

Bikes for the World, Inc.

Audited Financial Statements

*Years ended December 31, 2014 and 2013  
with Report of Independent Auditors*

Bikes for the World, Inc.

Audited Financial Statements

Years ended December 31, 2014 and 2013

Contents

Report of Independent Auditors.....	1
Audited Financial Statements	
Statements of Financial Position .....	2
Statements of Activities.....	3
Statements of Functional Expenses.....	4 - 5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7 - 10

## 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, 2014 and 2013 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, 2014 and 2013 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 28, 2015

Bikes for the World, Inc.

Statements of Financial Position

	December 31,	
	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 230,839	\$ 262,518
Accounts receivable	33,636	22,822
Prepaid expenses	2,323	1,500
Inventory	21,820	23,508
Property and equipment, net	2,318	6,955
Deposits	<u>1,235</u>	<u>-</u>
Total assets	<u>\$ 292,171</u>	<u>\$ 317,303</u>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable	\$ 6,493	\$ -
Accrued payroll and related liabilities	6,704	3,186
Deferred revenue	<u>1,000</u>	<u>-</u>
Total liabilities	14,197	3,186
Net assets:		
Unrestricted	273,030	310,762
Temporarily restricted	<u>4,944</u>	<u>3,355</u>
Total net assets	<u>277,974</u>	<u>314,117</u>
Total liabilities and net assets	<u>\$ 292,171</u>	<u>\$ 317,303</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statements of Activities

	Years ended December 31,	
	<u>2014</u>	<u>2013</u>
<b>Change in unrestricted net assets</b>		
Revenue:		
In-kind contributions	\$ 1,149,693	\$ 998,520
Contributions	210,157	216,689
Shipping revenue	168,394	185,212
Sales	225	30
Contract revenue	5,622	7,429
Interest income	115	112
Other revenue	2,216	6,724
	<u>1,536,422</u>	<u>1,414,716</u>
Net assets released from restrictions	<u>2,685</u>	<u>-</u>
Total revenue	1,539,107	1,414,716
Expenses:		
Bike program	1,460,370	1,174,037
Management and general	86,042	97,009
Fundraising	30,427	30,512
Total expenses	<u>1,576,839</u>	<u>1,301,558</u>
Change in unrestricted net assets	(37,732)	113,158
<b>Change in temporarily restricted net assets</b>		
Contributions	4,274	-
Other income	-	2,660
Net assets released from restrictions	<u>(2,685)</u>	<u>-</u>
Change in temporarily restricted net assets	<u>1,589</u>	<u>2,660</u>
Net change in net assets	(36,143)	115,818
Net assets, beginning of year	<u>314,117</u>	<u>198,299</u>
Net assets, end of year	<u>\$ 277,974</u>	<u>\$ 314,117</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statement of Functional Expenses

Year ended December 31, 2014

	<b>Program Services</b>	<b>Supporting Services</b>		<b>2014 Total Expenses</b>	
	<b>Bike Program</b>	<b>Management and General</b>	<b>Fundraising</b>		<b>Total Supporting Services</b>
Accounting	\$ -	\$ 15,615	\$ -	\$ 15,615	\$ 15,615
Advertising and publicity	-	767	2,567	3,334	3,334
Bank charges	-	1,649	-	1,649	1,649
Contract labor	636	-	-	-	636
Depreciation	3,061	1,159	417	1,576	4,637
Donations - bikes	971,291	-	-	-	971,291
Employee benefits	3,491	-	-	-	3,491
Fuel, mileage, parking	10,010	-	-	-	10,010
Insurance	2,586	979	353	1,332	3,918
Legal	-	398	-	398	398
Facilities	141,911	-	-	-	141,911
Food	948	359	129	488	1,436
Miscellaneous	2,034	770	277	1,047	3,081
Website and Software	3,488	1,322	476	1,798	5,286
Dues, licenses and fees	719	273	98	371	1,090
Payroll tax	11,226	4,252	1,531	5,783	17,009
Postage and delivery	1,848	700	252	952	2,800
Printing and copying	799	282	3,621	3,903	4,702
Program supplies	14,287	-	-	-	14,287
Salaries	149,662	56,691	20,409	77,100	226,762
Shipping expense	132,982	-	-	-	132,982
Storage	250	-	-	-	250
Telephone and internet	2,181	826	297	1,123	3,304
Vehicle rental	6,960	-	-	-	6,960
<b>Total expenses</b>	<b>\$ 1,460,370</b>	<b>\$ 86,042</b>	<b>\$ 30,427</b>	<b>\$ 116,469</b>	<b>\$ 1,576,839</b>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statement of Functional Expenses

Year ended December 31, 2013

	<b>Program Services</b>	<b>Supporting Services</b>		<b>2013 Total Expenses</b>	
	<b>Bike Program</b>	<b>Management and General</b>	<b>Fundraising</b>		<b>Total Supporting Services</b>
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
Facilities	84,545	32,024	11,529	43,553	128,098
Food	76	29	10	39	115
Miscellaneous	268	101	37	138	406
Website	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
<b>Total expenses</b>	<b>\$ 1,174,037</b>	<b>\$ 97,009</b>	<b>\$ 30,512</b>	<b>\$ 127,521</b>	<b>\$ 1,301,558</b>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statements of Cash Flows

	Years ended December 31,	
	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (36,143)	\$ 115,818
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Inventory	1,688	(23,508)
Depreciation	4,637	4,637
Changes in assets and liabilities:		
Accounts receivable	(10,814)	16,375
Prepaid expenses	(823)	259
Deposits	(1,235)	-
Accounts payable	6,493	(6,719)
Accrued payroll and related liabilities	3,518	1,034
Deferred revenue	<u>1,000</u>	<u>-</u>
Net cash (used in) provided by operating activities	<u>(31,679)</u>	<u>107,896</u>
Net change in cash and cash equivalents	(31,679)	107,896
Cash and cash equivalents, beginning of year	<u>262,518</u>	<u>154,622</u>
Cash and cash equivalents, end of year	<u>\$ 230,839</u>	<u>\$ 262,518</u>

*See accompanying notes to the financial statements.*



# Bikes for the World, Inc.

## Notes to Financial Statements

Years ended December 31, 2014 and 2013

### **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 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**

#### *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 28, 2015, 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, 2014. In addition, all revenue within the statement of activities has been properly classified as exempt for the years ended December 31, 2014 and 2013.

## 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 \$11,592 and \$6,955 as of December 31, 2014 and 2013, respectively.

##### *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 valuation allowance was recorded as of December 31, 2014 and 2013.

##### *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.

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.

## Bikes for the World, Inc.

### Notes to Financial Statements (Continued)

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

##### *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 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 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, 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, 2014 and 2013.

##### *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.

##### *Reclassifications*

Certain 2013 balances have been reclassified in 2014 to conform with the 2014 presentation.

#### **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, 2014 and 2013, was \$1,008,868 and \$857,272, respectively, as reflected in the statement of activities.

The Organization receives in-kind donations of facilities and audit services, which were valued at \$140,825 and \$141,248, respectively, for the years ended December 31, 2014 and 2013.

## Bikes for the World, Inc.

### Notes to Financial Statements (Continued)

#### **Note 3 - In Kind Contributions (Continued)**

For the years ended December 31, 2014 and 2013, 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.

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

At December 31, 2014 and 2013, temporarily restricted net assets of \$4,944 and \$3,355, respectively, were available for the Bike Program (Tools). During 2014 and 2013, \$2,685 and \$0, respectively, was released from restrictions by incurring expenses in accordance with the donors' specified purpose.