

CYCLE: Changing Young Children's Lives Through Education

FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

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P.O. Box 1246
Crosby, Texas 77532

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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, 2019 and 2018, 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 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. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the

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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, 2019 and 2018, 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 horizontal line through the middle of the letters.

Ken Skrabanek, CPA
Crosby, Texas
April 22, 2020

CYCLE: Changing Young Children's Lives Through Education

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash	\$ 71,083	\$ 100,251
Receivables from donors	2,585	5,055
Other receivables	493	3,055
Merchandise inventory	<u>7,476</u>	<u>6,354</u>
Total Assets	<u>\$ 81,637</u>	<u>\$ 114,715</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ <u>37,422</u>	\$ <u>137,143</u>
Total Current Liabilities	<u>37,422</u>	<u>137,143</u>
Net Assets (Deficit) (all without donor restrictions)	<u>44,215</u>	<u>(22,428)</u>
Total Liabilities and Net Assets	<u>\$ 81,637</u>	<u>\$ 114,715</u>

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

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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS For the Years Ended December 31, 2019 and 2018

	2019	2018
REVENUES		
Bicycle Ball and other event revenues	\$ 373,313	\$ 267,552
Grants and foundations	19,424	23,188
Company and individual contributions	268,359	294,034
In-kind contributions	268,349	257,231
Other	4,034	5,158
Total Revenues	933,479	847,163
EXPENSES		
Program services	652,571	741,146
Management and general	54,248	52,682
Events	84,414	80,056
General fundraising	75,603	91,351
Total Expenses	866,836	965,235
Increase (Decrease) in Net Assets	66,643	(118,072)
Net Assets at Beginning of Year	(<u>22,428</u>)	<u>95,644</u>
Net (Deficit) at End of Year	\$ <u>44,215</u>	\$ <u>(22,428)</u>

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

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STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2019 and 2018

		<u>Program Services</u>	<u>Management & Administration</u>	<u>Events & Fundraising</u>
Year ended December 31, 2019 -				
Salaries and benefits	\$	27,585	27,585	55,171
Bicycle Ball and other events				84,414
Bicycle Program		609,932		
Accounting and auditing fees		4,833	4,834	4,834
Computer services		194		292
Credit card processing				5,380
Facilities		1,248	936	936
Insurance		2,294	2,294	
Supplies		77	58	58
Telephone		1,457		1,457
Media/public relations-				2,794
Rent (donated office space)			15,600	
All other		4,951	2,941	4,531
Total	\$	<u>652,571</u>	<u>52,248</u>	<u>160,017</u>
		<u>Program Services</u>	<u>Management & Administration</u>	<u>Events & Fundraising</u>
Year ended December 31, 2018 -				
Salaries and benefits	\$	27,585	27,585	55,171
Bicycle Ball and other events	-			80,056
Bicycle Program		699,186		-
Accounting and auditing fees		5,919	5,920	5,920
Computer services		1,714		2,571
Credit card processing	-			8,764
Facilities		1,242	932	932
Insurance		2,296	2,296	-
Supplies		105	79	79
Telephone		1,736		1,736
Media/public relations-	-			2,638
Rent (donated office space)	-		15,600	-
Grant Writing		-		11,700
All other		1,363	270	1,840
Total	\$	<u>741,146</u>	<u>52,682</u>	<u>171,407</u>

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

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STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 66,643	\$(118,072)
Adjustments to derive net cash provided by operating activities:		
(Increase) decrease in assets:		
Receivables from donors	2,470	47,658
Other receivables	2,562	(2,411)
Merchandise inventory	(1,122)	261
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(<u>99,721</u>)	<u>35,841</u>
Net Cash Provided By (Used for) Operating Activities	(29,168)	36,723
Cash, Beginning of Year	<u>100,251</u>	<u>136,974</u>
Cash, End of Year	\$ <u><u>71,083</u></u>	\$ <u><u>100,251</u></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, 2019 and 2018

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 second grade students 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 bicycle builds held during the year. 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.

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NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2019 and 2018

Generally, this requires that organizations such as the Charity report contributions received and net assets of the Charity according to their intended use, including with donor restrictions or without donor restrictions. With the exception of certain donations restricted for the purpose of buying helmets (less than \$20,000 during each year) all of the Charity's donations are without donor restrictions.

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. At December 31, 2019 and 2018, all net assets of the Charity were considered without donor restrictions.

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 1,500 bicycles and 500 helmets at December 31, 2019, with an aggregate cost of approximately \$101,500, which are expected to be rewarded to children in 2020. The comparable amounts for December 31, 2018 were 2,182 bicycles and 1,500 helmets with an aggregate cost of approximately \$148,600. All such amounts have been expensed as incurred and are not reflected as Inventory in the balance sheets.

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NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2019 and 2018

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, 2019 and 2018, 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 has revised its policies and now works exclusively with second grade students 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 2019 and 2018 the Charity distributed approximately on average 5,200 bicycles and helmets, respectively, to Title One students in greater Houston schools. It is the Charity's intent to continue to grow the program in 2020 and beyond.

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NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2019 and 2018

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, 2019 and 2018, the estimated value of the other in-kind contributions received by the Charity was \$268,349 and \$280,743 respectively. Shown below are the in-kind contributions for the two years ending December 31, 2019:

	<u>2019</u>	<u>2018</u>
Contributed space for the bike build	\$ 200,000	\$ 200,000
Other contributed items for the bike build	42,340	31,310
Contributed office space	15,600	15,600
Other in-kind contributions	<u>10,409</u>	<u>10,321</u>
Total	\$ <u>268,349</u>	\$ <u>257,231</u>

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.

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NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2019 and 2018

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 April 22, 2020, 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.