018
with Report of Independent Auditors*

Bikes for the World, Inc.

Audited Financial Statements

Years ended June 30, 2019 and 2018

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Report of Independent Auditors

Board of Directors
Bikes for the World, Inc.

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, 2019 and 2018 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, 2019 and 2018 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.



Vienna, Virginia
January 2, 2020

Bikes for the World, Inc.

Statements of Financial Position

	June 30,	
	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 142,593	\$ 99,496
Certificates of deposit	45,523	90,000
Accounts receivable	26,686	24,104
Prepaid expenses	5,588	9,287
Deposits	<u>4,725</u>	<u>4,725</u>
Total assets	<u>\$ 225,115</u>	<u>\$ 227,612</u>
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 8,540	\$ 9,780
Accrued payroll and related liabilities	7,625	11,236
Deferred rent	<u>13,207</u>	<u>14,684</u>
Total liabilities	29,372	35,700
Net assets:		
Without donor restrictions	195,743	189,702
With donor restrictions	<u>-</u>	<u>2,210</u>
Total net assets	<u>195,743</u>	<u>191,912</u>
Total liabilities and net assets	<u>\$ 225,115</u>	<u>\$ 227,612</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statements of Activities

	Years ended June 30,	
	<u>2019</u>	<u>2018</u>
Change in net assets without donor restrictions		
Revenue:		
In-kind contributions	\$ 839,214	\$ 1,022,559
Contributions	272,134	274,818
Shipping revenue	161,368	153,261
Sales	46,640	60,556
Other revenue	<u>18,699</u>	<u>7,914</u>
	1,338,055	1,519,108
Net assets released from restrictions	<u>2,210</u>	<u>4,238</u>
Total revenue	1,340,265	1,523,346
Expenses:		
Bike program	1,215,695	1,390,341
Management and general	79,820	80,934
Fundraising	<u>38,709</u>	<u>90,980</u>
Total expenses	<u>1,334,224</u>	<u>1,562,255</u>
Change in net assets without donor restrictions	6,041	(38,909)
Change in net assets with donor restrictions		
Net assets released from restrictions	<u>(2,210)</u>	<u>(4,238)</u>
Change in net assets with donor restrictions	<u>(2,210)</u>	<u>(4,238)</u>
Net change in net assets	3,831	(43,147)
Net assets, beginning of year	<u>191,912</u>	<u>235,059</u>
Net assets, end of year	<u>\$ 195,743</u>	<u>\$ 191,912</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statement of Functional Expenses

Year ended June 30, 2019

	Program Services		Supporting Services		2019 Total Expenses
	Bike Program	Management and General	Fundraising	Total Supporting Services	
Accounting	\$ -	\$ 34,250	\$ -	\$ 34,250	\$ 34,250
Advertising	-	477	1,596	2,073	2,073
Bank charges	-	2,526	-	2,526	2,526
Donations - bikes	820,864	-	-	-	820,864
Fuel, mileage, parking	6,898	-	-	-	6,898
Insurance	4,983	1,888	680	2,568	7,551
Legal	-	414	-	414	414
Facilities	757	-	-	-	757
Food	191	72	26	98	289
Miscellaneous	4,578	1,555	624	2,179	6,757
Website and software	-	1,861	6,229	8,090	8,090
Dues, licenses and fees	960	364	131	495	1,455
Payroll tax	8,850	2,484	4,192	6,676	15,526
Postage and delivery	2,718	1,030	371	1,401	4,119
Printing and copying	526	186	2,384	2,570	3,096
Program supplies	5,470	-	-	-	5,470
Salaries	142,986	31,916	22,189	54,105	197,091
Shipping expense	208,907	-	-	-	208,907
Telephone and internet	2,105	797	287	1,084	3,189
Vehicle rental	4,902	-	-	-	4,902
Total expenses	\$ 1,215,695	\$ 79,820	\$ 38,709	\$ 118,529	\$ 1,334,224

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statement of Functional Expenses

Year ended June 30, 2018

	Program Services	Supporting Services			2018 Total Expenses
	Bike Program	Management and General	Fundraising	Total Supporting Services	
Accounting	\$ -	\$ 25,665	\$ -	\$ 25,665	\$ 25,665
Advertising	-	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
Total expenses	\$ 1,390,341	\$ 80,934	\$ 90,980	\$ 171,914	\$ 1,562,255

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statements of Cash Flows

	Years ended June 30,	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 3,831	\$ (43,147)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(2,582)	4,098
Prepaid expenses	3,699	(1,631)
Deferred rent	(1,477)	4,965
Accounts payable	(1,240)	2,299
Accrued payroll and related liabilities	<u>(3,611)</u>	<u>(1,168)</u>
Net cash (used in) operating activities	<u>(1,380)</u>	<u>(34,584)</u>
Net change in cash and cash equivalents	(1,380)	(34,584)
Cash and cash equivalents, beginning of year	<u>189,496</u>	<u>224,080</u>
Cash and cash equivalents, end of year	<u>\$ 188,116</u>	<u>\$ 189,496</u>
Cash and cash equivalents	\$ 142,593	\$ 99,496
Certificates of deposit	<u>45,523</u>	<u>90,000</u>
Total cash and cash equivalents	<u>\$ 188,116</u>	<u>\$ 189,496</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Notes to Financial Statements

Years ended June 30, 2019 and 2018

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 January 2, 2020, 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, 2019. In addition, all revenue within the statement of activities has been properly classified as exempt for the years ended June 30, 2019 and 2018.

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, 2019.

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, 2019 and 2018.

Investments and Fair Value Measurement

Investments during the year consisted of donated equity securities. Interest and dividends are reported as 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.

Revenue

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

Contributions

Contributions are recognized as revenue when an unconditional promise is received. The Organization records contributions and unconditional promises to give as net assets without donor restrictions or net assets with donor restrictions, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets are released from restrictions.

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributions (continued)

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

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

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds 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 has been fulfilled, or both.

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 costs such as salaries, payroll taxes, insurance, dues, and other miscellaneous expenses have been allocated to program and supporting services based on management's estimate of effort devoted to these activities.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Not for Profit Entities (topic 958) Presentation of Financial Statements of Not-for-Profit-Entities (ASU 2016-14). The amendments in this update are designed to improve the net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. Management adopted the provisions of this ASU as of and for the year ended December 31, 2018 and applied it retrospectively to periods presented except for liquidity disclosures. The adoption of ASU 2016-14 did not have an effect on the amounts reported in the financial statements.

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Reclassification of Prior Year Amounts

Certain prior year balances have been reclassified to conform with the current year presentation.

Note 3 - Liquidity

The Organization has \$214,241 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures as of June 30, 2019. These financial assets consist of cash of \$142,593, a CD in the amount of \$45,523 and accounts receivable of \$26,125 as of June 30, 2019. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date. The Organization has a policy to structure its financial assets to be available for general expenditures, liabilities and other obligations as they come due.

Note 4 - 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, 2019 and 2018 were \$820,864 and \$992,459, respectively.

The Organization receives in-kind donations of facilities, professional services, and other items which were valued at \$18,350 and \$30,100, for the years ended June 30, 2019 and 2018, respectively.

For the year ended June 30, 2019 and 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 5,000 and 2,500 hours, respectively, of service from unpaid volunteers.

Note 5 - Net Assets With Donor Restrictions

At June 30, 2019 and 2018, net assets with donor restrictions of \$0 and \$2,210, respectively, were available for the Bike Program. During 2019 and 2018, \$2,210 and \$4,238, respectively, were released from restrictions by incurring expenses in accordance with the donors' specified purpose.

Note 6 - Related Party Transactions

The financial statements include approximately \$16,000 and \$27,000 of contributions from members of the Organization's Board of Directors made during the years ending June 30, 2019 and 2018, respectively.

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

Note 7 - 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, 2019, future minimum lease payments under non-cancelable lease agreements are as follows for the fiscal year ends June 30:

2020	\$	60,755
2021		62,577
2022		<u>48,022</u>
	\$	<u><u>171,354</u></u>

Rent expense under these lease agreements for the years ended June 30, 2019 and 2018 was \$64,793 and \$78,183, respectively, and is included in shipping expense in the statements of functional expenses.

Note 8 - 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, 2019 and 2018.