

**World Bicycle Relief
Consolidated Audit Report
For the Year Ended December 31, 2008**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
World Bicycle Relief
Chicago, Illinois

We have audited the accompanying consolidated statement of financial position of **World Bicycle Relief** at December 31, 2008 and 2007, and the related consolidated statements of activities and cash flows for the year ended December 31, 2008. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Bicycle Relief as of December 31, 2008 and 2007, and the consolidated changes in its net assets and cash flows for the year ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

Selden Fox, Ltd.

October 5, 2009

World Bicycle Relief
Consolidated Statement of Financial Position
December 31,

Assets	2008	2007
Cash	\$ 1,589,990	\$ 579,420
Investments in common stock	1,019	5,353
Receivables	32,987	-
Inventory	200	-
Equipment, net	19,620	4,894
Total assets	\$ 1,643,816	\$ 589,667
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 810,908	\$ 129,956
Customer deposits	118,724	-
Total liabilities	929,632	129,956
Net assets - unrestricted	714,184	459,711
Total liabilities and net assets	\$ 1,643,816	\$ 589,667

See accompanying notes.

World Bicycle Relief
Consolidated Statement of Activities
For the Year Ended December 31, 2008

Revenues:	
Contributions and grants	\$ 2,317,083
Bicycle sales	266,545
Interest and investment income	2,852
	<hr/>
Total revenues	2,586,480
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Expenses:	
Program services - Project Zambia	1,558,694
Cost of bicycle sales	254,315
Communication	147,072
Development	194,091
General and administrative	177,835
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Total expenses	2,332,007
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Change in net assets	254,473
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Net assets, beginning of the year	459,711
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Net assets, end of the year	\$ 714,184
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See accompanying notes.

World Bicycle Relief
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2008

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Cash flows from operating activities:	
Change in net assets	\$ 254,473
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	6,129
Contributions of investments	(6,119)
Loss on investments	486
Cash provided by other operating activities:	
Receivables	(32,987)
Inventory	(200)
Accounts payable and accrued expenses	680,952
Customer deposits	118,724
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Net cash from operating activities	1,021,458
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Cash flows from investing activities:	
Proceeds from the sale of investments	9,967
Purchase of equipment	(20,855)
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Net cash from investing activities	(10,888)
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Net change in cash	1,010,570
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Cash, beginning of the year	579,420
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Cash, end of the year	\$ 1,589,990
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See accompanying notes.

World Bicycle Relief
Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Principles of Consolidation – The consolidated financial statements include the accounts of World Bicycle Relief, NFP and World Bicycle Relief–Zambia. All significant inter-organizational accounts and transactions have been eliminated in consolidation.

Organization – World Bicycle Relief, NFP is a tax-exempt public charity, incorporated on June 20, 2006, to provide access to independence and livelihood through the power of bicycles. In late 2006, World Bicycle Relief, NFP, in partnership with World Vision, began the initiative, Project Zambia, to provide 26,000 bicycles to enable healthcare workers in Zambia to reach individuals requiring HIV/AIDS care. The total projected cost of the program is \$2,904,408, with \$2,539,800 to be funded by World Bicycle Relief, NFP. Under the partnership agreement, the project is to be administered by World Vision, and World Bicycle Relief, NFP is to make quarterly payments of \$232,339 through September 30, 2009 or the completion of the project. As of June 30, 2008, World Bicycle Relief, NFP had paid World Vision \$1,589,565. However, beginning in the third quarter of 2008, World Bicycle Relief, NFP had been instructed by World Vision to temporarily defer any additional quarterly payments as sufficient contributions may have been received from other donors. As World Bicycle Relief, NFP has received no further information from World Vision, the quarterly payments for the third and fourth quarters of 2008, totaling \$464,678, have been accrued in the accompanying financial statements as a contingent liability.

World Bicycle Relief–Zambia was incorporated on July 12, 2007 in the Republic of Zambia. It serves to carry out the on-site Zambian program operations of World Bicycle Relief, NFP. In addition, it sells bicycles to local organizations and individuals interested in bicycles that are adept to the African terrain.

Method of Accounting – The financial statements are presented on the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred. Balances and transactions are presented according to the existence or absence of donor imposed restrictions.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments, and other assets or liabilities, are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law. The expiration of temporary restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled, or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions received with donor imposed restrictions that are met in the same year as received are reported as unrestricted revenues. Contributions of assets other than cash are recorded at their estimated fair market value.

World Bicycle Relief
Notes to the Consolidated Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Pervasiveness of Estimates – The preparation of financial statements in accordance 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, liabilities, and changes in net assets at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

Concentration of Risk – At December 31, 2008, World Bicycle Relief has uninsured deposits of \$1,120,625 with a U.S. financial institution. In addition, World Bicycle Relief has \$117,035 of deposits with a Zambian financial institution.

Investments – Investments are stated at fair value, with unrealized gains and losses reported in the statement of activities.

Receivables – Accounts receivable are stated at the amount billed and are primarily from the sale of bicycles. Interest or late fees are not charged on amounts past due. An allowance for uncollectible accounts has not been established as management believes substantially all receivables are collectible. Management's periodic evaluation of the collectibility of accounts is based on past experience, known and inherent risks, adverse situations that may affect a customer's ability to pay, and current economic conditions. The delinquency of accounts is based upon past due status in accordance with payment terms. Accounts deemed uncollectible are charged to expense.

Equipment – Equipment is stated at cost, net of accumulated depreciation, with depreciation calculated using the MACRS method over an estimated useful life of five years. Accumulated depreciation totaled \$7,353 at December 31, 2008 (\$1,224 at December 31, 2007).

Currency Translation – The assets and liabilities of World Bicycle Relief–Zambia denominated in Zambian Kwacha are translated into U.S. dollars at the prevailing exchange rate at the balance sheet date. Revenues and expenses are translated at the prevailing exchange rate at the end of the month in which the revenues or expenses are recognized or incurred. Translation adjustments, totaling \$9,810 in 2008, are included in general and administrative expenses.

Income Taxes – World Bicycle Relief, NFP is a not-for-profit entity, as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from income taxes, except to the extent of any unrelated business income. World Bicycle Relief–Zambia is a charitable institution, as described in Section 41 of the Zambian Income Tax Act, under Chapter 323 of The Laws of Zambia. Neither entity had taxable income for the year ended December 31, 2008. Accordingly, no provision for income taxes is included in the financial statements.

World Bicycle Relief
Notes to the Consolidated Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Income Taxes (cont'd)

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. The interpretation provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an entity's financial statements and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not the position will be sustained upon examination. The FASB has deferred the required implementation date of the interpretation for the Organization's financial statements until December 31, 2009, and the Organization has elected the deferral. However, the Organization does not expect the interpretation will have a material effect on its financial position, operations or cash flows.

2. Operating Leases

World Bicycle Relief–Zambia leases office space, office furniture and residential space under noncancellable leases that extend through March 2010. Total lease payments in 2008 were \$33,870. Future rentals under these leases total approximately \$47,000 in 2009 and \$4,000 in 2010.

3. Contributed Services

The Organization receives management services from SRAM, LLC and has recognized contribution revenue and related expenses for in-kind services received at no cost. For the year ended December 31, 2008, the total value of services received totaled \$106,761.

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INDEPENDENT AUDITOR'S STATEMENT OF RESPONSIBILITY FOR SUPPLEMENTARY FINANCIAL INFORMATION

Board of Directors
World Bicycle Relief
Chicago, Illinois

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information shown on pages 9 and 10 is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Selden Fox, Ltd.

October 5, 2009

World Bicycle Relief
Consolidating Statement of Financial Position
December 31, 2008

Assets	<u>Consolidated</u>	<u>Eliminations</u>	<u>NFP</u>	<u>Zambia</u>
Cash	\$ 1,589,990	\$ -	\$ 1,472,809	\$ 117,181
Investments in common stock	1,019	-	1,019	-
Receivables	32,987	-	-	32,987
Inventory	200	-	-	200
Equipment, net	19,620	-	9,293	10,327
Total assets	<u>\$ 1,643,816</u>	<u>\$ -</u>	<u>\$ 1,483,121</u>	<u>\$ 160,695</u>
Liabilities and Net Assets				
Accounts payable and accrued expenses	\$ 810,908	\$ -	\$ 779,412	\$ 31,496
Customer deposits	118,724	-	-	118,724
Total liabilities	929,632	-	779,412	150,220
Net assets - unrestricted	714,184	-	703,709	10,475
Total liabilities and net assets	<u>\$ 1,643,816</u>	<u>\$ -</u>	<u>\$ 1,483,121</u>	<u>\$ 160,695</u>

See independent auditor's statement of responsibility.

World Bicycle Relief
Consolidating Statement of Activities
For the Year Ended December 31, 2008

	<u>Consolidated</u>	<u>Eliminations</u>	<u>NFP</u>	<u>Zambia</u>
Revenues:				
Contributions and grants	\$ 2,317,083	\$ 174,530	\$ 2,317,083	\$ 174,530
Bicycle sales	266,545	-	-	266,545
Interest and investment income	2,852	-	2,653	199
Total revenues	2,586,480	174,530	2,319,736	441,274
Expenses:				
Program services - Project Zambia	1,558,694	174,530	1,674,599	58,625
Cost of bicycle sales	254,315	-	-	254,315
Communication	147,072	-	147,072	-
Development	194,091	-	194,091	-
General and administrative	177,835	-	59,893	117,942
Total expenses	2,332,007	174,530	2,075,655	430,882
Change in net assets	254,473	-	244,081	10,392
Net assets, beginning of the year	459,711	-	459,628	83
Net assets, end of the year	\$ 714,184	\$ -	\$ 703,709	\$ 10,475

See independent auditor's statement of responsibility.