

**FREE WHEELCHAIR MISSION**

**FINANCIAL STATEMENTS**

With Independent Auditors' Report  
March 31, 2008 and 2007

# FREE WHEELCHAIR MISSION

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
**Free Wheelchair Mission**  
Irvine, California

We have audited the accompanying statements of financial position of **Free Wheelchair Mission** as of March 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of **Free Wheelchair Mission** as of March 31, 2007, were audited by other auditors whose report dated July 19, 2007, 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 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, we 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. 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 **Free Wheelchair Mission** as of March 31, 2008, and the results of its activities and cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.



Brea, California  
June 2, 2008

# FREE WHEELCHAIR MISSION

## Statements of Financial Position

	March 31,	
	<u>2008</u>	<u>2007</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 889,430	\$ 803,261
Prepaid expenses	36,880	23,866
Promises-to-give receivable	50,000	124,548
Deposits on wheelchairs in production	96,876	211,139
	<u>1,073,186</u>	<u>1,162,814</u>
Promises-to-give receivable, net of current portion	24,163	70,376
Security deposit	12,526	17,773
Equipment and software, net of depreciation	13,940	16,782
Wheelchair production costs, net of amortization	1,830	18,550
	<u>        </u>	<u>        </u>
Total Assets	<u>\$ 1,125,645</u>	<u>\$ 1,286,295</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	343,101	\$ 303,904
Accrued expenses	28,274	23,808
Deferred revenue, USAID grant	279,788	-
Total liabilities	<u>651,163</u>	<u>327,712</u>
Commitments	-	-
Net assets:		
Unrestricted - undesignated	312,851	601,809
Temporarily restricted	161,631	356,774
Total net assets	<u>474,482</u>	<u>958,583</u>
Total Liabilities and Net Assets	<u>\$ 1,125,645</u>	<u>\$ 1,286,295</u>

See notes to financial statements

# FREE WHEELCHAIR MISSION

## Statements of Activities

	For the Years Ended March 31,					
	2008		2007			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE, AND RECLASSIFICATIONS</b>						
Contributions	\$ 4,650,270	\$ 710,711	\$ 5,360,981	\$ 3,926,804	\$ 1,345,973	\$ 5,272,777
Gift-in-kind shipping	104,794	-	104,794	72,268	-	72,268
Banquet ticket sales	11,876	-	11,876	33,158	-	33,158
Grant revenue	-	42,212	42,212	-	-	-
Other income	22,487	-	22,487	-	-	-
Net assets released from restrictions:						
Expiration of time restrictions	120,762	(120,762)	-	50,000	(50,000)	-
Operating projects	827,304	(827,304)	-	1,377,084	(1,377,084)	-
<b>Total Support, Revenue and Reclassifications</b>	<b>5,737,493</b>	<b>(195,143)</b>	<b>5,542,350</b>	<b>5,459,314</b>	<b>(81,111)</b>	<b>5,378,203</b>
<b>EXPENSES:</b>						
Program expenses	4,691,470	-	4,691,470	3,537,733	-	3,537,733
Supporting services:						
General and administrative	424,247	-	424,247	272,674	-	272,674
Fundraising	910,734	-	910,734	1,276,084	-	1,276,084
Total Expenses	1,334,981	-	1,334,981	1,548,758	-	1,548,758
	6,026,451	-	6,026,451	5,086,491	-	5,086,491
Change in Net Assets	(288,958)	(195,143)	(484,101)	372,823	(81,111)	291,712
Net Assets, Beginning of Year	601,809	356,774	958,583	228,986	437,885	666,871
<b>Net Assets, End of Year</b>	<b>\$ 312,851</b>	<b>\$ 161,631</b>	<b>\$ 474,482</b>	<b>\$ 601,809</b>	<b>\$ 356,774</b>	<b>\$ 958,583</b>

See notes to financial statements

# FREE WHEELCHAIR MISSION

## Statements of Cash Flows

	For the Years Ended March 31,	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (484,101)	\$ 291,712
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	22,716	19,269
Net change in:		
Prepaid expenses	(7,767)	(18,898)
Deposits on wheelchairs in production	114,263	(50,675)
Promises-to-give receivable	120,761	(97,173)
Accounts payable	39,197	274,949
Accrued expenses	4,466	6,008
Deferred revenue	279,788	-
Net Cash Provided by Operating Activities	<u>89,323</u>	<u>425,192</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of equipment	<u>(3,154)</u>	<u>(4,254)</u>
Net Cash Used in Investing Activities	<u>(3,154)</u>	<u>(4,254)</u>
Increase in Cash and Cash Equivalents	86,169	420,938
Cash and Cash Equivalents, Beginning of Year	<u>803,261</u>	<u>382,323</u>
Cash and Cash Equivalents, End of Year	<u>\$ 889,430</u>	<u>\$ 803,261</u>

See notes to financial statements

# FREE WHEELCHAIR MISSION

## Notes to Financial Statements

March 31, 2008 and 2007

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 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 Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Free Wheelchair have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. 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 and does not believe it is exposed to significant credit risk on cash and cash equivalents.

### 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 and the order is shipped. The amount classified as deposits on wheelchairs in production in the accompanying statements of financial position is the amount of deposits paid to manufacturers for unfulfilled orders as of year-end.

### EQUIPMENT AND SOFTWARE

All expenditures of \$1,000 or more for equipment and software 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.

### WHEELCHAIR PRODUCTION COSTS

The mold for producing chairs was capitalized at cost and is depreciated over the expected number of chairs that can be produced with the mold.

### NET ASSETS

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

- **Unrestricted net assets** are those currently available at the discretion of the board for use in the organization's operations and those resources invested in equipment and software.
- **Temporarily restricted net assets** are those which are stipulated by donors for specific programs and capital projects.

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, 2008 and 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Reduction in the unrestricted net assets for the year ending March 31, 2008 results from the amount spent on wheelchairs exceeding the amount of temporarily restricted donations released from restriction.

#### 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 statements 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 the property or other long-lived asset is placed in service.

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

#### PROMISES-TO-GIVE

Other not-for-profit organizations have promised to provide additional funding to Free Wheelchair. This constitutes an unconditional promise-to-give and is recorded as an asset in the accompanying statements of financial position. Promises-to-give that are due in more than one year are discounted to present value.

#### CONTRIBUTED SERVICES

Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, requires recording the value of donated services that create or enhance non-financial assets or require specialized skills. Donated services that create or enhance non-financial assets or require specialized skills are recorded in the financial statements at the fair market value of the services provided. 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 \$0 and \$3,700 were received in the years ended March 31, 2008 and 2007, respectively, and recorded as contribution income.

#### DEFERRED REVENUE

Federal grants received by Free Wheelchair for the purpose of wheelchair distribution will be recorded as the related income is earned, which is based on when wheelchair funds are spent. Any funds received prior to year end that have not yet been earned will be recorded as deferred revenue. For the years ending March 31, 2008 and 2007, respectively, the amount received, but not yet earned was \$279,788 and \$0.

# FREE WHEELCHAIR MISSION

## Notes to Financial Statements

March 31, 2008 and 2007

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 on the statements 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 Statement of Position 98-2, *Accounting for Costs of Not-for-Profit Organizations and State and Local Governmental Entities that Include Fundraising*. For the year ending March 31, 2008, Free Wheelchair incurred joint costs for informational and awareness activities that included fundraising appeals. These activities include both meetings and events.

Program services	\$ 140,259
Fundraising	101,991
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	\$ 242,250
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**USE OF ESTIMATES**

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

**RECLASSIFICATIONS**

Certain amounts previously reported in the financial statements for 2007 have been reclassified to conform to the current year presentation.

3. PROMISES-TO-GIVE RECEIVABLE:

Promises-to-give receivable as of March 31, 2008 are due from an organization. The balance will be collected over the next two years as follows:

Due in year ending March 31, 2009	\$ 50,000
Due in year ending March 31, 2010	25,000
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Gross amount of promises-to-give	75,000
Discount to present value	(837)
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Total promises-to-give, net of discount	74,163
Less current portion	(50,000)
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Long term portion of promises-to-give	\$ 24,163
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## FREE WHEELCHAIR MISSION

### Notes to Financial Statements

March 31, 2008 and 2007

4. EQUIPMENT AND SOFTWARE:

Equipment and software consist of the following:

	March 31,	
	2008	2007
Equipment	\$ 13,567	\$ 10,413
Software	15,707	15,707
	29,274	26,120
Less accumulated depreciation	(15,334)	(9,338)
Net investment in equipment and software	\$ 13,940	\$ 16,782
Depreciation expense	\$ 5,996	\$ 7,013

5. WHEELCHAIR PRODUCTION COSTS:

Wheelchair production costs consist of the following:

	March 31,	
	2008	2007
Mold for producing chairs	\$ 40,000	\$ 40,000
Less accumulated amortization	(38,170)	(21,450)
Net investment in wheelchair production costs	\$ 1,830	\$ 18,550
Amortization expense	\$ 16,720	\$ 12,256

6. LEASES:

Free Wheelchair leases office space under an operating lease which started in June 2006 and ends in May 2009.

The future minimum payments are as follows:

<u>Years Ending March, 31,</u>	
2009	\$ 87,053
2010	14,509
	\$ 101,562

# FREE WHEELCHAIR MISSION

## Notes to Financial Statements

March 31, 2008 and 2007

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

	March 31,	
	2008	2007
Promises-to-give receivable	\$ 74,163	\$ 194,924
Wheelchairs for specific countries	63,468	161,850
Sacred Harvest Grant	24,000	-
	<u>\$ 161,631</u>	<u>\$ 356,774</u>

8. NEW ACCOUNTING PRONOUNCEMENTS:

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 will be effective for fiscal years beginning after December 15, 2007. The effects of FIN 48 have not been determined.

In September 2006, FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, established a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2008. The effects of SFAS No. 157 have not been determined.