

Bikes for the World, Inc.

Audited Financial Statements

*Years ended June 30, 2021 and 2020
with Report of Independent Auditors*

Bikes for the World, Inc.

Audited Financial Statements

Years ended June 30, 2021 and 2020

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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, 2021 and 2020 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, 2021 and 2020 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
December 16, 2021

Bikes for the World, Inc.

Statements of Financial Position

	June 30,	
	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 360,721	\$ 301,822
Accounts receivable	31,272	21,642
Prepaid expenses	6,063	5,570
Fixed assets, net	23,679	-
Deposits	<u>4,725</u>	<u>4,725</u>
Total assets	<u>\$ 426,460</u>	<u>\$ 333,759</u>
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 5,260	\$ 3,138
Accrued payroll and related liabilities	14,915	13,574
Deferred rent	4,890	9,960
Deferred revenue	2,490	-
Loans payable - Paycheck Protection Program (PPP)	<u>37,116</u>	<u>40,300</u>
Total liabilities	64,671	66,972
Net assets:		
Without donor restrictions	<u>361,789</u>	<u>266,787</u>
Total net assets	<u>361,789</u>	<u>266,787</u>
Total liabilities and net assets	<u>\$ 426,460</u>	<u>\$ 333,759</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statements of Activities

	Years ended June 30,	
	<u>2021</u>	<u>2020</u>
Change in net assets without donor restrictions		
Revenue:		
In-kind contributions	\$ 668,306	\$ 737,677
Contributions	296,847	341,517
Shipping revenue	139,655	130,492
Sales	38,253	27,648
Other revenue	9,958	25,363
Gain on forgiveness of debt	<u>40,300</u>	<u>-</u>
Total revenue	1,193,319	1,262,697
Expenses:		
Bike program	1,007,412	1,109,761
Management and general	59,479	57,526
Fundraising	<u>31,426</u>	<u>24,366</u>
Total expenses	<u>1,098,317</u>	<u>1,191,653</u>
Change in net assets	95,002	71,044
Net assets, beginning of year	<u>266,787</u>	<u>195,743</u>
Net assets, end of year	<u>\$ 361,789</u>	<u>\$ 266,787</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statement of Functional Expenses

Year ended June 30, 2021

	Program Services	Supporting Services			2021 Total Expenses
	Bike Program	Management and General	Fundraising	Total Supporting Services	
Accounting	\$ -	\$ 30,400	\$ -	\$ 30,400	\$ 30,400
Advertising	-	50	168	218	218
Bank charges	-	2,228	-	2,228	2,228
Donations - bikes	647,595	-	-	-	647,595
Depreciation	-	2,645	-	2,645	2,645
Fuel, mileage, parking	3,148	-	-	-	3,148
Insurance	6,156	2,332	839	3,171	9,327
Facilities	1,926	-	-	-	1,926
Food	16	6	2	8	24
Miscellaneous	2,133	808	291	1,099	3,232
Website and software	-	1,818	6,087	7,905	7,905
Bad debt expense	-	40	-	40	40
Dues, licenses and fees	735	278	101	379	1,114
Payroll tax	7,211	2,024	3,416	5,440	12,651
Postage and delivery	1,553	588	212	800	2,353
Printing and copying	296	105	1,343	1,448	1,744
Program supplies	11,359	-	-	-	11,359
Salaries	135,955	15,351	18,676	34,027	169,982
Shipping expense	184,836	-	-	-	184,836
Telephone and internet	2,127	806	291	1,097	3,224
Vehicle rental	2,366	-	-	-	2,366
Total expenses	\$ 1,007,412	\$ 59,479	\$ 31,426	\$ 90,905	\$ 1,098,317

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statement of Functional Expenses

Year ended June 30, 2020

	Program Services	Supporting Services			2020 Total Expenses
	Bike Program	Management and General	Fundraising	Total Supporting Services	
Accounting	\$ -	\$ 28,600	\$ -	\$ 28,600	\$ 28,600
Advertising	-	24	81	105	105
Bank charges	-	2,727	-	2,727	2,727
Donations - bikes	716,430	-	-	-	716,430
Fuel, mileage, parking	3,583	-	-	-	3,583
Insurance	5,819	2,204	793	2,997	8,816
Legal	-	478	-	478	478
Facilities	2,169	-	-	-	2,169
Food	85	32	11	43	128
Miscellaneous	1,676	809	228	1,037	2,713
Website and software	-	909	3,042	3,951	3,951
Dues, licenses and fees	914	346	125	471	1,385
Payroll tax	8,026	2,253	3,802	6,055	14,081
Postage and delivery	3,013	1,141	411	1,552	4,565
Printing and copying	538	190	2,439	2,629	3,167
Program supplies	6,145	-	-	-	6,145
Salaries	158,453	17,169	13,202	30,371	188,824
Shipping expense	196,617	-	-	-	196,617
Telephone and internet	1,700	644	232	876	2,576
Vehicle rental	4,593	-	-	-	4,593
Total expenses	\$ 1,109,761	\$ 57,526	\$ 24,366	\$ 81,892	\$ 1,191,653

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statements of Cash Flows

	Years ended June 30,	
	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 95,002	\$ 71,044
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Depreciation	2,645	-
Gain on forgiveness of debt	(40,300)	-
Changes in assets and liabilities:		
Accounts receivable	(9,630)	5,044
Prepaid expenses	(493)	18
Deferred rent	(5,070)	(3,247)
Deferred revenue	2,490	-
Accounts payable	2,122	(5,402)
Accrued payroll and related liabilities	<u>1,341</u>	<u>5,949</u>
Net cash flows provided by operating activities	48,107	73,406
Cash flow from investing activities		
Purchases of fixed assets	<u>(26,324)</u>	-
Net cash used in investment activities	(26,324)	-
Cash flows from financing activities		
Proceeds from issuance of PPP loan payable	<u>37,116</u>	<u>40,300</u>
Net cash provided by financing activities	<u>37,116</u>	<u>40,300</u>
Net change in cash and cash equivalents	58,899	113,706
Cash and cash equivalents, beginning of year	<u>301,822</u>	<u>188,116</u>
Cash and cash equivalents, end of year	<u>\$ 360,721</u>	<u>\$ 301,822</u>
Supplemental information		
<u>Non-cash financing activities:</u>		
PPP loan principal forgiven during the year	<u>\$ 40,300</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Notes to Financial Statements

Years ended June 30, 2021 and 2020

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 December 16, 2021, 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. See Notes 7 and 9 for further information regarding subsequent events.

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, 2021. In addition, all revenue within the statements of activities has been properly classified as exempt for the years ended June 30, 2021 and 2020.

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

COVID-19 Risks and Uncertainties

In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak, which has led to a global health emergency. The Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on the Organization and its donors, employees and vendors. As such, COVID-19 could have a material adverse effect on the Organization's financial position in the future. The ultimate duration and impact of the COVID-19 outbreak on the Organization's financial position cannot be reasonably estimated at this time.

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.

Fixed Assets, net

Fixed assets are stated at cost less accumulated depreciation and amortization. The Organization capitalizes all fixed assets with a cost, or appraised value, in excess of \$5,000. Depreciation is computed on a straight line basis over a useful life between three to seven years.

Loans Payable

Loans payable consists of first and second round Paycheck Protection Program (PPP) loans the Organization applied for and received under the federally authorized Coronavirus Aid, Relief, and Economic Security (CARES) Act. The organization elected to account for the PPP loans in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 470, Debt. The PPP Loan is reported as loan payable on the statements of financial position and is reported at the outstanding principal balance of the debt. Interest expense is accrued on the outstanding principal. See Note 9 for more information.

Gain on Forgiveness of Debt

Gain on forgiveness of debt relates to the forgiveness of the PPP Loan. See Note 9 for more information.

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Shipping Revenue

Throughout the year, the Organization ships donated bikes across the globe to their global partners based off of the global partners needs and requirements. The Organization fronts the shipping costs of the bikes and the global partners reimburse the Organization for the incurred shipping costs and an overhead fee. The Organization recognizes shipping revenue at the point in time when the donated bikes are shipped to the global partners. In the event a global partner pays after the fiscal year end, the Organization books a receivable for the full amount of the shipping costs. There are no refunds for shipping revenue.

Sales

Throughout the year, the Organization holds events to sell donated bikes and bike parts and recognizes the revenue at the point in time of the sale. There are no refunds for sales.

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 statements of activities as net assets are released from restrictions. However, contributions which are both received and released from restriction in the same year are reported as net assets without donor restriction in that year.

Conditional promises to give, with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received prior to meeting the conditions are reported as refundable advances in the statements of financial position.

In-kind contributions consist of donated bicycles, bicycle spare parts and accessories, portable sewing machines, hand tools suitable for use in a bicycle shop, stock, 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.

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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 statements 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.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09 and its subsequent amendments supersede virtually all previous revenue recognition guidance under GAAP. The core principle of Topic 606 is an entity should recognize revenue when it transfers promised goods or services to customers in an amount reflective of the consideration the entity expects to be entitled to in exchange for those goods or services. The guidance also requires disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from incremental costs incurred to obtain or fulfil a contract. The Organization adopted ASU 2014-09 as of July 1, 2020, using the modified retrospective method. There was no change to ending net assets as a result of the adoption of this standard.

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

Note 3 - Liquidity

The Organization has \$391,766 and \$323,464 of financial assets available within one year of the statements of financial position date to meet cash needs for general expenditures as of June 30, 2021 and 2020, respectively. These financial assets consist of cash of \$360,721 and \$301,822 and accounts receivable of \$31,045 and \$21,642 as of June 30, 2021 and 2020, respectively. 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 statements of financial position 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 - Fixed Assets

Fixed assets consisted of the following at June 30:

	<u>2021</u>
Computer	\$ 1,107
Vehicles	<u>25,217</u>
	26,324
Less accumulated depreciation and amortization	<u>(2,645)</u>
Fixed assets, net	<u>\$ 23,679</u>

Note 5 - 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, 2021 and 2020 were \$637,704 and \$705,762, respectively.

The Organization receives in-kind donations of facilities, professional services, stock, and other items which were valued at \$30,602 and \$31,915, for the years ended June 30, 2021 and 2020, respectively.

For the year ended June 30, 2021 and 2020, 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 4,500 and 4,700 hours, respectively, of service from unpaid volunteers.

Note 6 - Related Party Transactions

The financial statements include approximately \$63,390 and \$19,000 of contributions from members of the Organization's Board of Directors made during the years ending June 30, 2021 and 2020, 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 31, 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, 2021, future minimum lease payments under non-cancelable lease agreements total \$48,022 for the fiscal year ending June 30, 2022. Rent expense under these lease agreements for the years ended June 30, 2021 and 2020 was \$59,177 and \$60,832, respectively, and is included in shipping expense in the statements of functional expenses.

On August 20, 2021, the Organization signed a five year lease extension for their office space. The lease extension goes into effect April 1, 2022 and expires on February 28, 2027.

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, 2021 and 2020.

Note 9 - Paycheck Protection Program (PPP) Loan

On April 20, 2020, the Organization received a PPP loan in the amount of \$40,300, and is a two-year loan with a maturity date of April 20, 2022. The PPP loan bears an annual interest rate of 1%, and is unsecured and guaranteed by the Small Business Administration (SBA). The Organization received forgiveness of the PPP loan from the SBA on January 6, 2021, and concurrently recorded a gain on forgiveness of loan on the statements of activities for the forgiveness of the principal amount of \$40,300.

On February 23, 2021, the Organization received a second PPP loan in the amount of \$37,116, and is a five-year loan with a maturity date of February 23, 2026. The second PPP loan bears an annual interest rate of 1%, and is unsecured and guaranteed by the SBA. To the extent that all or part of the PPP loan is forgiven, principal and interest payments are deferred ten months after the end of the Organization's loan forgiveness covered period. Thereafter, the Organization is obligated to make monthly principal and interest payments through the maturity date. As of June 30, 2021, the unpaid principal was \$37,116 on the PPP loan.

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

Note 9 - Paycheck Protection Program (PPP) Loan (Continued)

To the extent that the proceeds are used to pay qualified expenses, and other employment criteria required by the Program have been met by the Organization, the second PPP loan may be subject to forgiveness under the Program upon the Organization's request. The Organization received forgiveness of the second PPP loan with respect to covered expenses and received forgiveness from the SBA on August 16, 2021.