

Bikes for the World, Inc.

Audited Financial Statements

*Years ended December 31, 2013 and 2012
with Report of Independent Auditors*

Bikes for the World, Inc.

Audited Financial Statements

Years ended December 31, 2013 and 2012

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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 December 31, 2013 and 2012 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 December 31, 2013 and 2012 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.



Falls Church, Virginia
September 27, 2014

Bikes for the World, Inc.

Statements of Financial Position

	December 31,	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 262,518	\$ 154,622
Accounts receivable	22,822	39,197
Prepaid expenses	1,500	1,759
Inventory	23,508	-
Property and equipment, net	<u>6,955</u>	<u>11,592</u>
Total assets	<u>\$ 317,303</u>	<u>\$ 207,170</u>
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ -	\$ 6,719
Accrued payroll and related liabilities	<u>3,186</u>	<u>2,152</u>
Total liabilities	3,186	8,871
Net assets:		
Unrestricted	310,762	197,604
Temporarily restricted	<u>3,355</u>	<u>695</u>
Total net assets	<u>314,117</u>	<u>198,299</u>
Total liabilities and net assets	<u>\$ 317,303</u>	<u>\$ 207,170</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statements of Activities

	Years ended December 31,	
	<u>2013</u>	<u>2012</u>
Change in unrestricted net assets		
Revenue:		
In-kind contributions	\$ 956,836	\$ 751,990
Contributions	240,197	138,612
Shipping revenue	185,212	180,322
Sales	18,206	40,494
Contract revenue	7,429	7,725
Interest income	112	123
Other revenue	6,724	9,399
	<u>1,414,716</u>	<u>1,128,665</u>
Net assets released from restrictions	<u>-</u>	<u>4,615</u>
Total revenue	1,414,716	1,133,280
Expenses:		
Bike program	1,174,037	1,064,740
Management and general	97,009	55,209
Fundraising	30,512	21,418
Total expenses	<u>1,301,558</u>	<u>1,141,367</u>
Change in unrestricted net assets	113,158	(8,087)
Change in temporarily restricted net assets		
Contributions	-	2,865
Other income	2,660	400
Net assets released from restrictions	<u>-</u>	<u>(4,615)</u>
Change in temporarily restricted net assets	<u>2,660</u>	<u>(1,350)</u>
Net change in net assets	115,818	(9,437)
Net assets, beginning of year	<u>198,299</u>	<u>207,736</u>
Net assets, end of year	<u>\$ 314,117</u>	<u>\$ 198,299</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statement of Functional Expenses

Year ended December 31, 2013

	Program Services	Supporting Services		2013 Total Expenses	
	Bike Program	Management and General	Fundraising		Total Supporting Services
Accounting	\$ -	\$ 15,945	\$ -	\$ 15,945	\$ 15,945
Advertising and publicity	-	33	112	145	145
Bank charges	-	1,842	-	1,842	1,842
Contract labor	790	-	-	-	790
Depreciation	3,060	1,160	417	1,577	4,637
Donations - bikes	815,588	-	-	-	815,588
Employee benefits	4,136	-	-	-	4,136
Fuel, mileage, parking	9,901	-	-	-	9,901
Insurance	2,437	924	332	1,256	3,693
Legal	-	378	-	378	378
Office supplies and expense	84,545	32,024	11,529	43,553	128,098
Food	76	29	10	39	115
Miscellaneous	268	101	37	138	406
Website costs	2,132	807	291	1,098	3,230
Dues, licenses and fees	396	150	54	204	600
Payroll tax	7,832	2,967	1,068	4,035	11,867
Postage and delivery	3,066	1,162	418	1,580	4,646
Printing and copying	461	163	2,087	2,250	2,711
Program supplies	9,437	-	-	-	9,437
Salaries	101,302	38,372	13,814	52,186	153,488
Shipping expense	120,568	-	-	-	120,568
Storage	500	-	-	-	500
Telephone and internet	2,515	952	343	1,295	3,810
Vehicle rental	5,027	-	-	-	5,027
Total expenses	\$ 1,174,037	\$ 97,009	\$ 30,512	\$ 127,521	\$ 1,301,558

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statement of Functional Expenses

Year ended December 31, 2012

	Program Services	Supporting Services		2012 Total Expenses	
	Bike Program	Management and General	Fundraising		Total Supporting Services
Accounting	\$ -	\$ 8,795	\$ -	\$ 8,795	\$ 8,795
Advertising and publicity	-	97	326	423	423
Bank charges	-	2,053	-	2,053	2,053
Contract labor	900	-	-	-	900
Depreciation	1,530	580	208	788	2,318
Donations - bikes	751,990	-	-	-	751,990
Employee benefits	2,644	-	-	-	2,644
Fuel, mileage, parking	14,224	-	-	-	14,224
Insurance	2,156	817	294	1,111	3,267
Legal	-	500	-	500	500
Office supplies and expense	894	338	122	460	1,354
Food	116	44	16	60	176
Miscellaneous	127	48	17	65	192
Bad debt expense	16,856	6,385	2,299	8,684	25,540
Dues, licenses and fees	789	299	107	406	1,195
Payroll tax	6,261	2,372	854	3,226	9,487
Postage and delivery	3,457	1,309	471	1,780	5,237
Printing and copying	1,213	428	5,492	5,920	7,133
Program supplies	9,079	-	-	-	9,079
Salaries	79,551	30,133	10,848	40,981	120,532
Shipping expense	166,650	-	-	-	166,650
Storage	500	-	-	-	500
Telephone and internet	2,667	1,011	364	1,375	4,042
Vehicle rental	3,136	-	-	-	3,136
Total expenses	\$ 1,064,740	\$ 55,209	\$ 21,418	\$ 76,627	\$ 1,141,367

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statements of Cash Flows

	Years ended December 31,	
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 115,818	\$ (9,437)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,637	2,318
Changes in assets and liabilities:		
Accounts receivable	16,375	(5,353)
Contributions receivable	-	12,695
Inventory	(23,508)	-
Prepaid expenses	259	-
Accounts payable	(6,719)	667
Accrued payroll and related liabilities	1,034	2,152
Net cash provided by operating activities	<u>107,896</u>	<u>3,042</u>
Cash flow from investing activities		
Purchases of property and equipment	<u>-</u>	<u>(13,910)</u>
Net change in cash and cash equivalents	107,896	(10,868)
Cash and cash equivalents, beginning of year	<u>154,622</u>	<u>165,490</u>
Cash and cash equivalents, end of year	<u>\$ 262,518</u>	<u>\$ 154,622</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Notes to Financial Statements

Years ended December 31, 2013 and 2012

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. Its mission it 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

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 September 27, 2014, 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 December 31, 2013. In addition, all revenue within the statement of activities has been properly classified as exempt for the years ended December 31, 2013 and 2012. The prior three tax years are subject to examination by federal and state authorities; there are currently no examinations being conducted.

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 consists of website development costs. Property and equipment is recorded at cost when purchased or appraised values if donated. All property and equipment greater than \$1,000 are carried at cost and depreciated and amortized over useful lives of three to seven years using the straight line method. Accumulated depreciation was \$6,955 and \$2,318 as of December 31, 2013 and 2012, respectively.

Inventory

Inventory is stated at the lower of cost or market value, which is typically market value given inventory consists of used bicycles.

Recognition of Revenue and Related Expenses

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

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 released from restrictions. If the restrictions are met within the same year received, they are reported as unrestricted net assets.

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 audit services. In-kind contributions are recorded at fair value at the date of contribution.

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:

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Assets (continued)

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

Temporarily restricted net assets - Contributions received by the Organization 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, 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 December 31, 2013 and 2012.

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, sewing machines, 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 December 31, 2013 and 2012, was \$815,588 and \$751,990, respectively, as reflected in the statement of activities.

The Organization receives in-kind donations of facilities and audit services, which were valued at \$141,248 and \$0, respectively, for the years ended December 31, 2013 and 2012.

For the years ended December 31, 2013 and 2012 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, approximately 2,500 hours of service from unpaid volunteers, donated storage space and in-kind legal services.

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

Note 4 - Temporarily Restricted Net Assets

At December 31, 2013 and 2012, temporarily restricted net assets of \$3,355 and \$695, respectively, were available for the Bike Program (Tools). During 2013 and 2012, \$0 and \$4,615, respectively, was released from restrictions by incurring expenses in accordance with the donors' specified purpose.