



Financial Statements  
With Independent Auditors Report

June 30, 2018 and 2017

# FREE WHEELCHAIR MISSION

## Table of Contents

|                                  | <u>Page</u> |
|----------------------------------|-------------|
| Independent Auditors' Report     | 1           |
| Financial Statements             |             |
| Statements of Financial Position | 3           |
| Statements of Activities         | 4           |
| Statements of Cash Flows         | 5           |
| Notes to Financial Statements    | 6           |

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Free Wheelchair Mission  
Irvine, California

We have audited the accompanying financial statements of Free Wheelchair Mission, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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 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 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 entity'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 organization'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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Brea, California  
September 21, 2018

# FREE WHEELCHAIR MISSION

## Statements of Financial Position

|                                       | June 30,     |              |
|---------------------------------------|--------------|--------------|
|                                       | 2018         | 2017         |
| <b>ASSETS:</b>                        |              |              |
| Current assets:                       |              |              |
| Cash and cash equivalents             | \$ 287,208   | \$ 2,432,074 |
| Investments                           | 1,008,130    | -            |
| Accounts and other receivables        | 428,782      | 11,437       |
| Prepaid expenses                      | 211,159      | 251,347      |
| Promises-to-give receivable           | -            | 4,338        |
| Deposits on wheelchairs in production | 256,752      | 141,415      |
|                                       | 2,192,031    | 2,840,611    |
| Retirement investments                | 176,503      | 150,715      |
| Security deposit                      | 15,165       | 7,869        |
| Wheelchair production costs - net     | 28,332       | 43,426       |
| Property and equipment - net          | 309,790      | 206,366      |
|                                       | 176,503      | 150,715      |
|                                       | 15,165       | 7,869        |
|                                       | 28,332       | 43,426       |
|                                       | 309,790      | 206,366      |
| Total Assets                          | \$ 2,721,821 | \$ 3,248,987 |
| <b>LIABILITIES AND NET ASSETS:</b>    |              |              |
| Current liabilities:                  |              |              |
| Accounts payable                      | \$ 562,041   | \$ 293,011   |
| Accrued expenses                      | 93,922       | 79,449       |
|                                       | 655,963      | 372,460      |
| Deferred rent liability               | 17,227       | 26,292       |
| Deferred retirement liability         | 176,503      | 150,715      |
| Total liabilities                     | 849,693      | 549,467      |
| Net assets:                           |              |              |
| Unrestricted                          | 1,521,502    | 2,010,287    |
| Temporarily restricted                | 350,626      | 689,233      |
| Total net assets                      | 1,872,128    | 2,699,520    |
| Total Liabilities and Net Assets      | \$ 2,721,821 | \$ 3,248,987 |

See notes to financial statements

# FREE WHEELCHAIR MISSION

## Statements of Activities

|  | Year Ended June 30, |                           |                     |                     |                           |                     |
|--|---------------------|---------------------------|---------------------|---------------------|---------------------------|---------------------|
|  | 2018                |                           |                     | 2017                |                           |                     |
|  | Unrestricted        | Temporarily<br>Restricted | Total               | Unrestricted        | Temporarily<br>Restricted | Total               |
| <b>SUPPORT, REVENUE,<br/>AND RECLASSIFICATIONS:</b>  |                     |                           |                     |                     |                           |                     |
| Contributions  | \$ 7,791,159        | \$ 268,480                | \$ 8,059,639        | \$ 7,678,218        | \$ 614,499                | \$ 8,292,717        |
| Gift-in-kind medical supplies                        | 1,956,496           | -                         | 1,956,496           | 2,209,577           | -                         | 2,209,577           |
| Gift-in-kind other                                   | 144,563             | -                         | 144,563             | 109,182             | -                         | 109,182             |
| Banquet ticket sales                                 | 85,378              | -                         | 85,378              | 108,985             | -                         | 108,985             |
| Interest income                                      | 8,130               | -                         | 8,130               | -                   | -                         | -                   |
| Net assets released from restrictions:               |                     |                           |                     |                     |                           |                     |
| Operating projects                                   | 607,087             | (607,087)                 | -                   | 765,379             | (765,379)                 | -                   |
| <b>Total Support, Revenue, and Reclassifications</b> | <b>10,592,813</b>   | <b>(338,607)</b>          | <b>10,254,206</b>   | <b>10,871,341</b>   | <b>(150,880)</b>          | <b>10,720,461</b>   |
| <b>EXPENSES:</b>                                     |                     |                           |                     |                     |                           |                     |
| Program expenses                                     | 8,343,953           | -                         | 8,343,953           | 7,357,811           | -                         | 7,357,811           |
| Supporting activities:                               |                     |                           |                     |                     |                           |                     |
| General and administrative                           | 719,215             | -                         | 719,215             | 613,151             | -                         | 613,151             |
| Fundraising  | 2,018,430           | -                         | 2,018,430           | 1,863,832           | -                         | 1,863,832           |
|  | 2,737,645           | -                         | 2,737,645           | 2,476,983           | -                         | 2,476,983           |
| <b>Total Expenses</b>                                | <b>11,081,598</b>   | <b>-</b>                  | <b>11,081,598</b>   | <b>9,834,794</b>    | <b>-</b>                  | <b>9,834,794</b>    |
| Change in Net Assets                                 | (488,785)           | (338,607)                 | (827,392)           | 1,036,547           | (150,880)                 | 885,667             |
| Net Assets, Beginning of Year                        | 2,010,287           | 689,233                   | 2,699,520           | 973,740             | 840,113                   | 1,813,853           |
| Net Assets, End of Year                              | <b>\$ 1,521,502</b> | <b>\$ 350,626</b>         | <b>\$ 1,872,128</b> | <b>\$ 2,010,287</b> | <b>\$ 689,233</b>         | <b>\$ 2,699,520</b> |

See notes to financial statements

# FREE WHEELCHAIR MISSION

## Statements of Cash Flows

|   | Year Ended June 30, |              |
|---|---------------------|--------------|
|   | 2018                | 2017         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                     |              |
| Change in net assets  | \$ (827,392)        | \$ 885,667   |
| Adjustments to reconcile change in net assets to net cash used in operating activities: |                     |              |
| Depreciation  | 61,011              | 51,944       |
| Accrued interest income   | (8,130)             | -            |
| Donated property and equipment  | -                   | (18,022)     |
| Net change in:  |                     |              |
| Accounts and other receivables  | (417,345)           | 12,448       |
| Prepaid expenses  | 32,892              | (33,170)     |
| Deposits on wheelchairs in production   | (115,337)           | 97,167       |
| Accounts payable  | 269,030             | 156,930      |
| Accrued expenses  | 14,473              | 23,282       |
| Deferred rent liability   | (9,065)             | (5,603)      |
| Net Cash Provided by (Used in) Operating Activities                                     | (999,863)           | 1,170,643    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                     |              |
| Purchases of property and equipment   | (149,341)           | (88,123)     |
| Purchases of investments  | (1,000,000)         | -            |
| Net Cash Used in Investing Activities   | (1,149,341)         | (88,123)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                     |              |
| Collections of promises-to-give   | 4,338               | 214,788      |
| Net Cash Provided by Financing Activities   | 4,338               | 214,788      |
| Change in Cash and Cash Equivalents   | (2,144,866)         | 1,297,308    |
| Cash and Cash Equivalents, Beginning of Year  | 2,432,074           | 1,134,766    |
| Cash and Cash Equivalents, End of Year  | \$ 287,208          | \$ 2,432,074 |
| Construction in progress financed through accounts payable                              | \$ -                | \$ 72,087    |
| Disposal of fully depreciated property and equipment                                    | \$ 87,634           | \$ -         |

See notes to financial statements

# FREE WHEELCHAIR MISSION

## Notes to Financial Statements

June 30, 2018 and 2017

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)(1) 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. At June 30, 2018 and 2017, Free Wheelchair's cash balances exceeded insured limits by \$36,858 and \$2,181,724, respectively. Free Wheelchair does not believe these funds to be at substantial risk of loss due to the lack of insurance coverage.

### INVESTMENTS

Investments in bonds and certificates held for deposit are carried at cost. Investments in money market funds are carried at fair market value based on quoted market prices. Donated securities are recorded at market value on the date of the gift. Interest income is accrued and reported as unrestricted investment income unless a donor or law temporarily restricts its use.

### 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 statements of financial position consists of total deposits paid to manufacturers for unfulfilled orders as of year-end.

### RETIREMENT INVESTMENTS AND DEFERRED RETIREMENT LIABILITY

Retirement investments are held at cost. These assets fund the related deferred retirement liability reflected on the statements 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.



# FREE WHEELCHAIR MISSION

## Notes to Financial Statements

June 30, 2018 and 2017

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

#### 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 10 years.

#### 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 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.

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 statements of activities as net assets released from restrictions.

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

#### 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.

#### 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.

# FREE WHEELCHAIR MISSION

## Notes to Financial Statements

June 30, 2018 and 2017

### 3. INVESTMENTS AND RETIREMENT INVESTMENTS:

Investments and retirement investments consist of:

|                         | June 30,            |                   |
|-------------------------|---------------------|-------------------|
|                         | 2018                | 2017              |
| Money market funds      | \$ 1,371            | \$ -              |
| Certificates of deposit | 1,006,759           | -                 |
| Bonds                   | 176,503             | 150,715           |
|                         | <u>\$ 1,184,633</u> | <u>\$ 150,715</u> |

### 4. PROPERTY AND EQUIPMENT:

Property and equipment consist of:

|  | June 30,          |                   |
|--|-------------------|-------------------|
|  | 2018              | 2017              |
| Equipment                                | \$ 318,377        | \$ 176,301        |
| Software                                 | 126,836           | 43,633            |
| Leasehold improvements                   | 35,886            | 35,886            |
| Construction in progress                 | -                 | 164,685           |
| Website                                  | 28,380            | 28,380            |
|  | <u>509,479</u>    | <u>448,885</u>    |
| Less accumulated depreciation            | <u>(199,689)</u>  | <u>(242,519)</u>  |
| Net investment in property and equipment | <u>\$ 309,790</u> | <u>\$ 206,366</u> |

### 5. WHEELCHAIR PRODUCTION COSTS:

Wheelchair production costs consist of:

|                               | June 30,         |                  |
|-------------------------------|------------------|------------------|
|                               | 2018             | 2017             |
| Mold for producing chairs     | \$ 134,954       | \$ 134,954       |
| Less accumulated amortization | <u>(106,622)</u> | <u>(91,528)</u>  |
|                               | <u>\$ 28,332</u> | <u>\$ 43,426</u> |

# FREE WHEELCHAIR MISSION

## Notes to Financial Statements

June 30, 2018 and 2017

6. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

|                          | June 30,          |                   |
|--------------------------|-------------------|-------------------|
|                          | 2018              | 2017              |
| Restricted by country    | \$ 205,852        | \$ 304,695        |
| Restricted by initiative | 144,774           | 380,200           |
| Promises-to-give         | -                 | 4,338             |
|                          | <u>\$ 350,626</u> | <u>\$ 689,233</u> |

7. LEASES:

Free Wheelchair leases office space under an operating lease ending October 2019. Lease expense for the years ended June 30, 2018 and 2017, was \$174,984 and \$114,863, respectively. The minimum future payments are:

| <u>Year Ending June 30,</u> |                   |
|-----------------------------|-------------------|
| 2019                        | \$ 169,762        |
| 2020                        | <u>58,007</u>     |
|                             | <u>\$ 227,769</u> |

8. RETIREMENT PLAN:

Free Wheelchair allows for all eligible employees to contribute towards retirement savings as part of a SIMPLE IRA. To encourage saving, Free Wheelchair will match employee contributions up to 4%. For the years ended June 30, 2018 and 2017, retirement expense was approximately \$53,000 and \$31,000.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 21, 2018, which represents the date the financial statements were available to be issued.