

**ELVES & MORE**  
**DBA CYCLE**  
**FINANCIAL STATEMENTS**

For the Years Ended December 31, 2015 and 2014

Ken Skrabanek, CPA  
P.O. Box 1246  
Crosby, Texas 77532

**ELVES & MORE**  
**DBA CYCLE**  
**FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2015 and 2014

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7



**KEN SKRABANEK, CPA**

P. O. Box 1246  
Crosby, Texas 77532  
Phone (281) 328-4412 • Fax (281) 462-0760

---

## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
Elves & More dba Cycle  
Houston, Texas**

Report on the Financial Statements

I have audited the accompanying financial statements of Elves & More, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 these risk assessment, 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. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Elves & More  
Page Two

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elves & More as of December 31, 2015 and 2014, and its activities, the changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Ken Skrabanek, CPA". The signature is written in a cursive style with a prominent "K" and "S".

Ken Skrabanek, CPA  
Crosby, Texas  
March 7, 2016

**ELVES & MORE**  
**DBA CYCLE**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2015 and 2014

**ASSETS**

	<u>2015</u>	<u>2014</u>
<b>Current Assets</b>		
Cash	\$ 97,716	\$ 195,674
Receivables from donors	60,226	78,495
Other receivables	662	7,848
Merchandise inventory	<u>6,625</u>	<u>2,638</u>
<b>Total Assets</b>	<u>\$ 165,229</u>	<u>\$ 284,655</u>

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable and accrued expenses	\$ 43,767	\$ 53,633
Deferred income	<u>-</u>	<u>10,000</u>
Total Current Liabilities	<u>43,767</u>	<u>63,633</u>
<b>Net Assets (all unrestricted)</b>	<u>121,462</u>	<u>221,022</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 165,229</u>	<u>\$ 284,655</u>

The accompanying notes are an integral part of the financial statements.

**ELVES & MORE**  
**DBA CYCLE**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Bicycle Ball and other event revenues	\$ 465,278	\$ 443,165
Corporate contributions	544	152
Grants and foundations	22,490	58,167
Individual contributions	240,666	270,834
In-kind contributions	341,308	276,302
Other	8,533	4,565
Total Revenues	<u>1,078,819</u>	<u>1,053,185</u>
<b>EXPENSES</b>		
Program services	851,491	888,306
Management and general	59,068	58,741
Events	116,289	92,379
General fundraising	151,531	90,653
Total Expenses	<u>1,178,379</u>	<u>1,130,079</u>
Increase (Decrease) in Net Assets	( 99,560 )	( 76,894 )
Net Assets at Beginning of Year	<u>221,022</u>	<u>297,916</u>
Net Assets at End of Year	<u>\$ 121,462</u>	<u>\$ 221,022</u>

The accompanying notes are an integral part of the financial statements.

**ELVES & MORE**  
**DBA CYCLE**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Years Ended December 31, 2015 and 2014

	<u>Program Services</u>	<u>Management &amp; Administration</u>	<u>Events &amp; Fundraising</u>
<b>Year ended December 31, 2015</b>			
Salaries and benefits	\$ 33,252	\$ 32,253	\$ 64,506
Bicycle Ball and other events	-	-	116,289
Bicycle Program	791,005	-	-
Accounting and auditing fees	6,041	6,042	6,042
Computer services	14,294	-	21,442
Credit card processing	-	-	8,580
Facilities	1,176	882	882
Insurance	2,190	2,190	-
Supplies	309	232	232
Telephone	1,729	-	1,729
Media/public relations	-	-	44,402
Rent	-	15,600	-
All other	1,495	1,869	3,716
	<u>851,491</u>	<u>59,068</u>	<u>267,820</u>
Total	\$ <u>851,491</u>	\$ <u>59,068</u>	\$ <u>267,820</u>

	<u>Program Services</u>	<u>Management &amp; Administration</u>	<u>Events &amp; Fundraising</u>
<b>Year ended December 31, 2014</b>			
Salaries and benefits	\$ 33,252	\$ 33,252	\$ 66,504
Bicycle Ball and other events	-	-	92,379
Bicycle Program	840,222	-	-
Accounting and auditing fees	4,891	4,892	4,892
Computer services	1,964	-	2,947
Credit card processing	-	-	8,915
Facilities	1,148	861	861
Insurance	2,069	2,069	-
Supplies	360	270	270
Telephone	2,004	-	2,004
Media/public relations	-	-	1,810
Rent	-	15,600	-
All other	2,396	1,797	2,450
	<u>888,306</u>	<u>58,741</u>	<u>183,032</u>
Total	\$ <u>888,306</u>	\$ <u>58,741</u>	\$ <u>183,032</u>

The accompanying notes are an integral part of the financial statements.

**ELVES & MORE**  
**DBA CYCLE**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$( 99,560 )	\$( 76,894 )
Adjustments to derive net cash provided by operating activities:		
(Increase) decrease in assets:		
Receivables from donors	18,269	( 37,380 )
Other receivables	7,186	( 2,700 )
Merchandise inventory	( 3,987 )	( 812 )
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	( 9,866 )	49,623
Deferred income	( 10,000 )	10,000
Net Cash Provided By (Used for) Operating Activities	( 97,958 )	( 58,163 )
Cash, Beginning of Year	195,674	253,837
Cash, End of Year	\$ 97,716	\$ 195,674

The accompanying notes are an integral part of the financial statements.



**ELVES & MORE**  
**DBA CYCLE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2015 and 2014

**NOTE 1 - NATURE OF ACTIVITIES**

Elves & More (the "Charity") is a 501(c)(3) non-profit corporation. As of the date of the Audit Report, Elves and More has received approval from the State of Texas to use the assumed name (d/b/a) CYCLE. The Charity is a children's charity dedicated to improving literacy in grades K-3 in Title One Schools in the greater Houston area. The Charity gives young students the opportunity to earn a bicycle for achieving their set goals, and in return, they learn that hard work equals reward. The Charity believes that learning this lesson can put school children on the path to a brighter future. The Charity generally supports its activities through contributions from the public, either directly or through fundraising events such as the Bicycle Ball, the Sporting Clays Tournament and the event conducted in conjunction with the Chevron Houston Marathon sponsored by the Charity. Activities of the Charity are subject to oversight by a Board of Directors.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Charity is presented to assist in understanding the Charity's financial statements. The financial statements and notes are the representation of the Charity's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

*Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

*Financial Statement Presentation*

The Charity prepares its financial statements in accordance with SFAS. No. 116 entitled "Accounting for Contributions Received and Contributions Made," and SFAS No. 117 entitled "Financial Statements of Not-for Profit Organizations." Generally, these statements require that organizations such as the Charity report contributions received and net assets

**ELVES & MORE**  
**DBA CYCLE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2015 and 2014

of the Charity according to their intended use, including unrestricted use, temporarily restricted use, or permanent restrictions. With the exception of donations restricted for the purpose of buying helmets (less than \$30,000 during each year) none of the Charity's donations have been restricted as to use.

Consistent with the provisions of SFAS No. 117, the Charity reports gifts and pledges of cash and other assets as restricted support if they are received with donor restrictions that limit the use of those assets. When the applicable restriction expires (the time restriction ends or the purpose restriction is fulfilled), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the financial statements as net assets released from restrictions. At December 31, 2015 and 2014, all net assets of the Charity were considered unrestricted.

*Income Taxes*

The Charity is a not-for profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

*Merchandise Inventory*

The Charity maintains an inventory of merchandise (such as tee shirts) which it sells to the public. Inventories are carried at cost.

*Cash Flow Disclosures*

For purposes of the statement of cash flows, the Charity considers investments with an original maturity of three months or less to be cash equivalents. For the years ended December 31, 2015 and 2014, the Charity did not pay any interest or income taxes.

*Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ELVES & MORE**  
**DBA CYCLE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2015 and 2014

*Other Policies*

The Charity maintains policies to prohibit conflicts of interest and, to that end, none of the officers or directors of the Charity had any direct or indirect financial interest in any financial transaction to which the Charity was a party during the year. All relationships between the Charity and third parties were conducted on an arm's-length basis at prices no less favorable to the Charity than to other parties in similar circumstances.

The Board of Directors has adopted policies for the periodic review of the Charity's effectiveness in fulfilling its mission. To that end, in 2008 the Board designated members of the Board to conduct a formal review of its mission and strategy. The principal changes in the Charity's strategy involved strengthening relationships between the Charity and schools with emphasis on earn-a-bike contracts between the students who wish to receive bikes and their teachers. The Charity revised its policies approximately five years ago, and now works exclusively with students in grades K-3. The Charity has an annual Board of Directors retreat in January of each fiscal year. At this retreat, the Board reviews the aims and achievements for the past year, and sets new goals for the upcoming year.

In prior years, the practice of the Charity was to distribute all bicycles during the Christmas holidays. In order to emphasize the educational aspect of its bicycle distribution, the Charity has begun to distribute bicycles during other parts of the year. The Charity expects to distribute approximately 1,200 additional bicycles in 2016 before its annual 2016 Christmas distribution.

**NOTE 3 - IN-KIND CONTRIBUTIONS**

The Charity receives assets to be auctioned by the Charity at its fundraising events. Items resold at auction at the Charity's events are reflected in the financial statements at the amount realized from sale at the auctions. Significant other in-kind contributions are received by the Charity, including donated space to assemble the bicycles, donated moving equipment and labor to deliver the bicycles, and other services required to carry out the mission of the Charity. The fair market value of these other in-kind services were either estimated by the donor or by Charity personnel. For the years ended December 31, 2015 and 2014, the estimated value of the other in-kind contributions received by the Charity was \$341,308 and

**ELVES & MORE**  
**DBA CYCLE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2015 and 2014

\$276,302, respectively. In addition, thousands of individuals contribute their time to assemble and deliver bicycles. Consistent with accounting practices for charitable organizations, the value of such contributed time has not been reflected in the accompanying financial statements.

**NOTE 4 - CONCENTRATION OF CREDIT RISK**

At certain times during its fiscal year, the Charity may maintain cash accounts which, at times, exceed federally insured limits. The Charity has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management of the Charity may maintain cash balances in excess of the federally insured limits in the future, and does not believe it is exposed to any significant risk of loss on those cash balances.

**NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Charity's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses. The recorded values of these financial instruments approximate their fair value based on their short term nature.

**NOTE 6 – DATE OF MANAGEMENT'S REVIEW**

Subsequent events were evaluated through March 7, 2016, which is the date the financial statements were available to be issued.