

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
WORLD BICYCLE RELIEF, NFP AND ITS SUBSIDIARIES
DECEMBER 31, 2011**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
World Bicycle Relief, NFP and its Subsidiaries

We have audited the accompanying consolidated statement of financial position of World Bicycle Relief, NFP and its subsidiaries (the Organization) as of December 31, 2011, and the related consolidated statement 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 these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis, rather than to present the financial position, results of operations and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Chicago, Illinois
November 12, 2012

World Bicycle Relief, NFP and its Subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2011

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$1,270,423
Receivables	899,982
Investments	151,122
Inventory	<u>798,427</u>

Total current assets 3,119,954

OTHER ASSETS

Prepayments	4,300
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FIXED ASSETS

At cost, net of accumulated depreciation	<u>266,941</u>
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TOTAL ASSETS \$3,391,195

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 746,142
Accrued expenses	225,413
Other payables	117,327
Tax payable	<u>5,937</u>

Total current liabilities 1,094,819

NET ASSETS

Unrestricted	2,221,376
Temporarily restricted	<u>75,000</u>

Total net assets 2,296,376

TOTAL LIABILITIES AND NET ASSETS \$3,391,195

The accompanying notes are an integral part of this statement.

World Bicycle Relief, NFP and its Subsidiaries
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenue and support			
Contributions and grants	\$4,464,029	\$75,000	\$4,539,029
Special events, net of related expenses	(14,765)	-	(14,765)
Royalties	25,000	-	25,000
Bicycle social enterprise program	2,033,463	-	2,033,463
Miscellaneous	<u>57,907</u>	<u>-</u>	<u>57,907</u>
Total revenue and support	6,565,634	75,000	6,640,634
Expenses			
Program services			
Social Enterprise	3,033,052	-	3,033,052
Bicycle Education Empowerment Program (BEEP)	<u>1,445,744</u>	<u>-</u>	<u>1,445,744</u>
Total program services	4,478,796	-	4,478,796
Supporting services			
Management and general	399,080	-	399,080
Fundraising	<u>962,541</u>	<u>-</u>	<u>962,541</u>
Total supporting services	<u>1,361,621</u>	<u>-</u>	<u>1,361,621</u>
Total expenses before tax	5,840,417	-	5,840,417
Tax benefit	<u>(12,350)</u>	<u>-</u>	<u>(12,350)</u>
Increase in net assets from operating activities	737,567	75,000	812,567
Other non-operating changes in net assets			
Investment loss, net	(39)	-	(39)
Foreign exchange loss	(823)	-	(823)
Prior-year affiliate adjustment	<u>2,801</u>	<u>-</u>	<u>2,801</u>
Increase in net assets	739,506	75,000	814,506
Net assets - beginning of year	<u>1,481,870</u>	<u>-</u>	<u>1,481,870</u>
Net assets - end of year	<u>\$2,221,376</u>	<u>\$75,000</u>	<u>\$2,296,376</u>

The accompanying notes are an integral part of this statement.

World Bicycle Relief, NFP and its Subsidiaries
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2011

	Programs		Total programs	Management and general	Fundraising	Total
	Social Enterprise	BEEP				
Bicycles and bicycle parts	\$1,639,694	\$ 662,488	\$2,302,182	\$ 31	\$ 2,254	\$2,304,467
Personnel	630,006	381,992	1,011,998	218,916	435,403	1,666,317
Travel	160,196	78,940	239,136	42,578	108,925	390,639
Occupancy	193,551	120,611	314,162	1,091	9,683	324,936
Professional services	149,230	42,680	191,910	38,741	90,384	321,035
In-kind expenses and donated services	148,623	66,280	214,903	26,863	74,685	316,451
Database services	-	-	-	-	90,794	90,794
Bank service charges	6,838	2,157	8,995	964	80,293	90,252
Supplies	11,225	17,726	28,951	1,283	25,836	56,070
Depreciation	30,136	11,751	41,887	7,981	-	49,868
Bad debts	20,709	-	20,709	25,484	-	46,193
Repairs and maintenance	18,376	27,084	45,460	-	-	45,460
Printing	4,217	4,936	9,153	-	32,680	41,833
Advertising	1,793	-	1,793	30,000	2,223	34,016
Postage	1,113	18,538	19,651	4,677	9,391	33,719
Insurance	14,174	14,077	28,251	346	-	28,597
Miscellaneous	1,649	110	1,759	125	-	1,884
Taxes and duties	<u>1,522</u>	<u>(3,626)</u>	<u>(2,104)</u>	<u>-</u>	<u>(10)</u>	<u>(2,114)</u>
	<u>\$3,033,052</u>	<u>\$1,445,744</u>	<u>\$4,478,796</u>	<u>\$399,080</u>	<u>\$962,541</u>	<u>\$5,840,417</u>

The accompanying notes are an integral part of this statement.

World Bicycle Relief, NFP and its Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2011

Cash flows from operating activities	
Change in net assets	\$ 814,506
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	49,868
Related party loan forgiveness	(13,025)
Foreign currency translation loss	(14,129)
Contribution of investments	(155,178)
Changes in assets and liabilities	
Receivables	(498,139)
Due from affiliates	(551,097)
Inventory	(231,739)
Prepayments	(4,300)
Deferred tax	8,774
Refundable tax	(5,750)
Accounts payable	322,979
Accrued expenses	20,157
Recoverable costs	53,139
Tax payable	5,932
Other payable costs	<u>124,767</u>
Net cash used in operating activities	(73,235)
Cash flows from investing activities	
Proceeds from sale of investments	4,016
Purchase of property and equipment	(158,646)
Proceeds from the sale of equipment	<u>246,310</u>
Net cash provided by investing activities	<u>91,680</u>
Net increase in cash and cash equivalents	18,445
Cash and cash equivalents at beginning of year	<u>1,251,978</u>
Cash and cash equivalents at end of year	<u>\$1,270,423</u>

The accompanying notes are an integral part of this statement.

World Bicycle Relief, NFP and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011

NOTE A - ORGANIZATION

World Bicycle Relief, NFP is a section 501(c)(3) tax-exempt public charity, incorporated on June 20, 2006, and existing under the Illinois General Not-For-Profit Corporation Act, to provide access to independence and livelihood through the power of bicycles.

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 is engaged in the assembly and sale of bicycles and bicycles parts through the Organization's social enterprise program in Zambia.

World Bicycle Relief - Kenya is domiciled in Kenya as a branch of World Bicycle Relief, NFP. Operating principally in Kenya, it is engaged in the assembly and sale of bicycles and bicycles parts through the Organization's social enterprise program.

World Bicycle Relief (Private) Limited is a limited liability company incorporated and domiciled in Zimbabwe. Operating principally in Zimbabwe, it is engaged in the assembly and sale of bicycles and bicycles parts through the Organization's social enterprise program.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

All significant inter-corporation accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Additionally, information is required to segregate program service expenses from support expenses. Support expenses include management and general and fundraising expenses.

Revenue Recognition

Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending of the existence and/or nature of any donor restrictions. 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 value. 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 applicable classes of net assets.

Donated investments are recorded at fair value as of the date of the contributions. 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.

World Bicycle Relief, NFP and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2011

Net Assets

Net assets have been recorded and reported as changes in unrestricted, temporarily restricted or permanently restricted net assets.

Unrestricted - Unrestricted net assets consist of resources that are available for use in carrying out the mission of the Organization and include those expendable resources that have been designated for special use by the Board of Directors.

Temporarily restricted - Temporarily restricted net assets represent those amounts that are donor restricted with respect to purpose or time. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently restricted - Permanently restricted net assets result from contributions with donor restrictions that mandate the original principal be invested in perpetuity. Permanently restricted net assets include beneficial interests in perpetual trusts held by third parties. The majority of the earnings from permanently restricted net assets are available for the general use of the Organization. The Organization currently does not have any permanently restricted net assets.

Prepayments

Prepayments consist of prepaid insurance and prepaid rent. Prepaid rent is reclassified to expense over the life of a lease agreement. Prepaid insurance is reclassified to expense as insurance coverage is incurred over the life of the insurance policy.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable and Bad Debts

Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of accounts by management. The Organization determines its uncollectible accounts by considering a number of factors, including the length of time receivables are past due, the Organization's previous collection history, the entity's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Accounting principles generally accepted in the United States of America (U.S. GAAP) require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

World Bicycle Relief, NFP and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2011

Other Grants, Contributions Receivable

In 2011, foundations, individuals and corporations have unconditionally promised to give \$186,374 to be used for particular programs and general support. As of December 31, 2011, other grants and contributions receivable is \$442,836 and are all due within one year.

Investments

Investments, at fair value, consisted of the following as of December 31, 2011:

Privately held stock	\$150,750
Equities - domestic	<u>372</u>
Total	<u>\$151,122</u>

Investment loss is summarized as follows for the year ended December 31, 2011:

Realized loss	\$(40)
Unrealized gain	<u>1</u>
Total	<u>\$(39)</u>

Inventory

Inventory consists mainly of bicycles and bicycle parts. Any inventory is stated at the lower of cost or market value.

Advertising

Advertising costs are charged to operations when incurred.

Capitalization and Depreciation

Vehicles, furniture and equipment are recorded at cost, net of accumulated depreciation. Vehicles, furniture and equipment are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Assets are depreciated over their estimated service lives. The estimated service lives of the assets for depreciation purposes may be different than their actual economic useful lives.

	<u>Estimated life</u>	<u>Method</u>
Vehicles	4-5 years	Straight-line
Furniture and equipment	3.30-8 years	Straight-line

World Bicycle Relief, NFP and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2011

Breakdown by asset class:

	Beginning balance total	Additions total	Deductions total	Ending balance
Vehicles	\$166,280	\$ 97,220	\$(11,660)	\$ 251,840
Furniture and equipment	<u>62,578</u>	<u>61,518</u>	-	<u>124,096</u>
Total	228,858	158,738	(11,660)	375,936
Accumulated depreciation	<u>(58,929)</u>	<u>(54,536)</u>	<u>4,470</u>	<u>(108,995)</u>
Net book value	<u>\$169,929</u>	<u>\$104,202</u>	<u>\$ (7,190)</u>	<u>\$ 266,941</u>

Special Events

Breakout of special events revenue and expenses are the following for the year ending December 31, 2011:

Special event revenue	\$ 101,478
Related expenses	<u>(116,243)</u>
Special events, net of related expenses	<u>\$ (14,965)</u>

Foreign Currency Translation

The U.S. dollar (dollars) is the functional currency for the Organization's operations worldwide. The functional currency of World Bicycle Relief - Kenya is the Kenyan Schilling. Transactions in currencies other than dollars are translated into dollars at the rates of exchange in effect during the date of the transaction or an average currency valuation for the period. Property and equipment purchased with non-U.S. currency are translated into dollars at the exchange rate in effect at the time of the purchase. Current assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the balance sheet.

Recent Accounting Pronouncements Adopted

In May 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-04, "Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS." ASU No. 2011-04 revised the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. ASU No. 2011-04 also expands the required disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. ASU No. 2011-04 will be effective for the year ending December 31 2012, with early adoption permitted. The Organization has not yet adopted this guidance. The Organization believes that the adoption of this standard will have no impact on the consolidated financial statement footnote disclosures.

World Bicycle Relief, NFP and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2011

NOTE C - CASH AND CASH EQUIVALENTS

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

The Organization's broker may hold cash in a money market account in the name of the Organization. This balance can be transferred to the Organization's cash account at any time and is considered a cash equivalent.

NOTE D - LEASE COMMITMENT

Office/Warehouse Leases

In March 2010, World Bicycle Relief - Zambia entered into an office lease effective from March 1, 2010 through February 28, 2013, with monthly payments of \$3,500 throughout the term of the lease. This lease was terminated on August 31, 2011.

In April 2010, World Bicycle Relief - Zambia entered into a three-year warehouse and office lease effective from April 1, 2010 through February 28, 2013, with monthly payments of \$5,500 throughout the term of the lease. This lease was terminated on July 1, 2011.

In April 2011, World Bicycle Relief - Zambia entered into a three-year warehouse and office lease effective from April 12, 2011 through April 11, 2014, with monthly payments of \$3,350 for the first year, to increase by 3% for the second and third year of the lease.

Annual future minimum lease payments for office, warehouse and staff leases are as follows:

Years ending December 31,

2012	\$31,059
2013	41,412
2014	13,804

NOTE E - IN-KIND DONATIONS AND DONATED SERVICES

During the year ended December 31, 2011, the Organization received contributions of goods, including rent, utilities and travel. The estimated fair value of in-kind goods was \$79,855. The Organization received donated services, including legal advice and officer's salary. The estimated fair value of donated services was \$236,596. These contributions have been recorded as contributions in the accompanying statement of activities. The related expenses are shown as expenses in the accompanying consolidated statement of functional expenses.

World Bicycle Relief, NFP and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2011

NOTE F - RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs and time periods as of December 31, 2011:

Programs	
Bicycle Education Empowerment Program (BEEP)	<u>\$75,000</u>
Total	<u>\$75,000</u>

NOTE G - RELATED-PARTY TRANSACTIONS

The Organization receives contributions from related parties. The Organization also provides cash reimbursement to related parties for expenses paid on behalf of the Organization. The amounts of the transactions for the year on December 31, 2011, are as follows:

Contributions from related parties	\$1,550,328
In-kind contributions and donated services from related parties	<u>271,551</u>
Total	<u>\$1,821,879</u>
Cash reimbursement to related parties for expenses paid on behalf of the Organization	\$1,453,091
Amounts due to related parties as of December 31, 2011, classified as accounts payable on the consolidated statement of financial position	\$ 661,250
Amounts due from related parties as of December 31, 2011, classified as receivables on the consolidated statement of financial position	\$ 150,000

NOTE H - FAIR VALUE

Pursuant to the accounting guidance for fair value measurements and its subsequent updates, fair value is defined as the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

The accounting guidance for fair value measurement also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

World Bicycle Relief, NFP and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2011

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, as well as investments measured at net asset value (NAV), or its equivalent, that are redeemable at or near the reporting date. The nature of these securities include investments for which quoted prices are available but which are traded less frequently and investments that are fair valued using securities, the parameters of which can be directly observed.

Level 3 - Assets that lack sufficient pricing observability as of the report date, and investments measured at NAV or its equivalent asset value that are not redeemable at or near the reporting date. These assets are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

The following table summarizes the assets measured at fair value on a recurring basis as of December 31, 2011:

	Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Equities - domestic Privately held stock	\$372 —	\$ - —	\$ - <u>150,750</u>	\$ 372 <u>150,750</u>
Total assets	<u>\$372</u>	<u>\$—</u>	<u>\$150,750</u>	<u>\$151,122</u>

The carrying value of the Organization's cash and cash equivalents, receivables, accounts payable, accrued expenses and customer deposits approximate their fair value due to their short-term nature.

NOTE I - INVESTMENTS

The changes in fair value for level 3 investments for the year ending December 31, 2011, are as follows:

	Fair market value December 31, 2010	Purchases (sale), net	Realized gain (loss)	Unrealized gain (loss)	Fair market value December 31, 2011	Carrying value
Stocks	\$—	<u>\$150,750</u>	\$—	\$—	<u>\$150,750</u>	<u>\$150,750</u>
Total	<u>\$—</u>	<u>\$150,750</u>	<u>\$—</u>	<u>\$—</u>	<u>\$150,750</u>	<u>\$150,750</u>

World Bicycle Relief, NFP and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2011

Investments consisted of privately held stock, which were classified as available-for-sale. Available-for-sale investments were received as contributions during 2011.

NOTE J - 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. World Bicycle Relief - Kenya is a branch of World Bicycle Relief NFP. World Bicycle Relief - Zimbabwe is a taxable limited liability company incorporated in Zimbabwe. Neither entity had taxable income for the year ended December 31, 2011. Accordingly, no provision of income taxes is included in the consolidated financial statements.

World Bicycle Relief was organized and incorporated in Illinois as a Not-for-Profit Organization in 2006. The Organization has received a favorable determination letter from the Internal Revenue Service for their Section 501(c)(3) status under the Internal Revenue Code of 1986 (the IRC). The FASB issued guidance that requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined there are no material uncertain positions that require recognition in the consolidated financial statements. The tax years ending 2008, 2009, 2010 and 2011 are still open to audit for both federal and state purposes.

NOTE K - EMPLOYEE BENEFIT PLAN

The Organization participates in a Profit Sharing 401(k) (the Plan) covering substantially all World Bicycle Relief, NFP employees who are salaried or temporary employees during the Plan year. Interns and part-time employees are not eligible for the Plan. The Plan is a voluntary defined contribution retirement plan. Employer contributions are computed as 3% of covered employees' compensation. The Organization's contributions, funded on a current basis, were \$24,649 for the year ending December 31, 2011.

NOTE L - SUBSEQUENT EVENTS

Events that occur after the financial position date but before the financial statements have been issued must be evaluated for recognition and disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statements' date are recognized in the accompanying consolidated financial statements. Subsequent events that provided evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes.

In preparation of these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 12, 2012, the date the consolidated financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the consolidated financial statements.

World Bicycle Relief, NFP and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2011

NOTE M - REVISION

Beginning net asset balances as of January 1, 2011, have been revised to reflect the inclusion of World Bicycle Relief - Kenya and World Bicycle Relief - Zimbabwe, which were excluded from the prior-year financial statements due to their immateriality to the Organization as a whole at that time.

SUPPLEMENTAL INFORMATION

World Bicycle Relief, NFP and its Subsidiary
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2011

ASSETS	<u>USA</u>	<u>Zambia</u>	<u>Kenya</u>	<u>Zimbabwe</u>	<u>Eliminations</u>	<u>Consolidated</u>
CURRENT ASSETS						
Cash and cash equivalents	\$1,036,950	\$ 46,242	\$ 5,955	\$ 181,276	\$ -	\$1,270,423
Receivables	442,838	295,103	65,705	96,336	-	899,982
Investments	151,122	-	-	-	-	151,122
Inventory	23,033	430,993	285,511	58,890	-	798,427
Due from affiliates						
Zambia	1,536,644	-	-	-	(1,536,644)	-
Kenya	550,971	-	-	-	(550,971)	-
Zimbabwe	<u>475,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(475,163)</u>	<u>-</u>
Total current assets	4,216,721	772,338	357,171	336,502	(2,562,778)	3,119,954
OTHER ASSETS						
Prepayments	4,300	-	-	-	-	4,300
FIXED ASSETS						
At cost, net of accumulated depreciation	<u>21,308</u>	<u>93,253</u>	<u>42,593</u>	<u>109,787</u>	<u>-</u>	<u>266,941</u>
TOTAL ASSETS	<u>\$4,242,329</u>	<u>\$ 865,591</u>	<u>\$ 399,764</u>	<u>\$ 446,289</u>	<u>\$(2,562,778)</u>	<u>\$3,391,195</u>

World Bicycle Relief, NFP and its Subsidiary
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED
December 31, 2011

LIABILITIES AND NET ASSETS	<u>USA</u>	<u>Zambia</u>	<u>Kenya</u>	<u>Zimbabwe</u>	<u>Eliminations</u>	<u>Consolidated</u>
CURRENT LIABILITIES						
Accounts payable	\$ 684,178	\$ 2,254	\$ 13,069	\$ 46,641	\$ -	\$ 746,142
Accrued expenses	43,596	181,817	-	-	-	225,413
Due to affiliates						
USA (from Zambia)	-	1,536,644	-	-	(1,536,644)	-
USA (from Kenya)	-	-	550,971	-	(550,971)	-
USA (from Zimbabwe)	-	-	-	475,163	(475,163)	-
Other payables	-	46,012	5,749	65,566	-	117,327
Tax payable	<u>-</u>	<u>5,804</u>	<u>133</u>	<u>-</u>	<u>-</u>	<u>5,937</u>
Total current liabilities	727,774	1,772,531	569,922	587,370	(2,562,778)	1,094,819
NET ASSETS						
Unrestricted	3,439,555	(906,940)	(170,158)	(141,081)	-	2,221,376
Temporarily restricted	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
Total net assets	3,514,555	(906,940)	(170,158)	(141,081)	-	2,296,376
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,242,329</u>	<u>\$ 865,591</u>	<u>\$ 399,764</u>	<u>\$ 446,289</u>	<u>\$(2,562,778)</u>	<u>\$3,391,195</u>

World Bicycle Relief, NFP and its Subsidiary
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2011

	<u>USA</u>	<u>Zambia</u>	<u>Kenya</u>	<u>Zimbabwe</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenue and support						
Contributions and grants	\$4,539,029	\$ -	\$ -	\$ -	\$ -	\$4,539,029
Special events, net of related expenses	(14,765)	-	-	-	-	(14,765)
Royalties	25,000	-	-	-	-	25,000
Bicycle social enterprise program	-	1,113,102	172,927	747,434	-	2,033,463
Miscellaneous	<u>41,870</u>	<u>1,150,159</u>	<u>-</u>	<u>2,500</u>	<u>(1,136,622)</u>	<u>57,907</u>
Total revenue and support	4,591,134	2,263,261	172,927	749,934	(1,136,622)	6,640,634
Expenses						
Program services						
Social Enterprise	689,067	1,125,191	320,069	898,725	-	3,033,052
Bicycle Education Empowerment Program (BEEP)	<u>1,445,744</u>	<u>1,136,622</u>	<u>-</u>	<u>-</u>	<u>(1,136,622)</u>	<u>1,445,744</u>
Total program services	2,134,811	2,261,813	320,069	898,725	(1,136,622)	4,478,796
Supporting services						
Management and general	399,080	-	-	-	-	399,080
Fundraising	<u>962,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>962,541</u>
Total supporting services	<u>1,361,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,361,621</u>
Total expenses before tax	3,496,432	2,261,813	320,069	898,725	(1,136,622)	5,840,417
Tax (benefit) expense	<u>-</u>	<u>5,804</u>	<u>(13,528)</u>	<u>(4,626)</u>	<u>-</u>	<u>(12,350)</u>
Increase (decrease) in net assets from operating activities	1,094,702	(4,356)	(133,614)	(144,165)	-	812,567
Other non-operating changes in net assets						
Investment loss, net	(39)	-	-	-	-	(39)
Foreign exchange (gain) loss	4,497	(3,787)	(1,533)	-	-	(823)
Prior year affiliate adjustment	<u>-</u>	<u>2,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,801</u>
Increase (decrease) in net assets	1,099,160	(5,342)	(135,147)	(144,165)	-	814,506
Net assets, beginning of year	<u>2,415,395</u>	<u>(901,598)</u>	<u>(35,011)</u>	<u>3,084</u>	<u>-</u>	<u>1,481,870</u>
Net assets, end of year	<u>\$3,514,555</u>	<u>\$ (906,940)</u>	<u>\$(170,158)</u>	<u>\$(141,081)</u>	<u>\$ -</u>	<u>\$2,296,376</u>