

FREE WHEELCHAIR MISSION
(A Nonprofit Corporation)

FINANCIAL REPORT

June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of **Free Wheelchair Mission (A Nonprofit Corporation)** which comprise of the statements of financial position as of June 30, 2021 and 2020, 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.

Auditor's 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 audits 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.

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, 2021 and 2020, 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

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.

Bowman & Company, LLP

Stockton, California
October 29, 2021

FREE WHEELCHAIR MISSION
(A Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,108,126	\$ 1,898,610
Promises to give	4,271	2,900
Prepaid expenses	<u>75,694</u>	<u>94,908</u>
Total current assets	2,188,091	1,996,418
RESTRICTED CASH - ENDOWMENTS	539,215	472,000
PROPERTY AND EQUIPMENT, net	222,940	234,957
OTHER ASSETS		
Retirement investments	315,461	239,698
Security deposit	<u>15,165</u>	<u>15,165</u>
Total assets	<u>\$ 3,280,872</u>	<u>\$ 2,958,238</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 268,941	\$ 221,756
Accrued expenses	197,776	147,278
Deferred liabilities	1,745	330
PPP loan payable	<u>--</u>	<u>393,100</u>
Total current liabilities	468,462	762,464
LONG-TERM LIABILITIES		
Deferred retirement liability	<u>315,461</u>	<u>239,698</u>
Total liabilities	<u>783,923</u>	<u>1,002,162</u>
NET ASSETS		
Without donor restrictions	1,577,549	1,167,388
With donor restrictions	<u>919,400</u>	<u>788,688</u>
Total net assets	<u>2,496,949</u>	<u>1,956,076</u>
Total liabilities and net assets	<u>\$ 3,280,872</u>	<u>\$ 2,958,238</u>

FREE WHEELCHAIR MISSION
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STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 5,108,133	\$ 290,358	\$ 5,398,491
In-kind contributions	2,341,259	--	2,341,259
Special event income	1,825,325	--	1,825,325
Forgiveness of debt	393,100	--	393,100
Other revenue	25,748	--	25,748
Net assets released from restrictions:			
Operating projects	127,511	(127,511)	--
Endowment	32,135	(32,135)	--
Total support and revenue	<u>9,853,211</u>	<u>130,712</u>	<u>9,983,923</u>
EXPENSES			
Program services	7,060,321	--	7,060,321
Support services			
Fundraising	1,933,522	--	1,933,522
General and administrative	449,207	--	449,207
Total expenses	<u>9,443,050</u>	<u>--</u>	<u>9,443,050</u>
Change in net assets	410,161	130,712	540,873
Net assets, beginning of year	<u>1,167,388</u>	<u>788,688</u>	<u>1,956,076</u>
Net assets, end of year	<u>\$ 1,577,549</u>	<u>\$ 919,400</u>	<u>\$ 2,496,949</u>

FREE WHEELCHAIR MISSION
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STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
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	<u>564,936</u>	<u>--</u>	<u>564,936</u>
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>

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STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 540,873	\$ 265,139
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	59,176	80,011
Forgiveness of debt	(393,100)	--
Loss on disposal of assets	2,669	--
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	(1,371)	164,993
Prepaid expenses	19,214	95,649
Deposits on wheelchairs in production	--	92,030
(Decrease) increase in:		
Accounts payable	47,185	(24,251)
Accrued expenses	50,498	24,371
Deferred liabilities	1,415	(3,741)
Net cash provided by operating activities	<u>326,559</u>	<u>694,201</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(49,828)	(28,912)
Net cash used in investing activities	<u>(49,828)</u>	<u>(28,912)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan funding	--	393,100
Net cash provided by financing activities	<u>--</u>	<u>393,100</u>
Increase in cash, cash equivalents and restricted cash	276,731	1,058,389
Cash, cash equivalents and restricted cash, beginning of year	<u>2,370,610</u>	<u>1,312,221</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 2,647,341</u>	<u>\$ 2,370,610</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH INFORMATION		
Cash and cash equivalents	\$ 2,108,126	\$ 1,898,610
Restricted cash - endowments	539,215	472,000
Cash, cash equivalents and restricted cash, end of year	<u>\$ 2,647,341</u>	<u>\$ 2,370,610</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, 2020, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“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 ASU 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. 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.

During the year ended June 30, 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.

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NOTES TO FINANCIAL STATEMENTS

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

New Accounting Pronouncements (Cont.):

During the year ended June 30, 2021, the Organization adopted FASB ASU 2014-09, *Revenue from Contracts with Customers* ("ASC 606") and all related amendments. ASC 606 supersedes most existing revenue recognition guidance. ASC 606 provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflected the consideration the entity expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASC 606 and all related amendments using the modified retrospective transition method. The Organization concluded that the adoption of the new standard did not require an adjustment to the opening equity balance and has no material impact for the year ended June 30, 2021.

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, 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.

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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 \$3,500. 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, 2021 and 2020, there were no impairment losses recognized.

Fair Value of Financial Instruments:

The carrying amount of financial instruments, including cash and cash equivalents, accounts receivable, 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.

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NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition (Cont.):

During year ended June 30, 2021, the Organization received a restricted grant totaling \$293,000 that contained donor restrictions (primarily meeting reporting and spending requirements). Since this grant represents conditional promises to give, the grant is not recognized until the conditions are substantially met. Any assets contributed before the related conditions have been substantially met are accounted for as a liability on the statements of financial position.

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, 2021 and 2020 were \$71,060 and \$50,037, 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.

Subsequent Events:

Management has evaluated subsequent events through October 29, 2021, the date on which the financial statements were available to be issued.

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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:	2021	2020
Cash and cash equivalents	\$ 2,108,126	\$ 1,898,610
Promises to give	4,271	2,900
Annual release of endowment	32,135	--
Total financial assets	2,144,532	1,901,510
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(919,400)	(788,688)
Restricted cash - endowments	539,215	472,000
Financial assets available to meet general expenditures within one year	\$ <u>1,764,347</u>	\$ <u>1,584,822</u>

Note 3. Property and Equipment

Property and equipment consisted of the following at June 30:

	2021	2020
Furniture and equipment	\$ 561,982	\$ 580,036
Computer software	116,510	71,218
Leasehold improvements	35,886	35,886
	714,378	687,140
Less accumulated depreciation	(491,438)	(452,183)
	\$ <u>222,940</u>	\$ <u>234,957</u>

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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 1 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 2021	(Level 1) Fair Market Value 2020
Mutual funds	\$ 315,461	\$ 239,698

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 were forgivable if the proceeds were 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. The loan was forgiven in March 2021 and is included in the accompanying statements of activities.

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:

	2021	2020
Restricted by country	\$ 142,292	\$ 191,298
Restricted by initiative	237,893	125,390
Endowments	539,215	472,000
	\$ 919,400	\$ 788,688

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NOTES TO FINANCIAL STATEMENTS

Note 6. Net Assets (Cont.)

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

	2021	2020
Country	\$ 100,218	\$ 122,012
Initiative	27,293	266,043
Promises-to-give	--	160,544
Endowment	32,135	--
	<u>\$ 159,646</u>	<u>\$ 548,599</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, 2021 and 2020, retirement expense was \$58,783 and \$36,308, respectively.

Note 8. Functional Allocation of Expenses

The functional allocation of expenses for the year ended June 30, 2021 are as follows:

	Program Services	General and Administrative	Fundraising	Total
Wheelchair production	\$ 2,717,845	\$ --	\$ --	\$ 2,717,845
Salaries and benefits	992,535	274,880	1,269,721	2,537,136
Medical supplies and shipping - In-kind	2,332,009	--	--	2,332,009
Administrative	140,309	69,512	370,438	580,259
Shipping and freight	473,333	4,434	48,737	526,504
Lease and rent expense	131,747	54,623	95,747	282,117
Consulting and professional fees	213,491	20,657	105,080	339,228
Repairs and maintenance	19,594	18,269	30,913	68,776
Depreciation and amortization	39,458	6,832	12,886	59,176
Total	<u>\$ 7,060,321</u>	<u>\$ 449,207</u>	<u>\$ 1,933,522</u>	<u>\$ 9,443,050</u>

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NOTES TO FINANCIAL STATEMENTS

Note 8. Functional Allocation of Expenses (Cont.)

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>

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:

2022	\$ 212,388
2023	219,015
2024	225,548
2025	76,164
Total	<u>\$ 733,115</u>

Rental expense incurred by the Organization for the years ending June 30, 2021 and 2020 was \$282,117 and \$294,715, respectively.

Note 10. Concentrations

The Organization maintains cash balances in excess of the Federal Deposit Insurance Corporation insured amount. At June 30, 2021 and 2020, the Organization's uninsured cash balances at risk were \$2,339,173 and \$2,152,253, respectively.

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NOTES TO FINANCIAL STATEMENTS

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, 2021 and 2020, the value of these in-kind contributions were \$2,341,259 and \$1,938,762, respectively, and are included in the accompanying statements of activities.

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.

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NOTES TO FINANCIAL STATEMENTS

Note 13. Restricted Cash – Endowments (Cont.)

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.

Endowment net asset composition by type of fund as of June 30, 2021 and 2020 is as follows:

	2021	2020
	With Donor Restriction	With Donor Restriction
Donor-restricted endowments	\$ 539,215	\$ 472,000

Changes in endowment net assets for the year ended June 30, 2021 were as follows:

	Without Donor Restriction	With Donor Restriction	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 14	\$ 472,000	\$ 472,014
Contributions	--	99,350	99,350
Investment income, net of fees	25	--	25
Release from restriction	--	(32,135)	(32,135)
Endowment net assets, end of year	\$ 39	\$ 539,215	\$ 539,254

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

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