

**INSTITUTE FOR TRANSPORTATION AND
DEVELOPMENT POLICY**

FINANCIAL STATEMENTS

DECEMBER 31, 2008

**TCBA WATSON RICE LLP
CERTIFIED PUBLIC ACCOUNTANTS**

**INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY
DECEMBER 31, 2008 AND 2007**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Institute for Transportation and Development Policy

We have audited the accompanying statement of financial position of the Institute for Transportation and Development Policy as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Institute for Transportation and Development Policy's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Institute for Transportation and Development Policy for the year ended December 31, 2007 were audited by other auditors whose report, dated May 18, 2008, expressed an unqualified opinion on those statements.

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 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 and Development Policy as of December 31, 2008, 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.

TCBA Watson Rice LLP

New York, New York
May 15, 2009

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and cash equivalents (Notes 2 and 3)	\$ 980,237	\$ 571,850
Accounts receivable	60,407	137,387
Grants receivable (Note 2)	311,227	21,845
Inventory (Note 2)	11,527	74,331
Prepaid expense	-	1,200
Property and equipment (Notes 2 and 7)	37,614	39,711
Deposits	<u>6,042</u>	<u>5,735</u>
Total Assets	<u>\$ 1,407,054</u>	<u>\$ 852,059</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 168,388	\$ 177,028
Accrued salaries, pension and vacation	14,067	7,636
Payroll taxes payable	6,879	6,030
Refundable advances (Note 2)	<u>300,000</u>	<u>-</u>
Total Liabilities	<u>489,334</u>	<u>190,694</u>
Net Assets		
Unrestricted net assets	201,881	94,315
Temporarily restricted net assets (Note 5)	<u>715,839</u>	<u>567,050</u>
Total Net Assets	<u>917,720</u>	<u>661,365</u>
Total Liabilities and Net Assets	<u>\$ 1,407,054</u>	<u>\$ 852,059</u>

See notes to financial statements.

**INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Unrestricted Net Assets		
Revenue and Support		
Contributions	\$ 98,282	\$ 86,033
Grants (Note 6)	1,874,370	2,055,659
Bike sales, net of expense	18,278	25,817
Contract revenue	99,578	69,087
In-kind contributions	-	108,196
Interest income	8,699	10,321
Loss on disposal of assets	-	(428)
Total Unrestricted Revenue and Support	<u>2,099,207</u>	<u>2,354,685</u>
Net Assets Released from Restrictions	<u>567,050</u>	<u>180,185</u>
Total Unrestricted Revenue, Support and Net Assets Released from Restrictions	<u>2,666,257</u>	<u>2,534,870</u>
Expenses		
Program services	2,442,090	2,264,689
Management	66,739	86,847
Fundraising	49,862	85,480
Total Expenses	<u>2,558,691</u>	<u>2,437,016</u>
Increase in Unrestricted Net Assets	<u>107,566</u>	<u>97,854</u>
Temporarily Restricted Net Assets		
Grants (Note 6)	715,839	567,050
Net Assets Released from Restrictions	<u>(567,050)</u>	<u>(180,185)</u>
Increase in Temporarily Restricted Net Assets	<u>148,789</u>	<u>386,865</u>
Increase in Net Assets	256,355	484,719
Net Assets, Beginning of Year	<u>661,365</u>	<u>176,646</u>
Net Assets, End of Year	<u>\$ 917,720</u>	<u>\$ 661,365</u>

See notes to financial statements.

**INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008**

<u>Expense Classification</u>	<u>Program Services</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 401,771	\$ 41,327	\$ 21,739	\$ 464,837
Payroll taxes	32,537	3,272	1,777	37,586
Employee benefits	44,031	10,133	4,498	58,662
Total salaries and related expenses	478,339	54,732	28,014	561,085
Bank charges	5,608	112	3,317	9,037
Bikes and parts	13,359	-	-	13,359
Conferences and meetings	66,510	121	6,573	73,204
Consulting	537,659	-	-	537,659
Depreciation	13,321	529	31	13,881
Equipment rental	773	21	19	813
Field Staff	385,189	-	-	385,189
Insurance	6,133	2,188	24	8,345
Legal	45,062	75	-	45,137
Miscellaneous	22,192	651	1,925	24,768
Office supplies and expense	11,196	172	186	11,554
Postage and delivery	6,121	499	1,093	7,713
Printing	60,104	169	1,710	61,983
Professional fees	60,937	382	3,849	65,168
Rent	50,740	993	925	52,658
Subcontractors	131,708	-	-	131,708
Subscription and dues	1,941	214	-	2,155
Telephone and internet	23,235	608	156	23,999
Training	41,637	-	-	41,637
Travel	480,326	5,273	2,040	487,639
Total Expenses	\$ 2,442,090	\$ 66,739	\$ 49,862	\$ 2,558,691

See notes to financial statements.

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

<u>Expense Classification</u>	<u>Program Services</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
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
Field Staff	389,922	747	-	390,669
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
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	272,561	-	4,750	277,311
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	250,729	10,434	3,420	264,583
Total Expenses	\$ 2,264,689	\$ 86,847	\$ 85,480	\$ 2,437,016

See notes to financial statements.

**INSTITUTE OF TRANSPORTATION AND DEVELOPMENT POLICY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<u>Cash Flows From Operating Activities</u>		
Increase in net assets	\$ 256,355	\$ 484,719
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	13,883	14,324
Loss on disposal of assets	-	428
Decrease (increase) in operating assets:		
Accounts receivable	76,980	(86,790)
Grants receivable	(289,382)	146,356
Inventory	62,804	18,426
Deposits	(307)	(1,775)
Prepaid expense	1,200	1,460
Increase (decrease) in operating liabilities:		
Accounts payable	(8,640)	(50,375)
Accrued salaries, pension, and vacation	6,431	(23,348)
Payroll taxes payable	849	723
Refundable advances	300,000	-
Net cash provided by operating activities	<u>420,173</u>	<u>504,148</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of property and equipment	<u>(11,786)</u>	<u>(12,416)</u>
Net Increase in Cash and Cash Equivalents	408,387	491,732
Cash and Cash Equivalents, Beginning of Year	<u>571,850</u>	<u>80,118</u>
Cash and Cash Equivalents, End of Year	<u>\$ 980,237</u>	<u>\$ 571,850</u>

See notes to financial statements.

**INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. NATURE OF ORGANIZATION

Institute for Transportation and Development Policy (the "Institute") 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Financial statement presentation follows the recommendation of the Financial Accounting Standards Board 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 its 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 in the United States of America 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.

**INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Refundable Advances

The Institute records grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recognized as revenue.

Property and Equipment and Depreciation

Property and equipment consist of computer equipment and office furniture and are 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.

Inventory

Inventory consists 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 AND DEVELOPMENT POLICY
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Expenses

Indirect functional expenses have been allocated between Program Services, Management, and Fundraising based on personnel time spent for each activity. Direct expenses are respectively recorded by function.

Donated Property and Equipment and Depreciation

Donated property and equipment are stated at 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 \$500 are capitalized.

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 values of all financial instruments at December 31, 2008 and 2007 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position.

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

4. LINE OF CREDIT

The Institute's line of credit from Chase Bank in the amount of \$100,000 was available until October 25, 2008. The interest is variable at prime plus 1%. At December 31, 2008 and 2007, the prime rates were 3.25% and 7.25%, respectively. The Institute has not made any draws on the line of credit.

On February 26, 2009, the Institute obtained a new line of credit from Chase Bank in the amount of \$300,000 available until February 26, 2010.

**INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT
NOTES TO FINANCIAL STATEMENT – CONTINUED**

5. RESTRICTED NET ASSETS

The Institute did not have any permanently restricted net assets as of December 31, 2008 and 2007. Temporarily restricted net assets are restricted for the following projects:

	<u>2008</u>	<u>2007</u>
Africa projects	\$ 89,445	\$ 12,062
Asia projects	380,426	524,238
Global projects	245,968	-
Latin America projects	-	30,750
Total	<u>\$ 715,839</u>	<u>\$ 567,050</u>

6. GRANTS

Grant revenues for the year ended December 31, 2008 consist of the following:

	<u>Unrestricted*</u>	<u>Temporarily Restricted</u>	<u>Restricted Purpose</u>
Aid for Africa	\$ 4,368	\$ -	
Alternative Gifts International	339	88,260	Africa Projects
Blue Moon Foundation	83,737	66,263	Asia Projects
Cape Town		1,185	Africa Projects
Climate Works Foundation	312,688	117,312	Global Projects
Energy Foundation	22,226	-	
Open Planning Project	25,000	-	
Roy A. Hunt Foundation	5,000	-	
CAI-Asia	117,513	-	
U.S. Agency for International Development	9,007	-	
United Nations Environment Program	205,610	314,163	Asia Projects
William J. Clinton Foundation	317,538	-	
William & Flora Hewlett Foundation	771,344	128,656	Global Projects
Total	<u>\$ 1,874,370</u>	<u>\$ 715,839</u>	

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

**INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT
NOTES TO FINANCIAL STATEMENT – CONTINUED**

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2008</u>	<u>2007</u>
Furniture and fixtures	\$ 4,195	\$ 4,195
Computer equipment	<u>136,407</u>	<u>123,341</u>
	140,602	127,536
Less: Accumulated depreciation	<u>102,988</u>	<u>87,825</u>
	<u>\$ 37,614</u>	<u>\$ 39,711</u>

8. 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:

2009	\$ 33,558
2010	<u>19,914</u>
	<u>\$ 53,472</u>

Rent and utilities expenses for office space for the years ended December 31, 2008 and 2007, including rent and utilities expenses for facilities outside the United States, were \$52,658 and \$75,008 respectively.

**INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT
NOTES TO FINANCIAL STATEMENT – CONTINUED**

8. COMMITMENTS – CONTINUED

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, 2008 and 2007, respectively, USAID had provided \$1,298,477 and \$1,289,469 of the funds and the Institute had provided \$1,509,531 and \$1,498,105 of the funds. The Agreement Officer has the authority 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.

As of December 31, 2008, the Institute’s matching requirements have been fulfilled.