

Bikes for the World, Inc.

Audited Financial Statements

*Years ended June 30, 2022 and 2021
with Report of Independent Auditors*

Bikes for the World, Inc.
Audited Financial Statements
Years ended June 30, 2022 and 2021

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Report of Independent Auditors

Board of Directors
Bikes for the World, Inc.

Opinion

We have audited the financial statements of Bikes for the World, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the change 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia
December 13, 2022

Bikes for the World, Inc.

Statements of Financial Position

As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 360,949	\$ 360,721
Accounts receivable	37,334	31,272
Prepaid expenses	6,362	6,063
Fixed assets, net	18,690	23,679
Deposits	<u>4,725</u>	<u>4,725</u>
Total assets	<u>\$ 428,060</u>	<u>\$ 426,460</u>
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 4,008	\$ 5,260
Accrued payroll and related liabilities	18,956	14,915
Deferred rent	29,981	4,890
Deferred revenue	-	2,490
Loans payable - Paycheck Protection Program (PPP)	<u>-</u>	<u>37,116</u>
Total liabilities	52,945	64,671
Net assets:		
Without donor restrictions	<u>375,115</u>	<u>361,789</u>
Total net assets	<u>375,115</u>	<u>361,789</u>
Total liabilities and net assets	<u>\$ 428,060</u>	<u>\$ 426,460</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statements of Activities

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Change in net assets without donor restrictions		
Revenue:		
In-kind contributions	\$ 729,203	\$ 668,306
Contributions	265,431	296,847
Shipping revenue	162,924	139,655
Sales	34,254	38,253
Other revenue	12,939	9,958
Gain on forgiveness of debt	<u>37,116</u>	<u>40,300</u>
Total revenue	1,241,867	1,193,319
Expenses:		
Bike program	1,135,796	1,007,412
Management and general	59,054	59,479
Fundraising	<u>33,691</u>	<u>31,426</u>
Total expenses	<u>1,228,541</u>	<u>1,098,317</u>
Change in net assets	13,326	95,002
Net assets, beginning of year	<u>361,789</u>	<u>266,787</u>
Net assets, end of year	<u>\$ 375,115</u>	<u>\$ 361,789</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statement of Functional Expenses

Year ended June 30, 2022

	Program	Supporting Services			2022 Total Expenses
	Services	Management and General	Fundraising	Total Supporting Services	
	Bike Program				
Accounting	\$ -	\$ 32,475	\$ -	\$ 32,475	\$ 32,475
Advertising	-	206	691	897	897
Bank charges	-	3,574	-	3,574	3,574
Donations - bikes	710,081	-	-	-	710,081
Depreciation	-	5,604	-	5,604	5,604
Fuel, mileage, parking	6,022	-	-	-	6,022
Insurance	6,497	2,461	886	3,347	9,844
Facilities	943	-	-	-	943
Food	20	8	3	11	31
Miscellaneous	1,546	586	210	796	2,342
Website and software	-	1,966	6,582	8,548	8,548
Dues, licenses and fees	1,289	488	176	664	1,953
Payroll tax	8,557	2,402	4,053	6,455	15,012
Postage and delivery	1,752	664	239	903	2,655
Printing and copying	429	152	1,944	2,096	2,525
Program supplies	7,218	-	-	-	7,218
Salaries	174,157	7,553	18,579	26,132	200,289
Shipping expense	211,265	-	-	-	211,265
Telephone and internet	2,415	915	328	1,243	3,658
Vehicle rental	3,605	-	-	-	3,605
Total expenses	\$ 1,135,796	\$ 59,054	\$ 33,691	\$ 92,745	\$ 1,228,541

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
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
Bad debt expense	-	40	-	40	40
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.

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 13,326	\$ 95,002
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	5,604	2,645
Gain on forgiveness of debt	(37,116)	(40,300)
Changes in assets and liabilities:		
Accounts receivable	(6,062)	(9,630)
Prepaid expenses	(299)	(493)
Deferred rent	25,091	(5,070)
Deferred revenue	(2,490)	2,490
Accounts payable	(1,252)	2,122
Accrued payroll and related liabilities	<u>4,041</u>	<u>1,341</u>
Net cash flows from operating activities	843	48,107
Cash flow from investing activities		
Purchases of fixed assets	<u>(615)</u>	<u>(26,324)</u>
Net cash flows from investment activities	(615)	(26,324)
Cash flows from financing activities		
Proceeds from issuance of PPP loan payable	<u>-</u>	<u>37,116</u>
Net cash flows from financing activities	<u>-</u>	<u>37,116</u>
Net change in cash and cash equivalents	228	58,899
Cash and cash equivalents, beginning of year	<u>360,721</u>	<u>301,822</u>
Cash and cash equivalents, end of year	<u>\$ 360,949</u>	<u>\$ 360,721</u>
Supplemental information		
<u>Non-cash financing activities:</u>		
PPP loan principal forgiven during the year	<u>\$ 37,116</u>	<u>\$ 40,300</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Notes to Financial Statements

Years ended June 30, 2022 and 2021

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 13, 2022, 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 June 30, 2022. In addition, all revenue within the statements of activities has been properly classified as exempt for the years ended June 30, 2022 and 2021.

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

COVID-19 Risks and Uncertainties

The ongoing COVID-19 coronavirus pandemic (COVID-19) continues to have a global impact creating uncertainty, volatility, and disruption across economies and financial markets. The Organization's operational and financial performance will depend on certain developments, including the duration and spread of COVID-19 and its impact on the Organization and its members, 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 the second round Paycheck Protection Program (PPP) loan 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 loan 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 10 for more information.

Gain on Forgiveness of Debt

Gain on forgiveness of debt relates to the forgiveness of the first and second round PPP Loans received by the Organization. See Note 10 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.

Adopted Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendment is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Under the ASU, not-for-profit entities are required to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The Organization adopted the provisions of this ASU during the year ending June 30, 2022. There was no effect on the amounts reported in the financial statements as a result of adoption.

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

Note 3 - Liquidity

The Organization has \$398,283 and \$391,766 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, 2022 and 2021, respectively. These financial assets consist of cash of \$360,949 and \$360,721 and accounts receivable of \$37,337 and \$31,045 as of June 30, 2022 and 2021, 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 - Accounts Receivable

Accounts receivable consists of the following as of June 30, 2022 and 2021:

	2022		2021	
	Opening Balance	Closing Balance	Opening Balance	Closing Balance
Accounts receivable	\$ 31,272	\$ 37,334	\$ 21,642	\$ 31,272

Note 5 - Fixed Assets

Fixed assets consisted of the following at June 30:

	2022	2021
Computer	\$ 1,721	\$ 1,107
Vehicles	25,217	25,217
	26,938	26,324
Less accumulated depreciation and amortization	(8,248)	(2,645)
Fixed assets, net	\$ 18,690	\$ 23,679

Note 6 - In-Kind Contributions

The Organization receives in-kind, non-financial asset donations of bikes, non-bike parts, professional services, and other items. Additionally, the Organization may receive in-kind donations of investments in stock. For the year ended June 30, 2022 and 2021, the Organization received stock donations of \$5,422 and \$7,111, respectively, that was valued based on the fair value at the time of the donation and subsequently sold during the year. The estimated fair value of in-kind contributions for the years ended June 30, 2022 and 2021 were \$729,203 and \$668,306, respectively.

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

Note 6 - In Kind Contributions (Continued)

These non-financial contributions were as follows for the years ended June 30:

<u>Nonfinancial asset</u>	<u>2022</u>	<u>2021</u>	<u>Program benefited</u>	<u>Donor restriction</u>	<u>Valuation technique</u>
Bikes	\$ 699,645	\$ 637,704	Bike Program	None	Sampling methodology performed quarterly to establish an average value per bike
Non-bike parts	\$ 10,436	\$ 9,891	Bike Program	None	Based on wholesale value that would be received selling similar products in the United States
Outside services	\$ 13,700	\$ 13,600	Management & General	None	Estimated using current rates of professional providing service

For the year ended June 30, 2022 and 2021, 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 3,800 and 4,500 hours, respectively, of service from unpaid volunteers.

Note 7 - Related Party Transactions

The financial statements include approximately \$45,460 and \$63,390 of contributions from members of the Organization's Board of Directors made during the years ending June 30, 2022 and 2021, respectively.

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

Note 8 - Commitments

Operating Leases

The Organization leases office space under a non-cancelable operating lease agreement. On August 20, 2021, the Organization signed a five year lease extension for their office space in Rockville, Maryland. The lease extension went into effect April 1, 2022 and expires on February 28, 2027. 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, 2022, future minimum lease payments under non-cancelable lease agreements are as follows for the fiscal year ends June 30:

2023	\$	66,388
2024		68,380
2025		70,431
2026		72,544
2027		49,320
		<u>327,063</u>

Rent expense under these lease agreements for the years ended June 30, 2022 and 2021 was \$62,353 and \$59,177, respectively, and is included in shipping expense in the statements of functional expenses.

Note 9 - 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, 2022 and 2021.

Note 10 - 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.

Bikes for the World, Inc.

Notes to Financial Statements (Continued)

Note 10 - Paycheck Protection Program (PPP) Loan (Continued)

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. The Organization received forgiveness of the second PPP loan from the SBA on August 16, 2021, and concurrently recorded a gain on forgiveness of loan on the statements of activities for the forgiveness of the principal amount of \$37,116.