

FREE WHEELCHAIR MISSION
(A Nonprofit Corporation)

FINANCIAL REPORT

June 30, 2020 and 2019

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B O W M A N

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Free Wheelchair Mission
(A Nonprofit Corporation)
Irvine, California

Report on Financial Statements

We have audited the accompanying financial statements of **Free Wheelchair Mission (A Nonprofit Corporation)** which comprise of the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year 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 audit. 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 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 Organization'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.

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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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Financial Accounting Standards Board has issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*, which reduces the diversity in the classification and presentation of restricted cash or restricted cash equivalents in the statements of cash flows. The amendments in this ASU have been applied using a retrospective transition method to all periods presented. Our opinion is not modified with respect to that matter.

As discussed in Note 1 to the financial statements, the Financial Accounting Standards Board has issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) – Effective Dates for Certain Entities*, which delays the implementation dates by one year for certain companies and organizations that have not yet applied the standards. Our opinion is not modified with respect to this matter.

As discussed in Note 11 to the financial statements, in March 2020, the World Health Organization declared COVID-19 to constitute a “Public Health Emergency of International Concern”. Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of Free Wheelchair Mission as of June 30, 2019 were audited by other auditors, whose report dated November 1, 2019, expressed an unmodified opinion on those statements.

Bowman & Company, LLP

Stockton, California
October 30, 2020

FREE WHEELCHAIR MISSION
(A Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,898,610	\$ 1,312,221
Promises to give	2,900	167,893
Prepaid expenses	94,908	190,557
Deposits on wheelchairs in production	--	92,030
Total current assets	<u>1,996,418</u>	<u>1,762,701</u>
RESTRICTED CASH - ENDOWMENTS	472,000	--
PROPERTY AND EQUIPMENT, net	234,957	286,056
OTHER ASSETS		
Retirement investments	239,698	205,959
Security deposit	<u>15,165</u>	<u>15,165</u>
Total assets	<u>\$ 2,958,238</u>	<u>\$ 2,269,881</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 221,756	\$ 246,007
Accrued expenses	147,278	122,907
Deferred liabilities	330	4,071
PPP loan payable	<u>393,100</u>	<u>--</u>
Total current liabilities	762,464	372,985
LONG-TERM LIABILITIES		
Deferred retirement liability	<u>239,698</u>	<u>205,959</u>
Total liabilities	<u>1,002,162</u>	<u>578,944</u>
NET ASSETS		
Without donor restrictions	1,167,388	859,733
With donor restrictions	<u>788,688</u>	<u>831,204</u>
Total net assets	<u>1,956,076</u>	<u>1,690,937</u>
Total liabilities and net assets	<u>\$ 2,958,238</u>	<u>\$ 2,269,881</u>

FREE WHEELCHAIR MISSION
(A Nonprofit Corporation)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 5,429,615	\$ 506,083	\$ 5,935,698
In-kind contributions	1,938,762	--	1,938,762
Special event income	2,013,669	--	2,013,669
Other revenue	59,542	--	59,542
Net assets released from restrictions:			
Operating projects	548,599	(548,599)	--
Total support and revenue	<u>9,990,187</u>	<u>(42,516)</u>	<u>9,947,671</u>
EXPENSES			
Program services	7,072,244	--	7,072,244
Support services			
Fundraising	2,045,352	--	2,045,352
General and administrative	564,936	--	564,936
Total expenses	<u>9,682,532</u>	<u>--</u>	<u>9,682,532</u>
Change in net assets	307,655	(42,516)	265,139
Net assets, beginning of year	<u>859,733</u>	<u>831,204</u>	<u>1,690,937</u>
Net assets, end of year	<u>\$ 1,167,388</u>	<u>\$ 788,688</u>	<u>\$ 1,956,076</u>

FREE WHEELCHAIR MISSION
(A Nonprofit Corporation)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 5,755,663	\$ 776,563	\$ 6,532,226
In-kind contributions	2,584,936	--	2,584,936
Special event income	1,759,985	--	1,759,985
Other revenue	10,594	--	10,594
Net assets released from restrictions:			
Operating projects	295,985	(295,985)	--
Total support and revenue	10,407,163	480,578	10,887,741
EXPENSES			
Program services	8,361,139	--	8,361,139
Support services			
Fundraising	1,977,262	--	1,977,262
General and administrative	730,531	--	730,531
Total expenses	11,068,932	--	11,068,932
Change in net assets	(661,769)	480,578	(181,191)
Net assets, beginning of year	1,521,502	350,626	1,872,128
Net assets, end of year	\$ 859,733	\$ 831,204	\$ 1,690,937

FREE WHEELCHAIR MISSION
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STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 265,139	\$ (181,191)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	80,011	77,847
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	164,993	260,889
Prepaid expenses	95,649	20,602
Deposits on wheelchairs in production	92,030	164,722
(Decrease) increase in:		
Accounts payable	(24,251)	(316,034)
Accrued expenses	24,371	28,985
Deferred liabilities	(3,741)	(13,156)
Net cash provided by operating activities	<u>694,201</u>	<u>42,664</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(28,912)	(25,781)
Proceeds from sale of investments	<u>- -</u>	<u>1,008,130</u>
Net cash provided by (used in) investing activities	<u>(28,912)</u>	<u>982,349</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan funding	<u>393,100</u>	<u>- -</u>
Net cash provided by financing activities	<u>393,100</u>	<u>- -</u>
Increase in cash, cash equivalents and restricted cash	1,058,389	1,025,013
Cash, cash equivalents and restricted cash, beginning of year	<u>1,312,221</u>	<u>287,208</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 2,370,610</u>	<u>\$ 1,312,221</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH INFORMATION		
Cash and cash equivalents	\$ 1,898,610	\$ 1,312,221
Restricted cash - endowments	<u>472,000</u>	<u>- -</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 2,370,610</u>	<u>\$ 1,312,221</u>

FREE WHEELCHAIR MISSION
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of Organization:

Free Wheelchair Mission (the "Organization"), a California nonprofit corporation formed in 2001, seeks to provide the transforming gift of mobility to the physically disabled poor in developing countries. Revenue is primarily made up of contributions from individual donors, foundations and other organizations.

A summary of significant accounting policies applied in the preparation of the financial statements follows:

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted ("GAAP") in the United States of America.

New Accounting Pronouncements:

During the year ended June 30, 2019, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

During the year ended June 30, 2020, the Organization adopted FASB ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. The amendments in the ASU are an improvement to GAAP because they reduce the diversity in the classification and presentation of restricted cash or restricted cash equivalents in the statements of cash flows. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

During the year ended June 30, 2020, the Organization adopted the provisions of Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08)*. Under this new accounting policy, the Organization has applied this update on a modified prospective basis. GAAP requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. Contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions received are accounted for as a liability or are unrecognized initially, that is, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions. During 2020, management had determined that the implementation of this ASU had no material effect on net assets with donor restrictions.

**FREE WHEELCHAIR MISSION
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NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Cont.)

New Accounting Pronouncements (Cont.):

On June 3, 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) – Effective Dates for Certain Entities*, as a response to COVID-19. The amendment allows for the deferral of the effective dates of ASU 2014-09 and ASU 2016-02. Certain companies that have not yet applied the revenue recognition and leases guidance are allowed to delay implementations by one year, with early adoption permitted. The Organization has adopted the provisions of the ASU 2020-05.

Basis of Presentation:

The Organization is required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Organization's net asset classes are as follows:

Net assets without donor restrictions:

Net assets not subject to donor-imposed restrictions. Such net assets are available for any purpose consistent with the Organization's mission.

Net assets with donor restrictions:

Net assets subject to specific, donor-imposed restrictions that must be met by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as releases from restriction. Donor restricted contributions received in the same year in which the restrictions are met are recorded as an increase to net assets without donor restrictions.

Cash and Cash Equivalents and Restricted Cash:

The Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties and certificates of deposits with an initial maturity of less than three months, as cash and cash equivalents on the accompanying statements of financial position.

The Organization has entered into certain agreements which require that cash be maintained in separate bank accounts and is reported as restricted cash on the accompanying statements of financial position.

For the purposes of the statements of cash flows, the Organization includes all cash and restricted cash accounts as cash.

FREE WHEELCHAIR MISSION
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NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Cont.)

Promises to give:

Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at fair value, which is measured at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

Retirement Investments and Deferred Retirement Liability:

Retirement investments are composed of mutual funds investing in bonds and equity securities and are carried at fair value. These assets fund the related deferred retirement liability reflected on the statements of financial position. The Organization has set aside these assets for the benefit of the recipient and is not responsible for any liability beyond the asset value.

Property and Equipment:

Property and equipment are stated at cost. Donated items are recorded at fair market value on the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives ranging from 3 to 10 years. It is the policy of the Organization to capitalize additions with costs greater than \$1,000. Maintenance and repairs are charged to expenses as incurred.

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the property may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying value amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. At June 30, 2020 and 2019, there were no impairment losses recognized.

Fair Value of Financial Instruments:

The carrying amount of financial instruments, including cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, accrued expenses, and deferred liabilities approximate their fair value due to the short-term maturities of these instruments.

Revenue Recognition:

Contributions are recognized when the cash or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions that are restricted by the donor are reported as increase in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**FREE WHEELCHAIR MISSION
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NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Cont.)

Donated Materials and Services:

Contributions of donated noncash assets are measured on a nonrecurring basis and are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation are recorded at fair value in the period received.

Income Taxes:

The Organization is exempt from federal income taxes under IRC Sec. 501(c)(3) and state income tax under Section 23701(d) of the California Revenue and Taxation Code. The Organization is classified by the Internal Revenue Service (“IRS”) as an other-than-private foundation. Accordingly, no provision for federal income tax is made in the accompanying financial statements. The Organization’s Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed.

Allocation of Expenses:

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses which can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on time and effort or percentage of occupancy.

Advertising:

The Organization uses advertisement to promote its mission. The Organization expenses advertising costs when incurred. Advertising costs for the years ended June 30, 2020 and 2019 were \$50,037 and \$58,788, respectively.

Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification:

Certain amounts in the June 30, 2019 financial statements have been classified for comparative purposes to conform to the presentation in the June 30, 2020 financial statements.

Subsequent Events:

Management has evaluated subsequent events through October 30, 2020, the date on which the financial statements were available to be issued.

**FREE WHEELCHAIR MISSION
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NOTES TO FINANCIAL STATEMENTS

Note 2. Availability and Liquidity

The Organization's goal is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization does not anticipate the general expenditures to exceed the cash on hand. The balance of cash and cash equivalents on the statements of financial position reflects the amount available for general use as there are no contractual or donor imposed restrictions within one year of the statement of financial position date.

The following represents Organization's financial assets available for general expenditures within one year of the statement of financial position at June 30:

Financial assets at year end:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,898,610	\$ 1,312,221
Promises to give	<u>2,900</u>	<u>167,893</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,901,510</u>	<u>\$ 1,480,114</u>

Note 3. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 580,036	\$ 551,124
Computer software	71,218	83,203
Leasehold improvements	<u>35,886</u>	<u>35,886</u>
	687,140	670,213
Less accumulated depreciation	<u>(452,183)</u>	<u>(384,157)</u>
	<u>\$ 234,957</u>	<u>\$ 286,056</u>

**FREE WHEELCHAIR MISSION
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NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Investments and Fair Value Measurements

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 measurements consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1), and Level 3 measurements are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level I inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available. Level 3 inputs would only be used if Level 1 or 2 inputs were not available. The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. All of the investments are deemed to be Level 1 within the valuation hierarchy.

The Organization had retirement investments consisting of the following at June 30:

	(Level 1) Fair Market Value 2020	(Level 1) Fair Market Value 2019
	<u> </u>	<u> </u>
Mutual funds	\$ <u>239,698</u>	\$ <u>205,959</u>

Note 5. PPP Loan Payable

On April 20, 2020, the Organization received loan proceeds in the amount of \$393,100 under the Paycheck Protection Program (“PPP”), established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). The loan and accrued interest are forgivable if the proceeds are used for eligible purposes. Eligible purposes include payroll costs, group health care benefits cost, mortgage payments, rent, utilities, and interest on other debt obligations. The Organization used the entire loan proceeds for qualifying expenses. As of October 2020, the entire loan amount was approved for forgiveness from the bank and the Organization is waiting on final approval from the Small Business Administration. Any unforgiven portion of the PPP loan would be payable over two years, with an interest rate of 1%. Payments would be deferred for the first six months.

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NOTES TO FINANCIAL STATEMENTS

Note 6. Net Assets

The Organization receives contributions designated for specific program functions. The net assets available for these purposes are held as net assets with donor restrictions.

Net assets with donor restrictions are available for the following at June 30:

	<u>2020</u>	<u>2019</u>
Restricted by country	\$ 191,298	\$ 279,227
Restricted by initiative	125,390	391,433
Endowments	472,000	--
Promises-to-give	--	160,544
	<u>\$ 788,688</u>	<u>\$ 831,204</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2020</u>	<u>2019</u>
Country	\$ 122,012	\$ 131,650
Initiative	266,043	164,335
Promises-to-give	160,544	--
	<u>\$ 548,599</u>	<u>\$ 295,985</u>

Note 7. Retirement Plan

The Organization allows all eligible employees to contribute towards retirement savings as part of a SIMPLE IRA. To encourage saving, the Organization will match employee contributions up to 3%. Employees are eligible to participate in the plan upon earning \$5,000 in gross compensation. For the years ended June 30, 2020 and 2019, retirement expense was \$36,308 and \$39,000, respectively.

**FREE WHEELCHAIR MISSION
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NOTES TO FINANCIAL STATEMENTS

Note 8. Functional Allocation of Expenses

The functional allocation of expenses for the year ended June 30, 2020 are as follows:

	Program Services	General and Administrative	Fundraising	Total
Wheelchair production	\$ 3,160,638	\$ --	\$ --	\$ 3,160,638
Salaries and benefits	937,585	299,688	1,247,843	2,485,116
Medical supplies and shipping - In-kind	1,931,862	--	--	1,931,862
Administrative	427,634	108,850	552,723	1,089,207
Shipping and freight	258,970	2,417	35,461	296,848
Lease and rent expense	136,166	51,770	106,779	294,715
Consulting and professional fees	139,129	62,054	26,694	227,877
Repairs and maintenance	32,317	29,664	54,277	116,258
Depreciation and amortization	47,943	10,493	21,575	80,011
Total	<u>\$ 7,072,244</u>	<u>\$ 564,936</u>	<u>\$ 2,045,352</u>	<u>\$ 9,682,532</u>

The functional allocation of expenses for the year ended June 30, 2019 are as follows:

	Program Services	General and Administrative	Fundraising	Total
Wheelchair production	\$ 3,875,963	\$ --	\$ --	\$ 3,875,963
Salaries and benefits	810,071	510,290	1,244,569	2,564,930
Medical supplies and shipping - In-kind	2,570,221	--	--	2,570,221
Administrative	471,923	130,344	511,472	1,113,739
Shipping and freight	274,540	2,704	39,989	317,233
Lease and rent expense	116,697	30,174	91,050	237,921
Repairs and maintenance	38,837	19,938	51,093	109,868
Consulting and professional fees	152,592	28,235	20,383	201,210
Depreciation and amortization	50,295	8,846	18,706	77,847
Total	<u>\$ 8,361,139</u>	<u>\$ 730,531</u>	<u>\$ 1,977,262</u>	<u>\$ 11,068,932</u>

FREE WHEELCHAIR MISSION
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NOTES TO FINANCIAL STATEMENTS

Note 9. Lease Commitments

The Organization rents office space and equipment under operating leases. The future minimum rental payments required under these operating leases are as follows as of June 30:

2021	\$	204,285
2022		211,072
2023		218,524
2024		225,548
2025		76,164
Total	\$	<u>935,593</u>

Rental expense incurred by the Organization for the years ending June 30, 2020 and 2019 was \$294,715 and \$237,921, respectively.

Note 10. Concentrations

The Organization maintains cash balances in excess of the Federal Deposit Insurance Corporation insured amount. At June 30, 2020 and 2019, the Organization's uninsured cash balances at risk were \$2,152,253 and \$1,062,221, respectively.

Note 11. Contingencies

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. Management is carefully monitoring the situation and evaluating its operations and donations during this time.

Note 12. In-Kind Contributions

The Organization receives contributions of medical supplies, shipping and freight services, and storage space. The in-kind contributions are recorded at fair value as both revenue and expense in accordance with GAAP. For the years ended June 30, 2020 and 2019, the value of these in-kind contributions were \$1,938,762 and \$2,584,936, respectively, and are included in the accompanying statements of activities.

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NOTES TO FINANCIAL STATEMENTS

Note 13. Restricted Cash – Endowments

During the year ended June 30, 2020, the Organization received two endowments, both of which had restrictions based on time. One endowment agreement allows the Organization to use either the yearly income from the endowment or up to 5% of the principal, as adopted by the Board of Directors, for operating needs. Additionally, the Organization may use the principal amount of the endowment for capital purposes to be used in carrying out its charitable objectives. The second endowment agreement releases the principal and any earnings ratably over a ten-year period.

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the endowment fund, (b) the purposes of the Organization and the donor-restricted endowment fund, (c) general economic conditions, (d) the possible effect of inflation and deflation, (e) the expected total return from income and the appreciation of investments, (f) other resources of the Organization, and (g) the investment policies of the Organization.

Investment Policy, Strategies, and Objectives. The Organization is currently reviewing its investment policies for the endowments received. The endowments have been deposited to separate cash and money market accounts in accordance with the endowment agreements and in order to independently track the activity. Current investment returns are achieved through current yield of money market accounts.

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NOTES TO FINANCIAL STATEMENTS

Note 13. Restricted Cash – Endowments (Cont.)

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

		<u>With Donor Restriction</u>
Donor-restricted endowments	\$	<u><u>472,000</u></u>

Changes in endowment net assets for the year ended June 30, 2020 were as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ --	\$ --	\$ --
Contributions	--	472,000	472,000
Investment income, net of fees	<u>14</u>	<u>--</u>	<u>14</u>
 Endowment net assets, end of year	 <u>\$ 14</u>	 <u>\$ 472,000</u>	 <u>\$ 472,014</u>