



FREE WHEELCHAIR MISSION

Financial Statements
With Independent Auditors Report

June 30, 2019 and 2018

FREE WHEELCHAIR MISSION

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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, 2019 and 2018, 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 entity'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, 2019 and 2018, 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.

Emphasis of Matter

Free Wheelchair Mission has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the June 30, 2019 and 2018 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Brea, California
November 1, 2019

FREE WHEELCHAIR MISSION

Statements of Financial Position

	June 30,	
	2019	2018
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,312,221	\$ 287,208
Investments	-	1,008,130
Accounts and other receivables	167,893	428,782
Prepaid expenses	190,557	211,159
Deposits on wheelchairs in production	92,030	256,752
	1,762,701	2,192,031
Retirement investments	205,959	176,503
Security deposit	15,165	15,165
Property and equipment - net	286,056	338,122
	\$ 2,269,881	\$ 2,721,821
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 246,007	\$ 562,041
Accrued expenses	122,907	93,922
Deferred rent liability	4,071	17,227
	372,985	673,190
Deferred retirement liability	205,959	176,503
Total liabilities	578,944	849,693
Net assets:		
Without donor restrictions	859,733	1,521,502
With donor restrictions	831,204	350,626
Total net assets	1,690,937	1,872,128
Total Liabilities and Net Assets	\$ 2,269,881	\$ 2,721,821

See notes to financial statements

FREE WHEELCHAIR MISSION

Statements of Activities

	Year Ended June 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 7,419,293	\$ 776,563	\$ 8,195,856	\$ 7,791,159	\$ 268,480	\$ 8,059,639
Gift-in-kind	2,584,936	-	2,584,936	2,101,059	-	2,101,059
Banquet ticket sales	96,355	-	96,355	85,378	-	85,378
Other income	10,594	-	10,594	8,130	-	8,130
Net assets released from restrictions:						
Operating projects	295,985	(295,985)	-	607,087	(607,087)	-
Total Support, Revenue, and Reclassifications	10,407,163	480,578	10,887,741	10,592,813	(338,607)	10,254,206
EXPENSES:						
Program expenses	8,361,140	-	8,361,140	8,343,953	-	8,343,953
Supporting activities:						
General and administrative	730,530	-	730,530	719,215	-	719,215
Fundraising	1,977,261	-	1,977,261	2,018,430	-	2,018,430
	2,707,792	-	2,707,792	2,737,645	-	2,737,645
Total Expenses	11,068,932	-	11,068,932	11,081,598	-	11,081,598
Change in Net Assets	(661,769)	480,578	(181,191)	(488,785)	(338,607)	(827,392)
Net Assets, Beginning of Year	1,521,502	350,626	1,872,128	2,010,287	689,233	2,699,520
Net Assets, End of Year	\$ 859,733	\$ 831,204	\$ 1,690,937	\$ 1,521,502	\$ 350,626	\$ 1,872,128

See notes to financial statements

FREE WHEELCHAIR MISSION

Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (181,191)	\$ (827,392)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	77,846	61,011
Accrued interest income	-	(8,130)
Net change in:		
Accounts and other receivables	260,889	(417,345)
Prepaid expenses	20,602	32,892
Deposits on wheelchairs in production	164,722	(115,337)
Accounts payable	(316,034)	269,030
Accrued expenses	28,985	14,473
Deferred rent liability	(13,156)	(9,065)
Net Cash Provided by (Used in) Operating Activities	42,663	(999,863)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(25,780)	(149,341)
Purchases of investments	-	(1,000,000)
Proceeds from sale of investments	1,008,130	-
Net Cash Provided by Investing Activities	982,350	(1,149,341)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collections of promises-to-give	-	4,338
Net Cash Provided by Financing Activities	-	4,338
Change in Cash and Cash Equivalents	1,025,013	(2,144,866)
Cash and Cash Equivalents, Beginning of Year	287,208	2,432,074
Cash and Cash Equivalents, End of Year	\$ 1,312,221	\$ 287,208

See notes to financial statements

FREE WHEELCHAIR MISSION

Notes to Financial Statements

June 30, 2019 and 2018

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, foundations 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, 2019 and 2018, Free Wheelchair's cash balances exceeded insured limits by approximately \$1,062,000 and \$37,000, 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 and mutual 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.

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.

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.

FREE WHEELCHAIR MISSION

Notes to Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts by class of net assets:

Net assets without donor restrictions are currently available at the discretion of the board for use in Free Wheelchair's operations.

Net assets with donor restrictions 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 by natural classification in the functional allocation of expenses disclosure (Note 7). 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, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Free Wheelchair adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 8).

3. INVESTMENTS AND RETIREMENT INVESTMENTS:

Investment and retirement investments consist of:

	June 30,	
	2019	2018
Money market funds	\$ -	\$ 1,371
Certificates of deposit	-	1,006,759
Mutual funds	99,350	-
Bonds	106,609	176,503
	<u>\$ 205,959</u>	<u>\$ 1,184,633</u>

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of:

	June 30,	
	2019	2018
Equipment	\$ 551,124	\$ 453,331
Software	83,203	126,836
Leasehold improvements	35,886	35,886
Website	-	28,380
	<u>670,213</u>	<u>644,433</u>
Less accumulated depreciation	<u>(384,157)</u>	<u>(306,311)</u>
	<u>\$ 286,056</u>	<u>\$ 338,122</u>

FREE WHEELCHAIR MISSION

Notes to Financial Statements

June 30, 2019 and 2018

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consists of:

	June 30,	
	2019	2018
Restricted by country	\$ 279,227	\$ 205,852
Restricted by initiative	391,433	144,774
Promises-to-give	160,544	-
	<u>\$ 831,204</u>	<u>\$ 350,626</u>

6. LEASES:

Free Wheelchair leases office space under an operating lease ending October 2025. Lease expense for the years ended June 30, 2019 and 2018, was \$237,921 and \$174,984, respectively. The minimum future payments are:

<u>Year Ending June 30,</u>	
2020	\$ 162,675
2021	201,472
2022	209,044
2023	217,464
2024	226,300
	<u>\$ 1,016,955</u>

FREE WHEELCHAIR MISSION

Notes to Financial Statements

June 30, 2019 and 2018

7. FUNCTIONAL ALLOCATION OF EXPENSES:

An allocation of expenses by natural classification for the year ended June 30, 2019 is as follows:

	Program	General & Administration	Fundraising	Total
Wheelchair production	\$ 3,875,963	\$ -	\$ -	\$ 3,875,963
Salaries	710,259	417,020	1,026,947	2,154,226
Medical supplies	2,539,993	-	-	2,539,993
Administrative	468,791	106,861	565,429	1,141,081
Shipping and freight	419,142	2,704	37,370	459,216
Benefits	136,283	93,270	181,151	410,704
Lease and rent expenses	85,652	45,205	107,064	237,921
Consulting and professional fees	45,748	28,235	18,673	92,656
Repairs and maintenance	28,557	15,072	35,696	79,325
Depreciation and amortization	50,753	22,163	4,931	77,847
	\$ 8,361,140	\$ 730,530	\$ 1,977,261	\$ 11,068,932

Expenses by natural classification for the year ended June 30, 2018 is as follows:

	Total
Wheelchair production	\$ 4,654,639
Salaries	1,967,451
Medical supplies	2,057,839
Administrative	1,161,321
Shipping and freight	490,642
Benefits	375,925
Lease and rent expenses	174,984
Consulting and professional fees	78,080
Repairs and maintenance	59,706
Depreciation and amortization	61,011
	\$ 11,081,598

FREE WHEELCHAIR MISSION

Notes to Financial Statements

June 30, 2019 and 2018

8. LIQUIDITY:

The following reflects the financial assets of Free Wheelchair as of the balance sheet date, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Free Wheelchair has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Financial assets:	
Cash and cash equivalents	\$ 1,312,221
Investments	205,959
Accounts receivable	167,893
Financial assets, at year-end	<u>1,686,073</u>
Less those unavailable for general expenditure within one year, due to:	
Contractual, board-imposed or donor-imposed restrictions:	
Deferred retirement liability	<u>(205,959)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,480,114</u></u>

9. 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 3%. For the years ended June 30, 2019 and 2018, retirement expense was approximately \$39,000 and \$53,000.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 1, 2019, which represents the date the financial statements were available to be issued.