

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**KENTUCKY-INDIANA CHAPTER OF THE  
PARALYZED VETERANS OF AMERICA, INC.**

**SEPTEMBER 30, 2011 AND 2010**

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*Providing timely, accurate, useful information to decision makers*

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Kentucky-Indiana Chapter of the Paralyzed Veterans of America, Inc. (a not-for-profit organization) as of September 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 audits 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 Kentucky-Indiana Chapter of the Paralyzed Veterans of America, Inc. as of September 30, 2011 and 2010, 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.

*Anderson, Bryant, Lasky + Winslow, P.S.C.*

Louisville, Kentucky  
December 15, 2011

**STATEMENTS OF FINANCIAL POSITION  
KENTUCKY-INDIANA CHAPTER OF THE  
PARALYZED VETERANS OF AMERICA, INC.  
SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 272,286	\$ 95,297
Interest receivable	3,584	4,072
Prepaid expenses	11,452	4,028
Investments	285,441	467,823
Land, building & equipment, net	211,108	220,434
Beneficial interest in charitable trust	<u>405,476</u>	<u>421,332</u>
Total assets	<u>\$ 1,189,347</u>	<u>\$ 1,212,986</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accrued compensated absences	<u>\$ 1,714</u>	<u>\$ 1,457</u>
Total liabilities	<u>1,714</u>	<u>1,457</u>
 <b>NET ASSETS</b>		
Unrestricted	770,800	778,846
Temporarily restricted	11,357	11,351
Permanently restricted	<u>405,476</u>	<u>421,332</u>
Total net assets	<u>1,187,633</u>	<u>1,211,529</u>
Total liabilities and net assets	<u>\$ 1,189,347</u>	<u>\$ 1,212,986</u>

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

**STATEMENTS OF ACTIVITIES  
KENTUCKY-INDIANA CHAPTER OF THE  
PARALYZED VETERANS OF AMERICA, INC.  
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	2011			2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions from National	\$ 200,124	\$ -	\$ -	\$ 200,124	\$ 207,336	\$ -	\$ -	\$ 207,336
Contributions from individuals	8,030	-	-	8,030	7,894	-	-	7,894
Investment income	3,794	6	-	3,800	6,022	3	-	6,025
Net realized/unrealized gain on investments	5,513	-	-	5,513	17,827	-	-	17,827
Change in value of beneficial interest in charitable trust	-	-	6,119	6,119	-	-	22,422	22,422
Other income	1,971	-	-	1,971	6,504	-	-	6,504
Total revenue and support	219,432	6	6,119	225,557	245,583	3	22,422	268,008
Net assets released from restrictions:	21,975	-	(21,975)	-	25,147	(3,603)	(21,544)	-
Total revenue, support and reclassifications	241,407	6	(15,856)	225,557	270,730	(3,600)	878	268,008
Expenses:								
Program services								
Membership and benefits	115,260	-	-	115,260	100,845	-	-	100,845
Public affairs	95,109	-	-	95,109	72,242	-	-	72,242
Research	14,534	-	-	14,534	9,277	-	-	9,277
Total program	224,903	-	-	224,903	182,364	-	-	182,364
Administrative and general	24,550	-	-	24,550	31,354	-	-	31,354
Total expenses	249,453	-	-	249,453	213,718	-	-	213,718
Increase (decrease) in net assets	(8,046)	6	(15,856)	(23,896)	57,012	(3,600)	878	54,290
Net assets at beginning of year	778,846	11,351	421,332	1,211,529	721,834	14,951	420,454	1,157,239
Net assets at end of year	\$ 770,800	\$ 11,357	\$ 405,476	\$ 1,187,633	\$ 778,846	\$ 11,351	\$ 421,332	\$ 1,211,529

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

**STATEMENT OF FUNCTIONAL EXPENSES  
KENTUCKY-INDIANA CHAPTER OF THE  
PARALYZED VETERANS OF AMERICA, INC.  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Membership & Benefits	Public Affairs	Research	Program Total	Administrative & General	Total
Salaries	\$ 36,805	\$ 38,600	\$ 898	\$ 76,303	\$ 13,465	\$ 89,768
Payroll taxes	2,723	2,856	66	5,645	996	6,641
Professional fees	4,741	4,741	10,497	19,979	1,497	21,476
Occupancy	3,369	2,664	392	6,425	1,411	7,836
Insurance	2,444	1,832	611	4,887	1,222	6,109
Office supplies	10,227	532	-	10,759	1,424	12,183
Telephone	1,726	2,191	47	3,964	699	4,663
Repairs and maintenance	2,200	2,036	275	4,511	990	5,501
Postage	520	1,618	29	2,167	723	2,890
Printing	412	-	-	412	62	474
Entertainment	11,282	-	-	11,282	-	11,282
Advertising	817	2,452	-	3,269	-	3,269
Information technology	539	909	15	1,463	77	1,540
Miscellaneous	1,857	1,855	585	4,297	585	4,882
Conferences, meetings and travel	19,583	29,372	-	48,955	-	48,955
Assistance	12,658	-	-	12,658	-	12,658
Depreciation	3,357	3,451	1,119	7,927	1,399	9,326
<b>Total expenses</b>	<b>\$ 115,260</b>	<b>\$ 95,109</b>	<b>\$ 14,534</b>	<b>\$ 224,903</b>	<b>\$ 24,550</b>	<b>\$ 249,453</b>

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

**STATEMENT OF FUNCTIONAL EXPENSES  
KENTUCKY-INDIANA CHAPTER OF THE  
PARALYZED VETERANS OF AMERICA, INC.  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Membership &amp; Benefits</u>	<u>Public Affairs</u>	<u>Research</u>	<u>Program Total</u>	<u>Administrative &amp; General</u>	<u>Total</u>
Salaries	\$ 37,106	\$ 26,751	\$ 863	\$ 64,720	\$ 21,573	\$ 86,293
Payroll taxes	2,975	2,144	69	5,188	1,729	6,917
Professional fees	3,429	3,430	5,583	12,442	1,083	13,525
Occupancy	2,256	2,194	290	4,740	1,041	5,781
Insurance	2,694	2,625	345	5,664	1,243	6,907
Office supplies	4,247	4,755	101	9,103	1,011	10,114
Telephone	2,955	2,490	58	5,503	290	5,793
Repairs and maintenance	1,819	1,773	233	3,825	840	4,665
Postage	1,245	1,367	31	2,643	467	3,110
Printing	75	82	2	159	18	177
Entertainment	7,208	-	-	7,208	-	7,208
Advertising	152	151	48	351	48	399
Information technology	1,087	915	21	2,023	107	2,130
Miscellaneous	1,738	1,736	548	4,022	548	4,570
Conferences, meetings and travel	15,744	18,483	-	34,227	-	34,227
Assistance	12,860	-	-	12,860	-	12,860
Depreciation	3,255	3,346	1,085	7,686	1,356	9,042
<b>Total expenses</b>	<u>\$ 100,845</u>	<u>\$ 72,242</u>	<u>\$ 9,277</u>	<u>\$ 182,364</u>	<u>\$ 31,354</u>	<u>\$ 213,718</u>

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

**STATEMENTS OF CASH FLOWS  
KENTUCKY-INDIANA CHAPTER OF THE  
PARALYZED VETERANS OF AMERICA, INC.  
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (23,896)	\$ 54,290
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	9,326	9,042
Unrealized gain on investments	(5,513)	(17,827)
Increase in beneficial interest in charitable trust	(6,119)	(22,422)
(Increase) decrease in operating assets:		
Interest receivable	488	(1,670)
Prepaid expenses	(7,424)	(1,692)
Increase (decrease) in operating liabilities:		
Accounts payable	-	(2,821)
Accrued compensated absences	257	273
	<u>(32,881)</u>	<u>17,173</u>
Net cash provided (used) by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of land, building and equipment	-	(2,612)
Purchase of investments/certificates of deposit	(23,096)	(100,483)
Sale and maturities of investments	232,966	117,848
	<u>209,870</u>	<u>14,753</u>
Net cash provided by investing activities		
Increase in cash and cash equivalents	176,989	31,926
Cash and cash equivalents at beginning of year	95,297	63,371
	<u>\$ 272,286</u>	<u>\$ 95,297</u>
Cash and cash equivalents at end of year		

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

**NOTES TO FINANCIAL STATEMENTS  
KENTUCKY-INDIANA CHAPTER OF THE  
PARALYZED VETERANS OF AMERICA, INC.  
SEPTEMBER 30, 2011 AND 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Paralyzed Veterans of America, Inc. (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 of the Paralyzed Veterans of America, Inc. (the Chapter).

**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 maintain 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 maintain 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, trap shoots, American Wheelchair Bowling Association games, bass tournaments and Winter Sports Clinic.

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

Administrative and general expenses include the day-to-day operations of the Chapter.

## **NOTES TO FINANCIAL STATEMENTS – CONTINUED**

### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

### **Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) with regards to financial statements of Not-for-Profit Organizations. Under this guidance, the Chapter is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net assets categories follows:

Unrestricted Net Assets: include the portion of expendable funds that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: include gifts for which donor-imposed restrictions have not been met.

Permanently Restricted Net Assets: include amounts which the donor has stipulated that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

### **Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

The Chapter considers all cash in deposit accounts as cash for financial statement purposes.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### Investments

The ASC establishes a framework for measuring fair value and expands disclosures required for fair value measurements. It also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels. These levels, in order of lowest to highest priority, are described as follows:

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 for identical or similar assets or liabilities in inactive markets; or other inputs that are observable or can be corroborated by observable market data.

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 organization's own assumptions.

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, although the organization 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.

### Land, Building and Equipment

The Chapter capitalizes all expenditures for property and equipment in excess of \$500. Land, building and equipment are recorded at cost or the fair market value at date of donation and are depreciated over the useful lives of the related assets using the straight-line method.

## **NOTES TO FINANCIAL STATEMENTS – CONTINUED**

### **Beneficial Interest in Charitable Trust**

The charitable trust consists of funds held by outside trustees for the benefit of the Chapter in accordance with the terms of the irrevocable trust. These funds are neither in the possession, nor under the control, of the Chapter. The terms provide that the Chapter is to receive 25% of the income earned by the funds that are held in trust. The fair value of the trust is recognized as an asset. Distributions from the trust are recorded as income and the carrying value of the asset is adjusted annually for changes in the fair value of the trust.

### **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

### **In-kind Materials, Equipment, and Services**

In-kind materials, equipment, and certain services are reflected as contributions and assets or expense in the accompanying statements at their estimated fair values on the date of contribution. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used for a specific purpose are reported as temporarily restricted contributions. The Chapter received donated website services in the amount of \$1,192 and \$1,192 for the years ended September 30, 2011 and 2010, respectively.

## **NOTES TO FINANCIAL STATEMENTS – CONTINUED**

### **Expense Allocation**

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. Administrative and general 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.

### **Advertising**

The Chapter uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred, which were \$3,269 and \$399 for the years ended September 30, 2011 and 2010, respectively.

### **Income Tax Status**

The Chapter is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Chapter qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position. Federal and state tax returns of the entity are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

### **Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in current year financial statements.

### **Subsequent Events**

Management has evaluated subsequent events for recognition or disclosure in the financial statements through December 15, 2011, which was the date at which the financial statements were available to be issued.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 2. CONCENTRATION OF CREDIT RISK**

The Chapter maintains its cash balances in several financial institutions in Louisville, Kentucky. The cash balances are insured by the Federal Deposit Insurance Corporation. At various times during the year, the cash balances exceed amounts federally insured. The risk is managed by maintaining all deposits in high quality financial institutions.

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 3. INVESTMENTS**

Investments consist of certificates of deposit, stocks, and mutual funds; are stated at fair value based on quoted prices in active markets (all level 1 measurements) and are summarized as follows:

	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
September 30, 2011:			
Certificates of deposit	\$ 59,069	\$ 59,069	\$ -
Stocks	216,245	188,698	(27,547)
Mutual funds	<u>45,725</u>	<u>37,674</u>	<u>(8,051)</u>
	<u>\$ 321,039</u>	<u>\$ 285,441</u>	<u>\$ (35,598)</u>
September 30, 2010:			
Certificates of deposit	\$ 251,215	\$ 251,215	\$ -
Stocks	157,038	154,375	(2,663)
Mutual funds	<u>80,284</u>	<u>62,233</u>	<u>(18,051)</u>
	<u>\$ 488,537</u>	<u>\$ 467,823</u>	<u>\$ (20,714)</u>

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 4. LAND, BUILDING AND EQUIPMENT**

Land, building and equipment consists of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 103,711	\$ 103,711
Building and improvements	272,594	272,594
Furnishings and equipment	37,237	37,237
Medical equipment	<u>1,348</u>	<u>1,348</u>
Total costs	414,890	414,890
Less: Accumulated depreciation	<u>(203,782)</u>	<u>(194,456)</u>
Land, building and equipment, net	<u>\$ 211,108</u>	<u>\$ 220,434</u>
Depreciation expense	<u>\$ 9,326</u>	<u>\$ 9,042</u>

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 5. BENEFICIAL INTEREST IN CHARITABLE TRUST**

The Chapter is a beneficiary of a charitable trust, whereby they receive 25% of the trust’s annual income. The charitable trust is held and administered by a third party investment company. The beneficial interest in this trust is reported in the statement of financial position at the fair market value of the Chapter’s interest in the trust. The change in value of the beneficial interest in the trust is recorded as permanently restricted gain or loss in the statement of activities.

Changes in the beneficial interest for the years ended September 30, 2011 and 2010 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>September 30, 2011:</u>			
Beginning of the year	\$ -	\$ 421,332	\$ 421,332
Net appreciation	-	6,119	6,119
Distributions	21,975	(21,975)	-
Expenditures	<u>(21,975)</u>	<u>-</u>	<u>(21,975)</u>
End of the year	<u>\$ -</u>	<u>\$ 405,476</u>	<u>\$ 405,476</u>
<u>September 30, 2010:</u>			
Beginning of the year	\$ -	\$ 420,454	\$ 420,454
Net appreciation	-	22,422	22,422
Distributions	21,544	(21,544)	-
Expenditures	<u>(21,544)</u>	<u>-</u>	<u>(21,544)</u>
End of the year	<u>\$ -</u>	<u>\$ 421,332</u>	<u>\$ 421,332</u>

**NOTE 6. TEMPORARILY RESTRICTED NET ASSETS**

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

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 7. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the fair value of the beneficial interest in a charitable trust, the income of which is expendable to support the operations of the Chapter.

### NOTE 8. LEASE

The Chapter leases certain office equipment under an operating lease expiring in 2013. Future minimum lease payments under this noncancelable operating lease at September 30, 2011 are as follows:

2012	\$ 1,740
2013	<u>1,450</u>
Total	<u>\$ 3,190</u>

Lease expense for the years ended September 30, 2011 and 2010, was \$1,740 and \$1,740, respectively.