



Financial Statements  
With Independent Auditors' Report

June 30, 2016 and 2015

# FREE WHEELCHAIR MISSION

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Free Wheelchair Mission  
Irvine, California

We have audited the accompanying financial statements of Free Wheelchair Mission (Free Wheelchair), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Free Wheelchair'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 Free Wheelchair's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Free Wheelchair Mission  
Irvine, California

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Free Wheelchair Mission as of June 30, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Brea, California  
September 23, 2016

# FREE WHEELCHAIR MISSION

## Statements of Financial Position

	June 30,	
	2016	2015
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,134,766	\$ 887,626
Accounts receivable	23,885	6,599
Prepaid expenses	218,177	119,372
Promises-to-give receivable, current portion	99,366	219,018
Property held for sale	-	380,000
Deposits on wheelchairs in production	238,582	143,542
	<u>1,714,776</u>	<u>1,756,157</u>
Promises-to-give receivable, net of current portion	119,760	487,287
Retirement investments	125,534	112,054
Security deposit	7,869	7,869
Property and equipment, net of depreciation	64,984	77,738
Wheelchair production costs, net of amortization	58,520	43,798
	<u>585,467</u>	<u>728,746</u>
Total Assets	<u>\$ 2,091,443</u>	<u>\$ 2,484,903</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 63,994	\$ 137,558
Accrued expenses	56,167	71,033
	<u>120,161</u>	<u>208,591</u>
Deferred rent liability	31,895	33,405
Deferred retirement liability	125,534	112,054
Total liabilities	<u>277,590</u>	<u>354,050</u>
Net assets:		
Unrestricted	973,740	793,629
Temporarily restricted	840,113	1,337,224
Total net assets	<u>1,813,853</u>	<u>2,130,853</u>
Total Liabilities and Net Assets	<u>\$ 2,091,443</u>	<u>\$ 2,484,903</u>

See notes to financial statements

# FREE WHEELCHAIR MISSION

## Statements of Activities

	Year Ended June 30,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 6,028,227	\$ 970,346	\$ 6,998,573	\$ 4,555,293	\$ 2,597,400	\$ 7,152,693
Gift-in-kind medical supplies	2,942,528	-	2,942,528	2,680,782	-	2,680,782
Gift-in-kind other	84,709	-	84,709	570,687	-	570,687
Banquet ticket sales	96,749	-	96,749	110,691	-	110,691
Loss on disposal of property	(60,057)	-	(60,057)	-	-	-
Net assets released from restrictions:						
Operating projects	1,467,457	(1,467,457)	-	2,022,755	(2,022,755)	-
Total Support, Revenue, and Reclassifications	10,559,613	(497,111)	10,062,502	9,940,208	574,645	10,514,853
EXPENSES:						
Program expenses	8,215,792	-	8,215,792	7,625,009	-	7,625,009
Supporting activities:						
General and administrative	552,252	-	552,252	506,292	-	506,292
Fundraising	1,611,458	-	1,611,458	1,496,391	-	1,496,391
	2,163,710	-	2,163,710	2,002,683	-	2,002,683
Total Expenses	10,379,502	-	10,379,502	9,627,692	-	9,627,692
Change in Net Assets	180,111	(497,111)	(317,000)	312,516	574,645	887,161
Net Assets, Beginning of Year	793,629	1,337,224	2,130,853	481,113	762,579	1,243,692
Net Assets, End of Year	\$ 973,740	\$ 840,113	\$ 1,813,853	\$ 793,629	\$ 1,337,224	\$ 2,130,853

See notes to financial statements

# FREE WHEELCHAIR MISSION

## Statements of Cash Flows

	Year Ended June 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (317,000)	\$ 887,161
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	48,019	57,358
Recognition of promises-to-give	-	(674,287)
Promises-to-give discount	-	17,657
Write off of promises-to-give	61,041	39,400
Non-cash gift of property	-	(359,668)
Loss on sale of property held for sale	60,057	-
Net change in:		
Accounts receivable	(17,286)	18,821
Prepaid expenses	(98,805)	(54,317)
Deposits on wheelchairs in production	(95,040)	(57,337)
Accounts payable	(73,564)	(150,956)
Accrued expenses	(14,866)	35,919
Deferred retirement liability	13,480	-
Deferred rent liability	(1,510)	33,405
Net Cash Used in Operating Activities	(435,474)	(206,844)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(13,480)	(20,332)
Wheelchair production costs	(23,293)	(39,930)
Purchases of property and equipment	(26,694)	(2,191)
Proceeds on sale of property and equipment	319,943	-
Net Cash Provided by (Used in) Investing Activities	256,476	(62,453)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Collections of promises-to-give	426,138	391,250
Net Cash Provided by Financing Activities	426,138	391,250
Change in Cash and Cash Equivalents	247,140	121,953
Cash and Cash Equivalents, Beginning of Year	887,626	765,673
Cash and Cash Equivalents, End of Year	\$ 1,134,766	\$ 887,626

See notes to financial statements

# FREE WHEELCHAIR MISSION

## Notes to Financial Statements

June 30, 2016 and 2015

1. NATURE OF ORGANIZATION:

Free Wheelchair Mission (Free Wheelchair) is a nonprofit corporation incorporated in the State of California. The purpose of Free Wheelchair is to provide the transforming gift of mobility to the physically disabled poor in developing countries.

As a not-for-profit organization, Free Wheelchair is exempt from federal income taxes under Internal Revenue Code (the Code) Section 501(c)(3). As such, it is also exempt from state income taxes, and contributions by the public are deductible for income tax purposes. Free Wheelchair has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

Revenue is primarily made up of contributions from individual donors and other organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Free Wheelchair have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies adopted by Free Wheelchair are described below.

### CASH AND CASH EQUIVALENTS

For statements of financial position and cash flow purposes, cash and cash equivalents consist primarily of cash on hand and cash invested in overnight commercial paper of Free Wheelchair's bank. These accounts may, at times, exceed federally insured limits. Free Wheelchair has not experienced any losses on such accounts.

### PROPERTY HELD FOR SALE

Free Wheelchair was gifted a 50% interest in four properties in Portland, Oregon, during the year ended June 30, 2015. Free Wheelchair, along with the organization holding the other 50% interest, elected to sell the properties as a group. The property was recorded at its fair market value less estimated broker commission fees and is included on the statements of financial position as property held for sale. The property was sold during the year ended June 30, 2016 for a loss.

### DEPOSITS ON WHEELCHAIRS IN PRODUCTION

A 40% down payment is required when an order for wheelchairs is placed. The remaining balance is due when the manufacturing is completed and the order is shipped. The amount classified as deposits on wheelchairs in production in the accompanying statements of financial position is the amount of deposits paid to manufacturers for unfulfilled orders as of year-end.



# FREE WHEELCHAIR MISSION

## Notes to Financial Statements

June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

### RETIREMENT INVESTMENTS AND DEFERRED RETIREMENT LIABILITY

Retirement investments are reported at fair value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy established under the Fair Value topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). These assets fund the related deferred retirement liability reflected on the statements of financial position. Free Wheelchair has set aside these assets for the benefit of the recipient. Free Wheelchair is not responsible for any liability beyond the asset value.

### PROPERTY AND EQUIPMENT

All expenditures of \$1,000 or more for property and equipment are capitalized at cost. Donated items are recorded at fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from 3 to 7 years.

### NET ASSETS

The financial statements report amounts by class of net assets:

*Unrestricted net assets* are currently available at the discretion of the board for use in Free Wheelchair's operations and those resources invested in property and equipment.

*Temporarily restricted net assets* are contributed with donor stipulations for specific programs and consist of amounts held for wheelchairs for specific countries, as well as promises-to-give not yet received. For the years ended June 30, 2016 and 2015, amounts held for specific countries were \$354,849 and \$630,919, respectively. For the year ended June 30, 2016, there was additionally \$266,139 restricted for specific initiatives. Any remaining temporarily restricted net assets consist of promises-to-give not yet fulfilled.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions.

# FREE WHEELCHAIR MISSION

## Notes to Financial Statements

June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

### SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received, or ownership of donated assets is transferred to Free Wheelchair. Conditional promises-to-give are recognized as revenue when the conditions on which they depend are substantially met. Free Wheelchair receives gifts-in-kind, which are recorded as support at the estimated fair market value on the date of the gift.

Contributions are recorded as temporarily restricted if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from temporarily restricted to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when funds are spent to purchase or construct the property or other long-lived asset.

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

### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program and supporting activities.

### ALLOCATION OF JOINT COSTS

Free Wheelchair has implemented the Joint Cost topic of the FASB ASC. For the years ended June 30, 2016 and 2015, Free Wheelchair incurred joint costs for informational and awareness activities that included fundraising appeals. These activities include both meetings and events.

Joint costs were as follows:

	June 30,	
	2016	2015
Program services	\$ 1,651	\$ 4,111
Fundraising	1,651	4,111
	<u>\$ 3,302</u>	<u>\$ 8,222</u>

# FREE WHEELCHAIR MISSION

## Notes to Financial Statements

June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of June 30, 2016 and 2015, Free Wheelchair had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Free Wheelchair files information tax returns in the U.S. in various states. Free Wheelchair is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

### RECLASSIFICATIONS

Certain amounts previously reported in the financial statements have been reclassified to conform to the current year presentation.

# FREE WHEELCHAIR MISSION

## Notes to Financial Statements

June 30, 2016 and 2015

3. PROMISES-TO-GIVE RECEIVABLE:

Promises-to-give receivable will be collected as follows:

	June 30,	
	2016	2015
Due within 1 year	\$ 99,366	\$ 219,018
Due within 2 - 3 years	126,587	504,944
Gross amount of promises-to-give	225,953	723,962
Discount to present value	(6,827)	(17,657)
Total promises-to-give, net of discount	219,126	706,305
Less current portion	(99,366)	(219,018)
Promises-to-give receivable, net of current portion	<u>\$ 119,760</u>	<u>\$ 487,287</u>

All pledges are considered collectible by Free Wheelchair as of June 30, 2016 and 2015, therefore an allowance for doubtful accounts was not established. Pledges are discounted to present value as noted above.

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of:

	June 30,	
	2016	2015
Equipment	\$ 162,755	\$ 152,441
Software	43,633	43,633
Leasehold improvements	35,886	35,886
Website	28,380	28,380
	270,654	260,340
Less accumulated depreciation	(205,670)	(182,602)
Net investment in property and equipment	<u>\$ 64,984</u>	<u>\$ 77,738</u>

# FREE WHEELCHAIR MISSION

## Notes to Financial Statements

June 30, 2016 and 2015

5. WHEELCHAIR PRODUCTION COSTS:

Wheelchair production costs consist of:

	June 30,	
	2016	2015
Mold for producing chairs	\$ 134,954	\$ 111,661
Less accumulated amortization	(76,434)	(67,863)
Net investment in wheelchair production costs	<u>\$ 58,520</u>	<u>\$ 43,798</u>
Amortization expense	<u>\$ 8,571</u>	<u>\$ 11,005</u>

6. LEASES:

Free Wheelchair leases office space under operating leases ending October 2019. Lease expense for the years ended June 30, 2016 and 2015, was \$113,662 and \$104,389, respectively. The minimum future payments are:

<u>Year Ending June 30,</u>	
2017	\$ 109,672
2018	113,449
2019	117,046
2020	39,255
	<u>\$ 379,422</u>

7. RETIREMENT PLAN:

Free Wheelchair allows for all eligible employees to contribute towards retirement savings as part of a SIMPLE IRA. To encourage saving, Free Wheelchair will match employee contributions up to 4%. For the years ended June 30, 2016 and 2015, retirement expense was \$24,274 and \$20,524.

8. SUBSEQUENT EVENT:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.