

# Bikes for the World, Inc.

## Audited Financial Statements

*Years ended June 30, 2020 and 2019  
with Report of Independent Auditors*

Bikes for the World, Inc.

Audited Financial Statements

Years ended June 30, 2020 and 2019

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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, 2020 and 2019 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, 2020 and 2019 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 8, 2020

Bikes for the World, Inc.

Statements of Financial Position

	June 30,	
	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 301,822	\$ 142,593
Certificates of deposit	-	45,523
Accounts receivable	21,642	26,686
Prepaid expenses	5,570	5,588
Deposits	<u>4,725</u>	<u>4,725</u>
Total assets	<u>\$ 333,759</u>	<u>\$ 225,115</u>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable	\$ 3,138	\$ 8,540
Accrued payroll and related liabilities	13,574	7,625
Deferred rent	9,960	13,207
Loan payable - Paycheck Protection Program (PPP)	<u>40,300</u>	<u>-</u>
Total liabilities	66,972	29,372
Net assets:		
Without donor restrictions	<u>266,787</u>	<u>195,743</u>
Total net assets	<u>266,787</u>	<u>195,743</u>
Total liabilities and net assets	<u>\$ 333,759</u>	<u>\$ 225,115</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statements of Activities

	Years ended June 30,	
	<u>2020</u>	<u>2019</u>
Revenue:		
In-kind contributions	\$ 737,677	\$ 839,214
Contributions	341,517	272,134
Shipping revenue	130,492	161,368
Sales	27,648	46,640
Other revenue	<u>25,363</u>	<u>18,699</u>
	1,262,697	1,338,055
Net assets released from restrictions	<u>-</u>	<u>2,210</u>
Total revenue	1,262,697	1,340,265
Expenses:		
Bike program	1,109,761	1,215,695
Management and general	57,526	79,820
Fundraising	<u>24,366</u>	<u>38,709</u>
Total expenses	<u>1,191,653</u>	<u>1,334,224</u>
Change in net assets without donor restrictions	71,044	6,041
<b>Change in net assets with donor restrictions</b>		
Net assets released from restrictions	<u>-</u>	<u>(2,210)</u>
Change in net assets with donor restrictions	<u>-</u>	<u>(2,210)</u>
Net change in net assets	71,044	3,831
Net assets, beginning of year	<u>195,743</u>	<u>191,912</u>
Net assets, end of year	<u>\$ 266,787</u>	<u>\$ 195,743</u>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statement of Functional Expenses

Year ended June 30, 2020

	<b>Program Services</b>	<b>Supporting Services</b>			<b>2020 Total Expenses</b>
	<b>Bike Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	
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
<b>Total expenses</b>	<b>\$ 1,109,761</b>	<b>\$ 57,526</b>	<b>\$ 24,366</b>	<b>\$ 81,892</b>	<b>\$ 1,191,653</b>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statement of Functional Expenses

Year ended June 30, 2019

	<b>Program Services</b>	<b>Supporting Services</b>			<b>2019 Total Expenses</b>
	<b>Bike Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	
Accounting	\$ -	\$ 34,250	\$ -	\$ 34,250	\$ 34,250
Advertising	-	477	1,596	2,073	2,073
Bank charges	-	2,526	-	2,526	2,526
Donations - bikes	820,864	-	-	-	820,864
Fuel, mileage, parking	6,898	-	-	-	6,898
Insurance	4,983	1,888	680	2,568	7,551
Legal	-	414	-	414	414
Facilities	757	-	-	-	757
Food	191	72	26	98	289
Miscellaneous	4,578	1,555	624	2,179	6,757
Website and software	-	1,861	6,229	8,090	8,090
Dues, licenses and fees	960	364	131	495	1,455
Payroll tax	8,850	2,484	4,192	6,676	15,526
Postage and delivery	2,718	1,030	371	1,401	4,119
Printing and copying	526	186	2,384	2,570	3,096
Program supplies	5,470	-	-	-	5,470
Salaries	142,986	31,916	22,189	54,105	197,091
Shipping expense	208,907	-	-	-	208,907
Telephone and internet	2,105	797	287	1,084	3,189
Vehicle rental	4,902	-	-	-	4,902
<b>Total expenses</b>	<b>\$ 1,215,695</b>	<b>\$ 79,820</b>	<b>\$ 38,709</b>	<b>\$ 118,529</b>	<b>\$ 1,334,224</b>

See accompanying notes to the financial statements.

Bikes for the World, Inc.

Statements of Cash Flows

	Years ended June 30,	
	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 71,044	\$ 3,831
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	5,044	(2,582)
Prepaid expenses	18	3,699
Deferred rent	(3,247)	(1,477)
Accounts payable	(5,402)	(1,240)
Accrued payroll and related liabilities	<u>5,949</u>	<u>(3,611)</u>
Net cash flows provided by (used in) operating activities	73,406	(1,380)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of PPP loan payable	<u>40,300</u>	<u>-</u>
Net cash flows financing activities	<u>40,300</u>	<u>-</u>
Net change in cash and cash equivalents	113,706	(1,380)
Cash and cash equivalents, beginning of year	<u>188,116</u>	<u>189,496</u>
Cash and cash equivalents, end of year	<u>\$ 301,822</u>	<u>\$ 188,116</u>
Cash and cash equivalents	\$ 301,822	\$ 142,593
Certificates of deposit	<u>-</u>	<u>45,523</u>
Total cash and cash equivalents	<u>\$ 301,822</u>	<u>\$ 188,116</u>

See accompanying notes to the financial statements.



# Bikes for the World, Inc.

## Notes to Financial Statements

Years ended June 30, 2020 and 2019

### **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 8, 2020, 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, 2020. In addition, all revenue within the statement of activities has been properly classified as exempt for the years ended June 30, 2020 and 2019.

## 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.

##### *Property and Equipment*

Property and equipment is recorded at cost when purchased or appraised values if donated. All property and equipment greater than \$5,000 are carried at cost and depreciated over useful lives of three to seven years using the straight line method. All property and equipment was fully depreciated as of June 30, 2020.

##### *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, 2020 and 2019.

##### *Loan Payable*

On April 20, 2020, the Organization received a loan pursuant to the Paycheck Protection Program (the Program), a program implemented and federally authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, for an aggregate principal amount of \$40,300 (the PPP Loan). 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. As of June 30, 2020, the Organization elected to account for this PPP loan in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 470, Debt. See Note 8 for more information.

## Bikes for the World, Inc.

### Notes to Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

##### *Revenue*

Shipping revenue is recognized at the time of shipment. Revenue generated by sales, contracts and other revenue is recognized at the time of sale.

##### *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.

##### *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.

## Bikes for the World, Inc.

### Notes to Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

##### *Net Assets (continued)*

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.

##### *Adoption of New Accounting Standard*

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting for Contributions Received and Contributions Made (Topic 958) (ASU 2018-08). The core principle of ASU 2018-08 is to clarify when the transfer of an asset or the extinguishment of a liability (the transaction) meets the definition of an exchange transaction or a contribution. When the transaction is an exchange transaction, an entity must apply Topic 606, Revenue from Contracts with Customers or other applicable Topics. When the transaction is a contribution, the ASU clarifies when the contribution is conditional and when revenue should be recognized. The Organization adopted ASU 2018-08 as of January 1, 2019, using the modified prospective method. There was no change to ending net assets as a result of the adoption of this standard.

#### **Note 3 - Liquidity**

The Organization has \$323,464 and \$214,241 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, 2020 and 2019, respectively. These financial assets consist of cash of \$301,822 and \$142,593 and accounts receivable of \$21,642 and \$26,125 as of June 30, 2020 and 2019, 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.

## Bikes for the World, Inc.

### Notes to Financial Statements (Continued)

#### **Note 4 - 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, 2020 and 2019 were \$705,762 and \$809,539, respectively.

The Organization receives in-kind donations of facilities, professional services, stock, and other items which were valued at \$31,915 and \$29,675, for the years ended June 30, 2020 and 2019, respectively.

For the year ended June 30, 2020 and 2019, 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 4,700 and 5,000 hours, respectively, of service from unpaid volunteers.

#### **Note 5 - Related Party Transactions**

The financial statements include approximately \$19,000 and \$16,000 of contributions from members of the Organization's Board of Directors made during the years ending June 30, 2020 and 2019, respectively.

#### **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 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, 2020, future minimum lease payments under non-cancelable lease agreements are as follows for the fiscal year ends June 30:

2021	\$	62,577
2022		<u>48,022</u>
	\$	<u>110,599</u>

Rent expense under these lease agreements for the years ended June 30, 2020 and 2019 was \$60,832 and \$64,793, respectively, and is included in shipping expense in the statements of functional expenses.

## Bikes for the World, Inc.

### Notes to Financial Statements (Continued)

#### **Note 7 - 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, 2020 and 2019.

#### **Note 8 - Loan Payable - Paycheck Protection Program**

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). To the extent that all or part of the PPP Loan is not 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, 2020, unpaid principal was \$40,300 on the PPP Loan.

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 PPP Loan may be subject to forgiveness under the Program upon the Organization's request. The Organization intends to apply for forgiveness of the PPP Loan with respect to covered expenses.