

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

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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, 2016, 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, 2016, 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 2015 financial statements of Arizona Chapter Paralyzed Veterans of America, Inc., and my report dated December 15, 2015, 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, 2015, 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, 2016

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015**

ASSETS	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 314,056	\$ 298,013
Contributions receivable	-	7,555
Employee advances	-	2,250
Prepaid expenses	1,015	1,825
Inventory	25,901	24,812
Property and equipment, net	547,811	547,593
Deposits	168	168
Beneficial interest in remainder trust	77,663	80,010
Beneficial interest in perpetual trust	<u>65,500</u>	<u>84,000</u>
Total assets	<u><u>\$ 1,032,114</u></u>	<u><u>\$ 1,046,226</u></u>
LIABILITIES		
Accrued expenses	\$ 4,249	\$ 216
Accrued payroll taxes and employee benefits	3,642	4,616
Accrued leave	8,000	11,340
Accrued property taxes	2,044	1,951
Deposits	<u>2,140</u>	<u>1,475</u>
Total liabilities	<u>20,075</u>	<u>19,598</u>
NET ASSETS		
Unrestricted:	865,376	852,618
Temporarily restricted	81,163	90,010
Permanently restricted net assets	<u>65,500</u>	<u>84,000</u>
Total net assets	<u><u>1,012,039</u></u>	<u><u>1,026,628</u></u>
Total liabilities and net assets	<u><u>\$ 1,032,114</u></u>	<u><u>\$ 1,046,226</u></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, 2015
YEAR ENDED SEPTEMBER 30, 2016**

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE:					
Grants from national affiliate	\$ 181,007	\$ -	\$ -	\$ 181,007	\$ 194,580
Contributions	73,936	-	-	73,936	115,396
Donated medical supplies	242,630	-	-	242,630	287,479
Rental income	23,058	-	-	23,058	21,459
Less rental expenses	(13,218)	-	-	(13,218)	(12,860)
Investment income	24	-	-	24	1,433
Gain (loss) from perpetual trust	-	-	(988)	(988)	(6,000)
Change in value of split-interest agreement	-	(2,347)	-	(2,347)	(10,599)
Other income	90	-	-	90	1,081
Restricted net assets released	24,012	(6,500)	(17,512)	-	-
Total support and revenue	<u>531,539</u>	<u>(8,847)</u>	<u>(18,500)</u>	<u>504,192</u>	<u>591,969</u>
EXPENSES:					
Program Services:					
Membership and benefits	32,465	-	-	32,465	26,717
Prosthetics	293,260	-	-	293,260	330,258
Hospital and services	28,020	-	-	28,020	29,400
Sports and recreation	37,875	-	-	37,875	45,319
Advocacy and legislation	22,923	-	-	22,923	24,321
Education, training and outreach	51,853	-	-	51,853	50,885
Supporting Activities:					
General and administrative	49,244	-	-	49,244	40,471
Fund raising	3,141	-	-	3,141	4,965
Total expenses	<u>518,781</u>	<u>-</u>	<u>-</u>	<u>518,781</u>	<u>552,336</u>
Change in net assets	12,758	(8,847)	(18,500)	(14,589)	39,633
NET ASSETS:					
Beginning of year	852,618	90,010	84,000	1,026,628	986,995
End of year	<u>\$ 865,376</u>	<u>\$ 81,163</u>	<u>\$ 65,500</u>	<u>\$ 1,012,039</u>	<u>\$ 1,026,628</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, 2016 AND 2015**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2016</u>	<u>2015</u>
Change in net assets	\$ (14,589)	\$ 39,633
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	15,532	17,778
Change in value of split-interest agreements	2,347	10,599
(Gain) loss from perpetual trust	988	6,000
Net donated assets (received) distributed	(1,089)	6,607
Change in operating assets and liabilities:		
Contributions receivable	7,555	(7,555)
Employee advances	2,250	(1,788)
Prepaid expenses	810	(830)
Deposits	-	110
Beneficial interest in perpetual trust	17,512	-
Accrued expenses	4,033	216
Accrued payroll taxes and employee benefits	(974)	295
Accrued leave	(3,340)	537
Accrued property taxes	93	(6)
Deposits	665	675
Net cash provided by operating activities	<u>31,793</u>	<u>72,271</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(15,750)</u>	<u>(156)</u>
Net cash used by investing activities	<u>(15,750)</u>	<u>(156)</u>
 Net change in cash and cash equivalents	16,043	72,115
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>298,013</u>	<u>225,898</u>
 End of year	<u>\$ 314,056</u>	<u>\$ 298,013</u>
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Donated property and equipment received	\$ 242,630	\$ 287,479
Donated property and equipment distributed	(241,541)	(294,086)
Net donated assets received (distributed)	<u>\$ 1,089</u>	<u>\$ (6,607)</u>

The accompanying notes are an integral part
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, 2015
YEAR ENDED SEPTEMBER 30, 2016**

	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	2016	2015
Salaries and benefits	\$ 20,987	\$ 44,452	\$ 23,182	\$ 6,554	\$ 17,586	\$ 27,127	\$ 13,804	\$ 3,141	\$ 156,833	\$ 146,907
Advertising and promotion	376	-	-	259	-	6,456	-	-	7,091	10,078
Awards and grants	-	-	-	-	-	11,950	-	-	11,950	6,300
Basketball Tournaments	-	-	-	3,500	-	-	-	-	3,500	8,300
Board and member expenses	638	-	-	-	-	-	149	-	787	1,269
Computer services	506	506	506	506	506	506	508	-	3,544	2,925
Contract services	-	-	-	-	-	-	1,152	-	1,152	-
Depreciation	1,331	1,331	1,331	1,331	1,331	1,331	1,327	-	9,313	11,988
Dues and subscriptions	-	-	-	-	-	-	324	-	324	524
Donated medical supplies	-	238,547	-	-	-	-	-	-	238,547	291,283
Interest	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	1,355	-	-	4,175	-	5,530	5,808
Miscellaneous	-	-	-	-	-	483	-	-	483	2,761
Occupancy	2,838	2,838	2,838	2,838	2,838	2,838	2,841	-	19,869	19,047
Office expenses	574	1,471	29	-	-	197	3,293	-	5,564	5,524
Picnic and socials	2,144	-	-	-	-	-	-	-	2,144	3,479
Postage and shipping	1,478	-	-	94	-	-	323	-	1,895	1,248
Professional fees	-	-	-	-	-	-	21,275	-	21,275	9,209
Rugby	-	-	-	-	-	-	-	-	-	3,500
Sled Hockey	-	-	-	3,500	-	-	-	-	3,500	3,500
Trap Shoot	-	-	-	11,090	-	-	-	-	11,090	8,756
Travel	1,593	4,115	134	4,333	662	965	73	-	11,875	6,569
VA Games	-	-	-	2,515	-	-	-	-	2,515	3,361
Total expenses	\$ 32,465	\$ 293,260	\$ 28,020	\$ 37,875	\$ 22,923	\$ 51,853	\$ 49,244	\$ 3,141	\$ 518,781	\$ 552,336

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, 2016**

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, 2015, 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 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. Contributions due in more than one year are measured at the present value of expected future cash flows.

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 \$500 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.

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.

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

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, 2016. 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.

Cash Equivalents:

AZ PVA considers all cash and other highly liquid investments with initial maturities of three 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 1,400 hours of volunteer services were received in 2016. 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, 2016, the date which the financial statements were available to be issued.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2016 was composed of the following:

Land	\$ 72,000
Buildings and improvements	457,512
Furniture and equipment	32,835
Less accumulated depreciation	(97,969)
	<hr/>
	464,378
Artwork	8,535
Machine prototype under development	74,898
	<hr/>
	\$ 547,811

Depreciation expense was \$15,532 and \$17,778 for the years ended September 30, 2016 and 2015, respectively.

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

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 February 23, 2018. The gift is reflected in the statement of financial position as follows:

Estimated residual value	\$ 84,000
Less: Unamortized discount @ 4%	<u>(6,337)</u>
 Estimated present value	 <u>\$ 77,663</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 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. Distributions are unrestricted, and prior to 2016 were reported as investment income.

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, 2016 the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of the charitable remainder trust assets is based on the present value of estimated future cash flows using significant unobservable inputs (Level 3). Those inputs include an assumption of annual earnings of 4% and annual distributions to heirs of 8% based on the beginning of the year value of trust assets using level 1 inputs. 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	\$ 84,000	\$ 80,010	\$ 164,010
Net changes in value of trusts	(988)	(2,347)	(3,335)
Distributions received	<u>(17,512)</u>	<u>-</u>	<u>(17,512)</u>
 Balance, end of year	 <u>\$ 65,500</u>	 <u>\$ 77,663</u>	 <u>\$ 143,163</u>

**ARIZONA CHAPTER
PARALYZED VETERANS OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 6. RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

Trust assets available for future operations	\$ 77,663
Repair and delivery of prosthetics	<u>3,500</u>
Temporarily restricted net assets	<u>\$ 81,163</u>

Permanently restricted net assets were available for the following purposes:

Perpetual trust assets available for future benefits	<u>\$ 65,500</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 2016 totaled \$181,007.

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, 2016 was \$64,441. 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, 2016, \$7,281 was contributed to the plan and charged to expense.

NOTE 9. ADVERTISING

Advertising costs are expensed as incurred. Costs incurred and charged to expense in the year ended September 30, 2016 were \$7,091.

NOTE 10. COMMITMENTS AND CONTINGENCIES

AZ PVA has expended approximately \$6,500 over the term of a \$10,000 grant that was restricted for repair and delivery of prosthetics. AZ PVA has not received a determination from the grantor whether the remaining funds may be re-directed or must be returned, and may be liable for approximately \$3,500 if the grantor requests a return of the unused funds.