

**Paralyzed Veterans of America -
Kentucky-Indiana Chapter, Inc.**

Financial Statements

Years Ended September 30, 2009 and 2008

**Paralyzed Veterans of America -
Kentucky-Indiana Chapter, Inc.**

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Independent Auditors' Report on Financial Statements

To the Board of Directors
Paralyzed Veterans of America -
Kentucky-Indiana Chapter, Inc.

We have audited the accompanying statements of financial position of Paralyzed Veterans of America - Kentucky-Indiana Chapter, Inc. ("The Chapter") as of September 30, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Chapter's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paralyzed Veterans of America - Kentucky-Indiana Chapter, Inc. as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



CHILTON & MEDLEY PLC
Louisville, Kentucky
January 6, 2010

**Paralyzed Veterans of America -
Kentucky-Indiana Chapter, Inc.
Statements of Financial Position
September 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Assets		
Cash and cash equivalents	\$ 63,371	\$ 62,102
Interest receivable	2,402	3,559
Prepaid expenses	2,336	2,472
Investments	445,817	465,762
Land, building and equipment, net	226,864	235,691
Beneficial interest in charitable trust	<u>420,454</u>	<u>465,150</u>
Total Assets	<u>\$ 1,161,244</u>	<u>\$ 1,234,736</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 2,821	\$ 2,611
Accrued compensated absences	<u>1,184</u>	<u>3,549</u>
Total Liabilities	4,005	6,160
Commitments and Contingencies		
Net Assets		
Unrestricted	721,834	748,475
Temporarily restricted	14,951	14,951
Permanently restricted	<u>420,454</u>	<u>465,150</u>
	<u>1,157,239</u>	<u>1,228,576</u>
Total Liabilities and Net Assets	<u>\$ 1,161,244</u>	<u>\$ 1,234,736</u>

The accompanying notes are an integral part of these financial statements.

**Paralyzed Veterans of America -
Kentucky-Indiana Chapter, Inc.**

**Statements of Activities and Changes in Net Assets
Years Ended September 30, 2009 and 2008**

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues								
Contributions from National	\$ 190,146	\$ -	\$ -	\$ 190,146	\$ 208,815	\$ -	\$ -	\$ 208,815
Contributions from individuals	5,878	-	-	5,878	7,244	-	-	7,244
Charitable trust distributions	25,371	-	-	25,371	29,481	-	-	29,481
Membership dues	120	-	-	120	105	-	-	105
Investment income	16,164	-	-	16,164	23,575	-	-	23,575
Net realized/unrealized loss on investments	(36,850)	-	-	(36,850)	(52,568)	-	-	(52,568)
Loss in beneficial interest in charitable trust	-	-	(44,696)	(44,696)	-	-	(142,309)	(142,309)
Other income	3,535	-	-	3,535	2,025	-	-	2,025
Total Support and Revenues	204,364	-	(44,696)	159,668	218,677	-	(142,309)	76,368
Expenses								
Program services								
Membership and benefits	103,704	-	-	103,704	91,163	-	-	91,163
Public affairs	75,890	-	-	75,890	72,277	-	-	72,277
Research	7,634	-	-	7,634	3,370	-	-	3,370
	<u>187,228</u>	<u>-</u>	<u>-</u>	<u>187,228</u>	<u>166,810</u>	<u>-</u>	<u>-</u>	<u>166,810</u>
Support services								
General and administrative	43,777	-	-	43,777	38,669	-	-	38,669
Total Expenses	231,005	-	-	231,005	205,479	-	-	205,479
Changes in Net Assets	(26,641)	-	(44,696)	(71,337)	13,198	-	(142,309)	(129,111)
Net Assets at Beginning of Year	748,475	14,951	465,150	1,228,576	750,228	-	607,459	1,357,687
Prior period adjustment	-	-	-	-	(14,951)	14,951	-	-
Net Assets at End of Year	\$ 721,834	\$ 14,951	\$ 420,454	\$ 1,157,239	\$ 748,475	\$ 14,951	\$ 465,150	\$ 1,228,576

The accompanying notes are an integral part of these financial statements.

**Paralyzed Veterans of America -
Kentucky-Indiana Chapter, Inc.
Statement of Functional Expenses
Year Ended September 30, 2009**

	Program Services				Support Services	Grand Total
	Membership and Benefits	Public Affairs	Research	Total	General and Administrative	
Compensation	\$ 47,653	\$ 34,354	\$ 1,110	\$ 83,117	\$ 28,678	\$ 111,795
Professional fees	219	-	4,500	4,719	8,084	12,803
Occupancy	1,638	1,554	252	3,444	1,493	4,937
Office supplies and expenses	10,019	8,131	615	18,765	2,341	21,106
Postage	2,355	1,244	25	3,624	381	4,005
Printing, publications and promotion	8,338	4,186	63	12,587	1,474	14,061
Miscellaneous	597	32	10	639	-	639
Conferences, meetings and travel	17,708	23,124	-	40,832	-	40,832
Assistance	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Total Expenses Before Depreciation	100,527	72,625	6,575	179,727	42,451	222,178
Depreciation	<u>3,177</u>	<u>3,265</u>	<u>1,059</u>	<u>7,501</u>	<u>1,326</u>	<u>8,827</u>
Total Expenses	<u>\$ 103,704</u>	<u>\$ 75,890</u>	<u>\$ 7,634</u>	<u>\$ 187,228</u>	<u>\$ 43,777</u>	<u>\$ 231,005</u>

**Paralyzed Veterans of America -
Kentucky-Indiana Chapter, Inc.
Statement of Functional Expenses (Continued)
Year Ended September 30, 2008**

	Program Services				Support Services	Grand Total
	Membership and Benefits	Public Affairs	Research	Total	General and Administrative	
Compensation	\$ 43,661	\$ 31,476	\$ 1,015	\$ 76,152	\$ 25,384	\$ 101,536
Professional fees	243	-	500	743	7,077	7,820
Occupancy	1,638	1,554	252	3,444	1,455	4,899
Office supplies and expenses	8,908	7,245	503	16,656	2,506	19,162
Postage	2,177	816	17	3,010	304	3,314
Printing, publications and promotion	8,089	3,290	31	11,410	628	12,038
Miscellaneous	365	-	-	365	-	365
Conferences, meetings and travel	12,926	24,653	-	37,579	-	37,579
Assistance	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total Expenses Before Depreciation	88,007	69,034	2,318	159,359	37,354	196,713
Depreciation	<u>3,156</u>	<u>3,243</u>	<u>1,052</u>	<u>7,451</u>	<u>1,315</u>	<u>8,766</u>
Total Expenses	<u>\$ 91,163</u>	<u>\$ 72,277</u>	<u>\$ 3,370</u>	<u>\$ 166,810</u>	<u>\$ 38,669</u>	<u>\$ 205,479</u>

The accompanying notes are an integral part of these financial statements.

**Paralyzed Veterans of America -
Kentucky-Indiana Chapter, Inc.
Statements of Cash Flows
Years Ended September 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (71,337)	\$ (129,111)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	8,827	8,766
Net realized/unrealized loss on investments	36,850	52,568
Loss in beneficial interest in charitable trust	44,696	142,309
Dividends and capital gains reinvested	(15,769)	(22,653)
Change in:		
Interest receivable	1,157	(240)
Prepaid expenses	136	61
Accounts payable	210	(1,169)
Accrued compensated absences	(2,365)	87
	<u>2,405</u>	<u>50,618</u>
Net Cash Provided by Operating Activities	2,405	50,618
Cash Flows from Investing Activities		
Purchase of investments	(139,323)	(101,060)
Sales and maturities of investments	138,187	52,477
Purchases of land, building and equipment	-	(880)
	<u>(1,136)</u>	<u>(49,463)</u>
Net Cash Used by Investing Activities	(1,136)	(49,463)
Increase in Cash and Cash Equivalents	1,269	1,155
Cash and Cash Equivalents at Beginning of Year	<u>62,102</u>	<u>60,947</u>
Cash and Cash Equivalents at End of Year	<u>\$ 63,371</u>	<u>\$ 62,102</u>

The accompanying notes are an integral part of these financial statements.

**Paralyzed Veterans of America -
Kentucky-Indiana Chapter, Inc.
Notes to Financial Statements
September 30, 2009 and 2008**

Note A - Nature of Organization and Operations

Paralyzed Veterans of America ("PVA") is a national, not-for-profit corporation chartered by the U.S. Congress under Public Law 92-93. PVA is a public charity whose purposes are to form a national association for the benefit of persons who have injuries or diseases of the spinal cord, to support research for the treatment of spinal cord injuries and the development of rehabilitative methods and devices, and to educate the public in the problems of spinal cord dysfunctions. The accompanying financial statements include the accounts of Paralyzed Veterans of America's Kentucky-Indiana Chapter, Inc. ("the Chapter").

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting: The financial statements of the Chapter have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.
2. Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.
3. Donor-Imposed Restrictions: The Chapter records and reports its assets, liabilities, net assets, revenues, expenses, gains and losses, and other support based on the existence or absence of donor-imposed restrictions.

The Chapter reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor imposed restrictions that may be met in the same year in which the contribution is received are reported as unrestricted contributions.

The Chapter reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Chapter reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Permanently restricted net assets include those contributions and other inflows of assets whose use by the Chapter is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Chapter.

**Paralyzed Veterans of America -
Kentucky-Indiana Chapter, Inc.
Notes to Financial Statements (Continued)
September 30, 2009 and 2008**

Note B - Summary of Significant Accounting Policies (Continued)

4. Description of Program Services: The Membership and Benefits program encompasses service to the membership through assistance with Veterans Administration issues, donation of prosthetic equipment (wheelchairs, lifts, walkers, etc.), the hardship assistance fund, and PVA membership benefits. In addition, the program publishes a monthly newsletter that explores current issues of importance on the local and national level to spinal cord injured and disabled individuals.

Public Affairs maintains an advocacy program which promotes and defends the rights of disabled citizens, both veterans and non-veterans, and strives to remove all barriers and to enforce and to improve the legal rights of all disabled people. Public Affairs also maintains a legislation program whose main focus is improved veteran's benefits and support of the civil rights of all disabled citizens. In addition, the sports program sends participants to the National Veterans Wheelchair Games, trapshoots, American Wheelchair Bowling Association games, bass tournaments and Winter Sports Clinic.

Research gives grants to institutions to support work on spinal cord injury research.

General and administrative expenses include the day-to-day operations of the Chapter.

5. Functional Allocation of Expenses: The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities and changes in net assets and in the statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to the program or support service according to their natural expenditure classification. Certain costs common to several functions have been allocated among the various programs benefited. General and administrative expenses include those costs that are not directly identifiable with any other specific function but which provide for the overall support and direction of the Chapter.
6. Cash and Cash Equivalents: The Chapter considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Chapter occasionally maintains balances with a bank in excess of federally-insured limits.
7. Investments: Investments are recorded at fair value. Fair value is 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. Net realized and unrealized gains and losses are reflected in the statement of activities and changes in net assets.
8. Land, Building and Equipment: Land, building and equipment is stated at cost and is recorded upon approval by the Board of Directors. Depreciation is computed using the straight-line method, over the estimated useful life of the building and equipment ranging from 3 to 31.5 years. Depreciation expense for the years ended September 30, 2009 and 2008 was \$8,827 and \$8,766, respectively. It is the Chapter's policy to capitalize property and equipment over \$500. Lesser amounts are expensed.

**Paralyzed Veterans of America -
Kentucky-Indiana Chapter, Inc.
Notes to Financial Statements (Continued)
September 30, 2009 and 2008**

Note B - Summary of Significant Accounting Policies (Continued)

9. Donated Services: The Chapter records donated services as a contribution and expense for the related programs. The Chapter received donated website services in the amount of \$1,188 for each of the years ended September 30, 2009 and 2008.
10. Income Tax Status: The Chapter is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and contributions are tax deductible to donors under Section 170(c)(3) of the Internal Revenue Code. The Chapter is classified by the Internal Revenue Service as an organization that is not a private foundation. Accordingly, no provision for income taxes is made in the accompanying financial statements.

Note C - Investments

The investments consist of the following at September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Certificates of deposit	\$ 247,036	\$ 237,795
Stocks	140,490	165,554
Mutual funds	<u>58,291</u>	<u>62,413</u>
	<u>\$ 445,817</u>	<u>\$ 465,762</u>

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Chapter.

Note D - Fair Value Measurements

FASB ASC 820-10, Fair Value Measurements ("FASB ASC 820-10"), defines fair value, provides a framework for measuring fair value, and expands disclosures required for fair value measurements. FASB ASC 820-10 also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest to lowest priority are described below:

Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

**Paralyzed Veterans of America -
Kentucky-Indiana Chapter, Inc.
Notes to Financial Statements (Continued)
September 30, 2009 and 2008**

Note D - Fair Value Measurements (Continued)

Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Chapter's own assumptions.

Following is a description of the valuation methodologies for assets measured at fair value:

Certificates of Deposit: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Stocks: Valued at the closing price reported on the active market in which the individual security is traded.

Mutual funds: Valued at the net asset value of the shares held by the Chapter at year end.

Beneficial Interest in Charitable Trust: The underlying assets of the beneficial interest are valued at the closing price reported on the active market on which the individual securities are traded. The beneficial interest is valued at the net asset value of the underlying assets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Chapter believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Chapter's assets at fair value as of September 30, 2009:

	Investments at Fair Value as of September 30, 2009			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 247,036	\$ -	\$ 247,036
Stocks	140,490	-	-	140,490
Mutual funds	58,291	-	-	58,291
	<u>\$ 198,781</u>	<u>\$ 247,036</u>	<u>\$ -</u>	<u>\$ 445,817</u>
	Other Assets at Fair Value as of September 30, 2009			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trust	\$ -	\$ 420,454	\$ -	\$ 420,454

**Paralyzed Veterans of America -
Kentucky-Indiana Chapter, Inc.
Notes to Financial Statements (Continued)
September 30, 2009 and 2008**

Note E - Beneficial Interest in Charitable Trust

The Chapter is a beneficiary of a charitable trust, whereby they receive 25% of the annual income of the trust. The charitable trust is held and administered by a third party investment company. The Chapter records its beneficial interest in this trust at the present value of the estimated future cash flows which approximates 25% of the fair value of the trust. This beneficial interest comprises the Chapter's donor restricted endowment fund. The endowment fund is subject to the third party's investment and distribution policies.

Changes in endowment net assets for the years ended September 30, 2009 and 2008 are as follows:

	September 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of the Year	\$ -	\$ -	\$ 465,150	\$ 465,150
Investment return:				
Investment income	-	-	25,371	25,371
Net appreciation (depreciation)	-	-	(44,696)	(44,696)
Total investment return	-	-	(19,325)	(19,325)
Distributions	25,371	-	(25,371)	-
Expenditures	(25,371)	-	-	(25,371)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 420,454</u>	<u>\$ 420,454</u>
	September 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of the Year	\$ -	\$ -	\$ 607,459	\$ 607,459
Investment return:				
Investment income	-	-	29,481	29,481
Net appreciation (depreciation)	-	-	(142,309)	(142,309)
Total investment return	-	-	(112,828)	(112,828)
Distributions	29,481	-	(29,481)	-
Expenditures	(29,481)	-	-	(29,481)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 465,150</u>	<u>\$ 465,150</u>

**Paralyzed Veterans of America -
Kentucky-Indiana Chapter, Inc.
Notes to Financial Statements (Continued)
September 30, 2009 and 2008**

Note F - Land, Building and Equipment

Land, building and equipment consist of the following at September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Land	\$ 103,711	\$ 103,711
Building and improvements	272,594	272,594
Furnishings and equipment	34,625	34,625
Medical equipment	1,348	1,348
	<u>412,278</u>	<u>412,278</u>
Less: accumulated depreciation	<u>(185,414)</u>	<u>(176,587)</u>
	<u>\$ 226,864</u>	<u>\$ 235,691</u>

Note G - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for paralyzed veterans in Fayette County, Kentucky.

Note H - Permanently Restricted Net Assets

Permanently restricted net assets are funds held in perpetuity, the income from which is expendable to support the operations of the Chapter.

Note I - Operating Lease

During 2009, the Chapter entered into a non-cancellable operating lease agreement for certain office equipment through 2013. The lease requires monthly payments of \$145 plus other expenses. During 2009, a prior lease for certain office equipment expired. The monthly lease payments of the prior lease were \$57. The total lease expense incurred was \$860 and \$684 for the years ended September 30, 2009 and 2008, respectively.

Future minimum lease payments under the non-cancellable operating lease as of September 30, 2009 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2010	\$ 1,740
2011	1,740
2012	1,740
2013	<u>1,450</u>
	<u>\$ 6,670</u>

**Paralyzed Veterans of America -
Kentucky-Indiana Chapter, Inc.
Notes to Financial Statements (Continued)
September 30, 2009 and 2008**

Note J - Recent Accounting Pronouncements

As required under accounting standards codification, the Financial Accounting Standards Board deferred the effective date of the provisions related to fair value measurements for all non-financial assets and liabilities to fiscal years beginning after November 15, 2008. Fair value measurements for non-financial assets and liabilities will be adopted by the Chapter during the fiscal year beginning October 1, 2009. The Chapter is currently evaluating the impact, if any, the adoption of fair value measurements for non-financial assets and liabilities will have on the financial statements.

Note K - Prior Period Adjustment

During 2009, the Chapter discovered a misclassification of a gift in a prior year of funds temporarily restricted for paralyzed veterans in Fayette County, Kentucky. Adjustments to properly classify these temporarily restricted funds at September 30, 2007 increased temporarily restricted net assets and decreased unrestricted net assets by \$14,951.

Note L - Subsequent Events

Subsequent events for the Chapter have been considered through the date of the Independent Auditors' Report which represents the date which the financial statements were available to be issued.