



**Consolidated Financial Statements and Independent  
Auditor's Report**

**World Bicycle Relief, NFP and its Subsidiaries**

**December 31, 2012**

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## INDEPENDENT AUDITOR'S REPORT

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**Board of Directors  
World Bicycle Relief, NFP and its Subsidiaries**

We have audited the accompanying consolidated financial statements of World Bicycle Relief, NFP and its subsidiaries (the Organization), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of World Bicycle Relief - Zambia, a wholly owned subsidiary, which statements reflect total assets constituting 15% of consolidated total assets as of December 31, 2012, and total revenue and support of 10% of consolidated total revenue and support for the year then ended. Those statements are audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for World Bicycle Relief - Zambia, is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2012, 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.

#### Supplemental information

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.



Chicago, Illinois  
August 12, 2013

**World Bicycle Relief, NFP and its Subsidiaries**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**December 31, 2012**

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**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$1,837,015
Receivables	911,700
Investments	340,470
Inventory	<u>456,909</u>

Total current assets 3,546,094

**OTHER ASSETS**

Prepayments	180,313
Other assets	87,195

**FIXED ASSETS**

At cost, net of accumulated depreciation of \$164,525	<u>245,572</u>
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**TOTAL ASSETS** \$4,059,174

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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 265,624
Accrued expenses	146,408
Deferred revenue	24,201
Note payable	476,908
Other payable costs	<u>6,218</u>

Total current liabilities 919,359

**NET ASSETS**

Unrestricted	3,064,815
Temporarily restricted	<u>75,000</u>

Total net assets 3,139,815

**TOTAL LIABILITIES AND NET ASSETS** \$4,059,174

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, 2012**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<b>Revenue and support</b>			
Contributions and grants	\$5,091,697	\$ 75,000	\$5,166,697
Special events, net of related expenses	(118,152)	-	(118,152)
Royalties	42,058	-	42,058
Bicycle social enterprise program	2,427,570	-	2,427,570
Other income	170,792	-	170,792
Net assets released from restrictions			
Satisfaction of restrictions	<u>75,000</u>	<u>(75,000)</u>	<u>-</u>
<b>Total revenue and support</b>	<b>7,688,965</b>	<b>-</b>	<b>7,688,965</b>
<b>Expenses</b>			
Program services			
Social Enterprise	3,507,295	-	3,507,295
Bicycle Education Empowerment Program (BEEP)	<u>1,480,665</u>	<u>-</u>	<u>1,480,665</u>
<b>Total program services</b>	<b>4,987,960</b>	<b>-</b>	<b>4,987,960</b>
Supporting services			
Management and general	490,482	-	490,482
Fundraising	<u>1,417,419</u>	<u>-</u>	<u>1,417,419</u>
<b>Total supporting services</b>	<b>1,907,901</b>	<b>-</b>	<b>1,907,901</b>
<b>Total expenses before tax benefit</b>	<b>6,895,861</b>	<b>-</b>	<b>6,895,861</b>
Tax benefit	<u>42,988</u>	<u>-</u>	<u>42,988</u>
<b>Increase in net assets from operating activities</b>	<b>836,092</b>	<b>-</b>	<b>836,092</b>
<b>Other non-operating changes in net assets</b>			
Investment income, net	44,775	-	44,775
Foreign exchange loss	<u>(15,286)</u>	<u>-</u>	<u>(15,286)</u>
<b>Increase in net assets</b>	<b>865,581</b>	<b>-</b>	<b>865,581</b>
<b>Net assets - beginning of year</b>	<b><u>2,199,234</u></b>	<b><u>75,000</u></b>	<b><u>2,274,234</u></b>
<b>Net assets - end of year</b>	<b><u>\$3,064,815</u></b>	<b><u>\$ 75,000</u></b>	<b><u>\$3,139,815</u></b>

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, 2012**

	Programs		Total programs	Supporting services		Total supporting services	Total
	BEEP	Social Enterprise		Management and administrative	Fundraising		
Personnel	\$ 364,268	\$1,035,436	\$1,399,704	\$231,190	\$ 712,578	\$ 943,768	\$2,343,472
Bicycles and bicycle parts	692,335	1,282,700	1,975,035	-	2,811	2,811	1,977,846
Travel	129,904	246,243	376,147	30,548	182,864	213,412	589,559
In-kind expenses	98,937	264,347	363,284	110,311	90,846	201,157	564,441
Professional services	40,606	161,947	202,553	40,347	137,733	178,080	380,633
Occupancy	56,098	185,326	241,424	6,829	25,454	32,283	273,707
Supplies	31,951	60,650	92,601	1,395	70,064	71,459	164,060
Repairs and maintenance	40,395	72,108	112,503	-	55	55	112,558
Postage	9,796	40,372	50,168	1,868	31,155	33,023	83,191
Depreciation	-	70,431	70,431	10,654	-	10,654	81,085
Database services	938	4,878	5,816	1,981	69,730	71,711	77,527
Printing	2,155	8,423	10,578	69	57,497	57,566	68,144
Insurance	9,921	32,483	42,404	13,255	-	13,255	55,659
Bank service charges	2,642	11,195	13,837	10,303	28,726	39,029	52,866
Advertising	100	7,948	8,048	31,560	7,814	39,374	47,422
Bad debts	-	18,765	18,765	-	-	-	18,765
Taxes and duties	619	4,043	4,662	172	92	264	4,926
	<u>\$1,480,665</u>	<u>\$3,507,295</u>	<u>\$4,987,960</u>	<u>\$490,482</u>	<u>\$1,417,419</u>	<u>\$1,907,901</u>	<u>\$6,895,861</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, 2012**

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Cash flows from operating activities	
Change in net assets	\$ 865,581
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Unrealized gain on investment	(44,220)
Proceeds from sale of investments	416
Contributions of art	(86,000)
Contribution of investments	(145,544)
Depreciation	81,085
Gain from the sale of equipment	(5,275)
Changes in assets and liabilities	
Receivables	(91,682)
Inventory	334,160
Prepayments	(128,799)
Deferred revenue	24,201
Accounts payable	(484,211)
Accrued expenses	(79,005)
Interest payable	1,908
Tax payable	(132)
Other payable costs	<u>(112,740)</u>
Net cash provided by operating activities	129,743
Cash flows from investing activities	
Purchase of property and equipment	(81,247)
Proceeds from the sale of equipment	<u>25,911</u>
Net cash used in investing activities	(55,336)
Cash flows from financing activities	
Proceeds from notes payable	<u>475,000</u>
Net cash provided by financing activities	475,000
Effect of exchange rate change on cash	<u>9,596</u>
Net increase in cash and cash equivalents	559,003
Cash and cash equivalents at beginning of year	<u>1,278,012</u>
Cash and cash equivalents at end of year	<u>\$1,837,015</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, 2012**

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**NOTE A - ORGANIZATION**

World Bicycle Relief, NFP and its subsidiaries (collectively, the Organization) is transforming individuals and their communities through the power of bicycles. 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 bicycle 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 bicycle parts through the Organization's social enterprise program.

Buffalo Bicycle Limited (BBL) is a for-profit subsidiary of World Bicycle Relief NFP. It is incorporated as a private company limited by shares registered in Mauritius. BBL carries out investment holding, trading and treasury activities. BBL is a trading conduit for the product development, purchase and selling of bicycles, primarily to facilitate activities for subsidiary companies to be operated in Sub-Saharan Africa in 2013. BBL is expected to earn a margin on the bicycles trading activities, which will be its main source of income.

World Bicycle Relief UK (WBR UK) is a non-profit private company limited by guarantee with no share capital and one subscriber, World Bicycle Relief, NFP. It was formed under The Companies Act of 1986 and 2006 in the United Kingdom. WBR UK's object is to relieve the needs to people living in impoverished or disaster-stricken areas of the world by the provision of bicycles to enable them to access education, employment, healthcare and other essentials of life. WBR UK was formed on March 3, 2011.

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**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.

**World Bicycle Relief, NFP and its Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012**

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***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.

***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 and changes in net assets 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, prepaid rent and prepaid bicycle program expenses. 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. Prepaid bicycle program expenses are reclassified as bicycles are distributed into charitable programs.

***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.

**World Bicycle Relief, NFP and its Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012**

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***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.

***Other Grants, Contributions Receivable***

As of December 31, 2012, foundations, individuals and corporations have unconditionally promised to give \$111,935 to be used for particular programs and general support.

***Investments***

Investments, at fair value, consisted of the following as of December 31, 2012:

Privately held stock	<u>\$340,470</u>
Total	<u>\$340,470</u>

Investment income is summarized as follows for the year ended December 31, 2012:

Realized loss	\$ (416)
Unrealized gain	44,220
Dividends and interest	<u>971</u>
Total	<u>\$44,775</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.

**World Bicycle Relief, NFP and its Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012**

***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

Breakdown by asset class:

	<u>Beginning balance total</u>	<u>Additions total</u>	<u>Deductions total</u>	<u>Ending balance</u>
Vehicles	\$ 251,840	\$55,000	\$(46,819)	\$ 260,021
Furniture and equipment	<u>124,096</u>	<u>25,980</u>	-	<u>150,076</u>
Total	375,936	<u>\$80,980</u>	<u>\$(46,819)</u>	410,097
Accumulated depreciation				<u>(164,525)</u>
Net book value				<u>\$ 245,572</u>

***Special Events***

Breakout of special events revenue and expenses are the following for the year ending December 31, 2012:

Special event revenue	\$ 112,607
Related expenses	<u>230,759</u>
Special events, net of related expenses	<u>\$(118,152)</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 consolidated statement of financial position.

**World Bicycle Relief, NFP and its Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012**

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**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.

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**NOTE D - LEASE COMMITMENT**

***Office/Warehouse Leases***

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,

2013	\$41,412
2014	13,804

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**NOTE E - IN-KIND DONATIONS AND DONATED SERVICES**

During the year ended December 31, 2012, the Organization received contributions of goods, including rent and utilities. The estimated fair value of in-kind goods was \$49,374. The Organization received donated services, including legal advice and officer's salary. The estimated fair value of donated services was \$515,067. These contributions have been recorded as contributions in the accompanying consolidated statement of activities and changes in net assets. The related expenses are shown as expenses in the accompanying consolidated statement of functional expenses.

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**NOTE F - RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following programs to be used in future periods as of December 31, 2012:

Programs	
Bicycle Education Empowerment Program (BEEP) in 2013	\$75,000
Total	\$75,000

**World Bicycle Relief, NFP and its Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012**

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**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 ended December 31, 2012, are as follows:

Contributions from related parties	\$ 797,298
In-kind contributions and donated services from related parties	<u>239,523</u>
Total	<u>\$1,036,821</u>
Cash reimbursement to related parties for expenses paid on behalf of the Organization	\$1,572,969
Amounts due to related parties as of December 31, 2012, classified as accounts payable on the consolidated statement of financial position	\$ 18,878
Amounts due to related parties as of December 31, 2012, classified as notes payable on the consolidated statement of financial position	\$ 476,908

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**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:

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

**World Bicycle Relief, NFP and its Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012**

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, 2012:

	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
Privately held stock	\$ -	\$ -	\$340,470	\$340,470
Total assets	\$ -	\$ -	\$340,470	\$340,470

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, 2012, are as follows:

	Fair value December 31, 2011	Purchases	Unrealized gain	Fair value December 31, 2012	Carrying value
Stocks	\$150,750	\$145,500	\$44,220	\$340,470	\$340,470
Total	\$150,750	\$145,500	\$44,220	\$340,470	\$340,470

Investments consisted of privately held stock, which were classified as available-for-sale.

**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 (the IRC), 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, limited by guarantee, incorporated in Zimbabwe. World Bicycle Relief - UK is a charitable institution under United Kingdom laws, but is also a company limited by guarantee. None of the entities had taxable income for the year ended December 31, 2012. Accordingly, no provision of income taxes is included in the consolidated financial statements.

**World Bicycle Relief, NFP and its Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012**

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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 IRC of 1986. The Financial Accounting Standards Board issued guidance that requires tax effects from uncertain tax positions to be recognized in the consolidated 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 2009, 2010, 2011 and 2012 are still open to audit for both federal and state purposes.

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**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 \$33,462 for the year ending December 31, 2012.

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**NOTE L - SUBSEQUENT EVENTS**

Events that occur after the consolidated statement of financial position date but before the consolidated 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 consolidated 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 August 12, 2013, 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 with the exception of the following:

- The Organization has formed a subsidiary, World Bicycle Relief Deutschland GmbH, with operations beginning April 22, 2013. This entity was established to provide financial and non-financial support to philanthropic programs of World Bicycle Relief Zambia and Qhubeka, an affiliated non-profit organization based in South Africa.
- The Organization has formed a subsidiary, World Bicycle Relief Canada, with operations beginning May 2013. This entity was established to provide financial and non-financial support to philanthropic programs of World Bicycle Relief NFP.
- The Organization has formalized its relationship with Qhubeka, a non-profit organization based in South Africa. Qhubeka has become the World Bicycle Relief NFP philanthropic program in South Africa on July 1, 2013.



**World Bicycle Relief, NFP and its Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012**

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**NOTE M - REVISION**

Beginning net asset balances as of January 1, 2012, have been revised by \$56,199 to reflect the inclusion of WBR UK, which was excluded from the prior-year consolidated financial statements due to its immateriality to the Organization as a whole at that time.

Subsequent to the issuance of the Organization's consolidated financial statements for the year ending December 31, 2011, it was determined the accounts receivable balance at World Bicycle Relief - Zambia was overstated by \$78,347. Beginning net asset balances of the Organization as of January 1, 2012, have also been revised to reflect the proper accounts receivable balance for World Bicycle Relief - Zambia.

**SUPPLEMENTAL INFORMATION**

**World Bicycle Relief, NFP and its Subsidiary**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**December 31, 2012**

<b>ASSETS</b>	<u>USA</u>	<u>Zambia</u>	<u>Kenya</u>	<u>Zimbabwe</u>	<u>Mauritius</u>	<u>United Kingdom</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>CURRENT ASSETS</b>								
Cash and cash equivalents	\$1,335,443	\$148,801	\$ 44,835	\$215,565	\$ 63,645	\$28,726	\$ -	\$1,837,015
Receivables	341,241	170,675	71,956	327,828	-	-	-	911,700
Investments	340,570	-	-	-	-	-	(100)	340,470
Inventory	-	25,365	338,976	92,568	-	-	-	456,909
Due from affiliates								
Zambia	1,370,525	-	-	-	-	-	(1,370,525)	-
Kenya	805,716	-	-	-	24,418	-	(830,134)	-
Zimbabwe	498,921	-	-	-	404,651	-	(903,572)	-
BBL Mauritius	<u>52,049</u>	<u>5,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,909)</u>	<u>-</u>
Total current assets	4,744,465	350,701	455,767	635,961	492,714	28,726	(3,162,240)	3,546,094
<b>OTHER ASSETS</b>								
Prepayments	148,190	-	-	-	15,955	16,168	-	180,313
Other assets	87,195	-	-	-	-	-	-	87,195
<b>FIXED ASSETS</b>								
At cost, net of accumulated depreciation of \$164,525	<u>10,654</u>	<u>61,841</u>	<u>34,300</u>	<u>138,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,572</u>
<b>TOTAL ASSETS</b>	<u>\$4,990,504</u>	<u>\$412,542</u>	<u>\$490,067</u>	<u>\$774,738</u>	<u>\$508,669</u>	<u>\$44,894</u>	<u>\$(3,162,240)</u>	<u>\$4,059,174</u>

**World Bicycle Relief, NFP and its Subsidiary**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED**  
**December 31, 2012**

<b>LIABILITIES AND NET ASSETS</b>	<b>USA</b>	<b>Zambia</b>	<b>Kenya</b>	<b>Zimbabwe</b>	<b>Mauritius</b>	<b>United Kingdom</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>CURRENT LIABILITIES</b>								
Accounts payable	\$ 69,520	\$ 60,730	\$ 2	\$ 135,042	\$ 330	\$ -	\$ -	\$ 265,624
Accrued expenses	146,408	-	-	-	-	-	-	146,408
Deferred revenue	24,201	-	-	-	-	-	-	24,201
Due to affiliates								
USA (from Zambia)	-	1,370,525	-	-	5,860	-	(1,376,385)	-
USA (from Kenya)	-	-	805,716	-	-	-	(805,716)	-
USA (from Zimbabwe)	-	-	-	498,921	-	-	(498,921)	-
USA (from BBL)	-	-	24,418	404,651	52,149	-	(481,218)	-
Customer deposits	-	-	-	-	-	-	-	-
Note payable	-	-	-	-	476,908	-	-	476,908
Other payable costs	-	-	1,576	-	4,642	-	-	6,218
Tax payable	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>240,129</b>	<b>1,431,255</b>	<b>831,712</b>	<b>1,038,614</b>	<b>539,889</b>	<b>-</b>	<b>(3,162,240)</b>	<b>919,359</b>
<b>NET ASSETS</b>								
Unrestricted	4,675,375	(1,018,713)	(341,645)	(263,876)	(31,320)	44,894	100	3,064,815
Stated capital	-	-	-	-	100	-	(100)	-
Temporarily restricted	75,000	-	-	-	-	-	-	75,000
<b>Total net assets</b>	<b>4,750,375</b>	<b>(1,018,713)</b>	<b>(341,645)</b>	<b>(263,876)</b>	<b>(31,220)</b>	<b>44,894</b>	<b>-</b>	<b>3,139,815</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$4,990,504</b>	<b>\$ 412,542</b>	<b>\$ 490,067</b>	<b>\$ 774,738</b>	<b>\$508,669</b>	<b>\$44,894</b>	<b>\$(3,162,240)</b>	<b>\$4,059,174</b>

**World Bicycle Relief, NFP and its Subsidiary**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Year ended December 31, 2012**

	USA	Zambia	Kenya	Zimbabwe	Mauritius	United Kingdom	Eliminations	Consolidated
<b>Revenue and support</b>								
Contributions and grants	\$5,017,267	\$ 142,126	\$ -	\$ -	\$ -	\$149,430	\$(142,126)	\$5,166,697
Special events, net of related expenses	(118,152)	-	-	-	-	-	-	(118,152)
Royalties	42,058	-	-	-	-	-	-	42,058
Bicycle social enterprise program	-	1,007,636	392,687	945,075	82,172	-	-	2,427,570
Miscellaneous	<u>112,738</u>	<u>11,500</u>	<u>6,329</u>	<u>40,239</u>	<u>-</u>	<u>3</u>	<u>(17)</u>	<u>170,792</u>
Total revenue and support	5,053,911	1,161,262	399,016	985,314	82,172	149,433	(142,143)	7,688,965
<b>Expenses</b>								
Program services								
Social Enterprise	652,482	1,052,144	563,455	1,115,210	124,004	-	-	3,507,295
Bicycle Education Empowerment Program (BEEP)	<u>1,336,643</u>	<u>142,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,022</u>	<u>(142,126)</u>	<u>1,480,665</u>
Total program services	1,989,125	1,194,270	563,455	1,115,210	124,004	144,022	(142,126)	4,987,960
Supporting services								
Management and administrative	485,842	-	-	36,295	1,908	2,732	(36,295)	490,482
Fundraising	<u>1,403,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,990</u>	<u>-</u>	<u>1,417,419</u>
Total supporting services	<u>1,889,271</u>	<u>-</u>	<u>-</u>	<u>36,295</u>	<u>1,908</u>	<u>16,722</u>	<u>(36,295)</u>	<u>1,907,901</u>
Total expenses before tax benefit	3,878,396	1,194,270	563,455	1,151,505	125,912	160,744	(178,421)	6,895,861
Tax benefit	<u>-</u>	<u>-</u>	<u>10</u>	<u>42,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,988</u>
Increase (decrease) in net assets from operating activities	1,175,515	(33,008)	(164,429)	(123,213)	(43,740)	(11,311)	36,278	836,092
Other non-operating changes in net assets								
Investment income, net	44,775	-	-	-	-	-	-	44,775
Interest income	23,758	-	-	-	12,520	-	(36,278)	-
Foreign exchange (gain) loss	<u>(8,228)</u>	<u>-</u>	<u>(7,058)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,286)</u>
Increase (decrease) in net assets	1,235,820	(33,008)	(171,487)	(123,213)	(31,220)	(11,311)	-	865,581
Net assets, beginning of year	<u>3,514,555</u>	<u>(985,705)</u>	<u>(170,158)</u>	<u>(140,663)</u>	<u>-</u>	<u>56,205</u>	<u>-</u>	<u>2,274,234</u>
Net assets, end of year	<u>\$4,750,375</u>	<u>\$(1,018,713)</u>	<u>\$(341,645)</u>	<u>\$ (263,876)</u>	<u>\$ (31,220)</u>	<u>\$ 44,894</u>	<u>\$ -</u>	<u>\$3,139,815</u>