

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
FINANCIAL STATEMENTS  
NINE MONTHS ENDED SEPTEMBER 30, 2013

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
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SEPTEMBER 30, 2013

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## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Pedals for Progress, a New Jersey Nonprofit Corporation (the "Organization"), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, and cash flows for the nine months then ended, and the related 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.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pedals for Progress, a New Jersey Nonprofit Corporation as of September 30, 2013, and the changes in its net assets and its cash flows for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

November 22, 2013  
Mt. Arlington, New Jersey

*Nisiroccia LLP*

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2013

ASSETS

Cash and cash equivalents	\$ 23,859
Accounts receivable	1,600
Prepaid expenses	6,212
Inventory	38,406
Furniture and equipment, net	2,850
Real estate held for sale	<u>270,560</u>
 Total assets	 <u><u>\$ 343,487</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accrued expenses	\$ 103,841
Advanced proceeds for sale of real estate	9,944
Mortgage payable	<u>45,780</u>
Total liabilities	<u>159,565</u>
 Net assets:	
Unrestricted net assets	173,511
Permanently restricted net assets	<u>10,411</u>
Total net assets	<u>183,922</u>
 Total liabilities and net assets	 <u><u>\$ 343,487</u></u>

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
STATEMENT OF ACTIVITIES  
NINE MONTHS ENDED SEPTEMBER 30, 2013

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and other support:			
Contributions	\$ 115,498		\$ 115,498
Program revenue	26,745		26,745
In-kind personal property and supporting services donations	185,907		185,907
Other income	<u>3,255</u>		<u>3,255</u>
Total revenue and other support	<u>331,405</u>		<u>331,405</u>
Expenses:			
Program services:			
Bicycle and sewing machine recycling	302,466		302,466
Supporting services:			
Management and general	36,871		36,871
Fundraising	<u>12,328</u>		<u>12,328</u>
Total expenses	<u>351,665</u>		<u>351,665</u>
Change in net assets	(20,260)		(20,260)
Net assets, January 1, 2013	<u>193,771</u>	<u>\$ 10,411</u>	<u>204,182</u>
Net assets, September 30, 2013	<u>\$ 173,511</u>	<u>\$ 10,411</u>	<u>\$ 183,922</u>

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
STATEMENT OF CASH FLOWS  
NINE MONTHS ENDED SEPTEMBER 30, 2013

Cash flows from operating activities:	
Change in net assets	\$ (20,260)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	503
Changes in operating assets and liabilities:	
Accounts receivable	8,742
Prepaid expenses	(1,321)
Inventory	(32,706)
Accrued expenses	42,878
Net cash used in operating activities	<u>(2,164)</u>
 Cash flows from investing activities:	
Purchase of furniture and equipment	<u>(3,353)</u>
Net cash used in investing activities	<u>(3,353)</u>
 Net decrease in cash and cash equivalents	(5,517)
 Cash and cash equivalents, January 1, 2013	<u>29,376</u>
 Cash and cash equivalents, September 30, 2013	<u>\$ 23,859</u>
 Supplemental disclosure of cash flow information:	
Amounts paid for:	
Taxes	<u>\$ -</u>
Interest	<u>\$ -</u>

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

Note 1 - Nature of Activities

Pedals for Progress, a New Jersey Nonprofit Corporation, (the "Organization"), was established in 1991. The Organization 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

Change in Fiscal Year End

During 2013, management decided to change the Organization's year end from December 31 to September 30, to align the annual reporting period with the natural business operations of the Organization. Management believes this change will provide a more relevant representation of the Organization's operating activities. The change in fiscal year end did not have an effect on the results of operations for the Organization for the nine months ended September 30, 2013.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. A summary of the significant accounting policies followed by the Organization in the preparation of the accompanying financial statements is set forth below:

The Organization prepares its financial statements in accordance with Accounting Standards Codification, *Accounting for Contributions Received and Made*, and *Financial Statements of Not-for-Profit Organizations*. *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. *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 the Organization and changes therein are classified and reported as follows:

Unrestricted net assets are resources representing the portion of expendable funds available for support of the Organization's 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 or 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 at September 30, 2013.



PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013  
(Continued)

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

Permanently restricted net assets are assets subject to donor-imposed stipulations to be maintained permanently by the Organization. As of September 30, 2013, permanently restricted net assets were \$10,411.

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.

The Organization 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 program activities. Management and general expenses relate to administrative costs associated with the administration of 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 and liabilities and changes therein, disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that the Organization's estimates may change in the near term.

Cash and Cash Equivalents

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

Accounts Receivable and Allowances for Uncollectible Accounts

Accounts 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.

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

(Continued)

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

Furniture and Equipment

Furniture and equipment are carried at cost (or, if acquired by gift, at fair value at the date of gift), net of accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss, if any, is reflected in operations for the period. The cost of maintenance and repairs is charged to operations as incurred, whereas significant renewals and betterments are capitalized.

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

Income Tax Status

The Organization is a not-for-profit organization that is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization 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.

The Organization follows the provisions of FASB Accounting Standards Codification, *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 Organization does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the nine months ended September 30, 2013. However, the Organization is subject to audit by tax authorities, including a review of its nonprofit status which management believes would be upheld upon examination. The Organization believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

The Organization 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.

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013  
(Continued)

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

Donated Services

The Board of Trustees makes significant contributions of time relative to general management and operations of the Organization. These donated services are not reflected in the financial statements for the nine months ended September 30, 2013 since they do not meet the criteria for recognition as contributed services in accordance with U.S. generally accepted accounting principles.

Fair Value Measurements

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the assets or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at September 30, 2013.

*Cash, accounts receivable, other current assets, accrued expenses and other liabilities:* the carrying amounts approximate fair value due to the short term maturity of these instruments.

*Mortgage payable:* The carrying amount reported in the statement of financial position approximates fair value because the Organization can obtain similar loans at the same terms.

Inventory

Inventory is valued at the lower of market or donated value which is considered cost.

Credit Risk and Concentrations

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of cash and cash equivalents. 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.

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013  
(Continued)

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

New Pronouncements

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurements*. The provisions of the guidance result in applying common fair value measurement and disclosure requirements in both United States generally accepted accounting principles and International Financial Reporting Standards. The amendments primarily change the wording used to describe many of the requirements in generally accepted accounting principles for measuring and disclosing information about fair value measurements. The guidance is effective for annual periods beginning after December 15, 2011. The adoption of the guidance did not have a material effect on the Organization's business, financial position, results of operations or liquidity.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after September 30, 2013 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 3 - Inventory

Inventory as of September 30, 2013 is comprised of:

Bicycle parts, accessories, tires and sewing machines	<u>\$ 38,406</u>
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Note 4 - Furniture and Equipment

Furniture and equipment at September 30, 2013 is comprised of:

	<u>Useful Lives</u> <u>Years</u>	
Furniture and equipment	5	\$ 52,251
Less: accumulated depreciation		<u>49,401</u>
		<u>\$ 2,850</u>

Depreciation expense for the nine months ended September 30, 2013 totaled \$503.

Note 5 - 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 fair value based on the condition of the items at the time of donation. These items are modified, sorted and sent overseas to appropriate facilities for sale and distribution to low income individuals.

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013  
 (Continued)

Note 5 - Donated Materials and In-Kind Donations (Cont'd)

The value of the donated items received is included in revenue. The values of the items that have been shipped as of September 30, 2013 have been included as an expense.

The revenue from donated materials and in-kind donations as of September 30, 2013 was \$185,907.

The expense from donated materials and in-kind donations shipped to developing countries as of September 30, 2013 was \$153,201.

Note 6 - Leases

Pedals for Progress leases its office facility and space for its storage units under a five year lease ending June 30, 2013. The Organization has continued to lease its office facility and space for its storage units on a month-to-month basis with monthly payments of \$1,200.

Total rent expense charged to operations for the nine months ended September 30, 2013, was \$11,250.

Note 7 - Mortgage Payable

Mortgage payable at September 30, 2013 is comprised of the following:

Mortgage payable to KPM Realty Associates, LLC accruing interest annually at 5%. The mortgage matures in December 2013 or upon closing of title of land held for sale whichever occurs first. The note is secured by the related property.

\$ 45,780

Future maturities of the mortgage payable at September 30, 2013 are as follows:

Year Ending  
September 30,  
 2014

\$ 45,780

As of September 30, 2013, the note has accrued interest in the amount of \$1,749, which is reflected in accrued expenses on the statement of financial position.

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013  
(Continued)

Note 8 - Employee Benefits

The Organization 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 nine months ended September 30, 2013 was \$8,984.

The Organization does not provide health care insurance or other welfare benefits to its employees.

Note 9 - Commitments and Contingencies

The Organization is obligated to pay real estate taxes to the Township of Roxbury for the 2009 through 2013 tax years for land that was donated to the Organization during 2008. Management has obtained a legal opinion which states that the Organization would be relieved of this obligation should the investor who purchased the municipal lien decide to foreclose. The Organization has the option to 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. Should the property be sold before any foreclosure proceedings take place, the outstanding tax liabilities would have to be satisfied out of the proceeds from the sale. As of September 30, 2013, the Organization has properly accrued for real estate taxes in the amount of \$26,767 which is reflected in accrued expenses on the statement of financial position.

Note 10 - Subsequent Event - Real Estate Held for Sale

Real estate held for sale consists of two plots of land located in, the Township of Roxbury, New Jersey with a carrying value of \$270,560 at September 30, 2013. Subsequent to year end during the month of October, the two plots of land were sold for \$300,000.

SUPPLEMENTARY INFORMATION

PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES  
NINE MONTHS ENDED SEPTEMBER 30, 2013

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Bicycle and Sewing Machine Recycling</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 87,139	\$ 4,121	\$ 4,489	\$ 95,749
Payroll taxes and employee benefits	7,989	7,472	564	16,025
Total personnel services	<u>95,128</u>	<u>11,593</u>	<u>5,053</u>	<u>111,774</u>
In-kind contributions shipped	153,201			153,201
Shipping and collections	30,260			30,260
Outside services		448		448
Rent and occupancy	9,563	1,125	562	11,250
Insurance	4,573	521		5,094
Office supplies	1,600	1,135	75	2,810
Postage	2,271	395	1,515	4,181
Printing and reproduction	3,036	1,879	4,462	9,377
Real estate tax expense		9,048		9,048
Travel	1,112	82	177	1,371
Merchandise, parts and tools expense	345		349	694
Professional fees		7,908		7,908
Utilities	1,377	199	135	1,711
State fees		375		375
Interest expense		1,660		1,660
Total expenses before depreciation	<u>302,466</u>	<u>36,368</u>	<u>12,328</u>	<u>351,162</u>
Depreciation		503		503
Total expenses	<u>\$ 302,466</u>	<u>\$ 36,871</u>	<u>\$ 12,328</u>	<u>\$ 351,665</u>