

UCP WHEELS FOR HUMANITY
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2014 AND 2013

UCP WHEELS FOR HUMANITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
UCP Wheels for Humanity

Report on the Financial Statements

We have audited the accompanying financial statements of UCP Wheels for Humanity, which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities, cash flows, and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UCP Wheels for Humanity as of June 30, 2014 and 2013, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2015, on our consideration of UCP Wheels for Humanity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UCP Wheels for Humanity's internal control over financial reporting and compliance.

Hinricher, Douglas & Porter LLP

Thousand Oaks, California
March 9, 2015

UCP WHEELS FOR HUMANITY

STATEMENTS OF FINANCIAL POSITION

| | June 30, | |
|---|--------------|--------------|
| | 2014 | 2013 |
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 210,472 | \$ 268,260 |
| Cash - restricted | 2,437,976 | 347,827 |
| Total cash | 2,648,448 | 616,087 |
| Inventory | 2,702,441 | 3,183,061 |
| Receivables | 56,129 | 175,121 |
| Prepaid expenses and other assets | 26,194 | 8,336 |
| Total current assets | 5,433,212 | 3,982,605 |
| Property and equipment, net of accumulated depreciation | 2,589 | 11,886 |
| Other assets: | | |
| Intangible asset - trademark | 7,791 | 7,791 |
| Security and other deposits | 52,253 | 24,223 |
| Total other assets | 60,044 | 32,014 |
| Total assets | \$ 5,495,845 | \$ 4,026,505 |
| <u>LIABILITIES</u> | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 313,213 | \$ 350,929 |
| Deferred revenue | 408,400 | 203,379 |
| Total liabilities | 721,613 | 554,308 |
| <u>NET ASSETS</u> | | |
| Net assets: | | |
| Unrestricted | 2,578,643 | 3,317,006 |
| Temporarily restricted | 2,195,589 | 155,191 |
| | 4,774,232 | 3,472,197 |
| Total liabilities and net assets | \$ 5,495,845 | \$ 4,026,505 |

See accompanying auditors' report and notes to financial statements.

UCP WHEELS FOR HUMANITY

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

| | 2014 | | | 2013 | | |
|--|---------------------|---------------------------|---------------------|---------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Monetary transactions | | | | | | |
| Public support, revenue, and reclassification | | | | | | |
| Contributions | \$ 266,314 | \$ 2,173,252 | \$ 2,439,566 | \$ 503,036 | \$ 139,713 | \$ 642,749 |
| Wheelchair program revenue | 265,917 | 0 | 265,917 | 502,435 | 0 | 502,435 |
| Grant income | 991,918 | 0 | 991,918 | 627,246 | 0 | 627,246 |
| Special events | 217,535 | 0 | 217,535 | 0 | 0 | 0 |
| Net assets released from restrictions | 132,854 | (132,854) | 0 | 127,647 | (127,647) | 0 |
| Total public support, revenue, and reclassifications | <u>1,874,518</u> | <u>2,040,398</u> | <u>3,914,916</u> | <u>1,760,364</u> | <u>12,066</u> | <u>1,772,430</u> |
| Program expenses | | | | | | |
| General Programs | 805,220 | 0 | 805,220 | 896,956 | 0 | 896,956 |
| USAID - Indonesia KIDS | 734,020 | 0 | 734,020 | 570,544 | 0 | 570,544 |
| USAID - META | 212,956 | 0 | 212,956 | 19,241 | 0 | 19,241 |
| USAID - ACCESS | 44,942 | 0 | 44,942 | 37,461 | 0 | 37,461 |
| Total program expenses | <u>1,797,138</u> | <u>0</u> | <u>1,797,138</u> | <u>1,524,202</u> | <u>0</u> | <u>1,524,202</u> |
| Supporting services | | | | | | |
| Administrative | 128,713 | 0 | 128,713 | 145,785 | 0 | 145,785 |
| Fundraising | 210,800 | 0 | 210,800 | 153,920 | 0 | 153,920 |
| Total supporting services | <u>339,513</u> | <u>0</u> | <u>339,513</u> | <u>299,705</u> | <u>0</u> | <u>299,705</u> |
| Total expenses | <u>2,136,651</u> | <u>0</u> | <u>2,136,651</u> | <u>1,823,907</u> | <u>0</u> | <u>1,823,907</u> |
| Change in net assets, monetary transactions | <u>(262,133)</u> | <u>2,040,398</u> | <u>1,778,265</u> | <u>(63,543)</u> | <u>12,066</u> | <u>(51,477)</u> |
| In-kind donations and shipments | | | | | | |
| In-kind donations received | 2,093,082 | 0 | 2,093,082 | 2,822,549 | 0 | 2,822,549 |
| In-kind donations shipped | 2,569,312 | 0 | 2,569,312 | 2,429,372 | 0 | 2,429,372 |
| Change in net assets, in-kind | <u>(476,230)</u> | <u>0</u> | <u>(476,230)</u> | <u>393,177</u> | <u>0</u> | <u>393,177</u> |
| Change in net assets | <u>(738,363)</u> | <u>2,040,398</u> | <u>1,302,035</u> | <u>329,634</u> | <u>12,066</u> | <u>341,700</u> |
| Net assets at beginning of year | <u>3,317,006</u> | <u>155,191</u> | <u>3,472,197</u> | <u>2,987,372</u> | <u>143,125</u> | <u>3,130,497</u> |
| Net assets at end of year | <u>\$ 2,578,643</u> | <u>\$ 2,195,589</u> | <u>\$ 4,774,232</u> | <u>\$ 3,317,006</u> | <u>\$ 155,191</u> | <u>\$ 3,472,197</u> |

See accompanying auditors' report and notes to financial statements.

UCP WHEELS FOR HUMANITY

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2014 AND 2013

| | 2014 | 2013 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 1,302,035 | \$ 341,700 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 9,297 | 10,473 |
| (Increase) or decrease in: | | |
| Inventory | 480,620 | (371,394) |
| Prepaid expenses | (17,858) | (5,896) |
| Receivables | 118,992 | (67,923) |
| Security deposits | (28,030) | (18,021) |
| Increase or (decrease) in: | | |
| Accounts payable and accrued liabilities | (37,716) | 202,112 |
| Deferred revenue | 205,021 | (139,219) |
| Due to related parties | 0 | (40,500) |
| | 2,032,361 | (88,668) |
| Net cash provided by (used in) operating activities | | |
| | 2,032,361 | (88,668) |
| Total increase in cash and cash equivalents | | |
| | 616,087 | 704,755 |
| Cash and cash equivalents at beginning of year | | |
| | \$ 2,648,448 | \$ 616,087 |
| Cash and cash equivalents at end of year | | |
| | \$ 2,648,448 | \$ 616,087 |
| Supplemental information: | | |
| Income taxes paid | \$ 0 | \$ 0 |
| Interest paid | \$ 0 | \$ 0 |
| Noncash operating activities: | | |
| Donated inventory received | \$ 2,093,082 | \$ 2,822,549 |
| Donated inventory disbursements | \$ 2,569,312 | \$ 2,429,372 |

See accompanying auditors' report and notes to financial statements.

UCP WHEELS FOR HUMANITY

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2014

| | PROGRAM SERVICES | | | | Total Program Services | SUPPORTING SERVICES | | | TOTAL PROGRAM & SUPPORT 2014 |
|---|---------------------|-------------------|-------------------|-------------------|---------------------------|---------------------|------------------------------|------------------------------|------------------------------------|
| | General Programs | Indonesia KIDS | USAID META | ACCESS | | Administrative | Development & Fundraising | Total Supporting Services | |
| Accounting | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 21,212 | \$ 0 | \$ 21,212 | \$ 21,212 |
| Computer and website | 14,507 | 4,357 | 0 | 0 | 18,864 | 2,477 | 10,126 | 12,603 | 31,467 |
| Depreciation | 9,297 | 0 | 0 | 0 | 9,297 | 0 | 0 | 0 | 9,297 |
| Equipment rental | 2,196 | 0 | 0 | 0 | 2,196 | 618 | 618 | 1,236 | 3,432 |
| Food service | 0 | 373 | 0 | 0 | 373 | 0 | 0 | 0 | 373 |
| Insurance | 5,037 | 4,555 | 0 | 0 | 9,592 | 5,004 | 0 | 5,004 | 14,596 |
| Occupancy | 86,276 | 0 | 0 | 0 | 86,276 | 7,385 | 4,393 | 11,778 | 98,054 |
| Other direct grant costs | 0 | 6,504 | 58,080 | 4,728 | 69,312 | 0 | 0 | 0 | 69,312 |
| Outside services | 23,553 | 24,434 | 57,941 | 0 | 105,928 | 0 | 46,380 | 46,380 | 152,308 |
| Payroll taxes | 20,701 | 0 | 0 | 0 | 20,701 | 5,349 | 8,231 | 13,580 | 34,281 |
| Postage, freight | 16,432 | 3,113 | 0 | 0 | 19,545 | 587 | 3,580 | 4,167 | 23,712 |
| Printing | 339 | 209 | 0 | 0 | 548 | 0 | 20,864 | 20,864 | 21,412 |
| Salaries and related | 280,237 | 135,650 | 74,221 | 28,411 | 518,519 | 80,377 | 98,006 | 178,383 | 696,902 |
| Supplies, office/other | 37,287 | 3,237 | 0 | 0 | 40,524 | 3,567 | 16,011 | 19,578 | 60,102 |
| Taxes, licenses & fees | 7,195 | 0 | 0 | 0 | 7,195 | 0 | 0 | 0 | 7,195 |
| Telephone/communications | 12,760 | 406 | 0 | 0 | 13,166 | 1,448 | 1,902 | 3,350 | 16,516 |
| Travel/mileage | 79,894 | 25,144 | 22,714 | 11,803 | 139,555 | 0 | 0 | 0 | 139,555 |
| Utilities | 12,396 | 0 | 0 | 0 | 12,396 | 689 | 689 | 1,378 | 13,774 |
| Wheelchairs purchased | 197,113 | 0 | 0 | 0 | 197,113 | 0 | 0 | 0 | 197,113 |
| USAID grant expenses | 0 | 526,038 | 0 | 0 | 526,038 | 0 | 0 | 0 | 526,038 |
| Total operating expenses before in-kind distribution | 805,220 | 734,020 | 212,956 | 44,942 | 1,797,138 | 128,713 | 210,800 | 339,513 | 2,136,651 |
| In-kind distributions | 2,289,324 | 119,238 | 0 | 160,750 | 2,569,312 | 0 | 0 | 0 | 2,569,312 |
| Total expenses and in-kind distributions | \$ 3,094,544 | \$ 853,258 | \$ 212,956 | \$ 205,692 | \$ 4,366,450 | \$ 128,713 | \$ 210,800 | \$ 339,513 | \$ 4,705,963 |

See accompanying auditors' report and notes to financial statements.

UCP WHEELS FOR HUMANITY

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013**

| | PROGRAM SERVICES | | | | SUPPORTING SERVICES | | | TOTAL PROGRAM & SUPPORT | |
|--|---------------------|--------------------|----------------------|------------------------|---------------------------|-------------------|------------------------------|------------------------------|---------------------|
| | Wheelchairs | USAID Indonesia | USAID El Salvador | Department of State | Total Program Services | Administrative | Development & Fundraising | Total Supporting Services | 2013 |
| Accounting | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 17,708 | \$ 0 | \$ 17,708 | \$ 17,708 |
| Advertising | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Auto | 12,725 | 0 | 0 | 0 | 12,725 | 139 | 0 | 139 | 12,864 |
| Computer | 32,098 | 1,362 | 0 | 0 | 33,460 | 5,092 | 14,058 | 19,150 | 52,610 |
| Contributions | 1000 | 0 | 0 | 0 | 1,000 | 2,350 | 0 | 2,350 | 3,350 |
| Depreciation | 10,473 | 0 | 0 | 0 | 10,473 | 0 | 0 | 0 | 10,473 |
| Dues and subscriptions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equipment rental | 2,365 | 0 | 0 | 0 | 2,365 | 606 | 933 | 1,539 | 3,904 |
| Food service | 797 | 85 | 0 | 0 | 882 | 482 | 385 | 867 | 1,749 |
| Insurance | 7,760 | 4,975 | 0 | 0 | 12,735 | 2,302 | 43 | 2,345 | 15,080 |
| Miscellaneous | 0 | 0 | 0 | 0 | 0 | 350 | 149 | 499 | 499 |
| Occupancy | 65,959 | 0 | 0 | 0 | 65,959 | 4,693 | 13,100 | 17,793 | 83,752 |
| Other direct grant costs | 0 | 161,195 | 2,737 | 27,107 | 191,039 | 0 | 0 | 0 | 191,039 |
| Outside services | 3400 | 26,736 | 0 | 0 | 30,136 | 0 | 1,682 | 1,682 | 31,818 |
| Payroll taxes | 15,181 | 9,631 | 0 | 0 | 24,812 | 4,594 | 6593 | 11,187 | 35,999 |
| Postage, freight | 17,974 | 68 | 0 | 0 | 18,042 | 784 | 2,700 | 3,484 | 21,526 |
| Printing | 6,584 | 0 | 0 | 0 | 6,584 | 220 | 8,262 | 8,482 | 15,066 |
| Salaries and related | 239,537 | 87,782 | 13,109 | 7,981 | 348,409 | 99,846 | 96,420 | 196,266 | 544,675 |
| Supplies, office/other | 7,570 | 0 | 0 | 669 | 8,239 | 2,253 | 1,225 | 3,478 | 11,717 |
| Taxes, licenses & fees | 31,609 | 0 | 0 | 0 | 31,609 | 1,886 | 4,342 | 6,228 | 37,837 |
| Telephone/communications | 12,771 | 49 | 0 | 0 | 12,820 | 1,891 | 2,260 | 4,151 | 16,971 |
| Travel/mileage | 38,245 | 19,011 | 3,395 | 1,704 | 62,355 | 0 | 0 | 0 | 62,355 |
| Utilities | 9,430 | 0 | 0 | 0 | 9,430 | 589 | 1,768 | 2,357 | 11,787 |
| Wheelchairs purchased | 381,478 | 79,911 | 0 | 0 | 461,389 | 0 | 0 | 0 | 461,389 |
| USAID grant expenses | 0 | 179,739 | 0 | 0 | 179,739 | 0 | 0 | 0 | 179,739 |
| Total operating expenses before in-kind distributions | 896,956 | 570,544 | 19,241 | 37,461 | 1,524,202 | 145,785 | 153,920 | 299,705 | 1,823,907 |
| In-kind distributions | 2,275,037 | 154,335 | 0 | 0 | 2,429,372 | 0 | 0 | 0 | 2,429,372 |
| Total expenses and in-kind distributions | \$ 3,171,993 | \$ 724,879 | \$ 19,241 | \$ 37,461 | \$ 3,953,574 | \$ 145,785 | \$ 153,920 | \$ 299,705 | \$ 4,253,279 |

See accompanying auditors' report and notes to financial statements.

UCP WHEELS FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE 1 - DESCRIPTION OF ORGANIZATION:

UCP Wheels for Humanity ("UCP WFH") is a not-for-profit public benefit corporation exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Its principal activities are to increase access to wheelchairs, mobility devices and related services in developing nations.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES:

Financial Statement Presentation

UCP WFH presents its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, UCP WFH is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, UCP WFH is required to present a statement of cash flows.

Use of Estimates

The preparation of financial statements in conformity with auditing standards generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributed Inventory and Equipment

Contributions of wheelchairs and ambulatory and other equipment are recorded at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire inventory or equipment are reported as restricted contributions.

UCP WFH measures its aid program by the values of wheelchairs and ambulatory equipment delivered to intended beneficiaries. Wheelchairs and other ambulatory equipment, which UCP WFH is storing for later delivery to intended beneficiaries, are shown as inventory in these financial statements.

Inventory is periodically reviewed for obsolescence and usability. If it is determined that the inventory is either obsolete or not usable it is scrapped or recycled.

UCP WHEELS FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES: (Continued)

Contributed Services

UCP WFH has received donated services from volunteers and from various freight companies. However, no amounts are recorded for such donated personal services in these financial statements since the services do not meet the criteria for recognition under generally accepted accounting principles.

Support and Revenue

Revenue received as grant funds from the federal government are recognized as revenues when the related service is rendered. It is UCP WFH's policy to recognize temporarily restricted revenue whose restrictions are met in the year of receipt as unrestricted revenue. Unexpended funds may be due back to the funding authorities, unless the funding authority allows UCP WFH to retain such excess.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash in banks. UCP WFH considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Purchased property and equipment are stated at cost. Donated property is stated at fair market value at the date of acquisition. Depreciation is computed using the straight-line method over an estimated useful life of 5 to 7 years.

Expenditures for maintenance and repairs are charged directly to the appropriate operating account at the time the expense is incurred. Expenditures determined to represent additions and betterments are capitalized.

Contributions

In accordance with generally accepted accounting principles, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Any restricted contributions are required to be reported as either temporarily or permanently restricted support and then are reclassified to unrestricted net assets upon the release of the restrictions.

UCP WHEELS FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES: (Continued)

Income Taxes

UCP WFH is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Internal Revenue Service has determined that the Foundation is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended June 30, 2013 and 2013. As of June 30, 2014, UCP WFH information returns generally remain open for the last three years.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentrations of Credit Risk

UCP WFH maintains its cash balances at two financial institutions. Interest-bearing accounts are insured up to \$250,000 and non-interest-bearing accounts are insured regardless of account balance by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2014 and 2013 UCP WFH had \$2,151,006 and \$166,112, respectively, of uninsured cash.

At June 30, 2013 60% of total accounts receivable was due from a single unrelated non-profit organization. There were no significant concentrations in accounts receivable at June 30, 2014.

NOTE 3 - RESTRICTED CASH:

At June 30, 2014 and 2013 restricted cash consisted of the following:

| | <u>2014</u> | <u>2013</u> |
|------------------------------------|--------------------|-------------------|
| USAID Indonesia KIDS Grant | \$ 337,229 | \$ 285,743 |
| USAID El Salvador META Grant | 100,747 | 62,084 |
| Cash donated for building purchase | <u>2,000,000</u> | <u>0</u> |
| | <u>\$2,437,976</u> | <u>\$ 347,827</u> |

Funds held for the USAID Indonesia KIDS and El Salvador META grants are required to be held in a separate bank account (See note 9).

UCP WHEELS FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 4 - INVENTORY:

Inventory at June 30, 2014 and 2013 consists of the following:

| | <u>2014</u> | <u>2013</u> |
|----------------------------------|-------------------------|-------------------------|
| Wheelchairs | \$ 1,276,068 | \$ 1,878,629 |
| Wheelchair parts | 1,315,147 | 1,040,047 |
| Medical and ambulatory equipment | 98,336 | 262,285 |
| Other | <u>12,890</u> | <u>2,100</u> |
| Total inventory | <u>\$ 2,702,441</u> | <u>\$ 3,183,061</u> |

Included in in-kind distributions for the years ended June 30, 2014 and 2013 is obsolete and unusable inventory of \$0 and \$174,820, respectively, that was recycled during the year.

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30:

| | <u>2014</u> | <u>2013</u> |
|---|------------------|------------------|
| Furniture and equipment | \$ 126,943 | \$ 126,943 |
| Computer hardware and software | 37,278 | 37,278 |
| Warehouse improvements | <u>8,013</u> | <u>8,013</u> |
| | 172,234 | 172,234 |
| Less: accumulated depreciation and amortization | <u>(169,645)</u> | <u>(160,348)</u> |
| | <u>\$ 2,589</u> | <u>\$ 11,886</u> |

Depreciation expense for the years ended June 30, 2014 and 2013 was \$9,297 and \$10,473, respectively.

NOTE 6 - COMMITMENTS AND CONTINGENCIES:

UCP WFH operates on leased premises and leases certain office equipment. Rent expense for the years ended June 30, 2014 and 2013 were \$91,504 and \$83,752, respectively.

Future minimum lease payments as of June 30, 2014 are as follows:

| | |
|-----------------------|------------------|
| Years ending June 30, | |
| 2015 | \$ 62,016 |
| Thereafter | <u>0</u> |
| | <u>\$ 62,016</u> |

UCP WHEELS FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE 7 - RELATED PARTY TRANSACTIONS:

United Cerebral Palsy/Spastic Children's Foundation of Los Angeles and Ventura Counties ("UCPLA") acquired Wheels for Humanity on January 1, 2007. At June 30, 2014 two members of the board of directors of Wheels for Humanity also serve on the board of directors for UCPLA.

NOTE 8 - RESTRICTIONS ON NET ASSETS:

Temporarily restricted net assets at June 30, 2014 and 2013 consist of the following:

| | <u>2014</u> | <u>2013</u> |
|---|--------------------|------------------|
| Restrictions for shipments to foreign countries | \$ 93,968 | \$ 82,172 |
| Volunteer program | 101,621 | 73,019 |
| New building | <u>2,000,000</u> | <u>0</u> |
| | <u>\$2,195,589</u> | <u>\$155,191</u> |

There are no permanently restricted net assets.

NOTE 9 - USAID GRANTS:

INDONESIA

UCP WFH has a restricted five-year USAID grant to train wheelchair professionals and provide wheelchairs in Indonesia where an independent not-for-profit organization (the "Organization") was established through the efforts of UCP WFH to exercise operational oversight and facilitate the requirements of the grant. Under the terms of the grant UCP WFH provides substantially all of the funding to the Organization. The Organization is required to report to UCP WFH all financial activity for the purpose of enabling UCP WFH to file required quarterly reports to USAID in accordance with the grant agreement. The grant expires March 31, 2015.

Revenue from this grant is recognized as expenses are incurred. For the years ended June 30, 2014 and 2013 total revenue earned and expenses incurred were \$734,020 and \$570,544, respectively. Remaining funds received, but not yet used, at June 30, 2014 and 2013 are \$223,437 and \$144,070, respectively, and are shown in deferred revenue. Any funds received from USAID not used for grant purposes are required to be repaid to USAID.

UCP WHEELS FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE 9 - USAID GRANTS: (Continued)

EL SALVADOR

Accelerating Core Competencies for Effective Wheelchair Services and Support (ACCESS)

UCP WFH was awarded the ACCESS reimbursement grant totaling \$1,452,208 in March 2014; the grant expires June 30, 2017. Revenue from the grant is recognized as expenses are incurred. For the year ended June 30, 2014 and 2013 total revenue earned and expenses incurred were \$205,690 and \$0, respectively. Any funds received from USAID not used for grant purposes are required to be repaid to USAID.

Improving Therapy Access Utilizing Intensive Therapy and Local Resources (META)

UCP WFH was awarded the META grant totaling \$300,279 in January 2013; the grant expires June 30, 2015. Revenue from this grant is recognized as expenses are incurred. For the year ended June 30, 2014 and 2013 total revenue earned and expenses incurred were \$212,958 and \$19,241, respectively. Remaining funds received, but not yet used, at June 30, 2014 and 2013 are \$41,853 and \$53,309, respectively, and are shown in deferred revenue. Any funds received from USAID not used for grant purposes are required to be repaid to USAID.

NOTE 10 - DEPARTMENT OF STATE GRANT:

On September 6, 2010 UCP WFH was awarded a restricted two year grant from the Department of State. The grant is for support of the International Sports Programming Initiative whereby UCP WFH will provide sports skills training to coaches and individuals with disabilities.

Revenue from this grant is recognized as expenses are incurred. The Department of State reimburses UCP WFH for costs incurred. At June 30, 2014 and 2013 UCP WFH received \$0 and \$37,461, respectively. The grant expired August 31, 2012 at which time UCP WFH had expended all grant funds available.

NOTE 11 - EVALUATION OF SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 9, 2015 the date the financial statements were available to be issued.

ADDITIONAL INFORMATION

HINRICHER, DOUGLAS & PORTER LLP

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INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors
Wheels for Humanity, Inc.

We have audited the financial statements of Wheels for Humanity, Inc., as of and for the year ended June 30, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Our audit was made for the purpose of forming an opinion on the Organization's financial statements taken as a whole. The supplementary schedule of expenditures of federal and state awards is presented for the purpose of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Hinricher, Douglas & Porter LLP

March 9, 2015
Thousand Oaks, California

UCP WHEELS FOR HUMANITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014**

| Federal Grantor/ Pass-through Grantor Program Title | Federal CFDA Number | Federal Awards Expended |
|--|---------------------------|----------------------------|
| United States Agency for International Development (USAID) Improved Therapy Access Utilizing Intensive Therapy and Local Resources - El Salvador | 98.001 | \$ 212,958 |
| Indonesian KIDS Wheelchair, Training and Empowerment Project - Indonesia | 98.001 | 734,020 |
| Accelerating Core Competencies for Effective Wheelchair Service and Support (ACCESS) | 98.001 | <u>44,940</u> |
| | | <u>\$ 991,918</u> |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal contract activity of Wheels for Humanity, Inc. and is presented on the accrual basis of accounting, which is the same basis of accounting used in the preparation of the financial statements.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and agrees with the amounts presented in the financial statements.

HINRICHER, DOUGLAS & PORTER LLP

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Wheels for Humanity, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wheels for Humanity, Inc., which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 9, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wheels for Humanity, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wheels for Humanity, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Wheels for Humanity, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wheels for Humanity, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as item 2014-1.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hinricher, Douglas & Porter LLP

Thousand Oaks, California
March 9, 2015

HINRICHER, DOUGLAS & PORTER LLP

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

To the Board of Directors
Wheels for Humanity, Inc.

Report on Compliance for Each Major Federal Program

We have audited Wheels for Humanity, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Wheels for Humanity, Inc.'s major federal programs for the year ended June 30, 2014. Wheels for Humanity, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wheels for Humanity, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wheels for Humanity, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Wheels for Humanity, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Wheels for Humanity, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-1. Our opinion on each major federal program is not modified with respect to these matters.

Wheels for Humanity's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. UCP Wheels for Humanity's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Wheels for Humanity, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wheels for Humanity, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wheels for Humanity, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hinricher, Douglas & Porter LLP

Thousand Oaks, California
March 9, 2015

UCP WHEELS FOR HUMANITY

SUMMARY OF AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section I --- Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X yes _____ no

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes _____ no

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|--|
| 98.001 | USAID Indonesia KIDS Wheelchair, Training, and Empowerment Project |

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes X no

UCP WHEELS FOR HUMANITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued

For the year ended June 30, 2014

Section II --- Financial Statement Findings

- *Criteria or specific requirement:* No matters were reported
- *Condition:* No matters were reported
- *Context:* No matters were reported
- *Effect:* No matters were reported
- *Cause:* No matters were reported
- *Recommendation:* No matters were reported
- *Management's response:* No matters were reported

Section III --- Federal Award Findings and Questioned Costs

- *Information on the federal program:* USAID Indonesia KIDS Wheelchair; Training and Empowerment Project 2014-1: CFDA 98.001
- *Criteria or specific requirement:* Funds used by a vendor for purchases of wheelchairs other than as outlined in the grant agreement.
- *Condition:* The Organization places orders with a vendor for its needs for both grant and non-grant purposes and advances monies to the vendor for both purposes. Funds in the amount of \$63,805 were paid to a vendor for wheelchairs to be delivered to Indonesia for grant purposes. The vendor incorrectly applied this amount for non-grant programs. Funds in the amount of \$4,135 were inadvertently used to pay foreign Value Added Tax (VAT).
- *Questioned costs:* The amounts paid for wheelchairs \$63,805 and VAT \$4,135 are questioned costs
- *Context:* None
- *Effect:* As a result of the vendor's errors the Organization is technically not in compliance with the grant agreement and A-133 and A-122 only because the funds had not been reimbursed by June 30, 2014. As of the date of these financial statements the needed deposit has been made to the USAID bank account.

UCP WHEELS FOR HUMANITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued

For the year ended June 30, 2014

Section III --- Federal Award Findings and Questioned Costs

- *Cause:* The reconciliation indicating that payments were applied to non-grant purchases was not made until after June 30, 2014. The Organization became aware that VAT \$4,135 were paid with grant funds following June 30, 2014.
- *Recommendation:* Reconciliation with vendors and grant funds be performed quarterly or more often to detect and correct vendor errors timely.
- *Management's response:* Management agrees with the Recommendation and reconciliations with vendors and grant funds will be performed quarterly and any differences between vendor and UCP Wheels for Humanity will be investigated and resolved promptly.

UCP WHEELS FOR HUMANITY

CORRECTIVE ACTION PLAN

USAID Foreign Assistance for Programs Overseas

Audit Firm: Hinricher, Douglas & Porter LLP, 3275 Old Conejo Road, Thousand Oaks, CA 91320

Audit Period: Year ended June 30, 2014

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS – FEDERAL AWARD PROGRAM AUDITS

USAID Indonesia KIDS Wheelchair, Training, and Empowerment Project

Finding No. 2014-1; CFDA 98.001

Recommendation: The Organization should perform reconciliations with vendors for both grant and non-grant program purposes to ensure that vendors properly apply funds to both grant and non-grant programs. The Organization has reported its findings to USAID on subsequent quarterly expense reports and has reimbursed the grant fund account for those costs.

Action Taken: The Organization will reconcile vendor statements on a monthly and or quarterly basis and reconcile and resolve any discrepancies. The Organization has reported the use of grant funds for non-grant purposes to USAID and the Organization has reimbursed the grant fund account in the amount of \$67,940 prior to the issuance of these financial statements.

If USAID Foreign Assistance for International Development has questions regarding this plan please call Michael Allen at (818) 255-0100.