

**PEDALS FOR PROGRESS**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**  
**(WITH COMPARATIVE TOTALS FOR 2011 AS RESTATED)**



PEDALS FOR PROGRESS  
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DECEMBER 31, 2012 AND 2011 AS RESTATED

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## Independent Auditors' Report on Financial Statements

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

We have audited the accompanying financial statements of Pedals for Progress (a New Jersey nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from Pedals for Progress's 2011 financial statements and in our report dated February 7, 2012, we expressed an unqualified opinion on those 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*

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 auditor's 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.



***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, 2012 and 2011, 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.

***Correction of Error***

As discussed in Note 14 to the financial statements, certain errors resulting in an understatement of amounts previously reported for deferred real estate settlement fees and an overstatement of other income as of December 31, 2011, were discovered by management of the Organization during the current year. Accordingly, amounts reported for deferred real estate settlement fees and other revenue have been restated in the 2011 financial statements now presented, and an adjustment has been made to net assets as of December 31, 2011, to correct the error. Our opinion is not modified with respect to that matter.

Mt. Arlington, New Jersey  
February 20, 2013

*Nivrosia LLP*



PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2012 AND 2011 AS RESTATED

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 29,376	\$ 18,746
Accounts receivable	10,342	
Prepaid expenses	4,891	4,394
Inventory	5,700	6,309
Investments		7,917
Furniture and equipment, net		206
Real estate held for sale	270,560	270,560
Total assets	<u>\$ 320,869</u>	<u>\$ 308,132</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accrued expenses	\$ 60,874	\$ 80,837
Deferred real estate settlement fees	9,944	8,873
Mortgage payable	45,869	
Total liabilities	<u>116,687</u>	<u>89,710</u>
Net assets:		
Unrestricted net assets	193,771	208,011
Permanently restricted net assets	10,411	10,411
Total net assets	<u>204,182</u>	<u>218,422</u>
Total liabilities and net assets	<u>\$ 320,869</u>	<u>\$ 308,132</u>



PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2012  
 (With Comparative Totals for the Year Ended December 31, 2011 as restated)

	2012			2011
	Unrestricted	Permanently Restricted	Total	Total
Revenue and other support:				
Contributions	\$ 206,384		\$ 206,384	\$ 194,128
Program revenue	46,363		46,363	37,409
In-kind personal property and Supporting services donations	226,709		226,709	242,704
Other income	12,434		12,434	763
Interest and dividends	298		298	
Investment income	66		66	45
Realized loss on investments	(100)		(100)	
Unrealized loss on investments				(180)
Total revenue and other support	492,154		492,154	474,869
Expenses:				
Program services:				
Bicycle and sewing machine recycling	428,613		428,613	442,195
Supporting services:				
Management and general	61,597		61,597	59,747
Fundraising	16,184		16,184	54,262
Total expenses	506,394		506,394	556,204
Change in net assets	(14,240)		(14,240)	(81,335)
Net assets, beginning of year	208,011	\$ 10,411	218,422	299,757
Net assets, end of year	\$ 193,771	\$ 10,411	\$ 204,182	\$ 218,422



**PEDALS FOR PROGRESS**  
**A NEW JERSEY NONPROFIT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2012**

(With Comparative Totals for the Year Ended December 31, 2011 as restated)

	2012			2011
	Program Services	Supporting Services		
	Bicycle and Sewing Machine Recycling	Management and General	Fundraising	Total
Salaries	\$ 102,240	\$ 7,690	\$ 6,899	\$ 116,829
Payroll taxes and employee benefits	14,646	12,547	1,220	28,413
Total personnel services	116,886	20,237	8,119	145,242
In-kind contributions shipped	227,318			227,318
Shipping and collections	47,716			47,716
Outside services		587		587
Rent and occupancy	12,750	1,700	750	15,200
Insurance	4,464	1,421		5,885
Office supplies	4,034	1,993	740	6,767
Postage	3,176	97	1,350	4,623
Printing and reproduction	7,363	468	4,335	12,166
Real estate tax expense		17,719		17,719
Travel	2,414	3,038	51	5,503
Entertainment				100
Merchandise, parts and tools expense			697	697
Professional fees		13,209		13,209
Licensing and dues	25			25
Utilities	2,402	283	142	2,827
State fees	65	550		615
Interest expense		89		89
Bad debt expense				
Total expenses before depreciation	428,613	61,391	16,184	506,188
Depreciation		206		206
Total expenses	\$ 428,613	\$ 61,597	\$ 16,184	\$ 506,394
				\$ 556,204



PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
STATEMENT OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2012 AND 2011 AS RESTATED

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (14,240)	\$ (81,335)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized loss on investments	100	
Unrealized loss on investments		180
Interest and dividends reinvested	(298)	
Depreciation	206	474
Changes in operating assets and liabilities:		
Accounts receivable	(10,342)	5,989
Prepaid expenses	(497)	(4,394)
Inventory	609	13,305
Accounts payable		(1,666)
Accrued expenses	(19,963)	38,621
Net cash used in operating activities	<u>(44,425)</u>	<u>(28,826)</u>
Cash flows from investing activities:		
Purchase of investments		(8,097)
Proceeds from sale of investments	8,115	
Deferred real estate settlement fees	1,071	8,873
Net cash provided by investing activities	<u>9,186</u>	<u>776</u>
Cash flows from financing activities:		
Principal portion from the issuance of debt	45,869	
Net cash provided by financing activities	<u>45,869</u>	
Net increase (decrease) in cash and cash equivalents	10,630	(28,050)
Cash and cash equivalents, beginning of year	<u>18,746</u>	<u>46,796</u>
Cash and cash equivalents, end of year	<u>\$ 29,376</u>	<u>\$ 18,746</u>
Supplemental disclosures of noncash activity:		
Unrealized loss on investments	<u>\$</u>	<u>\$ 180</u>



PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011 (AS RESTATED)

Note 1 - Nature of Activities

Pedals for Progress, a New Jersey Nonprofit Organization, ("Pedals for Progress"), established in 1991. 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, *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 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 2012 and 2011.

Permanently restricted net assets are assets subject to donor-imposed stipulations to be maintained permanently by the Organization. As of December 31, 2012 and 2011, 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.



PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011 (AS RESTATED)  
(Continued)

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

Revenue and Contribution Recognition (Cont'd)

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

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.

Furniture and Equipment

Purchased furniture and equipment additions are recorded at their original cost. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Donations of land, property and equipment are recorded as contributions at their estimated fair value on the date of the gift.



PEDALS FOR PROGRESS  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011 (AS RESTATED)  
(Continued)

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

Furniture and Equipment (Cont'd)

Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor restrictions regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Expenditures for maintenance and minor 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 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 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. 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 year ended December 31, 2012. 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.



PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011 (AS RESTATED)  
(Continued)

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

Income Tax Status (Cont'd)

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.

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 years ended December 31, 2012 and 2011 since they do not meet the criteria for recognition as contributed services in accordance with U.S. generally accepted accounting principles.

Investments

Investments are recorded at their fair market value in accordance with, *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

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 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. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable.



PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011 (AS RESTATED)  
(Continued)

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

Fair Value Measurements (Cont'd)

As the organization is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income. 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 to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available. When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.



PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011 (AS RESTATED)  
(Continued)

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

Fair Value Measurements (Cont'd)

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 December 31, 2012.

*Cash and cash equivalents, other current assets, accrued expenses and other current 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.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the Organization at year end.

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.

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 December 31, 2012 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.



**PEDALS FOR PROGRESS**  
**A NEW JERSEY NONPROFIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011 (AS RESTATED)**  
(Continued)

**Note 3 - Investments**

The Organization held investments which were managed by First Allied. In April 2012, the Organization decided to sell all securities. The fair value and unrealized appreciation of the investments for the year ended December 31, 2011 is 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)
		<u>\$ 8,097</u>	<u>\$ 7,917</u>	<u>\$ (180)</u>

Investment activity is as follows:

	2012	2011
Beginning balance	\$ 7,917	
Purchases		\$ 8,097
Interest and dividends reinvested	298	
Sales	(8,115)	
Realized gain/(loss)	(100)	
Unrealized gain/(loss)		(180)
	<u>\$ -</u>	<u>\$ 7,917</u>

**Note 4 - Inventory**

Inventory as of December 31, 2012 and 2011 consists of the following:

	2012	2011
Bicycle parts, accessories, tires and sewing machines	<u>\$ 5,700</u>	<u>\$ 6,309</u>



PEDALS FOR PROGRESS  
A NEW JERSEY NONPROFIT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011 (AS RESTATED)  
(Continued)

Note 8 - Mortgage Payable

Mortgage payable at December 31, 2012 and 2011 is comprised of the following:

	<u>2012</u>	<u>2011</u>
Mortgage Payable for two plots of land which accrues interest monthly at 5%, maturing upon the sale of the land. The note is secured by the related unpaid tax certificates with a carrying value of approximately \$45,869 at December 31, 2012.	<u>\$ 45,869</u>	<u>\$ -</u>

Future maturities of the mortgage payable at December 31, 2012 are as follows:

Year Ending December 31, 2013	\$ 45,869
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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, 2012 and 2011 were \$16,955 and \$18,486, respectively.

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

Note 10 - Commitments and Contingencies

The Organization owes real estate taxes to the Township of Roxbury for the 2009 through 2012 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. 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.

Note 11 - Real Estate Held for Sale

Real estate held for sale is recorded at the fair value at the date of donation. As of December 31, 2012, this consisted of two plots of land located in the Township of Roxbury, which was appraised at 270,560. As of December 31, 2012, Pedals for Progress currently has a contract of sale for the land and anticipates the closing to occur early in 2013.

Note 12 - Other Income

Income was recognized in the amount of \$10,342 for the year ended December 31, 2012 as a result of insurance proceeds related to the loss of business income from Hurricane Sandy.



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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011 (AS RESTATED)  
(Continued)

Note 13 - Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Note 14 - Prior Period Adjustment

Net assets as of December 31, 2011 have been restated to include accrued real estate settlement fees relating to the prior year in the amount of \$8,873 that were incorrectly recorded as other income on the 2011 statement of activities. Accordingly, other income and net assets for the year ended December 31, 2011 decreased by \$8,873 and deferred real estate settlement fees increased by \$8,873.