



James L. Ulvog
Certified Public Accountant

Non-profit Accounting and Auditing

FREE WHEELCHAIR MISSION

FINANCIAL STATEMENTS

With Independent Auditor's Report

March 31, 2007 and 2006

FREE WHEELCHAIR MISSION

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activity	3
Statements of Cash Flows	4
Notes to Financial Statements	5-8
Supplemental Schedule of Functional Expenses	9



James L. Ulvog
Certified Public Accountant

Non-profit Accounting and Auditing

9766 19th St. #115
Alta Loma, CA 91737

Office: (909) 948-7363
Fax: (909) 495-3211
e-mail: info@ulvogcpa.com
web: www.ulvogcpa.com

Independent Auditor's Report

Board of Directors
Free Wheelchair Mission
Irvine, California

I have audited the statements of financial position of Free Wheelchair Mission as of March 31, 2007 and 2006 and the related statements of activity and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Free Wheelchair Mission as of March 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

My audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule on page 9 is presented for purposes of additional analysis 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

James L. Ulvog

July 19, 2007

FREE WHEELCHAIR MISSION

Statements of Financial Position

	March 31,	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 803,261	\$ 382,323
Prepaid assets	23,866	18,252
Promises-to-give receivable (Note 5)	124,548	97,751
Deposits on wheelchairs in production	211,139	160,464
Total Current Assets	<u>1,162,814</u>	<u>658,790</u>
Promises-To-Give Receivable, net of current portion (Note 5)	70,376	-
Security Deposit	17,773	4,489
Equipment (Note 3)	24,385	37,156
Intangible Assets (Note 4)	10,947	13,191
Total Assets	<u>\$ 1,286,295</u>	<u>\$ 713,626</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 303,904	\$ 28,955
Accrued expenses	23,808	17,800
Total Liabilities	<u>327,712</u>	<u>46,755</u>
Net Assets:		
Unrestricted net assets	601,809	228,986
Temporarily restricted (Note 6)	356,774	437,885
Total Net Assets	<u>958,583</u>	<u>666,871</u>
Total Liabilities and Net Assets	<u>\$ 1,286,295</u>	<u>\$ 713,626</u>

See notes to financial statements

FREE WHEELCHAIR MISSION

Statements of Activity

	Year Ended March 31,					
	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 3,999,072	\$ 1,345,973	\$ 5,345,045	\$ 2,858,870	\$ 823,731	\$ 3,682,601
Banquet ticket sales	33,158	-	33,158	20,009	-	20,009
Net assets released from restrictions:						
Expiration of time restrictions	50,000	(50,000)	-	100,000	(100,000)	-
Operating projects	1,377,084	(1,377,084)	-	580,686	(580,686)	-
Total Support and Revenue	5,459,314	(81,111)	5,378,203	3,559,565	143,045	3,702,610
EXPENSES:						
Program services	3,537,733	-	3,537,733	2,550,556	-	2,550,556
Supporting services:						
General and administrative	272,674	-	272,674	143,952	-	143,952
Fund raising	1,276,084	-	1,276,084	744,986	-	744,986
Total Expenses	5,086,491	-	5,086,491	3,439,494	-	3,439,494
Change in Net Assets	372,823	(81,111)	291,712	120,071	143,045	263,116
Net Assets, Beginning of Year	228,986	437,885	666,871	108,915	294,840	403,755
Net Assets, End of Year	\$ 601,809	\$ 356,774	\$ 958,583	\$ 228,986	\$ 437,885	\$ 666,871

See notes to financial statements

FREE WHEELCHAIR MISSION

Statements of Cash Flows

	Year Ended March 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 291,712	\$ 263,116
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,025	8,758
Amortization of intangible assets	2,244	2,013
Other changes in receivables and payables:		
Net change in prepaid assets	(5,614)	(12,614)
Net change in promise-to-give receivable	(97,173)	2,249
Net change in deposit on wheelchairs in production	(50,675)	(56,290)
Net change in security deposit	(13,284)	-
Net change in accounts payable	274,949	299
Net change in accrued expenses	6,008	5,295
Net Cash Provided by Operating Activities	<u>425,192</u>	<u>212,826</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(4,254)	(32,931)
Purchase of intangible asset	-	(1,616)
Net Cash Used by Investing Activities	<u>(4,254)</u>	<u>(34,547)</u>
Increase in Cash	420,938	178,279
Cash, Beginning of Year	<u>382,323</u>	<u>204,044</u>
Cash, End of Year	<u>\$ 803,261</u>	<u>\$ 382,323</u>

See notes to financial statements

FREE WHEELCHAIR MISSION

Notes to Financial Statements

March 31, 2007 and 2006

1. NATURE OF ORGANIZATION:

Free Wheelchair Mission (“Free Wheelchair”) is a charitable, nonprofit organization incorporated under the laws of 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 Section 501(c)(3) of the Internal Revenue Code and comparable state law. 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 Internal Revenue Code.

For the years ended March 31, 2007 and 2006, support and revenue consisted almost exclusively of contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES:

The financial statements of Free Wheelchair have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. A summary of the significant accounting policies is described below to enhance the usefulness of the financial statements to the reader.

DEPOSITS ON WHEELCHAIRS IN PRODUCTION

A 50% down payment is required when an order for wheelchairs is placed. The remaining balance is due when the manufacturing is completed. The amount classified as deposits on wheelchairs in production on the accompanying statement of financial position is the amount of deposits with manufacturers as of the end of the year.

EQUIPMENT

Equipment is recorded at cost when the assets are purchased or at fair market value on the date of donation. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. The useful lives are 3 years for computers. The mold for producing chairs is depreciated over the expected number of chairs that can be produced with the mold. Equipment with a cost over \$1,000 is capitalized.

INTANGIBLE ASSETS

Intangible assets consist of software acquired for bookkeeping and record keeping. It is capitalized at cost and amortized over its estimated useful life, which is 7 years.

NET ASSETS

The financial statements report amounts by classification of net assets as follows:

- Unrestricted amounts are those currently available at the discretion of the board for use in Free Wheelchair’s operations and those resources invested in equipment and furniture.
- Temporarily restricted amounts are those which are specified by donors for distribution of wheelchairs in specific countries and time-restricted promises-to-give.

PUBLIC SUPPORT, REVENUE AND EXPENSES

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions.

FREE WHEELCHAIR MISSION

Notes to Financial Statements

March 31, 2007 and 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: - continued

Free Wheelchair records contributions as temporarily restricted if they are received with donor stipulations that limit their use through either purpose or time restrictions or both. When donor restrictions expire – that is, when the purpose restriction is fulfilled or the time restriction expires – temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activity as net assets released from restrictions. Contributions restricted to the purchase of property or equipment are considered to be met when the asset is placed in service.

It is Free Wheelchair's policy to record temporarily restricted contributions received and expended in the same accounting period as temporarily restricted contributions and as net assets released from restrictions.

Contributions are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets to be used directly in the operations is transferred to Free Wheelchair. Donated goods that do not have an objective basis for valuation are not recorded.

Other revenue is recorded when earned.

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

PROMISES-TO-GIVE RECEIVABLE

Other non-profit organizations have promised to provide additional funding to the organization. This constitutes an unconditional promise-to-give and is recorded as an asset in the accompanying statement of financial position. Promises-to-give that are due in more than one year are discounted to present value.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the accompanying financial statements. Certain costs, such as payroll, have been allocated among the program services and supporting activities.

ALLOCATION OF JOINT COSTS

Free Wheelchair is applying the American Institute of Certified Public Accountants Statement of Position 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities that Include Fund Raising* (SOP 98-2). This statement requires all costs which contain any fundraising appeal to be allocated to fundraising unless three tests are met: purpose, audience and content. In the years ended March 31, 2007 and 2006, no costs were incurred which were allocated based on SOP 98-2.

DONATED SERVICES

Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, requires the value of donated services be recorded if those donated services create or enhance nonfinancial assets or require specialized skills. Many volunteers have contributed significant amounts of their time to activities of Free Wheelchair, however, since the above requirements were not met, the value of the contributed services is not recorded in the accompanying financial statements. Donated professional services in the amount of \$3,700 were received in the year ended March 31, 2007 and recorded as contribution income.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. 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.

FREE WHEELCHAIR MISSION

Notes to Financial Statements

March 31, 2007 and 2006

3. EQUIPMENT:

Equipment consists of the following:

	March 31,	
	2007	2006
Mold for producing chairs	\$ 40,000	\$ 40,000
Equipment	10,413	6,158
Subtotal, at cost	50,413	46,158
Accumulated depreciation	26,028	9,002
Equipment, net	\$ 24,385	\$ 37,156

Depreciation expense was \$17,025 and \$8,758 for the years ended March 31, 2007 and 2006, respectively.

4. INTANGIBLE ASSETS:

Intangible assets consist of the following:

	March 31,	
	2007	2006
Software, at cost	\$ 15,707	\$ 15,707
Accumulated depreciation	4,760	2,516
Intangible assets, net	\$ 10,947	\$ 13,191

Amortization expense was \$2,244 and \$2,013 for the year ended March 31, 2007 and 2006, respectively.

Amortization expense will be \$2,244 per year for each of the next four fiscal years, with the remaining balance amortized the following year.

5. PROMISES-TO-GIVE RECEIVABLE:

Promises-to-give receivable as of March 31, 2007 are due from two organizations. The balance will be collected over the next three years as follows:

Due in year ending March 31, 2008	\$ 125,000
Due in year ending March 31, 2009	50,000
Due in year ending March 31, 2010	25,000
Gross amount of promises-to-give	200,000
Discount to present value	5,076
Total promises-to-give, net of discount	194,924
Less current portion	124,548
Long term portion of promises-to-give	\$ 70,376

FREE WHEELCHAIR MISSION

Notes to Financial Statements

March 31, 2007 and 2006

6. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

	March 31,	
	2007	2006
For use in future years	\$ 194,924	\$ 97,751
Wheelchairs for specific countries	161,850	330,134
Distribution of bibles	-	10,000
	<u>\$ 356,774</u>	<u>\$ 437,885</u>

7. LEASE EXPENSE:

Free Wheelchair leases office space under an operating lease which started in June 2006 and ends in May 2009. One piece of office equipment is also under lease.

Minimum noncancelable lease payments under the above leases are as follows:

<u>Year ending March 31,</u>	
2008	\$ 90,382
2009	90,904
2010	15,750
2011	720
	<u>\$ 197,756</u>

The office space occupied prior to June 2006 was still under lease as of March 31, 2007. The older lease was terminated in April 2007.

Lease expense was \$100,579 and \$26,717 for the years ended March 31, 2007 and 2006, respectively.

8. COMMITMENTS:

Free Wheelchair has several commitments as of March 31, 2007.

A number of containers of wheelchairs were ordered prior to March 31, 2007 and were in production as of that date. When the wheelchairs are completed, Free Wheelchair will pay the manufacturers \$165,609, which is the remaining balance on the orders.

Free Wheelchair has entered into a contract with a marketing company to develop additional sources of funding. This contract accrues payments of \$5,000 per month through February 2008 plus an award fee contingent on the amounts received. This contract is cancellable on 90 days notice.

9. CONCENTRATIONS:

Over the course of a year, Free Wheelchair will periodically have amounts on deposit with financial institutions above the insurance limits. As of March 31, 2007, Free Wheelchair has approximately \$740,000 on deposit with a financial institution in excess of insurance limits.

In the year ending March 31, 2007, 18% of contributions came from three donors. In the year ending March 31, 2006, 14% of contributions came from three donors. Two donors are included in the count for each of the years.

Supplemental Schedule

FREE WHEELCHAIR MISSION

Supplemental Schedule of Functional Expenses

For the Year Ended March 31, 2007
(With Comparative Totals for the Year Ended March 31, 2006)

	Year Ended March 31, 2007			Total	Year Ended March 31, 2006
	Program	General and Administrative	Fund Raising		
Wheelchair production	\$ 2,719,151	\$ -	\$ -	\$ 2,719,151	\$ 1,937,711
Wheelchair distribution	469,716	-	-	469,716	417,350
Salary and benefits	213,689	123,050	358,613	695,352	397,833
Outside consultants and professional fees	28,635	42,229	148,237	219,101	183,647
Fundraising events	-	-	544,399	544,399	285,224
Banking and credit card fees	-	41,779	-	41,779	3,952
Travel	28,214	934	12,716	41,864	31,811
Rent and utilities	31,859	27,038	47,205	106,102	38,581
Supplies	2,827	10,041	39,418	52,286	38,721
Printing and postage	8,335	2,754	71,334	82,423	50,435
Advertising	-	-	18,459	18,459	13,530
Insurance	6,532	4,566	7,397	18,495	11,864
Depreciation and amortization	14,914	540	3,815	19,269	10,771
Other costs	13,861	19,743	24,491	58,095	18,064
Total, Year Ended March 31, 2007	<u>\$ 3,537,733</u>	<u>\$ 272,674</u>	<u>\$ 1,276,084</u>	<u>\$ 5,086,491</u>	
Total, Year Ended March 31, 2006	<u>\$ 2,550,556</u>	<u>\$ 143,952</u>	<u>\$ 744,986</u>		<u>\$ 3,439,494</u>