

Bikes for the World, Inc.

Audited Financial Statements

*Years ended December 31, 2015 and 2014
with Report of Independent Auditors*

Bikes for the World, Inc.

Audited Financial Statements

Years ended December 31, 2015 and 2014

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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, 2015 and 2014 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, 2015 and 2014 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
September 22, 2016

Bikes for the World, Inc.

Statements of Financial Position

| | December 31, | |
|---|-------------------|-------------------|
| | <u>2015</u> | <u>2014</u> |
| Assets | | |
| Cash and cash equivalents | \$ 241,227 | \$ 230,839 |
| Investments | 1,499 | - |
| Accounts receivable, net of allowance for doubtful accounts of \$8,000 and \$0, respectively | 30,902 | 33,636 |
| Prepaid expenses | 2,709 | 2,323 |
| Inventory | 6,300 | 21,820 |
| Property and equipment, net | - | 2,318 |
| Deposits | <u>1,235</u> | <u>1,235</u> |
| Total assets | <u>\$ 283,872</u> | <u>\$ 292,171</u> |
| Liabilities and net assets | | |
| Liabilities: | | |
| Accounts payable | \$ 1,728 | \$ 6,493 |
| Accrued payroll and related liabilities | 3,072 | 6,704 |
| Deferred revenue | <u>-</u> | <u>1,000</u> |
| Total liabilities | 4,800 | 14,197 |
| Net assets: | | |
| Unrestricted | 270,400 | 273,030 |
| Temporarily restricted | <u>8,672</u> | <u>4,944</u> |
| Total net assets | <u>279,072</u> | <u>277,974</u> |
| Total liabilities and net assets | <u>\$ 283,872</u> | <u>\$ 292,171</u> |

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statements of Activities

| | Years ended December 31, | |
|--|--------------------------|-------------------|
| | <u>2015</u> | <u>2014</u> |
| Change in unrestricted net assets | | |
| Revenue: | | |
| In-kind contributions | \$ 1,041,720 | \$ 1,149,693 |
| Contributions | 251,031 | 210,157 |
| Shipping revenue | 181,298 | 168,394 |
| Sales | 2,036 | 225 |
| Contract revenue | - | 5,622 |
| Interest income | 78 | 115 |
| Other revenue | <u>2,873</u> | <u>2,216</u> |
| | 1,479,036 | 1,536,422 |
| Net assets released from restrictions | <u>3,758</u> | <u>2,685</u> |
| Total revenue | 1,482,794 | 1,539,107 |
| Expenses: | | |
| Bike program | 1,357,869 | 1,460,370 |
| Management and general | 95,839 | 86,042 |
| Fundraising | <u>31,716</u> | <u>30,427</u> |
| Total expenses | <u>1,485,424</u> | <u>1,576,839</u> |
| Change in unrestricted net assets | (2,630) | (37,732) |
| Change in temporarily restricted net assets | | |
| Contributions | 7,486 | 4,274 |
| Net assets released from restrictions | <u>(3,758)</u> | <u>(2,685)</u> |
| Change in temporarily restricted net assets | <u>3,728</u> | <u>1,589</u> |
| Net change in net assets | 1,098 | (36,143) |
| Net assets, beginning of year | <u>277,974</u> | <u>314,117</u> |
| Net assets, end of year | <u>\$ 279,072</u> | <u>\$ 277,974</u> |

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statement of Functional Expenses

Year ended December 31, 2015

| | Program Services | Supporting Services | | | 2015 Total Expenses |
|---------------------------|-----------------------------|---------------------------------------|--------------------|--|------------------------------------|
| | Bike Program | Management and General | Fundraising | Total Supporting Services | |
| Accounting | \$ - | \$ 23,785 | \$ - | \$ 23,785 | \$ 23,785 |
| Advertising and publicity | - | 633 | 2,120 | 2,753 | 2,753 |
| Bad debt | 5,280 | 2,000 | 720 | 2,720 | 8,000 |
| Bank charges | - | 1,701 | - | 1,701 | 1,701 |
| Depreciation | 1,530 | 580 | 208 | 788 | 2,318 |
| Donations - bikes | 859,199 | - | - | - | 859,199 |
| Employee benefits | 1,560 | - | - | - | 1,560 |
| Fuel, mileage, parking | 9,239 | - | - | - | 9,239 |
| Insurance | 2,523 | 956 | 344 | 1,300 | 3,823 |
| Legal | - | 948 | - | 948 | 948 |
| Facilities | 141,421 | - | - | - | 141,421 |
| Food | 131 | 50 | 18 | 68 | 199 |
| Miscellaneous | 4,204 | 1,592 | 573 | 2,165 | 6,369 |
| Website and Software | 4,075 | 1,543 | 556 | 2,099 | 6,174 |
| Dues, licenses and fees | 767 | 290 | 105 | 395 | 1,162 |
| Payroll tax | 11,961 | 4,531 | 1,631 | 6,162 | 18,123 |
| Postage and delivery | 2,971 | 1,125 | 405 | 1,530 | 4,501 |
| Printing and copying | 1,099 | 388 | 4,978 | 5,366 | 6,465 |
| Program supplies | 3,403 | - | - | - | 3,403 |
| Salaries | 144,759 | 54,833 | 19,740 | 74,573 | 219,332 |
| Shipping expense | 155,526 | - | - | - | 155,526 |
| Telephone and internet | 2,334 | 884 | 318 | 1,202 | 3,536 |
| Vehicle rental | 5,887 | - | - | - | 5,887 |
| Total expenses | \$ 1,357,869 | \$ 95,839 | \$ 31,716 | \$ 127,555 | \$ 1,485,424 |

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statement of Functional Expenses

Year ended December 31, 2014

| | Program Services | Supporting Services | | | 2014 Total Expenses |
|---------------------------|-----------------------------|---------------------------------------|--------------------|--|------------------------------------|
| | Bike Program | Management and General | Fundraising | Total Supporting Services | |
| 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 | 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 |
| Total expenses | \$ 1,460,370 | \$ 86,042 | \$ 30,427 | \$ 116,469 | \$ 1,576,839 |

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statements of Cash Flows

| | Years ended December 31, | |
|---|--------------------------|-------------------|
| | <u>2015</u> | <u>2014</u> |
| Cash flows from operating activities | | |
| Change in net assets | \$ 1,098 | \$ (36,143) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Inventory | 15,520 | 1,688 |
| Donation of investments | (1,499) | - |
| Depreciation | 2,318 | 4,637 |
| Allowance for doubtful accounts receivable | 8,000 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | (5,266) | (10,814) |
| Prepaid expenses | (386) | (823) |
| Deposits | - | (1,235) |
| Accounts payable | (4,765) | 6,493 |
| Accrued payroll and related liabilities | (3,632) | 3,518 |
| Deferred revenue | <u>(1,000)</u> | <u>1,000</u> |
| Net cash provided by (used in) operating activities | <u>10,388</u> | <u>(31,679)</u> |
| Net change in cash and cash equivalents | 10,388 | (31,679) |
| Cash and cash equivalents, beginning of year | <u>230,839</u> | <u>262,518</u> |
| Cash and cash equivalents, end of year | <u>\$ 241,227</u> | <u>\$ 230,839</u> |

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Notes to Financial Statements

Years ended December 31, 2015 and 2014

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 22, 2016, 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, 2015. In addition, all revenue within the statement of activities has been properly classified as exempt for the years ended December 31, 2015 and 2014.

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 \$13,910 and \$11,592 as of December 31, 2015 and 2014, 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, 2015 and 2014.

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. All investments are classified as level 1 in the GAAP fair value hierarchy as of December 31, 2015 and there were no transfers for the years ended December 31, 2015.

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.

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, 2015 and 2014.

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.

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

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, 2015 and 2014, was \$893,245 and \$1,008,868, respectively, as reflected in the statement of activities.

The Organization receives in-kind donations of facilities and professional services, which were valued at \$148,475 and \$140,825, respectively, for the years ended December 31, 2015 and 2014.

For the years ended December 31, 2015 and 2014, 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, and in-kind legal services.

Note 4 - Temporarily Restricted Net Assets

At December 31, 2015 and 2014, temporarily restricted net assets of \$8,672 and \$4,944, respectively, were available for the Bike Program (Tools). During 2015 and 2014, \$3,758 and \$2,685, respectively, was released from restrictions by incurring expenses in accordance with the donors' specified purpose.

Note 5 - Related Party Transactions

The financial statements include \$15,327 and \$14,837 in cash contributions and donated stock (that was subsequently sold) from members of the Organization's Board of Directors made during the years ending December 31, 2015 and 2014.