

**FREE WHEELCHAIR MISSION**  
*(A Nonprofit Corporation)*

***FINANCIAL REPORT***

**June 30, 2022 and 2021**

## **C O N T E N T S**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of **Free Wheelchair Mission** (A Nonprofit Organization) which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Free Wheelchair Mission as of June 30, 2022 and 2021, and changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Free Wheelchair Mission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Emphasis of Matter

As discussed in Note 1 to the financial statements, the Financial Accounting Standards Board has issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958) *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The amendment in this ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

#### Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Bowman & Company, LLP*

Stockton, California  
October 25, 2022

**FREE WHEELCHAIR MISSION**  
**(A Nonprofit Corporation)**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2022 and 2021

<b>ASSETS</b>	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,106,903	\$ 2,108,126
Promises to give	55,367	4,271
Accounts receivable - other	4,708	--
Prepaid expenses	168,286	75,694
Deposits on wheelchairs in production	247,070	--
Total current assets	<u>2,582,334</u>	<u>2,188,091</u>
<b>RESTRICTED CASH - ENDOWMENTS</b>	517,080	539,215
<b>PROPERTY AND EQUIPMENT, net</b>	171,171	222,940
<b>OTHER ASSETS</b>		
Retirement investments	259,650	315,461
Security deposit	<u>15,165</u>	<u>15,165</u>
Total assets	<u><u>\$ 3,545,400</u></u>	<u><u>\$ 3,280,872</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 483,117	\$ 268,941
Accrued expenses	221,888	197,776
Deferred liabilities	<u>11,575</u>	<u>1,745</u>
Total current liabilities	716,580	468,462
<b>LONG-TERM LIABILITIES</b>		
Deferred retirement liability	<u>259,650</u>	<u>315,461</u>
Total liabilities	<u>976,230</u>	<u>783,923</u>
<b>NET ASSETS</b>		
Without donor restrictions	1,860,349	1,577,549
With donor restrictions	<u>708,821</u>	<u>919,400</u>
Total net assets	<u>2,569,170</u>	<u>2,496,949</u>
Total liabilities and net assets	<u><u>\$ 3,545,400</u></u>	<u><u>\$ 3,280,872</u></u>

**FREE WHEELCHAIR MISSION**  
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**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 6,827,139	\$ 107,932	\$ 6,935,071
In-kind contributions	2,763,573	--	2,763,573
Special event income	2,055,613	--	2,055,613
Sublease rental income	100,468	--	100,468
Other revenue	34,969	--	34,969
Net assets released from restrictions:			
Operating projects	286,376	(286,376)	--
Endowment	32,135	(32,135)	--
Total support and revenue	<u>12,100,273</u>	<u>(210,579)</u>	<u>11,889,694</u>
<b>EXPENSES</b>			
Program services	8,866,985	--	8,866,985
Support services			
Fundraising	2,357,353	--	2,357,353
General and administrative	<u>593,135</u>	<u>--</u>	<u>593,135</u>
Total expenses	<u>11,817,473</u>	<u>--</u>	<u>11,817,473</u>
Change in net assets	282,800	(210,579)	72,221
Net assets, beginning of year	<u>1,577,549</u>	<u>919,400</u>	<u>2,496,949</u>
Net assets, end of year	<u><u>\$ 1,860,349</u></u>	<u><u>\$ 708,821</u></u>	<u><u>\$ 2,569,170</u></u>

**FREE WHEELCHAIR MISSION**  
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**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
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>
<b>EXPENSES</b>			
Program services	7,060,321	--	7,060,321
Support services			
Fundraising	1,933,522	--	1,933,522
General and administrative	<u>449,207</u>	<u>--</u>	<u>449,207</u>
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><u>\$ 1,577,549</u></u>	<u><u>\$ 919,400</u></u>	<u><u>\$ 2,496,949</u></u>

**FREE WHEELCHAIR MISSION**  
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**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 72,221	\$ 540,873
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	55,294	59,176
Forgiveness of debt	--	(393,100)
Loss on disposal of assets	17,968	2,669
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	(51,096)	(1,371)
Accounts receivable - other	(4,708)	--
Prepaid expenses	(92,592)	19,214
Deposits on wheelchairs in production	(247,070)	--
Increase in:		
Accounts payable	214,176	47,185
Accrued expenses	24,112	50,498
Deferred liabilities	9,830	1,415
Net cash provided by (used in) operating activities	<u>(1,865)</u>	<u>326,559</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(21,493)</u>	<u>(49,828)</u>
Net cash used in investing activities	<u>(21,493)</u>	<u>(49,828)</u>
Increase (decrease) in cash, cash equivalents and restricted cash	(23,358)	276,731
Cash, cash equivalents and restricted cash, beginning of year	<u>2,647,341</u>	<u>2,370,610</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 2,623,983</u>	<u>\$ 2,647,341</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH SUMMARY</b>		
Cash and cash equivalents	\$ 2,106,903	\$ 2,108,126
Restricted cash - endowments	<u>517,080</u>	<u>539,215</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 2,623,983</u>	<u>\$ 2,647,341</u>



**FREE WHEELCHAIR MISSION**  
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**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 Pronouncement:

During the year ended June 30, 2022, the Organization adopted the provisions of the Financial Accounting Standards Board Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958) – *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The ASU includes disclosure of information on an organization's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions and valuation techniques. The Organization has applied the ASU retrospectively to all periods presented. The ASU did not have a material impact on the financial statements.

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.

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**NOTES TO FINANCIAL STATEMENTS**

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

**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 cash equivalents and restricted cash accounts as cash.

**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, 2022 and 2021, there were no impairment losses recognized.

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**NOTES TO FINANCIAL STATEMENTS**

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

**Fair Value of Financial Instruments:**

The carrying amount of financial instruments, including cash and cash equivalents, promises to give, accounts receivable – other, prepaid expenses, deposits on wheelchairs in production, 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.

During year ended June 30, 2022, the Organization received a restricted grant totaling \$242,000 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.

**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, 2022 and 2021 were \$125,547 and \$71,060, respectively.

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**NOTES TO FINANCIAL STATEMENTS**

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

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 25, 2022, the date on which the financial statements were available to be issued.

**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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,106,903	\$ 2,108,126
Promises to give	55,367	4,271
Accounts receivable - other	4,708	-
Annual release of endowment	<u>32,135</u>	<u>32,135</u>
Total financial assets	2,199,113	2,144,532
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(708,821)	(919,400)
Restricted cash - endowments	<u>517,080</u>	<u>539,215</u>
Financial assets available to meet general expenditures within one year	\$ <u><u>2,007,372</u></u>	\$ <u><u>1,764,347</u></u>

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**NOTES TO FINANCIAL STATEMENTS**

**Note 3. Property and Equipment**

Property and equipment consisted of the following at June 30:

	2022	2021
Furniture and equipment	\$ 533,858	\$ 561,982
Computer software	116,510	116,510
Leasehold improvements	1,185	35,886
	651,553	714,378
Less accumulated depreciation	(480,382)	(491,438)
	<u>\$ 171,171</u>	<u>\$ 222,940</u>

**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 2022	(Level 1) Fair Market Value 2021
Mutual funds	\$ <u>259,650</u>	\$ <u>315,461</u>

**Note 5. Forgiveness of Debt**

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.

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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:

	2022	2021
Restricted by country	\$ 45,470	\$ 142,292
Restricted by initiative	146,271	237,893
Endowments	517,080	539,215
	<u>\$ 708,821</u>	<u>\$ 919,400</u>

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

	2022	2021
Country	\$ 96,822	\$ 100,218
Initiative	189,554	27,293
Endowment	32,135	32,135
	<u>\$ 318,511</u>	<u>\$ 159,646</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, 2022 and 2021, retirement expense was \$68,086 and \$58,783, respectively.

**Note 8. Functional Allocation of Expenses**

The functional allocation of expenses for the year ended June 30, 2022 are as follows:

	Program Services	General and Administrative	Fundraising	Total
Wheelchair production	\$ 3,201,787	\$ --	\$ --	\$ 3,201,787
Salaries and benefits	1,127,985	286,027	1,491,096	2,905,108
Medical supplies and shipping - In-kind	2,746,884	--	--	2,746,884
Shipping and freight	980,337	4,262	71,660	1,056,259
Administrative	249,415	152,734	469,770	871,919
Consulting and professional fees	347,039	61,685	163,305	572,029
Lease and rent expense	138,339	57,972	102,548	298,859
Repairs and maintenance	31,491	26,761	51,082	109,334
Depreciation	43,708	3,694	7,892	55,294
Total	<u>\$ 8,866,985</u>	<u>\$ 593,135</u>	<u>\$ 2,357,353</u>	<u>\$ 11,817,473</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, 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
Consulting and professional fees	213,491	20,657	105,080	339,228
Lease and rent expense	131,747	54,623	95,747	282,117
Repairs and maintenance	19,594	18,269	30,913	68,776
Depreciation	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>

**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:

2023	\$ 244,200
2024	226,141
2025	76,757
2026	593
2027	593
Total	<u>\$ 548,284</u>

Rental expense incurred by the Organization for the years ending June 30, 2022 and 2021 was \$298,859 and \$282,117, respectively.

**Note 10. Concentrations**

The Organization maintains cash balances in excess of the Federal Deposit Insurance Corporation insured amount.

**Note 11. In-kind contributions**

Contributed services recognized include shipping and freight services to transport donated medical supplies to areas in need and storage space. Donated medical supplies, auction items, special event venue space, and software licenses are provided to the Organization to help defray the costs of those goods and services that would otherwise have been purchased. The Organization did not monetize any contributed nonfinancial assets and unless otherwise noted, contributed nonfinancial assets did not have donor restrictions.

**FREE WHEELCHAIR MISSION**  
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**NOTES TO FINANCIAL STATEMENTS**

**Note 11. In-kind contributions (Cont.)**

In-kind contributions revenue is recorded at fair market value as both revenue and expense, in accordance with GAAP, and are valued as follows:

Services: Based on actual shipping and storage costs.

Materials: Based on FMV of items donated.

Total in-kind contribution revenues and expenditures for the year ended June 30, 2022 and 2021 were as follows:

	2022	2021
Medical supplies	\$ 2,483,134	\$ 2,238,499
Shipping	263,750	93,510
Storage	8,400	9,250
Software licenses	5,242	--
Special event services	3,047	--
	<u>\$ 2,763,573</u>	<u>\$ 2,341,259</u>

**Note 12. 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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**(A Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

**Note 12. 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, 2022 and 2021 is as follows:

	2022	2021
	With Donor Restriction	With Donor Restriction
Donor-restricted endowments	\$ <u>517,080</u>	\$ <u>539,215</u>

Changes in endowment net assets for the year ended June 30, 2022 were as follows:

	Without Donor Restriction	With Donor Restriction	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 39	\$ 539,215	\$ 539,254
Contributions	--	10,000	10,000
Investment income, net of fees	26	--	26
Release from restriction	<u>--</u>	<u>(32,135)</u>	<u>(32,135)</u>
Endowment net assets, end of year	\$ <u>65</u>	\$ <u>517,080</u>	\$ <u>517,145</u>

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	<u>--</u>	<u>(32,135)</u>	<u>(32,135)</u>
Endowment net assets, end of year	\$ <u>39</u>	\$ <u>539,215</u>	\$ <u>539,254</u>