



Free Wheelchair Mission[®]
TRANSFORMING LIVES THROUGH THE GIFT OF MOBILITY

FINANCIAL STATEMENTS
With Independent Auditors' Report

March 31, 2010 and 2009

FREE WHEELCHAIR MISSION

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5

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, 2010 and 2009, 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, 2010 and 2009, 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 14, 2010

FREE WHEELCHAIR MISSION

Statements of Financial Position

	March 31,	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,278,020	\$ 1,311,524
Investments	20,432	-
Federal grant receivable	-	34,512
Prepaid expenses	49,252	32,566
Promises-to-give receivable, current portion	125,000	100,000
Deposits on wheelchairs in production	<u>209,961</u>	<u>239,827</u>
	1,682,665	1,718,429
Promises-to-give receivable, net of current portion	48,544	72,816
Security deposit	7,828	8,350
Equipment, software, and website, net of depreciation	<u>34,658</u>	<u>47,156</u>
Total Assets	<u>\$ 1,773,695</u>	<u>\$ 1,846,751</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 380,414	\$ 339,152
Accrued expenses	<u>58,170</u>	<u>43,600</u>
Total liabilities	<u>438,584</u>	<u>382,752</u>
Net assets:		
Unrestricted	647,661	1,071,264
Temporarily restricted	<u>687,450</u>	<u>392,735</u>
Total net assets	<u>1,335,111</u>	<u>1,463,999</u>
Total Liabilities and Net Assets	<u>\$ 1,773,695</u>	<u>\$ 1,846,751</u>

See notes to financial statements

FREE WHEELCHAIR MISSION

Statements of Activities

	Year Ended March 31,					
	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 4,191,400	\$ 1,193,477	\$ 5,384,877	\$ 4,923,504	\$ 887,024	\$ 5,810,528
Gift-in-kind shipping	7,742	-	7,742	38,880	-	38,880
Banquet ticket sales	23,338	-	23,338	34,103	-	34,103
Government grant revenue	74,397	-	74,397	651,364	-	651,364
Other grant revenue	-	98,544	98,544	-	223,653	223,653
Other income	1,191	-	1,191	10,171	-	10,171
Net assets released from restrictions:						
Expiration of time restrictions	27,601	(27,601)	-	74,000	(74,000)	-
Operating projects	969,705	(969,705)	-	805,573	(805,573)	-
Total Support, Revenue, and Reclassifications	5,295,374	294,715	5,590,089	6,537,595	231,104	6,768,699
EXPENSES:						
Program expenses	4,224,683	-	4,224,683	4,088,554	-	4,088,554
Supporting activities:						
General and administrative	449,543	-	449,543	498,786	-	498,786
Fundraising	1,044,751	-	1,044,751	1,191,842	-	1,191,842
Total Expenses	5,718,977	-	5,718,977	5,779,182	-	5,779,182
Change in Net Assets	(423,603)	294,715	(128,888)	758,413	231,104	989,517
Net Assets, Beginning of Year	1,071,264	392,735	1,463,999	312,851	161,631	474,482
Net Assets, End of Year	\$ 647,661	\$ 687,450	\$ 1,335,111	\$ 1,071,264	\$ 392,735	\$ 1,463,999

See notes to financial statements

FREE WHEELCHAIR MISSION

Statements of Cash Flows

	Year Ended March 31,	
	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (128,888)	\$ 989,517
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	18,528	14,212
Non-cash gifts	(20,432)	(10,465)
Net change in:		
Federal grant receivable	34,512	(34,512)
Prepaid expenses	(16,164)	8,490
Deposits on wheelchairs in production	29,866	(142,951)
Promises-to-give receivable	(728)	(98,653)
Accounts payable	41,262	(3,949)
Accrued expenses	14,570	15,326
Deferred revenue, USAID grant	-	(279,788)
Net Cash (Used in) Provided by Operating Activities	<u>(27,474)</u>	<u>457,227</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment, software, and website	<u>(6,030)</u>	<u>(35,133)</u>
Net Cash Used in Investing Activities	<u>(6,030)</u>	<u>(35,133)</u>
Change in Cash and Cash Equivalents	(33,504)	422,094
Cash and Cash Equivalents, Beginning of Year	<u>1,311,524</u>	<u>889,430</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,278,020</u>	<u>\$ 1,311,524</u>

See notes to financial statements

FREE WHEELCHAIR MISSION

Notes to Financial Statements

March 31, 2010 and 2009

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.

INVESTMENTS AT FAIR VALUE

Investments consist of donated stocks not yet liquidated. The 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).

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.

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, or where funds have not yet been received.

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, 2010 and 2009

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

The Contributed Services topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) requires recording the value of donated services that create or enhance non-financial assets or require specialized skills. Many volunteers have contributed significant amounts of their time to activities of the Free Wheelchair; however, since the above requirements were not met, the value of the contributed services is not recorded in the financial statements.

FEDERAL GRANT RECEIVABLE

Federal grants received by Free Wheelchair for the purpose of wheelchair distribution are 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.

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.

FREE WHEELCHAIR MISSION

Notes to Financial Statements

March 31, 2010 and 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF JOINT COSTS

Free Wheelchair has implemented the Joint Cost topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). For the years ending March 31, 2010 and 2009, Free Wheelchair incurred joint costs for informational and awareness activities that included fundraising appeals. These activities include both meetings and events.

	March 31,	
	2010	2009
Program services	\$ 20,493	\$ 37,634
Fundraising	20,493	38,232
	<u>\$ 40,986</u>	<u>\$ 75,866</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.

RECENTLY ISSUED ACCOUNTING STANDARDS

On April 1, 2009, Free Wheelchair adopted the new provisions of the Income Tax topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). These provisions clarify the accounting for uncertainty in tax positions and prescribe guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statements of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statements of activities. As of March 31, 2010, Free Wheelchair had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

3. PROMISES-TO-GIVE RECEIVABLE:

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

	March 31,	
	2010	2009
Due in year ending March 31, 2010	\$ -	\$ 100,000
Due in year ending March 31, 2011	125,000	75,000
Due in year ending March 31, 2012	50,000	-
	<u>175,000</u>	<u>175,000</u>
Gross amount of promises-to-give	175,000	175,000
Discount to present value	(1,456)	(2,184)
	<u>173,544</u>	<u>172,816</u>
Total promises-to-give, net of discount	173,544	172,816
Less current portion	(125,000)	(100,000)
	<u>\$ 48,544</u>	<u>\$ 72,816</u>

FREE WHEELCHAIR MISSION

Notes to Financial Statements

March 31, 2010 and 2009

4. EQUIPMENT, SOFTWARE, AND WEBSITE:

Equipment, software, and website consist of:

	March 31,	
	2010	2009
Equipment	\$ 36,814	\$ 30,784
Software	15,707	15,707
Website	28,380	28,380
	80,901	74,871
Less accumulated depreciation	(46,243)	(27,715)
Net investment in equipment, software, and website	\$ 34,658	\$ 47,156

5. WHEELCHAIR PRODUCTION COSTS:

Wheelchair production costs consist of:

	March 31,	
	2010	2009
Mold for producing chairs	\$ 40,000	\$ 40,000
Less accumulated amortization	(40,000)	(40,000)
Net investment in wheelchair production costs	\$ -	\$ -
Amortization expense	\$ -	\$ 1,830

6. LEASES:

Free Wheelchair leases office space under operating leases ending May 2010 and October 2010, respectively. Lease expense for the years ended March 31, 2010 and 2009, was \$81,873 and \$91,627, respectively. Future minimum payments total \$16,850.

7. TEMPORARILY RESTRICTED NET ASSETS:

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

	March 31,	
	2010	2009
Wheelchairs for specific countries	\$ 513,906	\$ 208,685
Stewardship Foundation, promise-to-give	98,544	-
Servant's Trust, promise-to-give	75,000	147,816
Other promises-to-give receivable	-	25,000
Servant's Trust, purpose restricted	-	11,234
	\$ 687,450	\$ 392,735

FREE WHEELCHAIR MISSION

Notes to Financial Statements

March 31, 2010 and 2009

8. RELATED PARTIES:

For the year ended March 31, 2010, a board member's company provided insurance services to Free Wheelchair. No monies were paid directly to this board member.

9. SUBSEQUENT EVENT:

On April 20, 2010, Free Wheelchair signed a one-year lease extension for its office space. The lease will expire May 31, 2011, and has monthly rental payments of approximately \$5,000.

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.