

**CYCLE: Changing Young Children's Lives
Through Education**

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2023 and 2022

CYCLE: Changing Young Children’s Lives Through Education

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Independent Auditors' Report

To the Board of Directors of
CYCLE: Changing Young Children's Lives Through Education:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CYCLE: Changing Young Children's Lives Through Education (CYCLE), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, of functional expenses, and of 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 CYCLE as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of CYCLE 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 CYCLE's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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 CYCLE'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 CYCLE'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.

Blazek & Vetterling

March 27, 2024

CYCLE: Changing Young Children's Lives Through Education

Statements of Financial Position as of December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| ASSETS | | |
| Cash | \$ 271,890 | \$ 304,197 |
| Contributions receivable | 20,000 | 33,000 |
| Prepaid expenses | 2,821 | 16,720 |
| Bicycle and helmet inventory <i>(Note 3)</i> | 80,090 | |
| Inventory-in-transit <i>(Note 3)</i> | | <u>422,587</u> |
| TOTAL ASSETS | <u>\$ 374,801</u> | <u>\$ 776,504</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable | <u>\$ 190</u> | <u>\$ 726</u> |
| Net assets without donor restrictions | <u>374,611</u> | <u>775,778</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 374,801</u> | <u>\$ 776,504</u> |

See accompanying notes to financial statements.

CYCLE: Changing Young Children’s Lives Through Education

Statements of Activities for the years ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| REVENUE: | | |
| Fundraising events: | | |
| Bicycle Ball and other special events – cash and other financial assets | \$ 403,314 | \$ 369,349 |
| Proceeds from contributed auction items <i>(Note 4)</i> | 79,762 | 47,725 |
| Direct donor benefit costs of special events | (85,776) | (80,602) |
| Contributions: | | |
| Cash and other financial assets | 279,489 | 174,904 |
| Contributed goods and services <i>(Note 4)</i> | 367,474 | 20,400 |
| Other revenue | <u>15,496</u> | <u> </u> |
| Total revenue | <u>1,059,759</u> | <u>531,776</u> |
| EXPENSES: | | |
| Program services | 1,316,848 | 248,673 |
| Management and general | 60,721 | 48,223 |
| Fundraising | <u>83,357</u> | <u>60,924</u> |
| Total expenses | <u>1,460,926</u> | <u>357,820</u> |
| CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS | (401,167) | 173,956 |
| Net assets without donor restrictions, beginning of year | <u>775,778</u> | <u>601,822</u> |
| Net assets without donor restrictions, end of year | <u>\$ 374,611</u> | <u>\$ 775,778</u> |

See accompanying notes to financial statements.

CYCLE: Changing Young Children’s Lives Through Education

Statements of Functional Expenses for the years ended December 31, 2023 and 2022

| | PROGRAM SERVICES | MANAGEMENT AND GENERAL | FUNDRAISING | 2023 TOTAL |
|--|---------------------|------------------------------|------------------|---------------------|
| Salaries and benefits | \$ 87,466 | \$ 17,493 | \$ 69,972 | \$ 174,931 |
| Bicycles, helmets, equipment, and tools | 961,251 | | | 961,251 |
| Occupancy and warehousing | 248,199 | 1,680 | 6,720 | 256,599 |
| Professional fees | 644 | 22,144 | | 22,788 |
| Credit card processing and bank fees | | 15,431 | | 15,431 |
| Other supplies | 6,868 | 872 | 2,663 | 10,403 |
| Insurance | 1,856 | 1,896 | | 3,752 |
| Communications | 1,058 | 212 | 1,532 | 2,802 |
| Other | <u>9,506</u> | <u>993</u> | <u>2,470</u> | <u>12,969</u> |
| Total expenses | <u>\$ 1,316,848</u> | <u>\$ 60,721</u> | <u>\$ 83,357</u> | 1,460,926 |
| Direct donor benefit costs of special events | | | | <u>85,776</u> |
| Total | | | | <u>\$ 1,546,702</u> |

| | PROGRAM SERVICES | MANAGEMENT AND GENERAL | FUNDRAISING | 2022 TOTAL |
|--|---------------------|------------------------------|------------------|-------------------|
| Salaries and benefits | \$ 64,254 | \$ 12,851 | \$ 51,402 | \$ 128,507 |
| Bicycles, helmets, equipment, and tools | 168,025 | | | 168,025 |
| Occupancy and warehousing | 13,200 | 1,440 | 5,760 | 20,400 |
| Professional fees | 525 | 20,225 | 1,050 | 21,800 |
| Credit card processing and bank fees | | 11,414 | | 11,414 |
| Other supplies | 298 | 357 | 59 | 714 |
| Insurance | 1,432 | 1,432 | | 2,864 |
| Communications | 878 | 176 | 1,125 | 2,179 |
| Other | <u>61</u> | <u>328</u> | <u>1,528</u> | <u>1,917</u> |
| Total expenses | <u>\$ 248,673</u> | <u>\$ 48,223</u> | <u>\$ 60,924</u> | 357,820 |
| Direct donor benefit costs of special events | | | | <u>80,602</u> |
| Total | | | | <u>\$ 438,422</u> |

See accompanying notes to financial statements.

CYCLE: Changing Young Children's Lives Through Education

Statements of Cash Flows for the years ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets without donor restrictions | \$ (401,167) | \$ 173,956 |
| Adjustments to reconcile changes in net assets without donor restrictions to net cash used by operating activities: | | |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses | 13,899 | (16,720) |
| Contributions receivable | 13,000 | (500) |
| Other receivables | | 31 |
| Bicycle and helmet inventory | (80,090) | 167,680 |
| Inventory-in-transit | 422,587 | (422,587) |
| Accounts payable | <u>(536)</u> | <u>726</u> |
| Net cash used by operating activities | <u>(32,307)</u> | <u>(97,414)</u> |
| NET CHANGE IN CASH | (32,307) | (97,414) |
| Cash, beginning of year | <u>304,197</u> | <u>401,611</u> |
| Cash, end of year | <u>\$ 271,890</u> | <u>\$ 304,197</u> |

See accompanying notes to financial statements.

CYCLE: Changing Young Children’s Lives Through Education

Notes to Financial Statements for the years ended December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – CYCLE: Changing Young Children’s Lives Through Education (CYCLE) is a children’s charity dedicated to improving literacy in second grade students in Title One schools in the Greater Houston area. CYCLE gives young students the opportunity to earn a bicycle for achieving their set goals, and in return, they learn that hard work equals reward. CYCLE believes that learning this lesson can put school children on the path to a brighter future. CYCLE generally supports its activities through contributions from the public, either directly or through fundraising events, such as the Bicycle Ball, the Golf Tournament, the Sporting Clays Tournament, and bicycle builds held during the year.

Federal income tax status – CYCLE is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2).

Cash consists of demand deposits held in interest-bearing bank accounts starting in May 2023. Bank deposits sometimes exceed the federally insured limit per depositor per institution.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Contributions receivable that are expected to be collected in future years are reported at the present value of their estimated future cash flows. At December 31, 2023, all contributions receivable are due within one year.

Bicycle and helmet inventory is carried at cost.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation. CYCLE received no contributions with donor-imposed restrictions in 2023 or 2022.

Special events revenue is the total amount paid by attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the event occurs. Direct donor benefit costs of special events represent the cost of goods and services provided to attendees of the special events. Special event revenue include revenues from the Bicycle Ball, Golf Tournament and Sporting Clays Tournament.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Contributions received with donor stipulations that limit their use are recorded *without donor restriction* if the restriction is met in the same period. In 2023 and 2022, all contributions received from donors were *without donor restrictions* since CYCLE conducts a single program.

Contributed goods and services – Donated facilities, equipment, and materials are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used or sold. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. In CYCLE’s case this is the cost of bikes and helmets, cost to store bikes and helmets, cost to build bikes, cost of facilities where bike builds take place, and the cost to deliver bikes and helmets. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs, occupancy expense, other supplies and communications are allocated on the basis of estimated time and effort expended.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Financial assets: | | |
| Cash | \$ 271,890 | \$ 304,197 |
| Contributions receivable | <u>20,000</u> | <u>33,000</u> |
| Total financial assets available for general expenditure | <u>\$ 291,890</u> | <u>\$ 337,197</u> |

CYCLE plans each year to provide funding for general expenditures through a combination of its annual fundraising events, individual, corporate and/or foundation gifts, and bicycle builds held during the year.

NOTE 3 – BICYCLE AND HELMET INVENTORY

Bicycles and helmets are purchased as rewards for children who successfully complete their earn-a-bike contracts with their teachers. Some bicycles and helmets purchased in one year may be rewarded in the following year. After two years of pandemic-related interruptions to its build and distribution of bicycles to children, CYCLE ordered bicycles in 2022 expecting them to arrive, be built, and get distributed to children in December 2022. However, due to unexpected shipping delays, the bicycles did not arrive in port until December 2022, and arrived at the shipper’s warehouse in late December 2022. In January 2023, the bicycles were promptly received, built, and distributed. The \$422,587 payment made in 2022 for the order of 4,775 bicycles is included in inventory-in-transit at December 31, 2022. CYCLE held 1,303 bicycles in inventory at December 31, 2023, with an aggregate cost of \$79,092. Bicycles, helmets, equipment, and tools expense of \$961,251 for 2023 includes \$901,211 representing 11,108 bicycles distributed during 2023. The \$168,025 bicycles, helmets, equipment, and tools expense for 2022 includes \$167,681 representing the 2,096 bicycles distributed during 2022.

NOTE 4 – CONTRIBUTED GOODS AND SERVICES

Contributed goods and services, none of which had donor restrictions, were recognized as follows:

| <u>CONTRIBUTED GOODS AND SERVICES</u> | <u>MONETIZED OR UTILIZED IN PROGRAMS/ ACTIVITIES</u> | <u>VALUATION TECHNIQUES AND INPUTS</u> | <u>FISCAL YEAR 2023</u> | <u>FISCAL YEAR 2022</u> |
|--|---|--|-----------------------------|-----------------------------|
| Donated use of facilities | \$215,600 Program \$6,720 Fundraising \$1,680 Management and general | Fair value estimated based on square footage of comparable commercial properties | \$224,000 | \$20,400 |
| Donated transportation services | Program | Fair value estimated based on selling price of similar services | 107,194 | |
| Donated supplies and rented supplies and equipment | \$32,287 Program \$3,993 Fundraising | Fair value estimated based on selling price of similar services and rentals | 36,280 | |
| Contributed auction items | Sold at fundraising event | Valued using the auction price received | 79,762 | 47,725 |
| Total contributed goods and services | | | <u>\$447,236</u> | <u>\$68,125</u> |

In 2023, approximately 2,772 volunteers contributed approximately 9,556 hours in connection with bicycle builds and distributions to children who earned a bike. Because of the delays in receiving bicycles in 2022, as described in Note 3, the number of volunteers (575) and related volunteer hours (approximately 1,000) were significantly lower in 2022. No value has been recorded in the financial statements for volunteer hours because the services do not meet the criteria for recognition under generally accepted accounting principles.

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 27, 2024, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.