

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

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

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, 2019, 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, 2019, 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 2018 financial statements of Arizona Chapter Paralyzed Veterans of America, Inc., and my report dated December 12, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Paul A. Donis, CPA, PC

Scottsdale, Arizona
January 9, 2020

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018**

ASSETS	2019	2018
Cash and cash equivalents	\$ 394,075	\$ 393,872
Contributions receivable	37,500	-
Employee advances	289	-
Prepaid expenses	1,988	2,153
Inventory	36,770	25,401
Property and equipment, net	530,380	544,689
Beneficial interest in remainder trust	-	66,000
Beneficial interest in perpetual trust	16,530	32,750
	\$ 1,017,532	\$ 1,064,865
Total assets	\$ 1,017,532	\$ 1,064,865
LIABILITIES		
Accrued expenses	\$ 610	\$ 1,327
Accrued payroll taxes and employee benefits	4,137	3,755
Accrued leave	8,748	2,966
Deposits	-	1,515
	13,495	9,563
Total liabilities	13,495	9,563
NET ASSETS		
Without donor restrictions	949,154	956,552
With donor restrictions	54,883	98,750
	1,004,037	1,055,302
Total net assets	1,004,037	1,055,302
Total liabilities and net assets	\$ 1,017,532	\$ 1,064,865

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, 2018
YEAR ENDED SEPTEMBER 30, 2019**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE:				
Grants from national affiliate	\$ 153,908	\$ -	\$ 153,908	\$ 181,473
Contributions	132,636	39,000	171,636	233,815
Donated materials	1,274,138	-	1,274,138	1,075,700
Rental income	7,950	-	7,950	8,580
Less rental expenses	(2,575)	-	(2,575)	(2,334)
Investment income	40	-	40	38
Gain (loss) from perpetual trust	-	485	485	732
Change in value of split-interest agreement	-	-	-	(16,000)
Other income	-	-	-	100
Restricted net assets released	83,352	(83,352)	-	-
Total support and revenue	<u>1,649,449</u>	<u>(43,867)</u>	<u>1,605,582</u>	<u>1,482,104</u>
EXPENSES:				
Program Services:				
Membership and benefits	41,664	-	41,664	28,711
Prosthetics	1,356,282	-	1,356,282	1,163,332
Hospital and services	42,886	-	42,886	43,324
Sports and recreation	33,297	-	33,297	46,906
Advocacy and legislation	35,394	-	35,394	21,421
Education, training and outreach	91,709	-	91,709	90,812
Supporting Activities:				
General and administrative	46,263	-	46,263	40,922
Fund raising	9,352	-	9,352	7,502
Total expenses	<u>1,656,847</u>	<u>-</u>	<u>1,656,847</u>	<u>1,442,930</u>
Change in net assets	(7,398)	(43,867)	(51,265)	39,174
NET ASSETS:				
Beginning of year	<u>956,552</u>	<u>98,750</u>	<u>1,055,302</u>	<u>1,016,128</u>
End of year	<u>\$ 949,154</u>	<u>\$ 54,883</u>	<u>\$ 1,004,037</u>	<u>\$ 1,055,302</u>

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of these financial statements

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2019</u>	<u>2018</u>
Change in net assets	\$ (51,265)	\$ 39,174
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	18,108	15,098
Change in value of split-interest agreements	-	16,000
(Gain) loss from perpetual trust	(485)	(732)
Net donated assets (received) distributed	(12,620)	-
Change in operating assets and liabilities:		
Contributions receivable	(37,500)	-
Employee advances	(289)	-
Prepaid expenses	165	1,172
Inventory	1,251	-
Beneficial interest in remainder trust	66,000	-
Beneficial interest in perpetual trust	16,705	16,582
Accrued expenses	(717)	1,212
Accrued payroll taxes and employee benefits	382	16
Accrued leave	5,782	260
Deposits	(1,515)	-
Net cash provided by operating activities	<u>4,002</u>	<u>88,782</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(3,799)</u>	<u>(23,842)</u>
Net cash used by investing activities	<u>(3,799)</u>	<u>(23,842)</u>
 Net change in cash and cash equivalents	203	64,940
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>393,872</u>	<u>328,932</u>
End of year	<u>\$ 394,075</u>	<u>\$ 393,872</u>
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Donated property and equipment received	\$ 1,271,529	\$ 1,095,600
Donated property and equipment distributed	<u>(1,258,909)</u>	<u>(1,095,600)</u>
Net donated assets received (distributed)	<u>\$ 12,620</u>	<u>\$ -</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, 2018
YEAR ENDED SEPTEMBER 30, 2019**

	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	2019	2018
Salaries and benefits	\$ 29,129	\$ 72,658	\$ 33,537	\$ 7,886	\$ 27,177	\$ 46,548	\$ 22,721	\$ 9,352	\$ 249,008	\$ 190,095
Advertising and promotion	228	32	39	-	-	22,322	-	-	22,621	22,665
Awards and grants	66	-	850	8,228	-	13,816	-	-	22,960	29,225
Board and member expenses	895	1,233	255	-	145	738	306	-	3,572	1,112
Computer services	762	762	762	762	762	762	761	-	5,333	3,366
Contract services	-	-	-	-	-	-	-	-	-	1,768
Depreciation	1,061	6,610	1,061	4,467	1,061	1,061	1,063	-	16,384	13,374
Dues and subscriptions	25	-	-	-	-	165	396	-	586	1,143
Donated materials	-	1,258,909	-	-	-	-	-	-	1,258,909	1,075,700
Insurance	723	723	723	1,799	723	723	1,900	-	7,314	7,450
Miscellaneous	330	1	-	-	-	12	1,248	-	1,591	1,432
Occupancy	2,805	2,805	2,805	2,805	2,805	2,805	2,810	-	19,640	20,903
Office expenses	164	1,345	2,463	116	383	304	3,614	-	8,389	24,207
Picnic and socials	2,236	-	-	-	-	855	-	-	3,091	1,426
Postage and shipping	1,117	-	-	396	-	23	308	-	1,844	1,283
Professional fees	-	40	-	-	-	-	10,866	-	10,906	10,167
Sports	-	-	-	3,170	-	-	-	-	3,170	3,500
Trap Shoot	-	-	-	-	-	-	-	-	-	12,010
Travel	2,123	11,164	391	3,668	2,338	1,575	270	-	21,529	21,280
VA Games	-	-	-	-	-	-	-	-	-	824
Total expenses	\$ 41,664	\$ 1,356,282	\$ 42,886	\$ 33,297	\$ 35,394	\$ 91,709	\$ 46,263	\$ 9,352	\$ 1,656,847	\$ 1,442,930

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, 2019**

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, 2018, 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.

Advertising:

Advertising costs are expensed as incurred. Costs incurred and charged to expense in the year ended September 30, 2019 were \$22,621.

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2019**

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, 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, 2019. 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 2,760 hours of volunteer services were received in 2019. 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 January 9, 2020, the date which the financial statements were available to be issued.

NOTE 2. CONTRIBUTIONS RECEIVABLE

At September 30, 2019 contributions receivable consisted of the following:

Corporate donors and charitable foundations	<u>\$ 37,500</u>
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Contributions receivable are deemed by management to be fully collectible within one year and, accordingly, no provision for uncollectible promises has been provided.

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2019 was composed of the following:

Land	\$ 72,000
Buildings and improvements	464,272
Furniture and equipment	56,677
Less accumulated depreciation	<u>(146,002)</u>
	446,947
Artwork	8,535
Machine prototype under development	<u>74,898</u>
	<u><u>\$ 530,380</u></u>

Depreciation expense was \$18,108 and \$15,098 for the years ended September 30, 2019 and 2018, respectively.

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

For the year ended September 30, 2019 the application of valuation techniques applied to similar assets and liabilities has been consistent. 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	\$ 32,750	\$ 66,000	\$ 98,750
Net changes in value of trusts	485	-	485
Distributions received	<u>(16,705)</u>	<u>(66,000)</u>	<u>(82,705)</u>
Balance, end of year	<u>\$ 16,530</u>	<u>\$ -</u>	<u>\$ 16,530</u>

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

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

Contributions receivable for purchase of two terrain hopper vehicles	\$ 37,500
Trust assets available for future operations	16,530
Cash for purchase of wheelchair batteries	<u>853</u>
	<u>\$ 54,883</u>

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 2019 totaled \$153,908.

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, 2019 was \$146,344. 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, 2019, \$6,775 was contributed to the plan and charged to expense.

NOTE 9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

PVA's financial assets as of September 30, 2019, 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 at September 30, 2019	\$ 448,394
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Donor-restricted for equipment purchases	<u>(38,353)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 396,601</u>

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