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**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**



## **Independent Auditor's Report**

The Board of Directors  
Bikes for the World  
Rockville, MD

### **Opinion**

We have audited the accompanying financial statements of Bikes for the World (BFW), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BFW as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 BFW and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 BFW's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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The Board of Directors  
Bikes for the World

### **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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 BFW'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 BFW'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.

### **Report on Summarized Comparative Information**

The 2022 financial statements of Bikes for the World were audited by other auditors whose report dated December 13, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the 2022 audited financial statements from which it has been derived.



Bethesda, Maryland  
January 18, 2024

Certified Public Accountants

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**Bikes for the World**  
**Statement of Financial Position**  
**June 30, 2023**  
**With Comparative Totals as of June 30, 2022**

	<b>2023</b>	2022
<b>Assets</b>		
Cash and Cash Equivalents	\$ <b>286,898</b>	\$ 360,949
Accounts and Grants Receivable	<b>28,050</b>	37,334
Prepaid Expenses and Deposits	<b>17,120</b>	11,087
Property and Equipment - Net	<b>13,195</b>	18,690
Right of Use (ROU) Asset	<b>230,639</b>	-
<b>Total Assets</b>	<b>\$ 575,902</b>	\$ 428,060
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ <b>13,408</b>	\$ 22,964
Deferred Rent	-	29,981
Lease Liability	<b>256,739</b>	-
Total Liabilities	<b>270,147</b>	52,945
<b>Net Assets</b>		
Without Donor Restrictions	<b>305,755</b>	375,115
Total Net Assets	<b>305,755</b>	375,115
<b>Total Liabilities and Net Assets</b>	<b>\$ 575,902</b>	\$ 428,060

*See accompanying Notes to Financial Statements.*

**Bikes for the World**  
**Statement of Activities**  
**For The Year Ended June 30, 2023**  
**With Comparative Totals for the Year Ended June 30, 2022**

	<b>2023</b>	2022
<b>Support and Revenues</b>		
In-Kind Contributions	\$ <b>1,003,784</b>	\$ 729,203
Contributions	<b>228,414</b>	265,431
Shipping Revenue	<b>209,760</b>	162,924
Sales	<b>31,758</b>	34,254
Other	<b>34,512</b>	12,939
Contributions - PPP	-	37,116
	<b>1,508,228</b>	1,241,867
<b>Expenses</b>		
Program Services	<b>1,476,839</b>	1,135,796
Management and General	<b>80,290</b>	59,054
Fundraising	<b>20,459</b>	33,691
	<b>1,577,588</b>	1,228,541
Total Expenses		
Changes in Net Assets	<b>(69,360)</b>	13,326
Net Assets, Beginning of Period	<b>375,115</b>	361,789
	<b>\$ 305,755</b>	\$ 375,115
<b>Net Assets, End of Period</b>		

*See accompanying Notes to Financial Statements.*

**Bikes for the World**  
**Statement of Functional Expenses**  
**For The Year Ended June 30, 2023**  
**With Comparative Totals for the Year Ended June 30, 2022**

	<b>2023</b>			<b>Total</b>	<b>2022</b>
	Program	Management & General	Fundraising		
Donations - Bikes	\$ 969,724	\$ -	\$ -	<b>\$ 969,724</b>	\$ 699,645
Donations - Equipment	16,008	-	-	<b>16,008</b>	10,436
Personnel	178,028	21,317	19,134	<b>218,479</b>	215,301
Information Technology	-	5,649	356	<b>6,005</b>	8,548
Vehicle Travel and Rental	5,750	-	-	<b>5,750</b>	6,071
Occupancy	82,562	-	-	<b>82,562</b>	77,914
Professional Fees	2,925	39,098	-	<b>42,023</b>	32,475
Insurance	6,542	2,478	892	<b>9,912</b>	9,844
Depreciation	-	5,494	-	<b>5,494</b>	5,604
Office Expense	10,053	6,254	77	<b>16,384</b>	19,337
Collection and Shipping	200,313	-	-	<b>200,313</b>	143,269
Travel	4,934	-	-	<b>4,934</b>	97
<b>Total</b>	<b>\$ 1,476,839</b>	<b>\$ 80,290</b>	<b>\$ 20,459</b>	<b>\$ 1,577,588</b>	<b>\$ 1,228,541</b>

*See accompanying Notes to Financial Statements.*

**Bikes for the World**  
**Statement of Cash Flows**  
**For The Year Ended June 30, 2023**  
**With Comparative Totals for the Year Ended June 30, 2022**

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (69,360)	\$ 13,326
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	5,494	5,604
Amortization on Right of Use Asset	62,902	-
Deferred Rent	27,253	25,091
PPP Loan Forgiveness	-	(37,116)
<u>(Increase) Decrease in Assets</u>		
Accounts and Grants Receivable	9,284	(6,062)
Prepaid Expenses and Deposits	(6,033)	(299)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	(9,555)	2,789
Deferred Revenue	(29,981)	(2,490)
Lease Liability	(64,055)	-
Net Cash Provided by (Used in) Operating Activities	<b>(74,051)</b>	843
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	-	(615)
Net Cash Provided by (Used in) Investing Activities	-	(615)
Net Increase (Decrease) in Cash and Cash Equivalents	<b>(74,051)</b>	228
Cash and Cash Equivalents, Beginning of Period	<b>360,949</b>	360,721
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 286,898</b>	\$ 360,949
<b>Supplementary Disclosure of Cash Flow Information</b>		
Recognition of Right of Use Asset and Lease Liability	<b>\$ 320,794</b>	

*See accompanying Notes to Financial Statements.*

# **Bikes for the World**

## **Notes to Financial Statements June 30, 2023**

### **1. ORGANIZATION AND PURPOSE**

Bikes for the World, Inc. (BFW) was incorporated on February 10, 2011 under the laws of the District of Columbia as a not-for-profit organization. The mission of BFW 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. BFW 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.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The financial statements of BFW have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires BFW to report information regarding its financial position and activities according to the following net asset classifications:

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 BFW. These net assets may be used at the discretion of 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 BFW or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

As of June 30, 2023, there were no net assets with donor restrictions.

#### **Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year ended June 30, 2023. Actual results could differ from those estimates.



## **Bikes for the World**

### **Notes to Financial Statements June 30, 2023**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Cash Equivalents**

BFW 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, BFW may hold funds with financial institutions in excess of the FDIC insured amount; however BFW 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.

##### **Accounts and Grants Receivable**

Accounts and grants receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts. The provision for doubtful accounts is based on management's evaluation of the status of existing receivables, historical collections data, the age of the outstanding receivables, and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be uncollectible, then an allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. Grants receivable are expected to be collected within one year. As of June 30, 2023, BFW did not have an allowance for uncollectible accounts.

##### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization. BFW 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 five years.

##### **Right of Use Asset and Lease Liability**

The right of use asset and lease liability are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using BFW's estimated incremental borrowing rate or implicit rate, when readily determinable. The asset is amortized on a straight-line basis over the lease term and is reflected as occupancy expense in the accompanying financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Interest is charged to occupancy expense for the difference. Short-term operating leases, which have an initial term of twelve months or less, are not recorded on the statement of financial position.

## **Bikes for the World**

### **Notes to Financial Statements June 30, 2023**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Revenue Recognition**

###### Contributions

Contributions are recognized as revenue when an unconditional promise is received. BFW 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 statement 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 statement 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. In-kind contributions are recorded at fair value at the date of contribution with the exception of donated bikes and bike parts that are collected specifically for BFW sales events which are recorded at the sales price received. Management recognizes in-kind bike contribution revenue based on this calculated average value and the number of bikes shipped each year.

###### Shipping Revenue

Throughout the year, BFW ships donated bikes across the globe to their global partners based off of the global partners needs and requirements. BFW fronts the shipping costs of the bikes and the global partners reimburse BFW for the incurred shipping costs and an overhead fee. BFW 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, BFW books a receivable for the full amount of the shipping costs. There are no refunds for shipping revenue.

###### Sales

Throughout the year, BFW 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.

## **Bikes for the World**

### **Notes to Financial Statements June 30, 2023**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, office expenses, depreciation, information technology costs, and insurance have been allocated among the programs and supporting services on the basis of employee time and effort.

##### **Comparative Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with BFW's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

##### **Income Tax Status and Uncertain Tax Positions**

BFW is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. BFW is not considered to be a private foundation within the meaning of Section 509(a) of the Code. Management has concluded that BFW has properly maintained its exempt status and has no uncertain tax positions as of June 30, 2023. In addition, all revenue within the statement of activities has been properly classified as exempt for the year ended June 30, 2023.

BFW follows the Financial Accounting Standards Board Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in BFW's financial statements, if any. As of June 30, 2023, BFW had no unrecognized tax benefits related to uncertain tax positions in its information return that would qualify for either recognition or disclosure in its financial statements.

BFW's policy would be to recognize interest and penalties on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. Through June 30, 2023, there have been no matters that would have resulted in an accrual for interest and/or penalties. Generally, the tax years before 2020 are no longer subject to examination by federal, state, or local taxing authorities.

##### **New Accounting Pronouncements**

In 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. The new standard applies to finance and operating leases entered into after the standard was issued. BFW adopted this standard in 2023.

## Bikes for the World

### Notes to Financial Statements June 30, 2023

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### New Accounting Pronouncements (Continued)

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This guidance requires BFW to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance is effective beginning in 2023.

##### Subsequent Events

Management has evaluated subsequent events through January 18, 2024 the date which the financial statements were available to be issued.

#### 3. CONCENTRATION OF CREDIT RISK

BFW maintains its cash at a federally insured financial institution. As of June 30, 2023, BFW exceeded the FDIC limit by approximately \$35,000. Management does not consider this to be a significant risk.

#### 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2023:

Computer	\$ 1,721
Vehicles	25,217
Less Accumulated Depreciation	<u>(13,743)</u>
Property and Equipment - Net	<u>\$ 13,195</u>

Depreciation expense was \$5,494 for the year ended December 31, 2023.

#### 5. NET ASSETS

As of June 30, 2023, there were no net assets with donor restrictions.

Net assets without donor restrictions for the year ended June 30, 2023 were undesignated.

## Bikes for the World

### Notes to Financial Statements June 30, 2023

#### 6. IN-KIND CONTRIBUTIONS

BFW receives in-kind, non-financial asset donations of bikes, non-bike parts, professional services, and other items. Additionally, BFW may receive in-kind donations of investments in stock. The estimated fair value of in-kind contributions for the year ended June 30, 2023, was \$1,003,784.

Bikes	\$	969,724
Non-Bike Parts		16,008
Professional Services		18,052
		<hr/>
	\$	1,003,784

Bikes are estimated using a sampling methodology performed quarterly to establish an average value per bike.

Non-bike parts are estimated using the wholesale value that would be received selling similar products in the United States.

Professional services are estimated using current rates for professionals providing the service.

For the year ended June 30, 2023, BFW 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 6,000 hours of service from unpaid volunteers.

#### 7. RELATED PARTY TRANSACTIONS

The financial statements include approximately \$30,000, of contributions from members of BFW's Board of Directors made during the year ending June 30, 2023.

#### 8. RETIREMENT PLAN

BFW maintains a 403(b) Retirement Plan for the benefit of eligible employees. Employees may contribute to the plan via payroll deductions. BFW does not contribute to the Plan on behalf of employees. As such, there were no contributions to the Plan by BFW during the year ended June 30, 2023.

#### 9. LEASE COMMITMENT

BFW leases office space under a non-cancelable operating lease agreement. On August 20, 2021, BFW 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 liability is recorded based on the present value of the future payments of the lease, discounted at an estimated incremental borrowing rate of .8%, based on comparable interest rates available to BFW under borrowing arrangements for a similar amount and duration of the lease (remaining term method). BFW has established a right of use asset equal to the remaining lease liability under the lease agreement.

## Bikes for the World

### Notes to Financial Statements June 30, 2023

#### 9. LEASE COMMITMENT (CONTINUED)

As of June 30, 2023, the lease liability was as follows

2024	\$	68,380
2025		70,431
2026		72,544
2027		49,320
Less: Amount Representing Interest (.8%)		<u>(3,936)</u>
	\$	<u>256,739</u>

Lease expense for the year ended June 30, 2023 was \$82,562.

#### 10. AVAILABILITY AND LIQUIDITY

The following represents BFW's financial assets at June 30, 2023:

Financial Assets at Year End:

Cash and Cash Equivalents	\$	286,898
Accounts and Grants Receivable		<u>28,050</u>
Total Financial Assets		<u>314,948</u>

Less Amounts Not Available To Be Used Within One Year:

Net Assets With Donor Restrictions		-
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year		<u>-</u>
		<u>-</u>

Financial Assets Available to Meet General Expenditures

Over the Next Twelve Months	\$	<u>314,948</u>
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BFW has a policy to structure its financial assets to be available for general expenditures, liabilities and other obligations as they come due.