

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

PAUL A. DONIS, CPA, PC
Certified Public Accountant
SCOTTSDALE, ARIZONA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Arizona Chapter Paralyzed Veterans of America, Inc.

I have audited the accompanying financial statements of Arizona Chapter Paralyzed Veterans of America, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arizona Chapter Paralyzed Veterans of America, Inc. as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited the 2019 financial statements of Arizona Chapter Paralyzed Veterans of America, Inc., and my report dated January 9, 2020, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Paul A. Donis, CPA, PC

Scottsdale, Arizona
December 15, 2020

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019**

ASSETS	2020	2019
Cash and cash equivalents	\$ 526,236	\$ 394,075
Contributions receivable	-	37,500
Employee advances	-	289
Prepaid expenses	1,055	1,988
Inventory	31,975	36,770
Property and equipment, net	486,039	530,380
Beneficial interest in perpetual trust	-	16,530
Deposits	11,500	-
Total assets	<u>\$ 1,056,805</u>	<u>\$ 1,017,532</u>
LIABILITIES		
Accrued expenses	\$ 70	\$ 610
Accrued payroll taxes and employee benefits	2,246	4,137
Funds held for others	17,386	-
Accrued leave	-	8,748
Total liabilities	19,702	13,495
NET ASSETS		
Without donor restrictions	1,037,103	949,154
With donor restrictions	-	54,883
Total net assets	1,037,103	1,004,037
Total liabilities and net assets	<u>\$ 1,056,805</u>	<u>\$ 1,017,532</u>

The accompanying notes are an integral part
of these financial statements

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
STATEMENT OF ACTIVITIES WITH SUMMARIZED FINANCIAL
INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2019
YEAR ENDED SEPTEMBER 30, 2020**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE:				
Grants from national affiliate	\$ 146,914	\$ -	\$ 146,914	\$ 153,908
Contributions	180,839	-	180,839	171,636
Donated materials	856,512	-	856,512	1,274,138
Rental income	-	-	-	7,950
Less rental expenses	-	-	-	(2,575)
Investment income	48	-	48	40
Gain (loss) from perpetual trust	(2,241)	-	(2,241)	485
Gain on sale of assets	75,510	-	75,510	-
Other income	15	-	15	-
Restricted net assets released	54,883	(54,883)	-	-
Total support and revenue	<u>1,312,480</u>	<u>(54,883)</u>	<u>1,257,597</u>	<u>1,605,582</u>
EXPENSES:				
Program Services:				
Membership and benefits	38,858	-	38,858	41,664
Prosthetics	955,437	-	955,437	1,356,282
Hospital and services	32,195	-	32,195	42,886
Sports and recreation	30,615	-	30,615	33,297
Advocacy and legislation	34,098	-	34,098	35,394
Education, training and outreach	73,159	-	73,159	91,709
Supporting Activities:				
General and administrative	55,432	-	55,432	46,263
Fund raising	4,737	-	4,737	9,352
Total expenses	<u>1,224,531</u>	<u>-</u>	<u>1,224,531</u>	<u>1,656,847</u>
Change in net assets	87,949	(54,883)	33,066	(51,265)
NET ASSETS:				
Beginning of year	<u>949,154</u>	<u>54,883</u>	<u>1,004,037</u>	<u>1,055,302</u>
End of year	<u>\$ 1,037,103</u>	<u>\$ -</u>	<u>\$ 1,037,103</u>	<u>\$ 1,004,037</u>

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of these financial statements

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

CASH FLOWS FROM OPERATING ACTIVITIES	2020	2019
Change in net assets	\$ 33,066	\$ (51,265)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	23,283	18,108
(Gain) loss from perpetual trust	2,241	(485)
Gain on sale of assets	(75,510)	-
Net donated assets (received) distributed	4,795	(12,620)
Change in operating assets and liabilities:		
Contributions receivable	37,500	(37,500)
Employee advances	289	(289)
Prepaid expenses	933	165
Inventory	-	1,251
Beneficial interest in remainder trust	-	66,000
Beneficial interest in perpetual trust	14,289	16,705
Deposits	(11,500)	-
Accrued expenses	(540)	(717)
Funds held for others	17,386	-
Accrued payroll taxes and employee benefits	(1,891)	382
Accrued leave	(8,748)	5,782
Deposits	-	(1,515)
Net cash provided by operating activities	35,593	4,002
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(50,000)	(3,799)
Proceeds form sale of assets	146,568	-
Net cash used by investing activities	96,568	(3,799)
 Net change in cash and cash equivalents	132,161	203
 CASH AND CASH EQUIVALENTS		
Beginning of year	394,075	393,872
End of year	\$ 526,236	\$ 394,075
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Donated property and equipment received	\$ 856,512	\$ 1,271,529
Donated property and equipment distributed	(861,307)	(1,258,909)
Net donated assets received (distributed)	\$ (4,795)	\$ 12,620

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of these financial statements

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES WITH SUMMARIZED
FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2019
YEAR ENDED SEPTEMBER 30, 2020**

	Program Services					Supporting Activities		Total Expenses		
	Membership and benefits	Prosthetics	Hospital and services	Sports and recreation	Advocacy and legislation	Education, Training and Outreach	General and Admin.	Fund raising	2020	2019
Salaries and benefits	\$ 32,530	\$ 72,900	\$ 27,321	\$ 2,631	\$ 28,886	\$ 30,189	\$ 27,627	\$ 4,724	\$ 226,808	\$ 249,008
Advertising and promotion	-	207	-	38	-	20,206	689	-	21,140	22,621
Awards and grants	-	-	-	8,750	-	12,745	-	-	21,495	22,960
Board and member expenses	722	581	-	14	-	937	436	-	2,690	3,572
Computer services	627	627	627	628	627	627	629	-	4,392	5,333
Contract services	-	200	-	-	-	-	-	-	200	-
Depreciation	1,022	6,600	1,022	11,571	1,022	1,022	1,024	-	23,283	16,384
Dues and subscriptions	156	-	-	-	-	160	630	-	946	586
Donated materials	-	861,307	-	-	-	-	-	-	861,307	1,258,909
Insurance	756	756	756	3,115	756	756	1,989	-	8,884	7,314
Miscellaneous	139	-	-	-	-	84	1,376	-	1,599	1,591
Occupancy	2,075	3,043	2,075	3,092	2,075	4,075	2,078	-	18,513	19,640
Office expenses	443	1,045	-	375	-	720	2,975	-	5,558	8,389
Picnic and socials	-	-	-	-	-	-	-	-	-	3,091
Postage and shipping	388	-	-	-	-	-	127	-	515	1,844
Professional fees	-	-	-	-	446	-	15,208	-	15,654	10,906
Sports	-	-	-	-	-	-	-	-	-	3,170
Travel	-	8,171	394	401	286	1,638	644	13	11,547	21,529
Total expenses	\$ 38,858	\$ 955,437	\$ 32,195	\$ 30,615	\$ 34,098	\$ 73,159	\$ 55,432	\$ 4,737	\$ 1,224,531	\$ 1,656,847

The accompanying notes are an integral part
of these financial statements

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

Arizona Chapter Paralyzed Veterans of America, Inc. (AZ PVA) is a non-profit organization established in 1967 for the benefit of veterans who have suffered injuries of the spinal cord. AZ PVA is affiliated with the national organization Paralyzed Veterans of America, Inc. The mission of AZ PVA is to improve the quality of life of U.S. military veterans and all who have experienced spinal cord injury/dysfunction through advocacy to ensure accessibility and equal consideration for proper health care, promotion of sports to provide an experience of freedom and competition, education outreach to notify veterans of the benefits available to them, hospital services to obtain medical care, prosthetics to acquire and distribute medical supplies, and services to keep members connected and informed about current developments in the disabled community.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Summarized Comparative Information:

The statements of activities and functional expenses include certain prior year summarized comparative information in total, but not by net asset class and program and supporting activities, and the prior year notes to the financial statements are not presented. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

Support and Revenue:

AZ PVA receives support and revenue primarily from the national organization Paralyzed Veterans of America, Inc., corporate, and individual contributions.

Contributions:

Contributions received are recorded without donor restrictions, or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions with donor restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the same fiscal year in which the contributions are recognized. Contributions due in less than one year are recorded at their net realizable value. Contributions due in more than one year are measured at the present value of expected future cash flows.

Cash Equivalents:

AZ PVA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Inventory:

Inventory is recorded at cost or at estimated fair value on the date donated items are received using the first-in, first-out method, and is composed of donated medical supplies, prosthetics and thrift items.

Property and Equipment:

Property and equipment are recorded at cost or at estimated fair value on the date donated property is received. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. AZ PVA follows the practice of capitalizing all expenditures for equipment of \$1,000 or more. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from 7 years for furniture and equipment to 40 years for the buildings.

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

Advertising:

Advertising costs are expensed as incurred. Costs incurred and charged to expense in the year ended September 30, 2020 were \$21,140.

Functional Expenses:

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting activities benefited based upon management estimates. General and administrative expenses include those costs that are not directly identifiable with any specific function, but which provide for the overall support and direction of AZ PVA. Fund raising costs incurred in one year, which may result in contributions received in future years, are expensed as incurred. The expenses that are allocated include salaries and benefits which are allocated based on estimates of time and effort, and computer services, depreciation, insurance, and occupancy which are allocated evenly to programs and administration.

Income Taxes:

AZ PVA is exempt from income taxes under section 501(c)(3) of the Code under a group ruling issued to Paralyzed Veterans of America, Inc. and, therefore, has made no provision for federal income taxes in the accompanying financial statements. There was no taxable unrelated business income in the year ended September 30, 2020. Contributions are tax deductible to donors under section 170 of the Code. The Organization has adopted FASB ASC 740-10-25, which clarifies accounting for uncertainty in income taxes reported in the financial statements. The interpretation provides criteria for assessment of individual tax positions and a process for recognition and measurement of uncertain tax positions. Tax positions are evaluated on whether they meet the "more likely than not" standard for sustainability on examination by tax authorities. AZ PVA does not believe its financial statements contain any uncertain tax positions.

Estimates:

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

Compensated Absences:

Employees are entitled to paid vacation, sick, and personal absences depending on length of service and other factors. The amount of compensation related to these absences cannot be reasonably estimated and, accordingly, no liability has been recorded in the financial statements.

Donated services:

AZ PVA receives a significant amount of donated services from unpaid volunteers who assist in program and management activities. Donated services are recognized as contributions in accordance with FASB *Accounting Standards Codification 958-605, Not-for-Profit Entities - Revenue Recognition*. Donated services are recognized under the accounting standards if they enhance or create non-financial assets or, require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased by the organization if they had not been provided by contribution. These services have not been recognized in the statements because they do not meet the criteria for recognition under the accounting standards.

Subsequent events:

The Organization has evaluated subsequent events through December 15, 2020, the date which the financial statements were available to be issued.

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2020 was composed of the following:

Land	\$ 60,000
Buildings and improvements	395,301
Furniture and equipment	106,677
Less accumulated depreciation	<u>(159,372)</u>
	402,606
Artwork	8,535
Machine prototype under development	<u>74,898</u>
	<u><u>\$ 486,039</u></u>

Depreciation expense was \$23,283 and \$16,384 for the years ended September 30, 2020 and 2019, respectively.

NOTE 3. BENEFICIAL INTEREST IN PERPETUAL TRUST

AZ PVA receives periodic payments from a perpetual trust based on the pro-rata earnings of trust assets held by an independent third-party trustee. Trust assets are invested in various publicly traded debt and equity securities, and government obligations.

On April 19, 2016 the trust agreement was modified to provide a complete liquidation of trust assets in five annual distributions to the beneficiaries beginning on June 1, 2016. Subsequent to the modification, distributions are recognized as a reduction of the asset, and net trust earnings, gains, and losses are recognized as gain or loss from perpetual trust. The final distribution of \$14,289 was received on June 16, 2020.

NOTE 4. FUNDS HELD FOR OTHERS

AZ PVA received a grant of \$17,386 on behalf of the Phoenix VA ALS MDC that is earmarked for the betterment of the ALS Clinic at the VA. The Primary Care Provider and SCI/ALS Clinic social worker have sole discretion on the use of the funds. No funds were disbursed during the year ended September 30, 2020. A compensating balance of cash and cash equivalents is held for this purpose.

NOTE 5. COMMITMENTS AND CONTINGENCIES

AZ PVA deposited earnest money and appraisal fees toward the purchase of a new facility that will be used for administrative and program operations. Negotiations are in progress and the final closing is expected to occur in early 2021. On November 16, 2020 AZ PVA received net proceeds of \$819,708 from the sale of the facility it currently occupies. Management estimates that the final purchase cost of the new facility will approximate the proceeds from the current facility sale.

NOTE 6. BENEFIT PLANS

AZ PVA maintains a 403(b) retirement plan for its employees. Employer contributions to the plan are made at the discretion of the board. For the year ended September 30, 2020, \$8,901 was contributed to the plan and charged to expense.

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

NOTE 7. CONCENTRATIONS

AZ PVA receives a significant portion of its support from its national affiliate Paralyzed Veterans of America. Grants received from the national affiliate in 2020 totaled \$146,914.

AZ PVA maintains two bank accounts at one banking institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash deposits at this institution in excess of the FDIC limit as of September 30, 2020 was \$276,463. AZ PVA has not experienced any losses in these accounts.

NOTE 8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

PVA's financial assets as of September 30, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date were as follows:

Financial assets as of September 30, 2020	\$ 526,236
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Funds held for others	<u>(17,386)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 508,850</u>

As part of PVA's liquidity management, it invests excess cash in a business savings account.

NOTE 9. CHANGE IN ACCOUNTING ESTIMATE

Due to changes in the policy for compensated absences and difficulty in estimating the related liability based on experience, management has determined that it is not possible to reasonably estimate this amount. Accordingly, AZ PVA has not accrued a liability for compensated absences as of September 30, 2020.

NOTE 10. SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated closures. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, AZ PVA expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.