

**INSTITUTE FOR TRANSPORTATION
& DEVELOPMENT POLICY**

New York, New York

FINANCIAL STATEMENTS

Years Ended December 31, 2004 and 2003

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FINANCIAL STATEMENTS

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May 5, 2005

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Institute for Transportation & Development Policy

We have audited the accompanying statements of financial position for the Institute for Transportation & Development Policy (a nonprofit organization) as of December 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial statements referred to above present fairly, in all material respects, the financial position of the Institute for Transportation & Development Policy as of December 31, 2004 and 2003, and the results of its activities and cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2005, on our consideration of the Institute for Transportation & Development Policy's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Institute for Transportation & Development Policy taken as a whole. The accompanying schedule of expenditures of federal awards (and additional reports and schedules) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non - Profit Organizations*, 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, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Handel & Associates, P.C.

INSTITUTE FOR TRANSPORTATION & DEVELOPMENT POLICY
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2004 AND 2003

	2004	2003
ASSETS		
Cash and cash equivalents	\$ 264,838	\$ 121,120
Accounts receivable	18,687	22,222
Grant receivable	242,204	97,893
Inventory	40,216	118,371
Prepaid expense	4,694	-
Investments	-	532
Equipment (less depreciation of \$72,461 and \$51,844)	18,324	17,000
Deposits	3,867	2,667
	\$ 592,830	\$ 379,805
TOTAL ASSETS		
LIABILITIES		
Accounts payable	\$ 126,385	\$ 78,138
Accrued salaries and vacation	18,019	11,143
Payroll taxes payable	9,424	10,424
Note payable	-	-
	153,828	99,705
TOTAL LIABILITIES		
NET ASSETS		
Unrestricted net assets	(67,929)	32,645
Temporarily restricted net assets	506,931	247,455
	439,002	280,100
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 592,830	\$ 379,805

INSTITUTE FOR TRANSPORTATION & DEVELOPMENT POLICY
STATEMENTS OF ACTIVITIES
FOR YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUE AND SUPPORT		
Contributions	\$ 39,753	\$ 45,507
Grants	1,407,638	1,336,585
Bike sales, net of expense	9,864	6,082
Contract revenue	78,272	40,946
In-kind contributions	4,071	48,122
Interest income	1,996	423
Gain (Loss) on investment	(532)	-
	<u>1,541,062</u>	<u>1,477,665</u>
TOTAL UNRESTRICTED REVENUE AND SUPPORT	1,541,062	1,477,665
NET ASSETS RELEASED FROM RESTRICTIONS	<u>124,693</u>	<u>121,283</u>
	1,665,755	1,598,948
TOTAL UNRESTRICTED REVENUE, SUPPORT, AND NET ASSETS RELEASED FROM RESTRICTIONS	1,665,755	1,598,948
EXPENSES		
Program services	1,665,890	1,467,959
Management	60,235	33,301
Fund-raising	40,204	33,862
	<u>1,766,329</u>	<u>1,535,122</u>
TOTAL EXPENSES	1,766,329	1,535,122
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	(100,574)	63,826
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Grants	384,169	153,503
Net assets released from restrictions	(124,693)	(121,283)
	<u>259,476</u>	<u>32,220</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	259,476	32,220
	158,902	96,046
INCREASE IN NET ASSETS	158,902	96,046
NET ASSETS AT BEGINNING OF YEAR	<u>280,100</u>	<u>184,054</u>
NET ASSETS AT END OF YEAR	<u>\$ 439,002</u>	<u>\$ 280,100</u>

INSTITUTE FOR TRANSPORTATION & DEVELOPMENT POLICY
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 158,902	\$ 96,046
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	22,642	45,579
Loss on investments	532	-
(Increase) decrease in operating assets:		
Accounts receivable	3,535	(22,222)
Grants receivable	(144,311)	(18,893)
Inventory	78,155	(118,371)
Deposits	(1,200)	(105)
Travel advance	(4,694)	458
Increase (decrease) in operating liabilities:		
Accounts payable	48,247	49,908
Salaries and payroll taxes payable	5,876	(4,143)
Note payable	-	(5,200)
	<u>167,684</u>	<u>23,057</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	-	-
Purchase of computers and equipment	(23,966)	(57,888)
	<u>143,718</u>	<u>(34,831)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	143,718	(34,831)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>121,120</u>	<u>155,951</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 264,838</u></u>	<u><u>\$ 121,120</u></u>

INSTITUTE FOR TRANSPORTATION & DEVELOPMENT POLICY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION

Institute for Transportation & Development Policy was organized as a nonprofit corporation in Washington, D.C. in 1985 and operates out of its offices in New York City, New York. The Institute is a research, dissemination, and project-implementing agency, which seeks to promote the use of non-motorized vehicles and the broader implementation of sustainable transportation policies worldwide. The Institute is supported primarily through grants, donor contributions, and contract revenue. Members include bicycle activists, transportation planners, economic development specialists, small business people, environmentalists, and other professionals, and are primarily, but not exclusively U.S. citizens.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – Financial statement presentation follows the recommendation of the FASB in its Statement of Financial Accounting Standards (SFAS) No. 117 – Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Institute is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Institute does not have any permanently restricted net assets.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – For the purposes of the Statement of Cash Flows, the Institute considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants Receivable – Amounts recorded as grants receivable represent amounts granted by year end, but not received by year end. Government grant revenue is recognized to the extent that expenditures have met the grant restrictions. No allowance has been made for uncollectible amounts, as management believes the receivable balance at year end is fully collectible.

Promises to Give – Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value, if they are expected to be collected in one year, and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Equipment and Depreciation – Equipment consists of computer equipment and office furniture and is recorded at cost. These assets are being depreciated over their estimated useful lives using the straight-line method of depreciation but amounts in connection with Federally funded programs are expensed when purchased. It is the Institute's practice to capitalize assets costing \$500 or more.

Income Tax Status – The Institute is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions.

INSTITUTE FOR TRANSPORTATION & DEVELOPMENT POLICY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit risk

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

Functional Expenses – Indirect functional expenses have been allocated between Program Services, Management, and Fund-raising based on personnel time spent for each activity. Direct expenses are respectively recorded by function.

NOTE 3 – FAIR VALUES OF FINANCIAL INSTRUMENTS

The Institute's financial instruments, none of which are held for trading purposes, include cash, cash equivalents and receivables. The Institute estimates that the fair value of all financial instruments at December 31, 2004 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. The carrying amounts of cash, cash equivalents, and receivables approximate fair values because of the short maturities of those instruments.

NOTE 4 – CONTRIBUTED SERVICES

The value of contributed services reflected in the accompanying financial statements was determined by taking the volunteer hours provided and multiplying by the normal rate of pay the professional would have received for their services.

NOTE 5 – ALLOCATION OF JOINT COSTS

There were no joint costs of information during 2004.

NOTE 6 – INVESTMENTS

The Institute acquired an equity stake (2,500 shares) in a private venture known as "Trichakra Cycles Private, Limited" of India for \$532. There is no ready market for the shares. The investment was carried at cost, but in 2004 Management determined that the stock had no value and it was written off.

INSTITUTE FOR TRANSPORTATION & DEVELOPMENT POLICY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – GRANTS

Grant revenue for the year ending December 31, 2004 consists of the following:

	Unrestricted*	Temporarily Restricted	Restricted Purpose
Alternative Gifts International	\$ 15,290	\$ 24,100	Africa Project
The Roy A. Hunt Foundation	5,000	-	
U.S. Agency for International Development	1,104,337	-	
United Nations Development Program	21,844	3,156	Africa Project
United Nations Environment Program	26,274	564	Africa Project
William & Flora Hewlett Foundation	216,124	273,876	Latin America and China Projects
Toyota Foundation	-	79,242	Asia Project
Rockefeller Brothers	18,769	3,231	Central Europe, China & Urban Husbandry
	<u>\$ 1,407,638</u>	<u>\$ 384,169</u>	
Total			

Grant revenue for the year ending December 31, 2003 consists of the following:

	Unrestricted*	Temporarily Restricted	Restricted Purpose
Alternative Gifts International	\$ 38,166	\$ -	
Cottonwood Foundation	1,000	-	
U.S. Agency for International Development	1,109,694	-	
Roy A. Hunt Foundation	5,000	-	
Fair Share Foundation	700	-	
Marcia Brady Tucker Foundation	15,000	-	
U.N. Environment Programme	20,000	-	
The International Foundation	5,000	-	
William & Flora Hewlett Foundation	142,025	57,975	Latin America and China Projects
Toyota Foundation	-	70,528	Asia Project
Rockefeller Brothers	-	25,000	China Project and Urban Husbandry
	<u>\$ 1,336,585</u>	<u>\$ 153,503</u>	
Total			

*If restrictions are met in the period in which the funds were received, the funds are shown as unrestricted.

INSTITUTE FOR TRANSPORTATION & DEVELOPMENT POLICY
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – RESTRICTED NET ASSETS

The Institute did not have any permanently restricted net assets as of December 31, 2004 and 2003. Temporarily restricted net assets are restricted for the following projects.

	<u>2004</u>	<u>2003</u>
Central Europe Project	\$ 3,231	\$ 1,436
Africa Project	27,536	-
Urban Husbandry	26,319	27,400
Asia Project	153,854	122,505
China Project	34,351	38,139
Latin America Project	<u>261,640</u>	<u>57,975</u>
Total	<u>\$ 506,931</u>	<u>\$ 247,455</u>

NOTE 9 – COMMITMENTS

Operating lease

Subsequent to the year end the Institute signed a new sublease effective August 1, 2005, for a period of five years for office space as a joint tenant with another not-for-profit organization. The total rent is at the rate of \$2,528 per month, with annual increases of about 3%, through July 2010. The Institute is responsible for its own share of utilities that are billed separate from rent. The Institute's share of minimum future lease payments are as follows:

2005	\$ 12,638
2006	30,710
2007	31,631
2008	32,580
2009	<u>33,558</u>
	<u>\$ 141,117</u>

Rent expense for office space for the year ending December 31, 2004, including rent outside of the United States of \$15,064, was \$38,476.

Federal matching requirement

The Institute has a grant from the U.S. Agency for International Development (USAID) with anticipated total expenditures of \$2,588,099. Half of the funds for this grant will come from USAID with the Institute providing the remaining portion. At December 31, 2004 and 2003 respectively USAID had provided grant to date assistance of \$607,443 and \$298,924 and The Institute had provided \$430,691 and \$141,160 grant to date matching funds.

INSTITUTE FOR TRANSPORTATION & DEVELOPMENT POLICY
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004

CFDA No.	U.S. Agency for International Development <u>HFP-A-00-02-00029-00</u>	U.S. Agency for International Development <u>GEW-A-00-02-00015-00</u>	(Memo) Total
	98.001	98.001	
Government grant revenue	\$ 295,274	\$ 809,063	\$ 1,104,337
Expenses:			
Salaries	\$ 66,918	\$ 120,623	\$ 187,541
Payroll Taxes	5,271	9,618	14,889
Employee Benefits	6,374	22,346	28,720
Bank charges	923	2,480	3,403
Bikes and parts	801	552	1,353
Conferences and meetings	-	4,973	4,973
Consulting	18,837	138,709	157,546
Depreciation	14,650	5,358	20,008
Miscellaneous	-	1,750	1,750
Office supplies and expense	647	7,185	7,832
Per diem	4,679	9,718	14,397
Postage and delivery	58	1,639	1,697
Printing	124	613	737
Professional fees	3,145	31,764	34,909
Rent	4,606	12,976	17,582
Subcontractors and field staff	115,424	310,650	426,074
Subscription and dues	40	1,698	1,738
Telephone and internet	1,695	10,143	11,838
Travel	39,507	84,553	124,060
Overhead	11,575	31,715	43,290
Total expenses	<u>\$ 295,274</u>	<u>\$ 809,063</u>	<u>\$ 1,104,337</u>
Grant receivable, beginning of the year	66,368	31,525	97,893
Government support received	<u>347,026</u>	<u>613,000</u>	<u>\$ 960,026</u>
	<u>(280,658)</u>	<u>(581,475)</u>	<u>(862,133)</u>
Grants receivable, end of the year	<u>\$ 14,616</u>	<u>\$ 227,588</u>	<u>\$ 242,204</u>

SUPPLEMENTARY INFORMATION

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2004

U. S. AGENCY FOR INTERNATIONAL DEVELOPMENT

FINDING: Access Africa - Connecting People to Life, CFDA HFP-A-00-02-00029-00

Condition: Disbursements for inventory were reported as recipient share outlays on the Form 269A on the December 31, 2003 report.

Recommendation: That the Institute include only qualified expenditures that qualify as matching funds as recipient share outlays.

Current Status: The recommendation was adopted in May of 2004 retroactive to January 1, 2004. No similar findings were noted in the 2004 audit.

There were no other prior audit findings.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Institute for Transportation and Development Policy

We have audited the financial statements of the Institute for Transportation and Development Policy (a nonprofit organization) as of and for the year ended December 31, 2004, and have issued our report hereon dated May 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Institute for Transportation and Development Policy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance which are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Institute for Transportation and Development Policy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operations of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handel & Associates, P.C.

Olney, Maryland
May 5, 2005

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
MAJOR PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)

Board of Directors
Institute for Transportation and Development Policy

Compliance

We have audited the compliance of the Institute for Transportation and Development Policy (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to its major federal program for the year ended December 31, 2004. The Institute for Transportation and Development Policy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs is the responsibility of the Institute for Transportation and Development Policy's management. Our responsibility is to express an opinion on the Institute for Transportation and Development Policy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute for Transportation and Development Policy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Institute for Transportation and Development Policy's compliance with those requirements.

As described in item 4. in the accompanying schedule of findings and questioned costs, the Institute for Transportation and Development Policy did not fully comply with requirements regarding financial reports that are applicable to its "Access Africa - Connecting People to Life" program. Compliance with such requirements is necessary, in our opinion, for Institute for Transportation and Development Policy to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Institute for Transportation and Development Policy complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the Institute for Transportation and Development Policy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Institute for Transportation and Development Policy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
MAJOR PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)

determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Institute for Transportation and Development Policy's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weaknesses.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handel & Associates, P.C.

Olney, Maryland
May 5, 2005

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR YEAR ENDED DECEMBER 31, 2004

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Institute for Transportation and Development Policy.
2. No reportable conditions in internal control structure were disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Institute for Transportation and Development Policy were disclosed during the audit.
4. Two reportable conditions in internal controls over the major program were disclosed by the audit of the major federal program.
 - a. One financial status report required by the program was not submitted.
 - b. One financial status report required by the program was submitted with incorrect data due to lack of proper review.
5. The auditors' report expresses an "except for" opinion on compliance for the major award programs of the Institute for Transportation and Development Policy.
6. There were audit findings relative to the major federal program for the Institute for Transportation and Development Policy as reported in the federal awards findings listed below.
7. The program identified and tested as a major federal program is:

Agency	Title	Grants of CFDA #
U.S. Agency for International Development	"Access Africa - Connecting People to Life"	HFP-A-00-02-00029-00
U.S. Agency for International Development	"Prioritizing Low and Zero-Emmission Transport for Africa" and "Indonesia and India Liveable Communities Initiative"	GEW-A-00-02-00015-00

8. The threshold used to distinguish between Type A and Type B programs was \$500,000.
9. The Institute was determined to be a high-risk auditee, as they had an audit finding relative to a major federal program on their previous years audit.

FINANCIAL STATEMENT FINDINGS

There were no findings disclosed by the audit of the financial statements.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

- 1. Condition:** A required financial status report was not filed.

Criteria: Financial status reports must be filed within thirty days of the end of the quarter.

Effect: The lack of a report is an instance of noncompliance.

Recommendation: That the Institute assign the responsibility of oversight for the timely filing of financial status reports to someone other than the person responsible for preparing the report.

- 2. Condition:** A financial status report was submitted with incorrect data.

Criteria: Financial status reports should reflect actual results.

Effect: The incorrect report understated total outlays and recipient outlays and overstated the Federal share and unobligated balance of Federal funds.

Recommendation: That the Institute assign the responsibility for review for accuracy of financial status reports to someone other than the person responsible for preparing the report.

CORRECTIVE ACTION PLAN

May 5, 2005

U. S. Agency for International Development

Institute for Transportation & Development Policy, Inc. respectfully submits the following corrective action plan for the year ending December 31, 2004.

Name and address of independent public accounting firm: Handel & Associates, P.C.
2911-E Olney Sandy Spring Road
Olney, MD 20832

The findings from the December 31, 2004 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS-FINANCIAL STATEMENT AUDIT

None.

FINDINGS-FEDERAL AWARD PROGRAM AUDITS

Access Africa - Connecting People to Life, CFDA HFP-A-00-02-00029-00

Reportable conditions: See Findings 1 and 2.

1. Recommendation: That the Institute assign the responsibility of oversight for the timely filing of financial status reports to someone other than the person responsible for preparing the report.
Action taken: The Institute has assigned the monitoring of financial status reports to someone independent of preparing the reports.
2. Recommendation: That the Institute assign the responsibility for review for accuracy of financial status reports to someone other than the person responsible for preparing the report.
Action taken: The Institute has assigned responsibility for the review of financial status reports to a qualified reviewer independent of the preparation of such reports.

If the U. S. Agency for International Development has questions regarding this plan, please call Melinda Eisenmann, Director of Finance and Administration.

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY
SCHEDULE OF FUNCTIONAL EXPENSES
FOR YEAR ENDED DECEMBER 31, 2004

	<u>Program Services</u>	<u>Management</u>	<u>Fund-raising</u>	<u>Total</u>
Salaries	\$ 257,860	\$ 12,955	\$ 15,528	\$ 286,343
Payroll taxes	19,997	1,325	1,153	22,475
Employee benefits	<u>38,951</u>	<u>788</u>	<u>483</u>	<u>40,222</u>
 Total salaries and related expenses	 316,808	 15,068	 17,164	 349,040
 Advertising	 352	 -	 -	 352
Bank charges	4,711	161	72	4,944
Bikes and parts	12,767	-	-	12,767
Conferences and meetings	29,768	3,893	-	33,661
Consulting	331,963	235	-	332,198
Depreciation	22,642	-	-	22,642
Miscellaneous	6,855	1,047	372	8,274
Office supplies and expense	12,186	176	61	12,423
Per diem	28,119	1,975	125	30,219
Postage and delivery	3,540	388	2,762	6,690
Printing	11,572	871	10,402	22,845
Professional fees	49,569	1,476	2,013	53,058
Rent	37,272	760	444	38,476
Subcontractors and field staff	500,440	3,600	3,000	507,040
Subscription and dues	5,206	72	2,085	7,363
Telephone and internet	31,656	1,114	126	32,896
Travel	<u>260,464</u>	<u>29,399</u>	<u>1,578</u>	<u>291,441</u>
 TOTAL EXPENSES	 <u>\$ 1,665,890</u>	 <u>\$ 60,235</u>	 <u>\$ 40,204</u>	 <u>\$ 1,766,329</u>

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY
SCHEDULE OF FUNCTIONAL EXPENSES
FOR YEAR ENDED DECEMBER 31, 2003

	<u>Program Services</u>	<u>Management</u>	<u>Fund-raising</u>	<u>Total</u>
Salaries	\$ 257,860	\$ 12,955	\$ 15,528	\$ 286,343
Payroll taxes	19,997	1,325	1,153	22,475
Employee benefits	<u>38,951</u>	<u>788</u>	<u>483</u>	<u>40,222</u>
Total salaries and related expenses	316,808	15,068	17,164	349,040
Advertising	352	-	-	352
Bank charges	4,711	161	72	4,944
Bikes and parts	12,767	-	-	12,767
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TOTAL EXPENSES	<u>\$ 1,665,890</u>	<u>\$ 60,235</u>	<u>\$ 40,204</u>	<u>\$ 1,766,329</u>
	Check figure	1,766,329		

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY
SCHEDULE OF CALCULATION OF INDIRECT COST RATES
FOR YEAR ENDED DECEMBER 31, 2004

FRINGE EXPENSES

Holiday pay	\$ 11,391
Sick pay	4,578
Vacation pay	15,512
Social security & Medicare	21,535
Unemployment tax	940
Workers compensation	2,345
Health insurance	21,627
Pension plan contributions	16,250
TOTAL FRINGE EXPENSES	\$ 94,178

Employee wages \$ 254,862

Fringe rate 36.95%

OVERHEAD EXPENSES

Salaries & related expenses	\$ 15,068
Professional fees	5,311
Supplies and licenses	176
Communications	1,114
Postage & delivery	388
Occupancy expenses	760
Printing & publications	871
Travel	34,410
Conferences & meetings	3,893
Subscriptions, publications & dues	72
Other expenses	1,623
TOTAL OVERHEAD EXPENSES	\$ 63,686

Total expenses	\$ 1,766,329
Less: Cost of bikes sold in Africa	(75,745)
Less: In-kind expenses	(4,071)
Less: Overhead expenses	<u>(63,686)</u>
	\$ 1,622,827
Overhead Rate	3.92%