

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

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

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 statement of financial position of Arizona Chapter Paralyzed Veterans of America, Inc. (a nonprofit corporation) as of September 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and, in my report dated December 3, 2010, I expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Paul A. Donis, CPA, PC
Scottsdale, Arizona
December 8, 2011

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2011 AND 2010**

ASSETS	2011	2010
Current Assets:		
Cash and cash equivalents	\$ 280,912	\$ 339,637
Beneficial interest in lead trust (Note 2)	10,909	10,909
Prepaid expenses	616	4,402
Inventory	12,667	4,860
Total current assets	305,104	359,808
Property and equipment, net (Note 3)	445,381	89,754
Beneficial interest in lead trust (Note 2)	10,491	20,571
Beneficial interest in remainder trust (Note 4)	67,633	69,416
Total assets	\$ 828,609	\$ 539,549
 LIABILITIES		
Current Liabilities:		
Accrued payroll taxes and employee benefits	\$ 5,704	\$ 5,509
Accrued leave	10,462	3,844
Accrued property taxes	6,350	-
Total current liabilities	22,516	9,353
 NET ASSETS		
Unrestricted:		
Operating	717,060	369,107
Board designated building fund	-	57,393
Total unrestricted net assets	717,060	426,500
Temporarily restricted (Note 6)	89,033	103,696
Total net assets	806,093	530,196
Total liabilities and net assets	\$ 828,609	\$ 539,549

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, 2010
YEAR ENDED SEPTEMBER 30, 2011**

	2011			2010
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE:				
Grants from national affiliate	\$ 220,081	\$ -	\$ 220,081	\$ 218,464
Contributions	245,469	5,046	250,515	214,827
Donated medical supplies	12,667	-	12,667	12,390
Rental income	5,117	-	5,117	-
Less rental expenses	(18,496)	-	(18,496)	-
Gain on sale of property and equipment	71,368	-	71,368	-
Unrealized loss on remainder trust	-	(6,000)	(6,000)	(5,000)
Interest income	99	-	99	38
Other income	227	-	227	-
Net assets released from restrictions	13,709	(13,709)	-	-
Total support and revenue	<u>550,241</u>	<u>(14,663)</u>	<u>535,578</u>	<u>440,719</u>
EXPENSES:				
Program Services:				
Membership and benefits	30,967	-	30,967	28,533
Prosthetics	17,276	-	17,276	23,999
Hospital and services	38,541	-	38,541	36,275
Sports and recreation	71,764	-	71,764	84,076
Advocacy and legislation	21,548	-	21,548	19,864
Education, training and outreach	34,607	-	34,607	41,673
Supporting Activities:				
General and administrative	44,978	-	44,978	39,521
Fund raising	-	-	-	38,844
Total expenses	<u>259,681</u>	<u>-</u>	<u>259,681</u>	<u>312,785</u>
Change in net assets	290,560	(14,663)	275,897	127,934
NET ASSETS:				
Beginning of year, as restated	<u>426,500</u>	<u>103,696</u>	<u>530,196</u>	<u>402,262</u>
End of year	<u>\$ 717,060</u>	<u>\$ 89,033</u>	<u>\$ 806,093</u>	<u>\$ 530,196</u>

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**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2011</u>	<u>2010</u>
Change in net assets	\$ 275,897	\$ 127,934
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	20,906	12,837
Amortization of discount on trusts	(5,046)	(5,366)
Unrealized loss on remainder trust	6,000	5,000
Gain on sale of assets	(71,368)	-
(Increase) decrease in operating assets:		
Beneficial interest in lead trust	10,909	10,909
Prepaid expenses	3,786	(1,969)
Inventory	(7,807)	(666)
Increase (decrease) in operating liabilities:		
Accrued payroll taxes and employee benefits	195	508
Accrued leave	6,618	467
Accrued property taxes	6,350	-
Net cash provided (used) by operating activities	<u>246,440</u>	<u>149,654</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	80,500	-
Purchases of property and equipment	<u>(135,665)</u>	<u>(42,607)</u>
Net cash provided (used) by investing activities	<u>(55,165)</u>	<u>(42,607)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal paid on mortgage	<u>(250,000)</u>	-
Net cash provided (used) by financing activities	<u>(250,000)</u>	-
 Net change in cash and cash equivalents	(58,725)	107,047
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>339,637</u>	<u>232,590</u>
End of year	<u>\$ 280,912</u>	<u>\$ 339,637</u>
 SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$ 15,011</u>	<u>\$ -</u>
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Mortgage obligation incurred for building purchase	<u>\$ 250,000</u>	<u>\$ -</u>

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**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES WITH SUMMARIZED
FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2010
YEAR ENDED SEPTEMBER 30, 2011**

	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	2011	2010
Salaries and benefits (Note 7)	\$ 22,922	\$ 6,652	\$ 29,588	\$ 12,384	\$ 15,895	\$ 23,181	\$ 14,612	\$ -	\$ 125,234	\$ 110,148
APVA Transportation	-	-	1,599	2,398	-	1,333	-	-	5,330	10,708
Awards and grants	58	-	-	-	-	1,345	-	-	1,403	9,660
Basketball Tournaments	-	-	-	10,125	-	-	-	-	10,125	11,300
Board and member expenses	-	-	-	-	-	-	243	-	243	396
Computer services	-	-	-	-	-	-	4,760	-	4,760	3,323
Conferences	-	-	-	-	-	1,712	-	-	1,712	891
Depreciation	948	948	2,562	3,368	948	2,293	5,593	-	16,660	12,837
Dues and subscriptions	-	-	-	-	-	-	191	-	191	430
Donated medical supplies	-	4,830	-	-	-	-	-	-	4,830	11,724
Insurance	-	-	-	1,300	-	-	3,249	-	4,549	5,525
Interest	1,308	1,308	1,308	1,308	1,308	1,308	1,309	-	9,157	-
Miscellaneous	-	74	-	-	-	-	-	-	74	516
Newsletter	217	-	-	-	-	-	-	-	217	419
Occupancy	2,658	2,658	2,658	2,657	2,657	2,657	2,657	-	18,602	37,677
Office expenses	6	-	-	-	-	-	4,450	-	4,456	1,333
Over the Line	-	-	-	-	-	-	-	-	-	5,001
Picnic and socials	912	-	-	-	-	-	-	-	912	644
Postage and shipping	634	-	-	-	-	-	77	-	711	357
Professional fees	-	-	-	-	-	-	5,679	-	5,679	6,532
Quad Rugby	-	-	-	3,500	-	-	-	-	3,500	3,500
Sled Hockey	-	-	-	3,500	-	-	-	-	3,500	4,750
Telephone	599	599	599	599	599	599	599	-	4,193	3,064
Telemarketing	-	-	-	-	-	-	-	-	-	36,438
Trap Shoot	-	-	-	12,983	-	-	-	-	12,983	21,435
Travel	705	207	227	-	141	179	1,559	-	3,018	2,505
VA Games	-	-	-	17,642	-	-	-	-	17,642	11,672
Total expenses	\$ 30,967	\$ 17,276	\$ 38,541	\$ 71,764	\$ 21,548	\$ 34,607	\$ 44,978	\$ -	\$ 259,681	\$ 312,785

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, 2011**

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. 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, 2010, 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, and fees for use of AZ PVA vehicles.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Restricted contributions are reported as increases in unrestricted net assets 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. AZ PVA had no permanently restricted net assets at September 30, 2011.

Inventory:

Inventory is recorded at cost or at estimated fair value at the date of gift using the first-in, first-out method, and consists of donated medical supplies.

Property and Equipment:

Property and equipment is recorded at cost or at estimated fair value at the date of gift. 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 \$500 or more. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

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, 2011. Contributions are tax deductible to donors under section 170 of the Code.

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2011**

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.

Cash Equivalents:

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

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 5,650 hours of volunteer services were received in 2011. 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.

NOTE 2. BENEFICIAL INTEREST IN LEAD TRUST

In 2003 AZ PVA was named as a beneficiary of a charitable lead trust that provides annual payments for a period of ten years. The gift is deemed to be fully collectible, and is reflected in the statement of financial position as follows:

Future trust installments receivable	\$ 21,818
Less: Unamortized discount @ 4%	(418)
Present value of future cash flows	21,400
Current portion	(10,909)
 Non-current portion	 \$ 10,491
 Amounts due in:	
Less than one year	\$ 10,909
One to five years	10,909
	\$ 21,818

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.

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2011**

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2011 consisted of the following:

Land	\$ 60,000
Building	368,271
Furniture and equipment	57,676
Vehicles	40,336
Less accumulated depreciation	<u>(89,437)</u>
	436,846
Artwork	<u>8,535</u>
	<u><u>\$ 445,381</u></u>

Depreciation expense for the year ended September 30, 2011 was \$20,906.

NOTE 4. 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 February 23, 2018. The gift is deemed to be fully collectible, and is reflected in the statement of financial position as follows:

Estimated residual value	\$ 89,000
Less: Unamortized discount @ 4%	<u>(21,367)</u>
Estimated present value	<u><u>\$ 67,633</u></u>

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 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. The fair value hierarchy gives highest priority to quoted market prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are 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, 2011 the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of beneficial interests in charitable lead and remainder trusts is based on the present value of future cash flows using significant unobservable inputs (Level 3) on a recurring basis. The changes in beneficial interests in charitable lead and remainder trusts measured at fair value using level 3 inputs is as follows:

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2011**

Balance, beginning of year	\$ 100,896
Annual distribution from charitable lead trust	(10,909)
Net unrealized loss	<u>(954)</u>
Balance, end of year	<u>\$ 89,033</u>

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were beneficial interests in lead and remainder trusts available in future periods.

NOTE 7. CONCENTRATIONS

AZ PVA receives a significant portion of its support from its national affiliate Paralyzed Veterans of America, Inc. Grants received from the national affiliate totaled \$220,081.

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, 2011 was \$32,260. 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, 2011, \$5,912 was contributed to the plan and charged to expense.

NOTE 9. PRIOR PERIOD ADJUSTMENTS

Net assets have been restated to reflect the Organization's beneficial interest in a charitable remainder trust and changes to its beneficial interest in a charitable lead trust. The adjustments increased temporarily restricted net assets \$111,439 and \$100,896, decreased unrestricted net assets \$37,750 and \$28,860, and increased total net assets \$73,689 and \$72,036 at October 1, 2009 and 2010, respectively. In addition, the 2010 adjustment to the change in net assets is reflected in the statement of activities as a \$3,347 increase in contribution income and a \$5,000 unrealized loss on remainder trust.

NOTE 10. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 8, 2011, the date which the financial statements were available to be issued.