



Free Wheelchair Mission®
TRANSFORMING LIVES THROUGH THE GIFT OF MOBILITY

Financial Statements
With Independent Auditors' Report

June 30, 2014

FREE WHEELCHAIR MISSION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Free Wheelchair Mission
Irvine, California

We have audited the accompanying financial statements of Free Wheelchair Mission (Free Wheelchair), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Free Wheelchair's preparation and fair presentation of the 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 Free Wheelchair'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Free Wheelchair Mission
Irvine, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Free Wheelchair Mission as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Brea, California
October 9, 2014

FREE WHEELCHAIR MISSION

Statement of Financial Position

June 30, 2014

ASSETS:

Current assets:

Cash and cash equivalents	\$ 765,673
Accounts receivable	25,420
Prepaid expenses	66,629
Promises-to-give receivable, current portion	148,033
Deposits on wheelchairs in production	86,205
	<u>1,091,960</u>

Promises-to-give receivable, net of current portion	332,292
Retirement investments	91,722
Security deposit	6,295
Property and equipment, net of depreciation	121,900
Wheelchair production costs, net of amortization	14,873
	<u>566,082</u>

Total Assets \$ 1,659,042

LIABILITIES AND NET ASSETS:

Current liabilities:

Accounts payable	\$ 288,514
Accrued expenses	35,114
	<u>323,628</u>

Deferred retirement liability	91,722
Total liabilities	<u>415,350</u>

Net assets:

Unrestricted	481,113
Temporarily restricted	762,579
Total net assets	<u>1,243,692</u>

Total Liabilities and Net Assets \$ 1,659,042

See notes to financial statements

FREE WHEELCHAIR MISSION

Statement of Activities

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:			
Contributions	\$ 5,675,921	\$ 1,384,304	\$ 7,060,225
Gift-in-kind medical supplies	1,022,017	-	1,022,017
Gift-in-kind other	85,127	-	85,127
Banquet ticket sales	131,064	-	131,064
Net assets released from restrictions:			
Operating projects	959,371	(959,371)	-
Total Support, Revenue, and Reclassifications	<u>7,873,500</u>	<u>424,933</u>	<u>8,298,433</u>
EXPENSES:			
Program expenses	<u>6,367,394</u>	<u>-</u>	<u>6,367,394</u>
Supporting activities:			
General and administrative	465,650	-	465,650
Fundraising	1,150,528	-	1,150,528
	<u>1,616,178</u>	<u>-</u>	<u>1,616,178</u>
Total Expenses	<u>7,983,572</u>	<u>-</u>	<u>7,983,572</u>
Change in Net Assets	(110,072)	424,933	314,861
Net Assets, Beginning of Year	<u>591,185</u>	<u>337,646</u>	<u>928,831</u>
Net Assets, End of Year	<u>\$ 481,113</u>	<u>\$ 762,579</u>	<u>\$ 1,243,692</u>

See notes to financial statements

FREE WHEELCHAIR MISSION

Statement of Cash Flows

Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 314,861
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	37,266
Non-cash gift of property and equipment	(14,033)
Gain on sale of property and equipment	(2,238)
Net change in:	
Accounts receivable	(9,673)
Prepaid expenses	67,233
Deposits on wheelchairs in production	137,009
Promises-to-give receivable	(843,825)
Accounts payable	178,246
Accrued expenses	4,113
Deferred retirement liability	25,799
Net Cash Used in Operating Activities	<u>(105,242)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	(25,799)
Wheelchair production costs	(12,247)
Purchases of property and equipment	(84,302)
Proceeds on sale of property and equipment	2,500
Net Cash Used in Investing Activities	<u>(119,848)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Collections of promises-to-give	363,500
Net Cash Provided by Financing Activities	<u>363,500</u>
Change in Cash and Cash Equivalents	138,410
Cash and Cash Equivalents, Beginning of Year	<u>627,263</u>
Cash and Cash Equivalents, End of Year	<u>\$ 765,673</u>

See notes to financial statements

FREE WHEELCHAIR MISSION

Notes to Financial Statements

June 30, 2014

1. NATURE OF ORGANIZATION:

Free Wheelchair Mission (Free Wheelchair) is a nonprofit corporation incorporated in the State of California. The purpose of Free Wheelchair is to provide the transforming gift of mobility to the physically disabled poor in developing countries.

As a not-for-profit organization, Free Wheelchair is exempt from federal income taxes under Internal Revenue Code (the Code) Section 501(c)(3). As such, it is also exempt from state income taxes, and contributions by the public are deductible for income tax purposes. Free Wheelchair has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

Revenue is primarily made up of contributions from individual donors and other organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Free Wheelchair have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies adopted by Free Wheelchair are described below.

CASH AND CASH EQUIVALENTS

For statements of financial position and cash flow purposes, cash and cash equivalents consist primarily of cash on hand and cash invested in overnight commercial paper of Free Wheelchair's bank. These accounts may, at times, exceed federally insured limits. Free Wheelchair has not experienced any losses on such accounts.

DEPOSITS ON WHEELCHAIRS IN PRODUCTION

A 40% down payment is required when an order for wheelchairs is placed. The remaining balance is due when the manufacturing is completed and the order is shipped. The amount classified as deposits on wheelchairs in production in the accompanying statement of financial position is the amount of deposits paid to manufacturers for unfulfilled orders as of year-end.

RETIREMENT INVESTMENTS AND DEFERRED RETIREMENT LIABILITY

Retirement investments are reported at fair value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy established under the Fair Value topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). These assets fund the related deferred retirement liability reflected on the statement of financial position. Free Wheelchair has set aside these assets for the benefit of the recipient. Free Wheelchair is not responsible for any liability beyond the asset value.

PROPERTY AND EQUIPMENT

All expenditures of \$1,000 or more for property and equipment are capitalized at cost. Donated items are recorded at fair market value on the date of the gift. Depreciation is computed on the straight line method over the estimated useful lives of the assets, ranging from 3 to 7 years.

FREE WHEELCHAIR MISSION

Notes to Financial Statements

June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts by class of net assets:

Unrestricted net assets are currently available at the discretion of the board for use in the Free Wheelchair's operations and those resources invested in property and equipment.

Temporarily restricted net assets are contributed with donor stipulations for specific programs and consist of amounts held for wheelchairs for specific countries, as well as promises-to-give not yet received. For the year ended June 30, 2014, amounts held for specific countries was \$282,254. Any remaining temporarily restricted net assets consist of promises-to-give not yet fulfilled.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received, or ownership of donated assets is transferred to Free Wheelchair. Conditional promises-to-give are recognized as revenue when the conditions on which they depend are substantially met. Free Wheelchair receives gifts-in-kind, which are recorded as support at the estimated fair market value on the date of the gift.

Contributions are recorded as temporarily restricted if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from temporarily restricted to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when funds are spent to purchase or construct the property or other long-lived asset.

Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

FREE WHEELCHAIR MISSION

Notes to Financial Statements

June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program and supporting activities.

ALLOCATION OF JOINT COSTS

Free Wheelchair has implemented the Joint Cost topic of the FASB ASC. For the year ended June 30, 2014, Free Wheelchair incurred joint costs for informational and awareness activities that included fundraising appeals. These activities include both meetings and events.

Program services	\$	6,132
Fundraising		<u>6,132</u>
	\$	<u>12,264</u>

USE OF ESTIMATES

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

INCOME TAX STATUS

Free Wheelchair is qualified as a California nonprofit public benefit corporation under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. No provision for federal or state income taxes have been included in the financial statements. Contributions by the public are deductible for income tax purposes.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2014, Free Wheelchair had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Free Wheelchair files information tax returns in the U.S. and various states. Free Wheelchair is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

FREE WHEELCHAIR MISSION

Notes to Financial Statements

June 30, 2014

3. PROMISES-TO-GIVE RECEIVABLE:

As of June 30, 2014, promises-to-give receivable will be collected as follows:

Due within 1 year	\$ 148,033
Due within 2 - 3 years	<u>345,193</u>
Gross amount of promises-to-give	493,226
Discount to present value	<u>(12,901)</u>
Total promises-to-give, net of discount	480,325
Less current portion	<u>(148,033)</u>
Promises-to-give receivable, net of current portion	<u><u>\$ 332,292</u></u>

All pledges are considered collectible by Free Wheelchair as of June 30, 2014, therefore an allowance for doubtful accounts was not established. Pledges are discounted to present value as noted above.

4. PROPERTY AND EQUIPMENT:

As of June 30, 2014, property and equipment consist of:

Equipment	\$ 150,317
Software	43,633
Leasehold improvements	35,886
Website	<u>28,380</u>
	258,216
Less accumulated depreciation	<u>(136,316)</u>
Net investment in property and equipment	<u><u>\$ 121,900</u></u>

FREE WHEELCHAIR MISSION

Notes to Financial Statements

June 30, 2014

5. WHEELCHAIR PRODUCTION COSTS:

As of June 30, 2014, wheelchair production costs consist of:

Mold for producing chairs	\$ 71,731
Less accumulated amortization	<u>(56,858)</u>
Net investment in wheelchair production costs	<u>\$ 14,873</u>
Amortization expense	<u>\$ 6,142</u>

6. LEASES:

Free Wheelchair leases office space under operating leases ending October 2014. Lease expense for the year ended June 30, 2014, was \$96,177. The minimum future payments are:

<u>Year Ending June 30,</u> 2015	\$ 30,059
	<u>\$ 30,059</u>

7. RELATED PARTIES:

For the year ended June 30, 2014, a board member's company provided insurance services to Free Wheelchair. No monies were paid directly to this board member.

8. SUBSEQUENT EVENT:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.