

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

**FINANCIAL STATEMENTS**

For the Years Ended December 31, 2016 and 2015

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

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

**FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2016 and 2015

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors**  
**CYCLE: Changing Young Children's**  
**Lives Through Education**  
**Houston, Texas**

Report on the Financial Statements

I have audited the accompanying financial statements of CYCLE: Changing Young Children's Lives Through Education, which comprise the statements of financial position as of December 31, 2016 and 2015, 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

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Through Education

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reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 CYCLE: Changing Young Children's Lives Through Education as of December 31, 2016 and 2015, 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.

Ken Skrabanek, CPA  
Crosby, Texas  
April 6, 2017

# CYCLE: Changing Young Children's Lives Through Education

## STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

### ASSETS

	2016	2015
<b>Current Assets</b>		
Cash	\$ 109,847	\$ 97,716
Receivables from donors	31,488	60,226
Other receivables	1,439	662
Merchandise inventory	6,818	6,625
<b>Total Assets</b>	\$ 149,592	\$ 165,229

### LIABILITIES AND NET ASSETS

#### Current Liabilities

Accounts payable and accrued expenses	\$ 55,930	\$ 43,767
Total Current Liabilities	55,930	43,767
<b>Net Assets (all unrestricted)</b>	93,662	121,462
<b>Total Liabilities and Net Assets</b>	\$ 149,592	\$ 165,229

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

# CYCLE: Changing Young Children's Lives Through Education

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>REVENUES</b>		
Bicycle Ball and other event revenues	\$ 385,322	\$ 465,278
Grants and foundations	16,788	22,490
Company and individual contributions	264,185	241,210
In-kind contributions	282,339	341,308
Other	6,124	8,533
Total Revenues	954,758	1,078,819
<b>EXPENSES</b>		
Program services	741,481	851,491
Management and general	58,973	59,068
Events	90,529	116,289
General fundraising	91,575	151,531
Total Expenses	982,558	1,178,379
Increase (Decrease) in Net Assets	( 27,800 )	( 99,560 )
Net Assets at Beginning of Year	121,462	221,022
Net Assets at End of Year	\$ 93,662	\$ 121,462

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

# CYCLE: Changing Young Children's Lives Through Education

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2016 and 2015

	<u>Program Services</u>	<u>Management &amp; Administration</u>	<u>Events &amp; Fundraising</u>
<b>Year ended December 31, 2016</b>			
Salaries and benefits	\$ 33,040	\$ 33,040	\$ 66,082
Bicycle Ball and other events	-	-	90,529
Bicycle Program	695,132	-	-
Accounting and auditing fees	4,666	4,667	4,667
Computer services	218	-	328
Credit card processing	-	-	7,608
Facilities	1,241	931	931
Insurance	2,200	2,200	-
Supplies	724	543	543
Telephone	1,602	-	1,602
Media/public relations	-	-	6,638
Rent (donated office space)	-	15,600	-
All other	2,658	1,992	3,176
	<hr/>	<hr/>	<hr/>
Total	\$ 741,481	\$ 58,973	\$ 182,104
	<hr/>	<hr/>	<hr/>
<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 (donated office space)	-	15,600	-
All other	1,495	1,869	3,716
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Total	\$ 851,491	\$ 59,068	\$ 267,820
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The accompanying notes are an integral part of the financial statements.

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

## **STATEMENTS OF CASH FLOWS** For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$( 27,800 )	\$( 99,560 )
Adjustments to derive net cash provided by operating activities:		
(Increase) decrease in assets:		
Receivables from donors	28,738	18,269
Other receivables	( 777 )	7,186
Merchandise inventory	( 193 )	( 3,987 )
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	12,163	( 9,866 )
Deferred income	-	( 10,000 )
	<u>12,131</u>	<u>( 97,958 )</u>
Net Cash Provided By (Used for) Operating Activities	12,131	( 97,958 )
Cash, Beginning of Year	<u>97,716</u>	<u>195,674</u>
Cash, End of Year	\$ <u>109,847</u>	\$ <u>97,716</u>

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

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

## **NOTES TO FINANCIAL STATEMENTS** For the Years Ended December 31, 2016 and 2015

### **NOTE 1 - NATURE OF ACTIVITIES**

CYCLE: Changing Young Children's Lives Through Education (the "Charity") is a 501(c)(3) non-profit corporation. 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 sponsored by the Charity that is conducted in conjunction with the Chevron Houston Marathon. 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 FASB ASC Topic 958 (formerly SFAS No. 117).

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

## **NOTES TO FINANCIAL STATEMENTS** For the Years Ended December 31, 2016 and 2015

Generally, this requires that organizations such as the Charity report contributions received and net assets of the Charity according to their intended use, including unrestricted use, temporarily restricted use, or permanently restricted. With the exception of certain donations restricted for the purpose of buying helmets (less than \$20,000 during each year) none of the Charity's donations have been restricted as to use.

Consistent with the provisions of Topic 958, 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, 2016 and 2015, 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.

### *Bicycles and Helmets*

Bicycles and helmets are purchased as rewards for children who successfully complete their earn-a-bike contracts with their teachers. However, some bicycles and helmets purchased in one year are rewarded in the following year. The Charity held 1,800 bicycles and 2,000 helmets at December 31, 2016, with an aggregate cost of approximately \$105,000, which are expected to be rewarded to children in 2017. The comparable figures for December 31, 2015 were 2,318 bicycles and 2,000 helmets with an aggregate cost of approximately \$133,000. All such amounts have been expensed as incurred and are not reflected as Inventory in the balance sheets.

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

## **NOTES TO FINANCIAL STATEMENTS** For the Years Ended December 31, 2016 and 2015

### *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, 2016 and 2015, 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.

### *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 six years ago, and now works exclusively with students in grades K-3 with emphasis on reading and literacy.

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 2015 and 2016 the Charity distributed approximately 8,000 bicycles and helmets each year to Title One students in greater Houston schools. It is the Charity's intent to continue to grow the program in 2017 and beyond.

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

## **NOTES TO FINANCIAL STATEMENTS** For the Years Ended December 31, 2016 and 2015

### **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, office space, and other services required to carry out the mission of the Charity. The fair market values of these other in-kind services were either estimated by the donors or by Charity personnel. For the years ended December 31, 2016 and 2015, the estimated value of the other in-kind contributions received by the Charity was \$282,339 and \$341,308, 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.

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

**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2016 and 2015

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

Subsequent events were evaluated through April 6, 2017, which is the date the financial statements were available to be issued. Nothing of importance came to management's attention during such period that would warrant any changes in the financial statements or related footnotes thereto.