



Free Wheelchair Mission®
TRANSFORMING LIVES THROUGH THE GIFT OF MOBILITY

FINANCIAL STATEMENTS

With Independent Auditors' Report
March 31, 2009 and 2008

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, 2009 and 2008, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2009 and 2008, and the results of its activities and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Brea, California
July 1, 2009

FREE WHEELCHAIR MISSION

Statements of Financial Position

	March 31,	
	<u>2009</u>	<u>2008</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,311,524	\$ 889,430
Federal grant receivable	34,512	-
Prepaid expenses	32,566	36,880
Promises-to-give receivable, current portion	100,000	50,000
Deposits on wheelchairs in production	<u>239,827</u>	<u>96,876</u>
	1,718,429	1,073,186
Promises-to-give receivable, net of current portion	72,816	24,163
Security deposit	8,350	12,526
Equipment, software, and website, net of depreciation	47,156	13,940
Wheelchair production costs, net of amortization	<u>-</u>	<u>1,830</u>
Total Assets	<u>\$ 1,846,751</u>	<u>\$ 1,125,645</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 339,152	\$ 343,101
Accrued expenses	43,600	28,274
Deferred revenue, USAID grant	<u>-</u>	<u>279,788</u>
Total liabilities	<u>382,752</u>	<u>651,163</u>
Net assets:		
Unrestricted	1,071,264	312,851
Temporarily restricted	<u>392,735</u>	<u>161,631</u>
Total net assets	<u>1,463,999</u>	<u>474,482</u>
Total Liabilities and Net Assets	<u>\$ 1,846,751</u>	<u>\$ 1,125,645</u>

See notes to financial statements

FREE WHEELCHAIR MISSION

Statements of Activities

	Year Ended March 31,					
	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 4,923,504	\$ 887,024	\$ 5,810,528	\$ 4,650,270	\$ 710,711	\$ 5,360,981
Gift-in-kind shipping	38,880	-	38,880	104,794	-	104,794
Banquet ticket sales	34,103	-	34,103	11,876	-	11,876
Government grant revenue	651,364	-	651,364	18,212	-	18,212
Other grant revenue	-	223,653	223,653	-	24,000	24,000
Other income	10,171	-	10,171	22,487	-	22,487
Net assets released from restrictions:						
Expiration of time restrictions	74,000	(74,000)	-	120,762	(120,762)	-
Operating projects	805,573	(805,573)	-	809,092	(809,092)	-
Total Support, Revenue, and Reclassifications	6,537,595	231,104	6,768,699	5,737,493	(195,143)	5,542,350
EXPENSES:						
Program expenses	4,088,554	-	4,088,554	4,691,470	-	4,691,470
Supporting activities:						
General and administrative	498,786	-	498,786	424,247	-	424,247
Fundraising	1,191,842	-	1,191,842	910,734	-	910,734
	1,690,628	-	1,690,628	1,334,981	-	1,334,981
Total Expenses	5,779,182	-	5,779,182	6,026,451	-	6,026,451
Change in Net Assets	758,413	231,104	989,517	(288,958)	(195,143)	(484,101)
Net Assets, Beginning of Year	312,851	161,631	474,482	601,809	356,774	958,583
Net Assets, End of Year	\$ 1,071,264	\$ 392,735	\$ 1,463,999	\$ 312,851	\$ 161,631	\$ 474,482

See notes to financial statements

FREE WHEELCHAIR MISSION

Statements of Cash Flows

	Year Ended March 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 989,517	\$ (484,101)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	14,212	22,716
Non-cash gifts	(10,465)	-
Net change in:		
Federal grant receivable	(34,512)	-
Prepaid expenses	8,490	(7,767)
Deposits on wheelchairs in production	(142,951)	114,263
Promises-to-give receivable	(98,653)	120,761
Accounts payable	(3,949)	39,197
Accrued expenses	15,326	4,466
Deferred revenue, USAID grant	(279,788)	279,788
Net Cash Provided by Operating Activities	457,227	89,323
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment, software, and website	(35,133)	(3,154)
Net Cash Used in Investing Activities	(35,133)	(3,154)
Increase in Cash and Cash Equivalents	422,094	86,169
Cash and Cash Equivalents, Beginning of Year	889,430	803,261
Cash and Cash Equivalents, End of Year	\$ 1,311,524	\$ 889,430

See notes to financial statements

FREE WHEELCHAIR MISSION

Notes to Financial Statements

March 31, 2009 and 2008

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 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 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, SOFTWARE, AND WEBSITE

All expenditures of \$1,000 or more for equipment, software, and website 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, software, and website.
- *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, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 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.

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.

FEDERAL GRANT RECEIVABLE AND DEFERRED REVENUE, USAID GRANT

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. As expenses are incurred, a receivable for the same amount is recorded and the related income is recognized. 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, 2009 and 2008, the amount received, but not yet earned was \$0 and \$279,788, respectively.

FREE WHEELCHAIR MISSION

Notes to Financial Statements

March 31, 2009 and 2008

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 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, 2009, Free Wheelchair incurred joint costs for informational and awareness activities that included fundraising appeals. These activities include both meetings and events.

	March 31,	
	2009	2008
Program services	\$ 37,634	\$ 140,259
Fundraising	38,232	101,991
	<u>\$ 75,866</u>	<u>\$ 242,250</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.

RECLASSIFICATIONS

Certain amounts previously reported in the financial statements for 2008 have been reclassified to conform to the current year presentation.

3. PROMISES-TO-GIVE RECEIVABLE:

Promises-to-give receivable are due from various nonprofit organizations and will be collected as follows:

	March 31,	
	2009	2008
Due in year ending March 31, 2010	\$ 100,000	\$ 50,000
Due in year ending March 31, 2011	75,000	25,000
Gross amount of promises-to-give	175,000	75,000
Discount to present value	(2,184)	(837)
Total promises-to-give, net of discount	172,816	74,163
Less current portion	(100,000)	(50,000)
Promises-to-give receivable, net of current portion	<u>\$ 72,816</u>	<u>\$ 24,163</u>

FREE WHEELCHAIR MISSION

Notes to Financial Statements

March 31, 2009 and 2008

4. EQUIPMENT, SOFTWARE, AND WEBSITE:

Equipment, software, and website consist of:

	March 31,	
	2009	2008
Equipment	\$ 30,784	\$ 13,567
Software	15,707	15,707
Website	28,380	-
	74,871	29,274
Less accumulated depreciation	(27,715)	(15,334)
Net investment in equipment, software, and website	\$ 47,156	\$ 13,940

5. WHEELCHAIR PRODUCTION COSTS:

Wheelchair production costs consist of:

	March 31,	
	2009	2008
Mold for producing chairs	\$ 40,000	\$ 40,000
Less accumulated amortization	(40,000)	(38,170)
Net investment in wheelchair production costs	\$ -	\$ 1,830
Amortization expense	\$ 1,830	\$ 16,720

6. LEASES:

Free Wheelchair leases office space under an operating lease which started in June 2006 and ends in May 2009. Lease expense for the years ended March 31, 2009 and 2008, was \$91,627 and \$90,421, respectively. Future minimum payments total \$14,509.

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes or periods:

	March 31,	
	2009	2008
Wheelchairs for specific countries	\$ 208,685	\$ 63,468
Servant's Trust, promise-to-give	147,816	-
Other promises-to-give receivable	25,000	74,163
Servant's Trust, purpose restricted	11,234	-
Sacred Harvest grant	-	24,000
	\$ 392,735	\$ 161,631

FREE WHEELCHAIR MISSION

Notes to Financial Statements

March 31, 2009 and 2008

8. RELATED PARTIES:

For the year ended March 31, 2009, Free Wheelchair engaged in several activities with related parties. \$1,050 was paid to the daughter of the president to work on training manuals pertaining to the USAID grant. Another \$33,000 was paid to a former board member for services performed in the role of interim full-time executive director. Finally, a board member's company provided insurance services to Free Wheelchair. No monies were paid directly to this board member. No monies were paid to related parties for services provided for the year ended March 31, 2008.

9. SUBSEQUENT EVENT:

On April 14, 2009, Free Wheelchair signed a one-year lease extension for its office space. The lease will expire May 31, 2010 and has monthly rent payments of \$5,376.