

**BIKES FOR THE WORLD
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2011**

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Chaconas & Wilson, P.C.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bikes for the World
Washington, DC

We have audited the accompanying statement of financial position of Bikes for the World as of December 31, 2011 and the related statements of activities, functional expenses and cash flows for the period from April 1, 2011 (inception) to December 31, 2011. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bikes for the World as of December 31, 2011, and the changes in its net assets and its cash flows for the period from April 1, 2011 to December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Chaconas & Wilson, P.C.

January 12, 2012

BIKES FOR THE WORLD
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS

CURRENT ASSETS:

Cash (Note 2)	\$ 165,490
Accounts receivable (Note 2)	33,844
Contributions receivable (Note 2)	12,695
Prepaid expenses	1,759
Total Current Assets	<u>\$ 213,788</u>

OTHER ASSETS:

Inventory (Note 2)	<u>\$ 82,500</u>
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TOTAL ASSETS

\$ 296,288

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	<u>\$ 6,052</u>
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NET ASSETS:

Unrestricted (Note 2)	\$ 288,191
Temporarily restricted (Notes 2 and 6)	2,045
Total Net Assets	<u>\$ 290,236</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 296,288

The accompanying notes are an integral part of this statement.

BIKES FOR THE WORLD
STATEMENT OF ACTIVITIES
FOR THE PERIOD APRIL 1, 2011 (INCEPTION)
THROUGH DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Contributions	\$ 260,272	\$ 2,745	\$ 263,017
Shipping revenue	123,453	-	123,453
Sales	36,283	-	36,283
In kind contributions (Note 3)	556,540	-	556,540
Contract revenue	9,290	-	9,290
Interest income	173	-	173
Other revenue	1,033	-	1,033
Net assets released from restriction:			
Satisfaction of time or program accomplishment	700	(700)	-
	\$ 987,744	\$ 2,045	\$ 989,789
PROGRAM AND SUPPORTING SERVICES			
EXPENSES:			
Program services:			
Bike program	\$ 662,974	\$ -	\$ 662,974
Total Program Services	\$ 662,974	\$ -	\$ 662,974
Supporting services:			
Management and general	\$ 25,544	\$ -	\$ 25,544
Fundraising	11,035	-	11,035
Total Supporting Services	\$ 36,579	\$ -	\$ 36,579
Total Expenses	\$ 699,553	\$ -	\$ 699,553
CHANGE IN NET ASSETS	\$ 288,191	\$ 2,045	\$ 290,236
NET ASSETS, BEGINNING OF YEAR	-	-	-
NET ASSETS, END OF YEAR	\$ 288,191	\$ 2,045	\$ 290,236

The accompanying notes are an integral part of this statement.

BIKES FOR THE WORLD

STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE PERIOD APRIL 1, 2011(INCEPTION)
THROUGH DECEMBER 31, 2011**

Description	Program Services		Supporting Services			Total Expenses
	Bike Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Accounting	\$ -	\$ -	\$ 995	\$ -	\$ 995	\$ 995
Advertising and publicity	-	-	145	480	625	625
Bank Charges	-	-	923	-	923	923
Contract labor	1,100	1,100	-	-	-	1,100
Disposal services	36	36	-	-	-	36
Donations - bikes	472,615	472,615	-	-	-	472,615
Donations - sewing machines	1,425	1,425	-	-	-	1,425
Employee benefits	1,842	1,842	-	-	-	1,842
Fuel, mileage, parking	9,592	9,592	-	-	-	9,592
Insurance	933	933	356	126	482	1,415
Legal	-	-	549	-	549	549
Office supplies and expense	1,697	1,697	646	230	876	2,573
Payroll tax	4,271	4,271	1,625	579	2,204	6,475
Postage and delivery	2,257	2,257	859	306	1,165	3,422
Printing and copying	536	536	204	2,465	2,669	3,205
Program supplies	9,506	9,506	-	-	-	9,506
Salaries	48,350	48,350	18,404	6,550	24,954	73,304
Shipping expense	99,935	99,935	-	-	-	99,935
Storage	500	500	-	-	-	500
Telephone and internet	2,204	2,204	838	299	1,137	3,341
Vehicle rental	6,175	6,175	-	-	-	6,175
Total expenses	\$662,974	\$662,974	\$ 25,544	\$ 11,035	\$ 36,579	\$699,553

The accompanying notes are an integral part of this statement.

BIKES FOR THE WORLD

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM APRIL 1, 2011 (INCEPTION) THOURGH DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$	290,236
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
In kind contributions - revenue		(556,540)
In kind contributions - expense		474,040
Change in assets and liabilities:		
Increase in accounts receivable		(33,844)
Increase in contributions receivable		(12,695)
Increase in prepaid expenses		(1,759)
Increase in accounts payable		6,052
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$	165,490
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	165,490

The accompanying notes are an integral part this statement.

BIKES FOR THE WORLD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1. **Organization:**

Bikes for the World (the "Organization") was incorporated on February 10, 2011 under the laws of the District of Columbia as a not for profit organization. Its mission 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 non profit organization that promotes cycling and safety.

Note 2. **Summary of Significant Accounting Policies:**

Method of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Cash Equivalents

The Organization considers all short term investments with original maturities of three months or less to be cash equivalents. The Organization's demand deposits with financial institutions at times exceeded federally insured limits. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risks.

Inventory

Inventory is recorded at fair market value and consists of donated bicycles that are available for distribution to developing countries. The inventory balance at December 31, 2011 was \$82,500.

Accounting for Uncertainty in Income Taxes

The Organization has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Income Taxes*, which prescribes measurement and disclosure requirements for current and deferred income tax positions. The interpretation provides for a consistent approach in identifying and reporting uncertain tax provisions. It is management's belief that the Organization does not hold any uncertain tax positions.

BIKES FOR THE WORLD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 2. **Summary of Significant Accounting Policies:** (Continued)

Contributions

The Organization recognizes contribution revenue when an unconditional pledge is made or when cash is received if a pledge was not made. Contributions received are reported as unrestricted, temporarily restricted, or permanently restricted, based on donor intent. In-kind contributions consist of donated bicycles, bicycle spare parts and accessories, portable sewing machines and hand tools suitable for use in a bicycle shop. In kind contributions are recorded at fair market value.

Classes of Net Assets

The Organization is required to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are net assets not subject to donor imposed stipulations. These funds are available for general operating purposes.

Temporarily restricted net assets are contributions with donor-imposed time and/or program restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a later period or after a specified date. Temporarily restricted net assets become unrestricted when the time restrictions expire or the funds are used for their restricted purposes and are reported in the accompanying statement of activities as net assets released from restrictions. This method of accounting is also followed when the restrictions on contributions are met in the same period that the contributions are received.

Permanently restricted net assets must be maintained by The Organization in perpetuity. There were no permanently restricted net assets at December 31, 2011.

Functional Allocation of Expenses

The allocation of the costs of providing various programs has been summarized on a functional basis in the accompanying 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.

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 the reported amounts of assets and liabilities and disclosure of contingent 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.

BIKES FOR THE WORLD

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

DECEMBER 31, 2011

Note 2. **Summary of Significant Accounting Policies:** (Concluded)

Subsequent Events

The Organization has evaluated all subsequent events through January 12, 2012, which was the date the financial statements were available to be issued. No subsequent events requiring disclosure were identified based on this evaluation/

Note 3. **In Kind Contributions:**

The estimated fair market value of equipment contributions included in the financial statements for the year ended December 31, 2011 is as follows:

Bikes	\$	555,120
Sewing Machines		<u>1,420</u>
Total	\$	<u>556,540</u>

The Organization has received approximately 2,500 hours of service from unpaid volunteers and donated storage space for which no value has been assigned.

Note 4. **Tax Status:**

The Organization has been recognized as exempt from federal income tax by the Internal Revenue Service under the provisions of Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization that is not a private foundation.

Note 5. **Temporarily Restricted Net Assets:**

At December 31, 2011 temporarily restricted net assets were available for the following purpose:

Bike Program	\$	<u>2,045</u>
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