

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

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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, 2018, 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, 2018, 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 2017 financial statements of Arizona Chapter Paralyzed Veterans of America, Inc., and my report dated December 11, 2017, 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, 2017, 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 12, 2018

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017**

ASSETS	2018	2017
Cash and cash equivalents	\$ 393,872	\$ 328,932
Prepaid expenses	2,153	3,325
Inventory	25,401	25,401
Property and equipment, net	544,689	535,945
Beneficial interest in remainder trust	66,000	82,000
Beneficial interest in perpetual trust	32,750	48,600
Total assets	\$ 1,064,865	\$ 1,024,203
LIABILITIES		
Accrued expenses	\$ 1,327	\$ 115
Accrued payroll taxes and employee benefits	3,755	3,739
Accrued leave	2,966	2,706
Deposits	1,515	1,515
Total liabilities	9,563	8,075
NET ASSETS		
Without donor restrictions	956,552	885,528
With donor restrictions	98,750	130,600
Total net assets	1,055,302	1,016,128
Total liabilities and net assets	\$ 1,064,865	\$ 1,024,203

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, 2017
YEAR ENDED SEPTEMBER 30, 2018**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE:				
Grants from national affiliate	\$ 181,473	\$ -	\$ 181,473	\$ 178,448
Contributions	233,815	-	233,815	114,515
Donated materials	1,075,700	-	1,075,700	722,534
Rental income	8,580	-	8,580	21,492
Less rental expenses	(2,334)	-	(2,334)	(12,596)
Investment income	38	-	38	27
Gain (loss) from perpetual trust	-	732	732	(686)
Change in value of split-interest agreement	-	(16,000)	(16,000)	4,337
Other income	100	-	100	-
Restricted net assets released	16,582	(16,582)	-	-
Total support and revenue	<u>1,513,954</u>	<u>(31,850)</u>	<u>1,482,104</u>	<u>1,028,071</u>
EXPENSES:				
Program Services:				
Membership and benefits	28,711	-	28,711	25,002
Prosthetics	1,163,332	-	1,163,332	779,820
Hospital and services	43,324	-	43,324	36,357
Sports and recreation	46,906	-	46,906	42,619
Advocacy and legislation	21,421	-	21,421	28,093
Education, training and outreach	90,812	-	90,812	69,892
Supporting Activities:				
General and administrative	40,922	-	40,922	35,631
Fund raising	7,502	-	7,502	6,568
Total expenses	<u>1,442,930</u>	<u>-</u>	<u>1,442,930</u>	<u>1,023,982</u>
Change in net assets	71,024	(31,850)	39,174	4,089
NET ASSETS:				
Beginning of year	<u>885,528</u>	<u>130,600</u>	<u>1,016,128</u>	<u>1,012,039</u>
End of year	<u>\$ 956,552</u>	<u>\$ 98,750</u>	<u>\$ 1,055,302</u>	<u>\$ 1,016,128</u>

The accompanying notes are an integral part
of these financial statements

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2018</u>	<u>2017</u>
Change in net assets	\$ 39,174	\$ 4,089
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	15,098	14,827
Change in value of split-interest agreements	16,000	(4,337)
(Gain) loss from perpetual trust	(732)	686
Net donated assets (received) distributed	-	500
Change in operating assets and liabilities:		
Prepaid expenses	1,172	(2,310)
Deposits	-	168
Beneficial interest in perpetual trust	16,582	16,214
Accrued expenses	1,212	(6,178)
Accrued payroll taxes and employee benefits	16	97
Accrued leave	260	(5,294)
Deposits	-	(625)
Net cash provided by operating activities	<u>88,782</u>	<u>17,837</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(23,842)</u>	<u>(2,961)</u>
Net cash used by investing activities	<u>(23,842)</u>	<u>(2,961)</u>
 Net change in cash and cash equivalents	64,940	14,876
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>328,932</u>	<u>314,056</u>
 End of year	<u>\$ 393,872</u>	<u>\$ 328,932</u>
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Donated property and equipment received	\$ 1,095,600	\$ 722,534
Donated property and equipment distributed	<u>(1,095,600)</u>	<u>(723,034)</u>
Net donated assets received (distributed)	<u>\$ -</u>	<u>\$ (500)</u>

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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, 2017
YEAR ENDED SEPTEMBER 30, 2018**

	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	2018	2017
Salaries and benefits	\$ 19,833	\$ 49,596	\$ 32,922	\$ 10,364	\$ 15,066	\$ 47,184	\$ 9,833	\$ 5,297	\$ 190,095	\$ 153,916
Advertising and promotion	1,250	-	163	215	150	19,306	-	1,581	22,665	15,068
Awards and grants	100	-	2,000	9,250	-	16,625	-	-	27,975	20,626
Basketball Tournaments	-	-	-	1,250	-	-	-	-	1,250	6,500
Board and member expenses	751	-	-	-	-	-	361	-	1,112	1,283
Computer services	481	481	481	481	481	481	480	-	3,366	3,991
Contract services	-	48	-	-	-	-	1,720	-	1,768	1,632
Depreciation	1,138	6,548	1,138	1,138	1,138	1,138	1,136	-	13,374	9,195
Dues and subscriptions	-	-	-	-	-	-	803	340	1,143	249
Donated materials	-	1,075,700	-	-	-	-	-	-	1,075,700	722,326
Insurance	-	-	-	996	-	-	6,454	-	7,450	6,277
Miscellaneous	-	-	-	-	-	224	1,158	50	1,432	1,242
Occupancy	2,764	4,319	2,764	2,764	2,764	2,764	2,764	-	20,903	19,822
Office expenses	245	14,976	2,969	1,112	-	1,144	3,749	12	24,207	14,051
Picnic and socials	1,426	-	-	-	-	-	-	-	1,426	2,639
Postage and shipping	315	-	-	100	-	476	385	7	1,283	1,355
Professional fees	-	193	-	170	-	-	9,804	-	10,167	10,704
Sled Hockey	-	-	-	3,500	-	-	-	-	3,500	3,500
Trap Shoot	-	-	-	12,010	-	-	-	-	12,010	11,570
Travel	408	11,471	887	2,732	1,822	1,470	2,275	215	21,280	15,919
VA Games	-	-	-	824	-	-	-	-	824	2,117
Total expenses	\$ 28,711	\$ 1,163,332	\$ 43,324	\$ 46,906	\$ 21,421	\$ 90,812	\$ 40,922	\$ 7,502	\$ 1,442,930	\$ 1,023,982

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, 2018**

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, 2017, 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 and prosthetics.

Property and Equipment:

Property and equipment is 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.

Advertising:

Advertising costs are expensed as incurred. Costs incurred and charged to expense in the year ended September 30, 2018 were \$22,665.

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2018**

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 on the basis of estimates of time and effort, and computer services, depreciation, 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, 2018. 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.

Donated services:

AZ PVA receives a significant amount of donated services from unpaid volunteers who assist in program and management activities. Approximately 1,900 hours of volunteer services were received in 2018. 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 12, 2018, the date which the financial statements were available to be issued.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2018 was composed of the following:

Land	\$ 72,000
Buildings and improvements	460,473
Furniture and equipment	56,677
Less accumulated depreciation	<u>(127,894)</u>
	461,256
Artwork	8,535
Machine prototype under development	<u>74,898</u>
	<u><u>\$ 544,689</u></u>

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2018**

Depreciation expense was \$15,098 and \$14,827 for the years ended September 30, 2018 and 2017, respectively.

NOTE 3. BENEFICIAL INTEREST IN REMAINDER TRUST

In 2003 AZ PVA was named as a beneficiary of a charitable remainder trust that provides for a lump sum distribution payable upon termination on October 23, 2018. The gift is reflected in the statement of financial position as follows:

Estimated residual value	\$ 66,000
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The trust is administered by an independent third party custodian and the assets are invested in various publicly traded debt and equity securities, and government obligations.

NOTE 4. 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.

NOTE 5. FAIR VALUE MEASUREMENTS

FASB *Accounting Standards Codification* 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy as follows:

Level 1: Quoted market prices in active markets, such as the New York Stock Exchange, for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

For the year ended September 30, 2018 the application of valuation techniques applied to similar assets and liabilities has been consistent. The charitable remainder trust assets are due in one year and are reported at net realizable value. The fair value of the perpetual trust assets is based on quoted market prices in active markets (level 1). The changes in trust interests measured at fair value on a recurring basis is as follows:

	Level 1	Level 3	Total
Balance, beginning of year	\$ 48,600	\$ 82,000	\$ 130,600
Net changes in value of trusts	732	(16,000)	(15,268)
Distributions received	(16,582)	-	(16,582)
Balance, end of year	\$ 32,750	\$ 66,000	\$ 98,750

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2018**

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes:

Trust assets available for future operations	<u>\$ 98,750</u>
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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 2018 totaled \$181,473.

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 at September 30, 2018 was \$168,053. AZ PVA has not experienced any losses in these accounts.

NOTE 8. 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, 2018, \$6,519 was contributed to the plan and charged to expense.