

**INSTITUTE FOR TRANSPORTATION
& DEVELOPMENT POLICY**

New York, New York

FINANCIAL STATEMENTS

Years Ended December 31, 2007 and 2006

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May 18, 2008

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Institute for Transportation & Development Policy

We have audited the accompanying statements of financial position of the Institute for Transportation & Development Policy (ITDP) (a not-for-profit corporation) as of December 31, 2007 and 2006, and the related statements of activities, changes in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of ITDP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting 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 our audits provide a reasonable basis for our opinion.

In our opinion, the statements of financial position referred to above presents fairly, in all material respects, the financial position of ITDP, as of December 31, 2007 and 2006, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Handel & Associates, P.C.

INSTITUTE FOR TRANSPORTATION & DEVELOPMENT POLICY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 571,850	\$ 80,118
Accounts receivable	137,387	50,597
Grants receivable	21,845	168,201
Inventory	74,331	92,757
Prepaid expense	1,200	2,660
Equipment	39,711	42,047
Deposits	5,735	3,960
TOTAL ASSETS	\$ 852,059	\$ 440,340
LIABILITIES		
Accounts payable	\$ 177,028	\$ 227,403
Accrued salaries, pension and vacation	7,636	30,984
Payroll taxes payable	6,030	5,307
TOTAL LIABILITIES	190,694	263,694
NET ASSETS		
Unrestricted net assets	94,315	(3,539)
Temporarily restricted net assets	567,050	180,185
TOTAL NET ASSETS	661,365	176,646
TOTAL LIABILITIES AND NET ASSETS	\$ 852,059	\$ 440,340

INSTITUTE FOR TRANSPORTATION & DEVELOPMENT POLICY
STATEMENTS OF ACTIVITIES
FOR YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUE AND SUPPORT		
Contributions	\$ 86,033	\$ 92,825
Grants	2,055,659	1,453,407
Bike sales, net of expense	25,817	51,078
Contract revenue	69,087	25,800
In-kind contributions	108,196	2,000
Interest income	10,321	4,922
Loss on disposal of assets	(428)	(612)
	2,354,685	1,629,420
TOTAL UNRESTRICTED REVENUE AND SUPPORT		
NET ASSETS RELEASED FROM RESTRICTIONS	180,185	472,840
TOTAL UNRESTRICTED REVENUE, SUPPORT, AND NET ASSETS RELEASED FROM RESTRICTIONS	2,534,870	2,102,260
EXPENSES		
Program services	2,264,689	1,911,290
Management	86,847	84,398
Fundraising	85,480	79,370
	2,437,016	2,075,058
TOTAL EXPENSES		
INCREASE IN UNRESTRICTED NET ASSETS	97,854	27,202
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Grants	567,050	180,185
Net assets released from restrictions	(180,185)	(472,840)
	386,865	(292,655)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS		
INCREASE (DECREASE) IN NET ASSETS	484,719	(265,453)
NET ASSETS AT BEGINNING OF YEAR	176,646	442,099
NET ASSETS AT END OF YEAR	\$ 661,365	\$ 176,646

INSTITUTE FOR TRANSPORTATION & DEVELOPMENT POLICY
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 484,719	\$ (265,453)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	14,324	9,794
Loss on disposal of assets	428	612
Decrease (increase) in operating assets:		
Accounts receivable	(86,790)	(16,203)
Grants receivable	146,356	46,645
Inventory	18,426	8,762
Deposits	(1,775)	1,200
Prepaid expense	1,460	(1,460)
Increase (decrease) in operating liabilities:		
Accounts payable	(50,375)	138,961
Accrued salaries, pension, and vacation	(23,348)	12,061
Payroll taxes payable	723	(36)
	504,148	(65,117)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(12,416)	(9,165)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	491,732	(74,282)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	80,118	154,400
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 571,850	\$ 80,118

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.

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.

Inventories – Inventories consist of bikes and supplies held for sale in Africa and are carried at cost determined by the first-in, first-out method.

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.

INSTITUTE FOR TRANSPORTATION & DEVELOPMENT POLICY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Property and Equipment, Depreciation – Property and equipment are stated at cost or estimated fair value at the time of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Assets costing over \$100 are capitalized.

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, 2007 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 – ALLOCATION OF JOINT COSTS

There were no joint costs of information during 2007.

NOTE 5 – LINE OF CREDIT

The Institute renewed its line of credit from Chase Bank in the amount of \$100,000. The line of credit is available until October 25, 2008. The interest is variable at prime plus 1%. At December 31, 2007 the prime rate was 7.25%. The Institute has not made any draws on the line of credit.

INSTITUTE FOR TRANSPORTATION & DEVELOPMENT POLICY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – RESTRICTED NET ASSETS

The Institute did not have any permanently restricted net assets as of December 31, 2007 and 2006. Temporarily restricted net assets are restricted for the following projects:

	<u>2007</u>	<u>2006</u>
Africa Project	\$ 12,062	\$ 11,546
Asia Project	524,238	-
China Project	-	48,736
Latin America Project	<u>30,750</u>	<u>119,903</u>
 Total	 <u><u>\$ 567,050</u></u>	 <u><u>\$ 180,185</u></u>

NOTE 7 – GRANTS

Grant revenue for the year ending December 31, 2007 consists of the following:

	<u>Unrestricted*</u>	<u>Temporarily Restricted</u>	<u>Restricted Purpose</u>
Alternative Gifts International	\$ 20,086	\$ -	
Blue Moon Foundation	95,477	38,786	Asia Projects
Roy A. Hunt Foundation	5,000	-	
The World Bank	5,475	-	
U.S. Agency for International Development	199,319	-	
Clean Air Initiative for Asian Cities	82,804	42,196	Asia Projects
William J. Clinton Foundation	457,057	5,020	Latin America Projects
United Nations Environment Program	790,441	481,048	Africa, Asia & Latin America Projects
William & Flora Hewlett Foundation	<u>400,000</u>	<u>-</u>	
 Total	 <u><u>\$ 2,055,659</u></u>	 <u><u>\$ 567,050</u></u>	

*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 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2007</u>	<u>2006</u>
Furniture and fixtures	\$ 4,195	\$ 4,195
Computer equipment	123,341	117,560
	<u>127,536</u>	<u>121,755</u>
Accumulated depreciation	87,825	79,708
	<u>\$ 39,711</u>	<u>\$ 42,047</u>

NOTE 9 – COMMITMENTS

Operating lease

The Institute signed a new sublease effective August 1, 2005, for a period of five years for office space 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 is as follows:

2008	\$ 32,580
2009	33,558
2010	<u>19,914</u>
	<u>\$ 86,052</u>

Rent expense for office space for the year ending December 31, 2007, including rent for facilities outside of the United States, was \$75,008.

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. As of December 31, 2007 and 2006, respectively, USAID had provided \$1,289,469 and \$1,090,150 of the funds and The Institute had provided \$1,498,105 and \$948,131 of the funds. The agreement officer has the authority to reduce the amount of the USAID incremental funding in the funding period or to reduce the amount of the agreement by the difference between the expended amount and what the recipient agreed to provide. If the award has expired or terminated, the Agreement Officer may request the grantee to refund the difference to USAID.

INSTITUTE FOR TRANSPORTATION & DEVELOPMENT POLICY
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	U.S. Agency for International Development <u>HFP-A-00-02-00029-00</u>
CFDA No.	98.001
Government grant revenue	<u>\$ 199,319</u>
Expenses:	
Salaries	\$ 42,602
Payroll Taxes	3,875
Employee Benefits	9,101
Bank charges	1,070
Bikes and parts	952
Conferences and meetings	147
Consulting	11,371
Equipment rental	131
Insurance	108
Miscellaneous	525
Office supplies and expense	763
Per diem	3,036
Postage and delivery	219
Printing	254
Professional fees	3,836
Rent	3,810
Subcontractors and field staff	83,218
Subscription and dues	568
Telephone and internet	5,043
Training	112
Travel	20,201
Overhead	8,377
	<u>\$ 199,319</u>
Grant (payable), beginning of the year	(1,650)
Government support received	185,000
	<u>(186,650)</u>
Grants receivable, end of the year	<u>\$ 12,669</u>

SUPPLEMENTARY INFORMATION

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY
SCHEDULE OF FUNCTIONAL EXPENSES
FOR YEAR ENDED DECEMBER 31, 2007

	Program Services	Management	Fundraising	Total
Salaries	\$ 375,058	\$ 50,475	\$ 29,223	\$ 454,756
Payroll taxes	28,524	4,997	3,384	36,905
Employee benefits	14,590	4,539	23,251	42,380
Total salaries and related expenses	418,172	60,011	55,858	534,041
Advertising	1,069	-	-	1,069
Bank charges	5,642	2,098	3,539	11,279
Bikes and parts	30,237	691	-	30,928
Conferences and meetings	46,214	2,544	742	49,500
Consulting	379,479	-	-	379,479
Depreciation	12,754	1,427	143	14,324
Equipment Rental	1,819	134	21	1,974
Insurance	7,611	2,240	27	9,878
Legal	4,283	1,138	(75)	5,346
Miscellaneous	1,544	673	64	2,281
Office supplies and expense	15,949	327	75	16,351
Per diem	44,082	688	700	45,470
Postage and delivery	3,828	78	1,309	5,215
Printing	13,955	750	9,607	24,312
Professional fees	157,859	430	2,808	161,097
Rent	64,758	2,032	1,036	67,826
Subcontractors and field staff	662,483	747	4,750	667,980
Subscription and dues	27,901	374	1,874	30,149
Telephone and internet	24,099	719	282	25,100
Training	134,304	-	-	134,304
Travel	206,647	9,746	2,720	219,113
	<u>\$ 2,264,689</u>	<u>\$ 86,847</u>	<u>\$ 85,480</u>	<u>\$ 2,437,016</u>

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY
SCHEDULE OF FUNCTIONAL EXPENSES
FOR YEAR ENDED DECEMBER 31, 2006

	Program Services	Management	Fundraising	Total
Salaries	\$ 343,121	\$ 44,408	\$ 25,307	\$ 412,836
Payroll taxes	26,821	2,976	2,032	31,829
Employee benefits	47,350	1,695	1,135	50,180
Total salaries and related expenses	417,292	49,079	28,474	494,845
Advertising	4,468	-	-	4,468
Bank charges	8,162	115	61	8,338
Bikes and parts	58,847	-	-	58,847
Conferences and meetings	38,558	1,364	4,388	44,310
Consulting	416,453	855	-	417,308
Depreciation	9,133	429	232	9,794
Equipment Rental	2,053	644	17	2,714
Insurance	3,626	28	-	3,654
Legal	120	-	272	392
Merchandising	12,373	-	-	12,373
Miscellaneous	6,141	573	314	7,028
Office supplies and expense	16,936	182	6,649	23,767
Per diem	30,439	1,150	425	32,014
Postage and delivery	5,704	88	1,010	6,802
Printing	14,889	625	1,946	17,460
Professional fees	35,921	1,407	24,316	61,644
Rent	41,088	1,435	766	43,289
Subcontractors and field staff	378,529	1,595	-	380,124
Subscription and dues	7,999	70	947	9,016
Telephone and internet	30,387	1,258	567	32,212
Training	49,493	-	-	49,493
Travel	322,679	23,501	8,986	355,166
TOTAL EXPENSES	<u>\$ 1,911,290</u>	<u>\$ 84,398</u>	<u>\$ 79,370</u>	<u>\$ 2,075,058</u>

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY
SCHEDULE OF CALCULATION OF INDIRECT COST RATES
FOR YEAR ENDED DECEMBER 31, 2007

FRINGE EXPENSES

Holiday pay	\$	20,653
Paternity Leave		1,973
Sick pay		10,890
Vacation pay		26,488
Social security & Medicare		36,027
Unemployment tax		878
Workers compensation		2,236
Health insurance		21,092
Pension plan contributions		19,053
		19,053
TOTAL FRINGE EXPENSES	\$	139,290

Employee wages	\$	394,751
	Fringe rate	35.29%

OVERHEAD EXPENSES

Salaries & related expenses	\$	60,011
Consulting		-
Subcontractors and field staff		747
Professional fees		430
Supplies and licenses		327
Communications		719
Depreciation		1,427
Postage & delivery		78
Occupancy expenses		2,032
Equipment rental		134
Printing & publications		750
Per diem		688
Travel		9,746
Conferences & meetings		2,544
Subscriptions, publications & dues		374
Other expenses		6,840
		6,840
TOTAL OVERHEAD EXPENSES	\$	86,847

Total expenses	\$	2,437,016
Less: In-kind services		(108,196)
Less: Overhead expenses		(86,847)
		2,241,973
	Overhead Rate	3.87%