

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011  
(WITH COMPARATIVE TOTALS FOR 2010)

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
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DECEMBER 31, 2011 AND 2010

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Independent Auditors' Report on Financial Statements

To the Board of Trustees  
Pedals for Progress,  
A New Jersey Nonprofit Corporation  
High Bridge, New Jersey

We have audited the accompanying statement of financial position of Pedals for Progress, a New Jersey Nonprofit Corporation, ("Pedals for Progress"), as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the financial statements based on our audit. The financial statements of Pedals for Progress as of December 31, 2010, were audited by other auditors whose report dated April 29, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Pedals for Progress as of December 31, 2011 and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

February 7, 2012  
Mt. Arlington, New Jersey

*Nisivoccia LLP*

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2011 AND 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 18,746	\$ 46,796
Accounts receivable		5,989
Prepaid expenses	4,394	
Inventory	6,309	19,615
Investments	7,917	
Property and equipment, net	<u>270,766</u>	<u>271,239</u>
Total assets	<u>\$ 308,132</u>	<u>\$ 343,639</u>
 <u>LIABILITIES AND NET ASSETS</u>  		
Liabilities:		
Accounts payable		\$ 1,666
Accrued expenses	<u>\$ 80,837</u>	<u>42,216</u>
Total liabilities	<u>80,837</u>	<u>43,882</u>
Unrestricted net assets		
Unrestricted net assets	216,884	289,346
Permanently restricted net assets	<u>10,411</u>	<u>10,411</u>
Total net assets	<u>227,295</u>	<u>299,757</u>
Total liabilities and net assets	<u>\$ 308,132</u>	<u>\$ 343,639</u>

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
STATEMENT OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2011  
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011			2010
	Unrestricted	Permanently Restricted	Total	Total
Revenue and other support:				
Contributions	\$ 194,128		\$ 194,128	\$ 208,194
Program Revenue	37,409		37,409	40,310
In-Kind Personal Property and Supporting Services Donations	242,704		242,704	313,138
Other income	9,636		9,636	6,201
Investment income	45		45	17
Unrealized loss on investments	(180)		(180)	
Total revenue and other support	483,742		483,742	567,860
Expenses:				
Program services:				
Bicycle and sewing machine recycling	442,195		442,195	476,640
Supporting services:				
Management and general	59,747		59,747	76,455
Fundraising	54,262		54,262	25,547
Total expenses	556,204		556,204	578,642
Change in net assets	(72,462)		(72,462)	(10,782)
Net assets, beginning of year	289,346	\$ 10,411	299,757	310,539
Net assets, end of year	\$ 216,884	\$ 10,411	\$ 227,295	\$ 299,757

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2011  
(With Comparative Totals for the Year Ended December 31, 2010)

	2011				2010
	Program Services	Supporting Services			Total
	Bicycle and Sewing Machine Recycling	Management and General	Fundraising	Total	
Salaries	\$ 105,924	\$ 6,984	\$ 19,555	\$ 132,463	\$ 120,329
Payroll taxes and employee benefits	1,202	12,426	16,524	30,152	26,094
Total personnel services	107,126	19,410	36,079	162,615	146,423
In kind contributions shipped	256,010			256,010	\$ 249,230
Shipping and collections	55,970			55,970	57,554
Bad debt expense			5,989	5,989	
Outside services		572		572	615
Rent and occupancy	13,374	2,173	787	16,334	24,968
Insurance		5,926		5,926	7,636
Office supplies	1,707	1,589	125	3,421	4,562
Postage	2,499	264	2,765	5,528	5,346
Printing and reproduction	3,277	915	7,852	12,044	10,738
Real estate tax expense		18,371		18,371	47,885
Donated services expense					10,160
Travel					5,419
Entertainment		100		100	58
Merchandise, parts and tools expense	238		520	758	1,172
Professional fees		8,175		8,175	4,050
Licensing and dues		1,225	45	1,270	367
Telephone	1,744	197	100	2,041	601
State fees	250	356		606	630
Total expenses before depreciation	442,195	59,273	54,262	555,730	577,414
Depreciation		474		474	1,228
Total expenses	\$ 442,195	\$ 59,747	\$ 54,262	\$ 556,204	\$ 578,642

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
STATEMENT OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (72,462)	\$ (10,782)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized loss on investments	180	
Depreciation	474	1,228
Changes in operating assets and liabilities:		
Accounts receivable	5,989	(5,989)
Prepaid expenses	(4,394)	
Inventory	13,305	(17,638)
Accounts payable	(1,666)	1,666
Accrued expenses	38,621	24,503
Net cash used in operating activities	<u>(19,953)</u>	<u>(7,012)</u>
Cash flows from investing activities:		
Purchase of investments	<u>(8,097)</u>	
Net cash used in investing activities	<u>(8,097)</u>	
Net decrease in cash and cash equivalents	(28,050)	(7,012)
Cash and cash equivalents, beginning of year	<u>46,796</u>	<u>53,808</u>
Cash and cash equivalents, end of year	<u>\$ 18,746</u>	<u>\$ 46,796</u>
Supplemental disclosures of noncash activity:		
Unrealized loss on investments	<u>\$ 180</u>	

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

Note 1 - Nature of Activities

Pedals for Progress, a New Jersey Nonprofit Corporation, ("Pedals for Progress"), established in 1991, is a New Jersey nonprofit organization. Pedals for Progress supports economic development aid by recycling bicycles and sewing machines in the United States of America and shipping them to the people of the developing world.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Organization prepares its financial statements in accordance with Accounting Standards Codification ("ASC") 958-605-05, *Accounting for Contributions Received and Made*, and ASC 958-205-05, *Financial Statements of Not-for-Profit Organizations*. ASC 958-205-05, *Financial Statements of Not-for-Profit Organizations*, establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. ASC 958-605-05, *Accounting for Contributions Received and Made*, requires that unconditional promises to give be recorded as receivables and revenue and requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions.

Accordingly, net assets of Pedals for Progress and changes therein are classified and reported as follows:

Unrestricted net assets are resources representing the portion of expendable funds available for support of Pedals for Progress' programs and activities. These resources are not subject to donor-imposed stipulations.

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Board and management of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets in 2011 and 2010.

Permanently restricted net assets are assets subject to donor-imposed stipulations to be maintained permanently by the Organization. As of December 31, 2011 and 2010, permanently restricted net assets were \$10,411.



PEDALS FOR PROGRESS  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
*(Continued)*

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Revenue and Contribution Recognition

Contributions are recognized as revenue and receivables when they are received or unconditionally pledged. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Pedals for Progress reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if the donor restriction is satisfied during the accounting period in which the gift was received, the gifts are reported as unrestricted contributions in the statement of activities.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to programs based on units of service and support costs are allocated to programs based on time spent. Program expenses are those related to client assistance activities. Management and general expenses relate to administrative costs associated with those programs. Fund-raising expenses include the direct costs of special events and the allocation of employees' salaries and other costs involved in fund-raising and special events based on methods considered by management to be reasonable.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, including estimated uncollectible amounts for accounts receivable for services to clients, and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Pedals for Progress considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents.

PEDALS FOR PROGRESS  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
*(Continued)*

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Accounts Receivable, Pledges Receivable and Allowances for Uncollectible Accounts

Accounts receivable and pledges receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Land, Building and Equipment

Land, building and equipment are recorded at cost when purchased or at fair value at date of gift, when donated. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are expensed as costs are incurred. Proceeds from the sale of fixed assets, if unrestricted, are transferred to unrestricted net assets, or, if restricted, to deferred amounts restricted for fixed asset acquisitions.

Gifts of long-lived assets are reported as an increase in unrestricted net assets, unless there are explicit restrictions that specify how the assets are to be used.

The Center continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of FASB Accounting Standards Codification, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Income Tax Status

Pedals for Progress is a not-for-profit organization that is exempt from federal income taxes on related income pursuant to Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Pedals for Progress is also exempt under Title 15 of the State of New Jersey *Corporations and Associations Not-for-Profit Act*. Accordingly, no provision for federal or state income tax has been presented in the accompanying financial statements.

Pedals for Progress has adopted ASC 740-10-50-15, *Accounting for Uncertainty in Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition related to those tax positions. The adoption of this change in accounting principle had no cumulative effect on amounts recorded in the financial statements for years ended December 31, 2011 and 2010.

PEDALS FOR PROGRESS  
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(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Income Tax Status (Cont'd)

Pedals for Progress believes that it has appropriate support for the positions taken on its tax returns and accordingly, has not recorded any tax provision for the year ended December 31, 2011. However, Pedals for Progress is subject to audit by tax authorities, including a review of its nonprofit status, which Management believes would be upheld upon examination. However, certain tax positions could be challenged and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities, may differ materially from the amounts filed.

Pedals for Progress files informational returns with both the federal and New Jersey State governments on an annual basis – Form 990 with the Internal Revenue Service, and Form CRI-300R with the State. These returns are subject to examination by these authorities within three years from the latest filing date for Federal and four years from the latest filing for New Jersey.

Donated Services

The Board of Trustees makes significant contributions of time relative to general management and operations of Pedals for Progress. These donated services are not reflected in the financial statements for the year ended December 31, 2011 since they do not meet the criteria for recognition as contributed services in accordance with U.S. generally accepted accounting principles. Donated services which did meet the criteria for recognition for the year ended December 31, 2010 was \$10,160.

Investments

Investments are recorded at their fair market value in accordance with ASC 958-320-05, *Accounting for Certain Investments held by Not-for-Profit Organizations*. By Board policy, donated investments are not held by Pedals for Progress, but are sold immediately upon receipt and recorded as contributions upon receipt of the sales proceeds.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Organization to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Fair Value Measurements

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of investment securities that are classified as available-for-sale and derivative financial instruments on a recurring basis.

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NOTES TO FINANCIAL STATEMENTS  
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(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Fair Value Measurements (Cont'd)

The Fair Value Measurements Topic of the FASB Accounting Standards Codification defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurements. The disclosures required under this topic have been included in this note.

*Fair Value Hierarchy*

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

*Determination of Fair Value*

Under the Fair Value Measurements Topic of the FASB Accounting Standards Codification, Pedals for Progress bases its fair value on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is Pedals for Progress' policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management's own estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future value.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value.

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NOTES TO FINANCIAL STATEMENTS  
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(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Fair Value Measurements (Cont'd)

The carrying amounts of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, accrued expenses and other current liabilities approximate fair value because of the short term maturity of these instruments.

Inventory

Inventory is valued at the lower of market or average donated value.

Credit Risk and Concentrations

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of cash and cash equivalents and accounts receivable. At times, amounts invested with financial institutions may be in excess of FDIC insurance limits. The Organization maintains its cash balances in three financial institutions located in New Jersey.

Note 3 - Investments

The Organization had its investments managed by First Allied. The fair value and unrealized appreciation of the investments are summarized below:

	December 31, 2011			
	No. of Shares	Cost or Donated Value	Fair Value (Level 2)	Unrealized Appreciation (Depreciation)
Mutual Funds:				
Lord Abbett Short Duration Income Fund	1,743.926	\$ 8,097	\$ 7,917	\$ (180)
		\$ 8,097	\$ 7,917	\$ (180)

Investment activity is as follows:

	2011
Beginning balance	
Purchases	\$ 8,097
Unrealized gain/(loss)	(180)
	\$ 7,917

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

(Continued)

Note 4 - Inventory

Inventory as of December 31, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
Bicycle parts, accessories, tires and sewing machines	\$ 6,309	\$ 15,747
Adult and children bicycles		3,868
	<u>\$ 6,309</u>	<u>\$ 19,615</u>

Note 5 - Property and Equipment

Property and equipment at December 31, are as follows:

	Useful Lives Years	<u>2011</u>	<u>2010</u>
Land		\$ 270,560	\$ 270,560
Furniture and equipment	5	48,897	48,897
		319,457	319,457
Less accumulated depreciation		(48,691)	(48,218)
		<u>\$ 270,766</u>	<u>\$ 271,239</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$474 and \$1,228, respectively.

Note 6 - Accrued Expenses

Accrued expenses for the years ended December 31, are as follows:

	<u>2011</u>	<u>2010</u>
Real estate taxes payable	\$ 65,587	\$ 42,216
Accrued wage expense	15,250	
	<u>\$ 80,837</u>	<u>\$ 42,216</u>

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(Continued)

Note 7 - Donated Materials and In-Kind Donations

Pedals for Progress receives non-cash donations of bicycles, bicycle parts and accessories, and sewing machines. These items are valued at market value based on the condition of the items at the time of donation. These items are modified for shipping, sorted and sent overseas to appropriate facilities for sale and distribution to low income workers. The value of the donated items received are included in revenue. The values of the items that have been shipped as of December 31, 2011 have been included as an expense.

The revenue from donated materials and in-kind donations as of December 31, 2011 and 2010 were \$242,704 and \$313,138, respectively.

The expense from donated materials and in-kind donations shipped to developing countries as of December 31, 2011 and 2010 were \$256,010 and \$249,230, respectively.

Note 8 - Leases

Pedals for Progress leases its office facility and space for its storage units under a five year lease commencing July 1, 2008 and ending June 30, 2013 with monthly payments of \$1,200.

The following is a schedule, by years, of future minimum lease payments required under this lease as of December 31, 2011:

<u>Year</u>		
2012	\$	14,400
2013		7,200
	<u>\$</u>	<u>21,600</u>

Total rent expense charged to operations for both years ended December 31, 2011 and 2010, was \$15,000.

Note 9 - Employee Benefits

Pedals for Progress has a non-contributory retirement plan covering substantially all employees who meet prescribed service requirements. Contributions under the plan are at the discretion of the Board of Trustees. Retirement benefit expense for the years ended December 31, 2011 and 2010 were \$18,486 and \$15,023, respectively.

Pedals for Progress does not provide health care insurance or other welfare benefits to its employees.

PEDALS FOR PROGRESS  
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(Continued)

Note 10 - Commitments and Contingencies

The Organization owes real estate taxes to the Township of Roxbury for the 2009, 2010 and 2011 tax years for land that was donated to Pedals for Progress during 2008. Management has obtained a legal opinion which states that Pedals for Progress would not have to pay this obligation should the investor who purchased the municipal lien decide to foreclose. Pedals for Progress may also redeem this municipal lien at any time prior to the entry of a final judgment. The owner of the lien is required to wait two years prior to instituting an action to foreclose. Accordingly, foreclosure proceedings could not begin prior to October 2012. Should the property be sold before any foreclosure proceedings take place, the outstanding tax liabilities would have to be paid to the Township of Roxbury out of the proceeds from the sale. Pedals for Progress currently has a contract of sale for the land and anticipates the closing to occur early in 2012.

Note 11 - Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2011 through the date of the auditor's report and date of issuance. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

Note 12 - Reclassification

Certain amounts previously reported in the 2010 financial statements have been reclassified to conform to the 2011 presentation.