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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 statement of financial position as of June 30, 2017 and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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, 2017 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.

Vienna, Virginia
November 28, 2017
Bikes for the World, Inc.

Statement of Financial Position

June 30, 2017

Assets
Cash and cash equivalents $ 224,080
Accounts receivable, net of an allowance of $0 28,202
Prepaid expenses 7,656
Deposits 4,725
Total assets $ 264,663

Liabilities and net assets
Liabilities:
Accounts payable $ 7,481
Accrued payroll and related liabilities 12,404
Deferred revenue 9,719
Total liabilities 29,604

Net assets:
Unrestricted 228,611
Temporarily restricted 6,448
Total net assets 235,059

Total liabilities and net assets $ 264,663

See accompanying notes to the financial statements.
## Change in unrestricted net assets

Revenue:
- In-kind contributions $ 999,787
- Contributions $ 215,357
- Shipping revenue $ 123,565
- Sales $ 8,659
- Interest income $ 62
- Other revenue $ 2,376

Net assets released from restrictions $ 2,049

Total revenue $ 1,351,855

Expenses:
- Bike program $ 1,232,325
- Management and general $ 93,398
- Fundraising $ 28,900

Total expenses $ 1,354,623

Change in unrestricted net assets (2,768)

## Change in temporarily restricted net assets

- Contributions $ 200
- Net assets released from restrictions (2,049)
- Change in temporarily restricted net assets (1,849)

Net change in net assets (4,617)
Net assets, beginning of year $ 239,676
Net assets, end of year $ 235,059

*See accompanying notes to the financial statements.*
Bikes for the World, Inc.

Statement of Functional Expenses

Year ended June 30, 2017

<table>
<thead>
<tr>
<th>Program Services</th>
<th>Supporting Services</th>
<th>Total Supporting Services</th>
<th>2017 Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bike Program</td>
<td>Management and General</td>
<td>Fundraising</td>
<td></td>
</tr>
<tr>
<td>Accounting</td>
<td>$ -</td>
<td>$ 23,261</td>
<td>$ -</td>
</tr>
<tr>
<td>Advertising and publicity</td>
<td>-</td>
<td>241</td>
<td>805</td>
</tr>
<tr>
<td>Bank charges</td>
<td>-</td>
<td>1,588</td>
<td>-</td>
</tr>
<tr>
<td>Donations - bikes</td>
<td>853,791</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fuel, mileage, parking</td>
<td>6,288</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,704</td>
<td>646</td>
<td>232</td>
</tr>
<tr>
<td>Legal</td>
<td>-</td>
<td>414</td>
<td>-</td>
</tr>
<tr>
<td>Facilities</td>
<td>68,522</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Food</td>
<td>526</td>
<td>199</td>
<td>72</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>7,325</td>
<td>2,775</td>
<td>998</td>
</tr>
<tr>
<td>Website and Software</td>
<td>3,806</td>
<td>1,442</td>
<td>519</td>
</tr>
<tr>
<td>Dues, licenses and fees</td>
<td>964</td>
<td>365</td>
<td>131</td>
</tr>
<tr>
<td>Payroll tax</td>
<td>10,375</td>
<td>3,930</td>
<td>1,415</td>
</tr>
<tr>
<td>Postage and delivery</td>
<td>2,980</td>
<td>1,129</td>
<td>406</td>
</tr>
<tr>
<td>Printing and copying</td>
<td>830</td>
<td>293</td>
<td>3,761</td>
</tr>
<tr>
<td>Program supplies</td>
<td>3,839</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Salaries</td>
<td>148,561</td>
<td>56,273</td>
<td>20,258</td>
</tr>
<tr>
<td>Shipping expense</td>
<td>113,089</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Telephone and internet</td>
<td>2,222</td>
<td>842</td>
<td>303</td>
</tr>
<tr>
<td>Vehicle rental</td>
<td>7,503</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$ 1,232,325</strong></td>
<td><strong>$ 93,398</strong></td>
<td><strong>$ 28,900</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
Bikes for the World, Inc.

Statement of Cash Flows

Year ended June 30, 2017

**Cash flows from operating activities**

Change in net assets $ (4,617)

Adjustments to reconcile change in net assets to net cash provided by operating activities:

- Inventory 6,100
- Changes in assets and liabilities:
  - Accounts receivable (14,483)
  - Prepaid expenses (3,084)
  - Deposits (3,490)
  - Deferred rent 9,719
  - Accounts payable 5,966
  - Accrued payroll and related liabilities 5,641

Net cash provided by operating activities 1,752

Net change in cash and cash equivalents 1,752

Cash and cash equivalents, beginning of year 222,328

Cash and cash equivalents, end of year $ 224,080

See accompanying notes to the financial statements.
Bikes for the World, Inc.

Notes to Financial Statements

Year ended June 30, 2017

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 November 28, 2017, 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, 2017. In addition, all revenue within the statement of activities has been properly classified as exempt for the year ended June 30, 2017.
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. All property and equipment was fully depreciated as of June 30, 2017.

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 inventory was recorded as of June 30, 2017 and consequently no valuation allowance was recorded as of June 30, 2017.

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 June 30, 2017 and there were no transfers for the years ended June 30, 2017.

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.
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 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, or when a specified time period elapses, 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 June 30, 2017.

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.
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 year ended June 30, 2017 was $931,702.

The Organization receives in-kind donations of facilities and professional services, which were valued at $68,085, for the year ended June 30, 2017.

For the year ended June 30, 2017, 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 June 30, 2017, temporarily restricted net assets of $4,400 were available for the Bike Program (Tools). During 2017, $2,049 was released from restrictions by incurring expenses in accordance with the donors’ specified purpose.

Note 5 - Related Party Transactions

The financial statements include $17,210 in cash contributions and donated stock (that was subsequently sold) from members of the Organization’s Board of Directors made during the year ending June 30, 2017.

Note 6 - 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 1, 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. The Organizations has other leases for warehouse space.
Note 6 - Commitments (Continued)

Operating Leases (continued)
As of June 30, 2017, future minimum lease payments under non-cancelable lease agreements are as follows for the fiscal year ends June 30:

<table>
<thead>
<tr>
<th>Year</th>
<th>Lease Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 52,542</td>
</tr>
<tr>
<td>2019</td>
<td>58,985</td>
</tr>
<tr>
<td>2020</td>
<td>60,755</td>
</tr>
<tr>
<td>2021</td>
<td>62,577</td>
</tr>
<tr>
<td>2022</td>
<td>48,022</td>
</tr>
<tr>
<td>Total</td>
<td><strong>$ 282,881</strong></td>
</tr>
</tbody>
</table>

Rent expense under these lease agreements for the year ended June 30, 2017 was $20,311.