



# Paralyzed Veterans of America

Consolidated Financial Statements  
and Independent Auditor's Report  
Years ended June 30, 2018 and 2017

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



# Paralyzed Veterans of America

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Consolidated Financial Statements  
and Independent Auditor's Report  
Years ended June 30, 2018 and 2017

# Paralyzed Veterans of America

## Contents

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Independent Auditor's Report	3-4
Consolidated Financial Statements	
Consolidated Statements of Financial Position	5
Consolidated Statements of Activities	6-7
Consolidated Statements of Functional Expenses	8-9
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	11-31



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## Independent Auditor's Report

Audit Committee and Management  
Paralyzed Veterans of America  
Washington, D.C.

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **Paralyzed Veterans of America (PVA)**, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, we 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Paralyzed Veterans of America as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

October 1, 2018

**Consolidated  
Financial Statements**

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# Paralyzed Veterans of America

## Consolidated Statements of Financial Position

<i>June 30,</i>	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 8,621,249	\$ 3,047,244
Investments (Notes 5 and 6)	51,686,436	60,863,195
Contributions receivable (Note 4)	440,071	58,981
Prepaid expenses	1,184,593	735,833
Accounts and pledges receivable, net (Note 4)	473,039	714,750
Legacies and bequests receivable, net (Note 4)	4,830,687	3,065,126
Property and equipment, net (Note 7)	6,467,565	6,994,201
<b>Total assets</b>	<b>\$ 73,703,640</b>	<b>\$ 75,479,330</b>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Line of credit (Note 8)	\$ -	\$ -
Accounts payable and accrued expenses	6,152,029	9,624,417
Annuities payable (Note 9)	314,501	500,493
Accrued compensation and compensated absences	1,404,215	1,558,070
Grants payable (Note 10)	931,209	728,686
Deferred revenue	1,046,273	1,013,810
Capital lease obligations (Note 16)	1,343,564	1,274,624
<b>Total liabilities</b>	<b>11,191,791</b>	<b>14,700,100</b>
<b>Net assets</b>		
Unrestricted:		
Unrestricted - undesignated - available for program and supporting activities	56,621,582	57,860,022
Unrestricted - designated (Note 12)	322,597	266,493
<b>Total unrestricted</b>	<b>56,944,179</b>	<b>58,126,515</b>
Temporarily restricted (Note 11)	5,567,670	2,652,715
<b>Total net assets</b>	<b>62,511,849</b>	<b>60,779,230</b>
<b>Total liabilities and net assets</b>	<b>\$ 73,703,640</b>	<b>\$ 75,479,330</b>

*See accompanying notes to the consolidated financial statements.*

# Paralyzed Veterans of America

## Consolidated Statements of Activities

<i>Year Ended June 30, 2018</i>	Unrestricted	Temporarily Restricted	Total
<b>Operating revenues and support</b>			
Contributions: (Notes 4, 9, 13)			
Public contributions	\$ 88,721,470	\$ 3,614,402	\$ 92,335,872
Legacies and bequests	9,428,925	3,297,307	12,726,232
Contributed services	44,777,137	-	44,777,137
<b>Total contributions</b>	<b>142,927,532</b>	<b>6,911,709</b>	<b>149,839,241</b>
Other support:			
PVA publications	244,557	-	244,557
Other income (Note 16)	2,839,928	-	2,839,928
<b>Total other support</b>	<b>146,012,017</b>	<b>6,911,709</b>	<b>152,923,726</b>
Net assets released from restrictions (Note 11)	4,033,969	(4,033,969)	-
<b>Total operating revenues and support</b>	<b>150,045,986</b>	<b>2,877,740</b>	<b>152,923,726</b>
<b>Operating expenses (Notes 7, 8, 13-16)</b>			
Program services: (Note 2)			
VA benefits and medical advocacy services	22,473,177	-	22,473,177
Public education	75,697,435	-	75,697,435
Advocacy	2,096,274	-	2,096,274
Sports and recreation	2,371,974	-	2,371,974
Research, consumer and professional education	3,018,706	-	3,018,706
Chapter and community outreach	5,248,990	-	5,248,990
<b>Total program services</b>	<b>110,906,556</b>	<b>-</b>	<b>110,906,556</b>
Support services:			
General and administrative	6,109,896	-	6,109,896
Fund-raising	40,169,413	-	40,169,413
<b>Total support services</b>	<b>46,279,309</b>	<b>-</b>	<b>46,279,309</b>
<b>Total operating expenses</b>	<b>157,185,865</b>	<b>-</b>	<b>157,185,865</b>
Deficiency of operating revenues and support over operating expenses	(7,139,879)	2,877,740	(4,262,139)
<b>Nonoperating activity</b>			
Investment income, net (Note 5)	5,957,543	37,215	5,994,758
Change in net assets	(1,182,336)	2,914,955	1,732,619
<b>Net assets, beginning of year</b>	<b>58,126,515</b>	<b>2,652,715</b>	<b>60,779,230</b>
<b>Net assets, end of year</b>	<b>\$ 56,944,179</b>	<b>\$ 5,567,670</b>	<b>\$ 62,511,849</b>

*See accompanying notes to the consolidated financial statements.*

# Paralyzed Veterans of America

## Consolidated Statements of Activities

<i>Year Ended June 30, 2017</i>	Unrestricted	Temporarily Restricted	Total
<b>Operating revenues and support</b>			
Contributions: (Notes 4, 9, 13)			
Public contributions	\$ 86,537,528	\$ 3,803,846	\$ 90,341,374
Legacies and bequests	9,903,897	228,056	10,131,953
Contributed services	63,162,287	-	63,162,287
<b>Total contributions</b>	<b>159,603,712</b>	<b>4,031,902</b>	<b>163,635,614</b>
Other support:			
PVA publications	297,589	-	297,589
Other income (Note 16)	2,950,192	-	2,950,192
<b>Total other support</b>	<b>3,247,781</b>	<b>-</b>	<b>3,247,781</b>
Net assets released from restrictions (Note 11)	3,333,608	(3,333,608)	-
<b>Total operating revenues and support</b>	<b>166,185,101</b>	<b>698,294</b>	<b>166,883,395</b>
<b>Operating expenses (Notes 7, 8, 13-16)</b>			
Program services: (Note 2)			
VA benefits and medical advocacy services	21,890,521	-	21,890,521
Public education	94,221,390	-	94,221,390
Advocacy	2,106,328	-	2,106,328
Sports and recreation	1,776,887	-	1,776,887
Research, consumer and professional education	2,832,217	-	2,832,217
Chapter and community outreach	5,122,692	-	5,122,692
<b>Total program services</b>	<b>127,950,035</b>	<b>-</b>	<b>127,950,035</b>
Support services:			
General and administrative	5,121,290	-	5,121,290
Fund-raising	36,152,331	-	36,152,331
<b>Total support services</b>	<b>41,273,621</b>	<b>-</b>	<b>41,273,621</b>
<b>Total operating expenses</b>	<b>169,223,656</b>	<b>-</b>	<b>169,223,656</b>
Deficiency of operating revenues and support over operating expenses	(3,038,555)	698,294	(2,340,261)
<b>Nonoperating activity</b>			
Investment income, net (Note 5)	8,083,360	1,240	8,084,600
Change in net assets	5,044,805	699,534	5,744,339
<b>Net assets, beginning of year</b>	<b>53,081,710</b>	<b>1,953,181</b>	<b>55,034,891</b>
<b>Net assets, end of year</b>	<b>\$ 58,126,515</b>	<b>\$ 2,652,715</b>	<b>\$ 60,779,230</b>

*See accompanying notes to the consolidated financial statements.*

Paralyzed Veterans of America

Consolidated Statements of Functional Expenses

Year Ended June 30, 2018	Operating Expenses										
	Program Services					Support Services					
	VA Benefits and Medical Advocacy Services	Public Education	Advocacy	Sports and Recreation	Research, Consumer and Professional Education	Chapter and Community Outreach	Total Program Services	General and Administrative	Fund-raising	Total Support Services	Total Operating Expenses
Grants to organizations	\$ 15,000	\$ 10,000.0	\$ -	\$ 221,889.0	\$ 1,716,662.0	\$ 5,094,200	\$ 7,057,751	\$ -	\$ -	\$ -	7,057,751
Grants to individuals	233,365	-	-	3,053	-	-	236,418	-	-	-	236,418
Compensation of officers and directors	450,273	13,401	29,482	18,761	5,360	-	517,277	24,122	61,644	85,766	603,043
Other salaries and wages	11,461,538	428,416	1,003,940	610,531	182,451	-	13,686,876	1,133,887	2,744,157	3,878,044	17,564,920
Pension plan contributions	616,910	18,546	40,708	25,991	7,331	-	709,486	34,336	92,784	127,120	836,606
Other employee benefits	2,580,265	108,232	255,042	152,353	46,212	-	3,142,104	334,446	725,800	1,060,246	4,202,350
Payroll taxes	993,460	30,024	65,823	42,098	11,795	-	1,143,200	57,266	156,487	213,753	1,356,953
Legal fees	94,395	2,809	6,181	3,933	1,124	414	108,856	5,057	155,556	160,613	269,469
Accounting fees	-	-	-	-	-	-	-	283,939	-	283,939	283,939
Professional fund-raising fees	-	-	-	-	-	-	-	-	92,492	92,492	92,492
Other professional and consulting	774,356	84,405	150,813	97,251	332,200	-	1,439,025	288,962	2,276,617	2,565,579	4,004,604
Donated public service announcements	-	42,615,514	-	-	-	-	42,615,514	-	-	-	42,615,514
Advertising and promotion	19,268	194,940	919	559	146	-	215,832	702,212	2,208,271	2,910,483	3,126,315
Office expenses	506,065	48,347	42,305	88,781	27,978	3,035	716,511	122,772	314,607	437,379	1,153,890
Information technology	685,726	24,126	28,352	19,102	5,095	-	762,401	63,699	62,630	126,329	888,730
Occupancy	1,900,861	24,090	51,925	35,531	13,358	-	2,025,765	66,633	99,395	166,028	2,191,793
Conferences, conventions and meetings	1,182,148	507,934	357,264	998,772	659,156	151,341	3,856,615	534,048	619,063	1,153,111	5,009,726
Interest	9,371	279	614	391	112	-	10,767	126,198	1,283	127,481	138,248
Depreciation and amortization	413,476	325,923	27,073	17,228	4,922	-	788,622	32,919	56,607	89,526	878,148
Insurance	192,411	5,658	12,448	7,922	2,263	-	220,702	15,618	26,029	41,647	262,349
Mail program - fund-raising	-	31,116,390	-	-	-	-	31,116,390	2,222,858	30,092,018	32,314,876	63,431,266
Printing and publications	295,763	137,360	15,887	2,688	466	-	452,164	10,679	5,361	16,040	468,204
Bad debt expense (recovery)	1,515	-	-	-	-	-	1,515	-	92,852	92,852	94,367
Other expenses	47,011	1,041	7,498	25,140	2,075	-	82,765	50,245	285,760	336,005	418,770
<b>Total expenses</b>	<b>\$ 22,473,177</b>	<b>\$ 75,697,435</b>	<b>\$ 2,096,274</b>	<b>\$ 2,371,974</b>	<b>\$ 3,018,706</b>	<b>\$ 5,248,990</b>	<b>\$ 110,906,556</b>	<b>\$ 6,109,896</b>	<b>\$ 40,169,413</b>	<b>\$ 46,279,309</b>	<b>\$ 157,185,865</b>

See accompanying notes to the consolidated financial statements.

## Paralyzed Veterans of America

### Consolidated Statements of Functional Expenses

Year Ended June 30, 2017	Operating Expenses										
	Program Services						Support Services				
	VA Benefits and Medical Advocacy Services	Public Education	Advocacy	Sports and Recreation	Research, Consumer and Professional Education	Chapter and Community Outreach	Total Program Services	General and Administrative	Fund-raising	Total Support Services	Total Operating Expenses
Grants to organizations	\$ 12,500	\$ -	\$ -	176,072	\$ 1,648,948	\$ 5,059,200	\$ 6,896,720	\$ -	\$ -	\$ -	6,896,720
Grants to individuals	10,399	12,500	-	-	-	-	22,899	-	-	-	22,899
Compensation of officers and directors	483,529	13,921	25,056	19,491	5,571	-	547,568	25,056	57,547	82,603	630,171
Other salaries and wages	11,017,408	480,148	1,006,152	568,281	170,387	-	13,242,376	1,042,542	2,354,280	3,396,822	16,639,198
Pension plan contributions	592,768	17,696	31,749	24,849	6,785	-	673,847	35,381	96,307	131,688	805,535
Other employee benefits	2,322,666	120,543	272,904	132,062	49,582	-	2,897,757	281,247	572,771	854,018	3,751,775
Payroll taxes	991,405	30,354	52,005	40,559	11,683	-	1,126,006	54,979	135,614	190,593	1,316,599
Legal fees	27,707	798	1,436	1,117	319	1,267	32,644	1,436	174,752	176,188	208,832
Accounting fees	-	-	-	-	-	-	-	220,016	-	220,016	220,016
Professional fund-raising fees	-	-	-	-	-	-	-	-	64,967	64,967	64,967
Other professional and consulting	860,365	172,984	210,883	146,412	286,545	3,354	1,680,543	168,739	2,777,754	2,946,493	4,627,036
Donated public service announcements	-	61,932,058	-	-	-	-	61,932,058	-	-	-	61,932,058
Advertising and promotion	89,051	86,108	16,365	3,335	889	-	195,748	786,023	1,037,653	1,823,676	2,019,424
Office expenses	585,706	35,474	36,885	60,120	23,022	-	741,207	131,972	158,498	290,470	1,031,677
Information technology	706,797	13,682	22,513	18,457	4,810	-	766,259	43,578	327,103	370,681	1,136,940
Occupancy	1,845,127	26,476	39,265	32,126	13,405	-	1,956,399	52,574	81,764	134,338	2,090,737
Conferences, conventions and meetings	1,303,054	310,358	319,578	511,622	597,955	58,871	3,101,438	475,250	830,325	1,305,575	4,407,013
Interest	20,321	585	1,053	819	234	-	23,012	24,532	2,419	26,951	49,963
Depreciation and amortization	454,047	190,093	23,255	18,090	6,340	-	691,825	25,156	54,290	79,446	771,271
Insurance	192,040	7,666	9,666	8,582	2,645	-	220,599	14,458	22,573	37,031	257,630
Mail program - fund-raising	-	30,633,561	-	-	-	-	30,633,561	1,694,510	27,112,820	28,807,330	59,440,891
Printing and publications	297,463	133,604	24,529	2,139	2,368	-	460,103	6,316	5,457	11,773	471,876
Bad debt expense	1,244	-	-	25	-	-	1,269	6,890	41,814	48,704	49,973
Other expenses	76,924	2,781	13,034	12,729	729	-	106,197	30,635	243,623	274,258	380,455
<b>Total expenses</b>	<b>\$ 21,890,521</b>	<b>\$ 94,221,390</b>	<b>\$ 2,106,328</b>	<b>\$ 1,776,887</b>	<b>\$ 2,832,217</b>	<b>\$ 5,122,692</b>	<b>\$ 127,950,035</b>	<b>\$ 5,121,290</b>	<b>\$ 36,152,331</b>	<b>\$ 41,273,621</b>	<b>\$ 169,223,656</b>

*See accompanying notes to the consolidated financial statements.*

# Paralyzed Veterans of America

## Consolidated Statements of Cash Flows

<i>Year Ended June 30,</i>	2018	2017
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,732,619	\$ 5,744,339
<b>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:</b>		
(Gain)/loss on sale of investments, net	(8,615,037)	64,034
Gain on sale of donated property	-	(136,348)
Unrealized loss/(gain) on investments	4,080,023	(6,597,058)
Loss on disposal of fixed assets	6,169	32,786
Depreciation and amortization	878,148	771,272
Donated stock and property	(161,167)	(170,210)
Bad debt expense	94,367	42,952
<b>Changes in assets and liabilities:</b>		
Contributions receivable	(381,090)	(10,201)
Prepaid expenses	(448,760)	(228,048)
Accounts and pledges receivable	240,268	81,181
Legacies and bequests receivable	(1,858,485)	(718,387)
Accounts payable and accrued expenses	(3,472,387)	2,201,193
Annuities payable	(185,992)	88,587
Accrued compensation and compensated absences	(153,855)	60,914
Grants payable	202,523	(304,846)
Deferred revenue	32,463	347,168
<b>Net cash (used in) provided by operating activities</b>	<b>(8,010,193)</b>	<b>1,269,328</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(357,681)	(1,014,526)
Proceeds from sale of donated property	-	170,500
Purchases of investments	(14,598,981)	(8,720,814)
Proceeds from sale of investments	28,471,920	6,225,380
<b>Net cash provided by (used in) investing activities</b>	<b>13,515,258</b>	<b>(3,339,460)</b>
<b>Cash flows from financing activities</b>		
Borrowings under line of credit	15,072,000	3,680,000
Principal payments on line of credit	(15,072,000)	(3,680,000)
Borrowings under capital leases	470,108	543,901
Principal payments on capital leases	(401,168)	(413,361)
<b>Net cash provided by financing activities</b>	<b>68,940</b>	<b>130,540</b>
Net increase (decrease) in cash and cash equivalents	5,574,005	(1,939,592)
Cash and cash equivalents, beginning of year	3,047,244	4,986,836
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,621,249</b>	<b>\$ 3,047,244</b>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for interest	\$ 138,247	\$ 49,963
<b>Noncash transaction</b>		
Purchases financed by capital leases	\$ 231,226	\$ 343,590

*See accompanying notes to the consolidated financial statements.*

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies

Paralyzed Veterans of America (PVA), is a national, nonprofit corporation chartered by the U.S. Congress on August 11, 1971, under Title 36 of the United States Code, Public Law 105-225. Its purposes are to form a national association for the benefit of persons who have suffered injuries or diseases of the spinal cord; to acquaint the public with the needs and problems of paraplegics; to promote medical research in the several fields connected with injuries and diseases of the spinal cord, including research in neurosurgery and orthopedics and in genitourinary and orthopedic appliances; and to advocate and foster complete and effective reconditioning programs for paraplegics, including a thorough physical reconditioning program, physiotherapy, competent walking instructions, adequate guidance (both vocational and educational), academic and vocational education (both in hospitals and in educational institutions), psychological orientation and readjustment to family and friends, and occupational therapy (both functional and diversionary).

PVA is governed by a 43-member board of directors (the Board), which includes a nine-member Executive Committee. The Board and/or the Executive Committee must review and approve significant transactions entered into by PVA. In addition to the oversight control administered by the Board, PVA has in place Standards of Conduct to help ensure that the highest ethical principles are followed by the Board, officers, and employees of PVA.

The accompanying consolidated financial statements include the accounts of the following affiliated organizations currently controlled by PVA:

- PVA Spinal Cord Research Foundation (PVA Research Foundation)—a nonprofit corporation established to support research related to spinal cord injury or disease. All PVA Research Foundation funds are designated for use in research related to the problems of paralysis, with certain contributions restricted by the donors for such use.
- PVA Spinal Cord Injury Education and Training Foundation (PVA Education Foundation)—a nonprofit corporation organized and operated for scientific, charitable, and educational purposes to contribute to the education and training of health professionals specializing in spinal cord dysfunction and for any related purposes permitted under law.
- 801 - 18th Street Associates (801)—a joint venture established in 1981 for the purpose of owning and operating PVA's national headquarters building. PVA holds a 99% interest, and an affiliate, Paralysis Society of America (PSA), holds a 1% interest. PSA ceased operations on September 30, 2000, except for its ownership interest in 801.
- Vaughan Chapter (Vaughan) and Zia Chapter (Zia)—Paralyzed Veterans of America—both chapters are nonprofit corporations operated for the purpose of furthering the needs of the veteran, his/her dependents and all catastrophically disabled through programs of service, education, medical research and elimination of architectural barriers. Further, Vaughan and Zia are committed to take those actions necessary to improve the quality of life and to protect the rights of spinal cord injured or neurologically impaired veterans through: veterans benefits protection; advocacy; legislation; sports and recreation; hospital liaison and spinal cord research. Effective October 1, 2012, PVA took over control of Vaughan as the chapter no longer had a Board of Directors and therefore, PVA has decision making authority. Effective March 1, 2014, PVA took over control of Zia as the chapter no longer had a Board of Directors and therefore, PVA has decision making authority. The PVA Board of Directors revoked the charter

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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of the Zia Chapter as of July 1, 2017 and also terminated the chapter grant to Zia. PVA is in the process of dissolving the chapter by selling the building and land owned by the chapter and transferring all cash assets to PVA.

All material intercompany transactions and accounts have been eliminated in these consolidated financial statements.

PVA's 32 remaining chapters are not consolidated since PVA is not involved with the election of each chapter's officers or appointments and has no role in local chapter management.

### *Basis of Presentation*

PVA follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities - Presentation of Financial Statements*.

The consolidated financial statements are prepared on the accrual basis of accounting and include the assets, liabilities, net assets, and change in net assets of PVA and its affiliates.

The net assets, contributions, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of PVA and changes therein are classified and reported as follows:

*Unrestricted net assets*—Net assets that are not subject to donor-imposed restrictions. Within unrestricted net assets, PVA's Board has designated amounts for certain purposes (see Note 12).

*Temporarily restricted net assets*—Net assets subject to donor-imposed restrictions that may or will be met either by actions of PVA and/or the passage of time, which include pledges, contributions, and bequests receivable due in future periods. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets (see Note 11). Contributions with donor-imposed restrictions that are received and expended in the same year are reported as temporarily restricted revenue and a release from restriction within the statement of activities.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

PVA had no permanently restricted net assets at June 30, 2018 and 2017.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, PVA evaluates the estimates and assumptions based upon

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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historical experience and various other factors and circumstances. PVA believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates under different future conditions.

### *Cash and Cash Equivalents*

Cash and cash equivalents are liquid investments with original maturities at the date of purchase of three months or less and consist primarily of money market funds. PVA places its cash and cash equivalents with high credit quality financial institutions. Amounts held in financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) limits were \$8,673,359 and \$3,236,225 at June 30, 2018 and 2017, respectively. PVA has not experienced any losses in these accounts.

As of June 30, 2018 and 2017, FDIC insures bank accounts up to \$250,000 and SIPC insures cash accounts at brokerage houses up to \$250,000.

### *Investments*

Investments are reported at fair value based on quoted market prices or, in the case of certain securities, at estimated values provided by the fund managers, if available, or other valuation methods.

### *Property and Equipment*

Property and equipment are recorded at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, including assets held under capital leases, ranging from five to ten years for furniture and equipment. Building improvements are amortized on a straight-line basis over their estimated useful lives. The PVA headquarters building is fully depreciated. Expenditures that do not extend the useful lives of property and equipment are expensed as incurred.

PVA's capitalization policy requires capitalization of all acquisitions of furniture, fixtures, and equipment over \$5,000. When assets are sold or disposed of, the cost and corresponding accumulated depreciation and amortization are removed from the accounts with any gain or loss recognized currently. Expenditures for repairs and maintenance are charged to expense as incurred.

### *Impairment of Long-Lived Assets*

PVA reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the consolidated statements of activities, to its current fair value.

### *Contributions*

Contributions, including unconditional promises to give, are recognized as revenues in the period the unconditional promises to give are made. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. There were no conditional promises to give at June 30, 2018 and 2017.

Contributions received with donor restrictions are recorded as temporarily restricted revenue based on donor intent. Unconditional promises received with payments due in future periods are reported

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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as temporarily restricted, unless the contribution is clearly intended to support current-period activities.

PVA is the beneficiary under various wills. Legacy and bequest income is recognized when PVA has an irrevocable right to the gift and the proceeds are readily measurable.

### *Contributed Services and In-Kind Contributions*

Contributed services and in-kind contributions are recognized if they create or enhance non-financial assets or require specialized skills and would need to be purchased if not provided by donation (See Note 13).

PVA formed a consortium in 1992 with three veterans' service organizations to recruit and train qualified attorneys to donate legal services to individuals who have otherwise been unable to find competent legal representation before the U.S. Court of Appeals for Veterans Claims. PVA does not record any value for these contributed services, as they are provided directly to benefiting veterans.

### *Expense Recognition and Allocation*

The cost of providing various programs and other activities has been summarized on a functional basis in the consolidated statements of activities and consolidated statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly according to their natural expenditure classifications. Certain costs common to multiple functions have been allocated among the various functions benefited. 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 PVA.

Fund-raising costs incurred in one year, which may result in contributions received in future years, are expensed as incurred. Additionally, advertising costs are expensed as incurred.

Joint costs of informational materials or activities that include a fund-raising appeal have been allocated between fund-raising, public education, and general and administrative expenses in accordance with ASC 958-720 *Not-for-Profit Entities - Other Expenses*.

PVA engages in list rental activities that management has determined to be peripheral and incidental to the central activities of PVA. Gross revenue from these peripheral and incidental activities of \$872,443 and \$1,085,448 for the years ending June 30, 2018 and 2017, respectively, is included in contributions revenue in the accompanying consolidated statements of activities. The related list expenses of \$75,503 and \$94,997 for the years ending June 30, 2018 and 2017, respectively, are presented in fund-raising expenses in the consolidated statements of activities. List rental receivables of \$289,524 and \$296,717 as of June 30, 2018 and 2017, respectively, are included in accounts and pledges receivable in the accompanying consolidated statements of financial position. As of June 30, 2018 and 2017, an allowance of \$2,895 and \$2,968, respectively was recorded against list rental receivables for potential collection issues.

### *Reclassifications*

Certain amounts in the consolidated statement of activities for the year ended June 30, 2017 have been reclassified to conform with the current year financial statement presentation.

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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For the year ended June 30, 2018 PVA has reclassified net assets in the prior period to conform to the current year presentation of legacy and bequest contributions and affiliated net asset balances. On the consolidated Statement of Financial Position, the temporarily restricted net asset balance decreased from \$5,375,422 to \$2,682,715 as of June 30, 2017. On the Statement of Activities, temporarily restricted contributions for the year ended June 30, 2017 decreased from \$12,954,697 to \$4,031,902 with a corresponding increase in unrestricted legacies and bequests contributions. The net impact of this reclassification on the consolidated net asset balance as of June 30, 2017 is \$0.

### *Recent Accounting Pronouncements Not Yet Adopted*

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update establishes a comprehensive revenue recognition standard for virtually all entities under U.S. GAAP including those that previously followed industry-specific guidance. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year. In addition, the FASB issued ASU 2016-20 in December 2016 that does not change the core principles of the standard, but clarifies certain narrow aspects of the standard including its scope, contract cost accounting, disclosures, illustrative examples, and other matters. The ASU becomes effective concurrently with ASU 2014-09. The guidance is effective for PVA for fiscal years beginning after December 15, 2018. Management is in the process of assessing the impact this new standard will have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The standard also requires lessors to treat a lease as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor doesn't convey risks and rewards or control, an operating lease results. The guidance is effective for PVA for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. Management is currently evaluating the impact of their pending adoption of the new standard on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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usefulness of nonprofit financial statements. The ASU is effective for PVA's consolidated financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of their pending adoption of the new standard on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The update clarifies the accounting guidance for making or receiving contributions. The ASU provides a framework for evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance. The new guidance will likely result in more grants and contracts being accounted for as either contributions or conditional contributions (the ASU addresses how to make this distinction) rather than exchange transactions compared to current practice. For contributions received the amendments become effective for annual periods beginning after December 15, 2018. For contributions made the amendments become effective for annual periods beginning after December 15, 2019. Management is in the process of assessing the impact this new standard will have on the consolidated financial statements.

## 2. Description of Operating Program and Operating Support Services

PVA's operating activities include the following program and support services:

*U.S. Department of Veterans Affairs (VA) Benefits and Medical Advocacy Services*—The VA benefits and medical advocacy services program maintains service offices with trained employees who specialize in helping catastrophically disabled veterans and dependents submit disability-related VA claims and obtain other service-related benefits. PVA maintains 72 offices at VA medical centers and regional offices throughout the United States and Puerto Rico, distributed across three regions with 157 employees to accomplish this goal. PVA provides expert assistance and accredited representation, without charge, to veterans with a spinal cord dysfunction and veterans of all eras seeking health care and other VA benefits to which they are entitled.

The program also offers career assistance services, including vocational rehabilitation, to assist veterans and caregivers who face barriers to employment with finding training programs and/or career opportunities in both the private and public sector. As of June 30, 2018, there were five vocational rehabilitation offices staffed by certified rehabilitation counselors and an employer network coordinator located at the PVA national office.

The program also includes a medical staff of physicians, architects, and registered nurses who partner with service officers and PVA Chapter members' on-site teams to monitor the health care provided by the VA to veterans with spinal cord dysfunctions at each VA medical center. There are currently 25 VA hospitals that have specialized spinal cord injury and disorder centers, which are monitored daily by field staff and visited by a site team each year.

This program also provides for the representation of veterans before the VA Board of Veterans' Appeals, the U.S. Court of Appeals for Veterans Claims and the U.S. Court of Appeals for the Federal Circuit. In addition, the program publishes monthly magazines that explore current issues of importance to persons with spinal cord dysfunction and other severe disabilities.

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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*Public Education*—PVA's Congressional Charter requires us to educate the general public about spinal cord injury and disease. The public education program develops and distributes educational materials and information about spinal cord injury and disease and its prevention, as well as issues related to living with it. Over the years, PVA has published hundreds of books, pamphlets, guidelines and other materials to educate and assist paralyzed veterans and other individuals with disabilities, the medical and health care community, and the public at large.

To improve spinal cord dysfunction medicine in the health care system throughout the nation, PVA helped organize the Consortium of Spinal Cord Medicine (Consortium) for the development of Clinical Practice Guidelines (CPGs). The Consortium is made up of 23 health care professional and payer organizations representing physicians, therapists, nurses, psychologists and social workers.

One of the specific PVA publications are CPGs which are guidelines that are universally approved and evidence based, used by professionals, consumers, families and caregivers in guiding health care decisions for people with spinal cord injuries. CPGs have also set a methodology for other medical societies and organizations wishing to create evidence-based clinical practice guidelines.

One goal of PVA is to advance and defend the civil rights of PVA members and all citizens with disabilities by working with all levels and branches of government toward the effective implementation of legislation guaranteeing those rights. PVA distributes information about rights and responsibilities under the *Americans with Disabilities Act of 1990*, the *ADA Amendments Act of 2010*, the *Fair Housing Amendments Act* and the *Air Carrier Access Act*. Furthermore, PVA:

- Advocates for and monitors federal legislation and regulations that affect people with disabilities;
- Serves as a resource for people with disabilities and interested parties about civil rights for individuals with disabilities;
- Works for equal access to all modes of transportation, including bus and rail systems and air transportation;
- Advocates for accessible and affordable housing;
- Seeks to replace stereotypes to increase understanding and awareness of the abilities of people with disabilities;
- Works to create opportunities and equal access for people with disabilities to fully participate in and contribute to society; and
- Works to ensure that quality health care and income security are available to all PVA members.

PVA produces a wide variety of publications from brochures and books to programs and awards grants for events and hosts meetings to achieve these goals. These publications and programs cover the full spectrum of PVA concerns - the *American with Disabilities Act* and amendments, health care policy, spinal cord research, accessible design, sports and recreation, legislative issues and veterans benefits.

PVA's direct mail outreach supports this initiative, reaching millions of Americans with this important information every day. PVA also produces and creates public service announcements on the public education initiative for television, radio and internet which are shown and heard on hundreds of stations across the nation and on web sites.

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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PVA's web site also serves as a 24-hour vehicle to educate the public about spinal cord injury and disease and its prevention.

*Advocacy*—Advocacy maintains ongoing programs to promote the special needs of spinal-cord-injured and individuals with disabilities, including promoting the construction of accessible public and private structures for individuals confined to wheelchairs.

PVA also analyzes health care data involving veterans to ensure that they have access to quality health care throughout the VA health care system.

PVA architects, using their expertise in spinal cord injury/disorders design and construction, ensure that VA Medical Center facilities are continuously improved. As a result, these facilities better accommodate and promote the independence of patients with spinal cord injuries. This is accomplished using a wide range of activities that include consulting, the review of VA facility construction projects and the continuous assessment of the needs of veterans with spinal cord injuries or diseases.

PVA works closely with federal and state policymakers to initiate and implement legislation that provides necessary benefits and services for veterans, their dependents and their survivors, including compensation, pension, insurance, housing and employment. The broad spectrum of issues encompassed by these efforts includes:

- Ensuring veterans have access to quality and timely health care at VA medical facilities;
- Promoting and supporting federal research activities that address spinal cord dysfunction and rehabilitation as funded or conducted by such agencies as the Department of Veterans Affairs, National Institutes of Health, Department of Defense, Department of Energy and National Science Foundation;
- Coordinating PVA initiatives regarding federal and state policy matters involving Medicare and Medicaid affecting all veterans with disabilities;
- Adding facilities and programs needed to care for aging veterans including the development of non-institutional methods of long-term care; and promoting realistic, cost-effective funding for the VA.

PVA, along with four other veterans' service organizations, publishes the "Independent Budget", a detailed annual review of programs and expenditures of the VA. This in-depth document makes specific policy recommendations for the entire range of VA services and programs. To ensure quality care for our members under these delivery systems, PVA has developed guidelines for consumers on how to choose managed-care plans. These documents have been widely acclaimed on Capitol Hill and by other federal and state policymakers and among the private-sector health care community.

PVA also serves as the voice for paralyzed veterans on Capitol Hill and assists the 33 PVA chapters in dealing with state governments, testifying regularly on their behalf.

*Sports and Recreation*—The sports and recreation programs have a track record of building camaraderie among participants even as competitors push themselves to achieving personal bests.

In outdoor events such as trapshooting, bass fishing and hand-cycling or indoor events such as weightlifting, billiards, bowling, pool and wheelchair basketball. Athletes who participate derive

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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therapeutic benefits on the physical, emotional, and social levels. PVA annually co-presents the National Veterans Wheelchair Games, and sponsors an annual Bass Tour, Trapshoot Circuit, and Billiards Tournaments for the benefit of its membership and others with disabilities.

*Research, Consumer and Professional Education*—Research, consumer and professional education awards grants for medical and technological research into the treatment of spinal cord injuries and for the development of rehabilitative methods and devices. It also awards grants to institutions to promote quality of life for people with spinal cord dysfunction through educating and training the entire health professional team, with the patient/client as the central focus.

PVA operates and pays most costs of the PVA Research Foundation and the PVA Education Foundation. The Research Foundation is a leading private source of funding for spinal cord injury and disease research. The Education Foundation works to make sure that health professionals who provide care for those with spinal cord injury or disease receive quality, ongoing training, with the goal of enhancing their ability to provide the most up-to-date services. PVA also facilitates the development and publication of evidence-based clinical practice guidelines. In addition to the aforementioned research initiatives, PVA provides significant financial support to the Center for Neuroscience and Regeneration Research Center at Yale University.

*Chapter and Community Outreach*—Grants are awarded to each of the 33 PVA chapters across the United States and Puerto Rico to use in promoting the needs of and assisting its members and other spinal-cord-injured and handicapped persons and for local outreach to PVA members and the communities they live in.

*General and Administrative*—General and administrative expenses include the functions necessary to provide the coordination and articulation of PVA's program strategy through the Executive Offices, to secure proper administrative functioning of the Board, to maintain competent legal services for the program administration of PVA, to manage the financial and budgetary responsibilities of PVA, to manage the meetings and conferences of PVA, and to maintain an equitable employment program and ensure an adequate working environment.

*Fund-raising*—Fund-raising activities include publicizing and conducting fund-raising campaigns; maintaining donor lists; conducting special fund-raising events; and conducting other activities involved with soliciting contributions from individuals, foundations, and others.

### 3. Income Taxes

PVA has received an Internal Revenue Service (IRS) determination letter stating that it is not subject to income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (Code) and that contributions are tax deductible to donors under section 170 of the Code.

PVA Research Foundation, PVA Education Foundation, Vaughan and Zia have also received IRS determination letters stating that each entity is exempt under Section 501(c)(3) of the Code.

The IRS has classified PVA, PVA Research Foundation, PVA Education Foundation, Vaughan and Zia as other-than-private foundations as defined in Section 509(a) of the Code.

PVA has implemented processes to ensure compliance with the IRS intermediate sanctions provisions.

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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Under ASC 740-10, *Income Taxes*, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. PVA does not believe there are any material uncertain tax positions and; accordingly, it will not recognize any liability for unrecognized tax benefits. PVA has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, PVA has filed Internal Revenue Service Form 990 and Form 990-T tax returns as required and all other applicable returns in those jurisdictions where it is required. PVA believes that it is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2014. For the years ended June 30, 2018 and 2017, respectively, there were no interest or penalties related to uncertain tax positions recorded or included in the consolidated statements of activities.

### 4. Receivables

Contributions receivable presented in the statements of financial position are amounts received by PVA's caging facilities that were not processed as of June 30, 2018 and 2017, respectively. Management has concluded that no allowance is required based on historical collection experience.

Accounts and pledges receivable consisted of the following as of June 30, 2018 and 2017, and are included in the accompanying consolidated statements of financial position:

	2018	2017
Due in less than one year	\$ 492,449	\$ 733,855
Allowance	(19,410)	(19,105)
<b>Total</b>	<b>\$ 473,039</b>	<b>\$ 714,750</b>

An allowance is made for uncollectible accounts and pledges receivable, based on management's best estimates, collection experience, and other relevant factors.

Legacies and bequests receivable consisted of the following as of June 30, 2018 and 2017, and are included in the accompanying consolidated statements of financial position:

	2018	2017
Due in less than one year	\$ 2,548,623	\$ 1,775,401
Due in one to five years	2,536,311	1,451,047
Allowance	(254,247)	(161,322)
<b>Total</b>	<b>\$ 4,830,687</b>	<b>\$ 3,065,126</b>

The discount to present value on these long term receivables is considered immaterial by management. When necessary, an allowance is made for uncollectible legacies and bequests, based on management's best estimates, collection experience, and other relevant factors.

For the year ended June 30, 2018, PVA incurred bad debt expense for all receivables of \$94,367 and for the year ended June 30, 2017, PVA incurred bad debt expense for all receivables of \$42,952.

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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When goods or services are received in advance for events to occur after the year-end, the revenue recognition of those goods or services are deferred as of year-end and will be recognized when the event has occurred.

### 5. Investments

At June 30, 2018 and 2017, investments consisted of the following:

	2018	2017
Common and preferred stocks	\$ 33,047,732	\$ 40,149,616
Exchange traded funds	5,721,804	5,058,453
Corporate investment grade bonds	11,001,278	13,459,983
Total return fixed income mutual funds	1,915,622	2,195,143
Total	\$ 51,686,436	\$ 60,863,195

Investment income for the years ended June 30, 2018 and 2017, consisted of the following:

	2018	2017
Interest and dividends	\$ 1,684,777	\$ 1,755,099
Net realized gains/(losses)	8,615,037	(94,318)
Net unrealized (losses)/gains	(4,080,023)	6,597,058
Annuity income	724	30,284
Management fees	(225,757)	(203,523)
Total	\$ 5,994,758	\$ 8,084,600

Dividends, realized and unrealized gains, and substantially all interest income are not used in operations and; therefore, are reported in the consolidated statements of activities as investment income from non-operating activities unless specifically approved by the Board of Directors.

PVA's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, due to the level of risk associated with these instruments, it is reasonably possible that changes in the values of these instruments will occur in the near term and such changes could materially affect the amounts reported in the consolidated statements of activities.

### 6. 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 (exit price). PVA utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

PVA's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels.

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

**Level 1 Inputs:** Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2 Inputs:** Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time.

**Level 3 Inputs:** Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input therefore reflects PVA's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Financial assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2018 are as follows:

	Level 1	Level 2	Level 3	2018 Totals
<b>Assets:</b>				
Common and preferred stocks	\$ 33,047,732	\$ -	\$ -	\$ 33,047,732
Exchange traded funds	5,721,804	-	-	5,721,804
Corporate investment grade bonds	11,001,278	-	-	11,001,278
Total return fixed income mutual funds	1,915,622	-	-	1,915,622
<b>Total assets measured at fair value on a recurring basis</b>	<b>\$ 51,686,436</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 51,686,436</b>
<b>Liability:</b>				
Annuities payable	\$ -	\$ -	\$ 314,501	\$ 314,501

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

Financial assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2017 are as follows:

	Level 1	Level 2	Level 3	2017 Totals
<b>Assets:</b>				
Common stocks	\$ 40,149,616	\$ -	\$ -	\$ 40,149,616
Exchange traded funds	5,058,453	-	-	5,058,453
Corporate investment grade bonds	13,459,983	-	-	13,459,983
Total return fixed income mutual funds	2,195,143	-	-	2,195,143
<b>Total assets measured at fair value on a recurring basis</b>				
	\$ 60,863,195	\$ -	\$ -	\$ 60,863,195
<b>Liability:</b>				
Annuities payable	\$ -	\$ -	\$ 500,493	\$ 500,493

The following table summarizes the change in the fair value for the Level 3 item for the years ended June 30:

	Annuities Payable	
	2018	2017
Balance, beginning of year	\$ 500,493	\$ 411,906
Payment to annuitants	(103,951)	(119,497)
Annuitant closures	-	19,717
(Decrease) increase in annuity liability based on life expectancy	(82,041)	188,367
<b>Balance, end of year</b>	<b>\$ 314,501</b>	<b>\$ 500,493</b>

The increase/ (decrease) in annuity based on life expectancy is calculated based on the annuitants' age and the Annuity 2000 Mortality Table.

Investments are reported at fair value based on quoted market prices, or for money market cash reserves on a settlement date basis. There were no changes in valuation techniques for investment during the years ended June 30, 2018 and 2017.

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

### 7. Property and Equipment

At June 30, 2018 and 2017, property and equipment consisted of the following:

	2018	2017
Land	\$ 3,389,659	\$ 3,389,659
Building	6,594,432	6,594,432
Office furniture, computer and office equipment.	6,346,879	6,071,484
Building improvements	6,527,757	6,454,323
	<u>22,858,727</u>	<u>22,509,898</u>
Less-accumulated depreciation and amortization	<u>(16,391,162)</u>	<u>(15,515,697)</u>
Total	<u>\$ 6,467,565</u>	<u>\$ 6,994,201</u>

PVA recorded \$878,148 and \$771,272 of depreciation and amortization expense for the years ended June 30, 2018 and 2017, respectively.

### 8. Line of Credit

PVA has a line of credit with a financial institution in the amount of \$9.9 million. The line does not have an expiration date. PVA's invested securities held at the financial institution are used as collateral. There were no borrowings outstanding under this line of credit at June 30, 2018 and June 30, 2017. The interest is calculated at the London InterBank Offered Rate (LIBOR), plus a spread. The rate at June 30, 2018 and 2017 was 4.375% and 3.875%, respectively. Interest expense was \$95,391 and \$8,626 for the years ended June 30, 2018 and 2017, respectively.

### 9. Charitable Gift Annuities

PVA is the beneficiary of charitable gift annuities. Under charitable gift annuity agreements, PVA pays a fixed annuity amount for the life of the beneficiaries. In the year of the gift, unrestricted contribution revenue is recognized based on the net amount of the assets and liabilities of the charitable gift annuities. The assets held for charitable gift annuities are stated at fair value. The liability to beneficiaries from the agreements represents the present value of the estimated future payments based on actuarial assumptions. Adjustments to the liability to reflect any changes in actuarial assumptions, amortization of discount, and payment to donors are recognized as contributions in the consolidated statements of activities. The assets are recognized in investments within the consolidated statements of financial position. The discount rates are determined at the time of establishing the charitable gift annuity and range from 1.2% to 8.2%. The estimated life expectancies used are based on the Annuity 2000 Mortality Table.

Balances associated with charitable gift annuities as of and for the years ended June 30, 2018 and 2017, are summarized as follows:

	2018	2017
Assets	\$ 1,091,459	\$ 1,104,674
Annuities payable	\$ 314,501	\$ 500,493

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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The annuity assets are held within investments and consist of a related investment account for each annuity held by PVA.

### 10. Grants Payable

PVA, through its affiliates noted below, had grants payable to other organizations at June 30:

	2018	2017
PVA Education Foundation	\$ 220,887	\$ 175,486
PVA Research Foundation	710,322	553,200
<b>Total</b>	<b>\$ 931,209</b>	<b>\$ 728,686</b>

At June 30, 2018 and 2017, Paralyzed Veterans of America, Vaughan and Zia had no grants payable to other organizations.

Both the PVA Research Foundation and PVA Education Foundation approve multiyear grants in total at the time of the initial grant award and record these amounts as grants payable. The grants are generally funded 45% in the first year, 45% in the second year, with the remaining 10% funded upon completion of the grant. The discount on these long term grants is considered immaterial by management.

In instances where grant activities are not completed, PVA Education and Research Foundation either is refunded amounts that were advanced to perform the grant, or, in instances where funds were not advanced, the remaining liability is written off in the period of grant termination. The combination of these amounts are recorded within public contributions within the consolidated statement of activities. The amounts recorded within public contributions was \$76,638 and \$35,269 for the years ended June 30, 2018 and 2017, respectively.

### 11. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017, were restricted for the following:

	2018	2017
Program restrictions	\$ 5,567,670	\$ 2,652,715
<b>Total temporarily restricted net assets</b>	<b>\$ 5,567,670</b>	<b>\$ 2,652,715</b>

During 2018 and 2017, PVA met donor-imposed requirements on certain gifts and time elapsed, therefore, released temporarily restricted net assets as follows:

	2018	2017
Program restrictions	\$ 4,033,969	\$ 3,333,608
<b>Total temporarily restricted net assets released</b>	<b>\$ 4,033,969</b>	<b>\$ 3,333,608</b>

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

### 12. Composition of Affiliates and Other Board-Designated Net Assets

A summary of PVA affiliates' net assets at June 30, 2018 and 2017, is as follows:

	2018	2017
PVA Spinal Cord Injury Education and Training Foundation	\$ 260,513	\$ 254,159
PVA Spinal Cord Research Foundation	3,337,495	197,455
Vaughan Chapter PVA	2,428,321	1,548,029
Zia Chapter PVA	402,236	560,237
<b>Total affiliate net assets</b>	<b>\$ 6,248,565</b>	<b>\$ 2,559,880</b>

As of June 30, 2017, PVA Research Foundation net assets were \$197,455. PVA made contributions of \$648,000 to PVA Research Foundation during the year ended June 30, 2018. As of June 30, 2018, PVA Research Foundation net assets were \$3,337,495. A summary of board-designated net assets at June 30, 2018 and 2017, is as follows:

	2018	2017
PVA Board and other designated net assets:		
PVA Board contingency	\$ 312,182	\$ 253,993
PVA Disaster Relief Fund	10,415	12,500
<b>Total designated net assets</b>	<b>\$ 322,597</b>	<b>\$ 266,493</b>

### 13. Contributed Services and In-Kind Contributions

PVA's consolidated financial statements include the following contributed services and in-kind contributions:

*Donated Public Service Announcements (Television and Radio)*—PVA produces and distributes public service television, radio, internet, and newspaper announcements that focus attention on the free services PVA provides for veterans, the importance of the *Americans with Disabilities Act*, and spinal cord research. These public service announcements are distributed to television stations and newspapers nationwide who then provide airtime and print space to deliver announcements to assist PVA in its mission, free of charge. PVA has contracted with independent outside agencies to track the date and time that each public service announcement is run and to estimate the value of the announcement based on the date, time, and market. For the years ended June 30, 2018 and 2017, PVA recorded \$42,615,514 and \$61,932,058, respectively, of donated public service announcements.

*Donated Space*—PVA is provided certain space free of charge in hospitals or office buildings operated by the Department of Veterans Affairs. PVA employees use this space to help paralyzed veterans, monitor the delivery of high-quality and appropriate health care benefits and services and identify and secure veterans' benefits and other benefits for spinal-cord-injured and diseased veterans. The value of this space is based on the square footage occupied by PVA at the estimated rental value per square foot. The estimated rental value is based on commercial real estate value guidelines for the location of the property. For the years ended June 30, 2018 and 2017, PVA recorded \$1,011,838

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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and \$1,000,739, respectively, of donated space which is recorded in occupancy in the consolidated statement of functional expenses.

*Volunteer Services*—PVA uses the following volunteers who provide specialized skills that would otherwise be required to be hired, if not provided by the volunteer: experts in the medical or social aspects related to spinal cord injury and/or disease to evaluate grant proposals and to review technical publications, professional referees or officials and special services provided by companies at PVA's National Veterans Wheelchair Games, members who receive advance training from PVA and work with Membership or Legislation/Advocacy, and fund-raising studies provided by consulting firms. The services donated by these volunteers are valued at rates published by the federal government through the Bureau of Labor Statistics or provided by the companies donating the services. For the years ended June 30, 2018 and 2017, PVA recorded \$37,491 and \$156,395, respectively, of volunteer services which is recorded in other professional and consulting in the consolidated statement of functional expenses.

*In-Kind Contributions*—PVA sponsors certain activities for which in-kind contributions are provided by corporations. The value of these in-kind contributions is recorded based on the fair market value of the service. For the years ended June 30, 2018 and 2017, PVA recorded \$1,110,296 and \$220,090, respectively, of in-kind contribution revenue. For the years ended June 30, 2018 and 2017, PVA recorded \$1,110,296 and \$4,971, of related expense which is recorded in other professional and consulting in the consolidated statement of functional expenses. The remaining difference is due to the donation of a depreciable asset during the year ended June 30, 2017.

### 14. Employee Benefit Plan

PVA has a defined contribution employee benefit plan (the Plan). Under the Plan, PVA contributes 3% of the employee's compensation, which is immediately fully vested. Participants may elect to contribute up to \$18,500 (2018 IRS limit) as well as an additional \$6,000 if an individual is 50 or older. PVA will match 100% of the additional employee contributions, up to 3% of the employee's compensation. For the years ended June 30, 2018 and 2017, PVA contributed \$849,735 and \$797,431, respectively, to the Plan.

### 15. Allocation of Joint Costs

The Paralyzed Veterans of America conducts a yearly direct mail campaign that entails the delivery of approximately 100 million pieces of mail that reaches 28 million, or 22% of, American households. This campaign raises approximately \$75 million annually and serves three goals.

1. Educate the American public on all aspects of spinal-cord-injury and disease - PVA was originally chartered by the United States Congress in 1971 to carry out several specific objectives, chief among them being "to acquaint the public with the needs and problems of paraplegics." Secondary to that objective was to inform the public about the programs and services that PVA provides that address the unique needs of veterans with spinal cord dysfunction. Those programs and services include representation before the Department of Veterans Affairs, assistance with the filing and development of complex disability claims, monitoring the quality of health care provided at VA Medical Centers, championing laws and policies that ensure equal opportunity and civil rights for veterans with disabilities, and promoting research and education that mitigate the effects of spinal cord dysfunction and bring science and medicine closer to curing it altogether. Despite the prevalence of spinal cord dysfunction in general society, PVA continues to

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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confront the awareness gap by providing calls to action within many of the direct mail pieces to encourage the public to become interested and involved in disability issues or PVA programs, many of which benefit paralyzed veterans in particular but also the greater disability community in general. This goal is reflected in the joint cost category entitled Public Education.

2. Educate the American public on the history of the Paralyzed Veterans of America - PVA was founded by a group of paralyzed WWII veterans in 1946 at the Hines Veterans Administration Hospital outside Chicago, Illinois. Through their advocacy, veterans who incurred a spinal-cord-injury began to live longer lives due to advances in medicine and science, enjoy greater access and independence thanks to prosthetic devices, architectural accessibility, and legislation that opened opportunities for veterans with disabilities. For the last 70 years, PVA redefined quality of life for veterans who had suffered catastrophic disabilities and ensured holistic support for these veterans as they recovered and transitioned following military service. This advocacy included the pursuit of benefits and provision of support networks for the veterans' families and caregivers. This goal is reflected in the joint cost category entitled General and Administrative.
3. Provide PVA's programs with the resources to support paralyzed veterans - PVA does not collect membership dues while providing direct support to approximately 18,600 paralyzed members free of charge. PVA also represents approximately an additional 17,900 veterans, dependents and survivors without charge. Without government assistance to provide its free direct support, PVA relies on the generosity of the public to continue its mission. Public support comes from a loyal donor base, and a growing new base inspired by PVA's impact, and provides PVA with the \$33 million it needs annually to fully address the unique needs of veterans living with paralysis and its devastating effects through its programs and services. This goal is reflected in the joint cost category entitled Fund-raising.

For the years ended June 30, 2018 and 2017, PVA incurred total direct mail program costs of \$63,431,266 and \$59,440,891, respectively, for informational materials and activities that included fund-raising appeals, which were allocated as follows in accordance with ASC 958-720, *Not-for-Profit Entities - Other Expenses*:

	2018	2017
Public education	\$ 31,116,390	\$ 30,633,561
Fund-raising	\$ 30,092,018	\$ 27,112,820
General and administrative	\$ 2,222,858	\$ 1,694,510

## 16. Leases

### *Operating Leases*

PVA leases certain office space, facilities, and equipment under non-cancelable, long-term binding operating leases. The leases provide for the payment of increases in operating expenses, sales and use taxes, and insurance. Rental expense for the years ended June 30, 2018 and 2017 was \$150,682 and \$146,778, respectively.

**Paralyzed Veterans of America**  
**Notes to Consolidated Financial Statements**

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Future minimum lease payments under these leases are as follows:

Year ending June 30,	Operating Leases
2019	\$ 140,790
2020	143,448
2021	60,377
2022	-
2023	-
<b>Total future minimum lease payments</b>	<b>\$ 344,615</b>

***Capital Leases***

PVA leases copiers, computers and capital improvements under capital lease agreements expiring on various dates through fiscal year 2023. During 2012, PVA entered into a master lease agreement with its primary financial institution for up to \$2 million in financing for any fixed asset that PVA chooses to finance. At June 30, 2018, the future minimum lease payments under capital leases were as follows:

Year ending June 30,	Capital Leases
2019	\$ 516,980
2020	466,176
2021	221,609
2022	185,839
2023	51,858
<b>Total future minimum lease payments</b>	<b>\$1,442,462</b>
Less - amount representing interest	(73,080)
Less - amount representing maintenance	(25,818)
<b>Present value of lease obligation</b>	<b>\$ 1,343,564</b>

PVA's total consolidated interest expense on the capital leases was \$43,855 and \$23,479 for the years ended June 30, 2018 and 2017, respectively. The interest rates on the capital leases for 2018 and 2017, ranged from 2% to 6.5%.

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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PVA is the lessor of commercial space in the building that it owns. Rental income is included in other income in the consolidated statements of activities. Minimum future lease payments to be received under such operating leases with remaining terms in excess of one year at June 30, 2018 are as follows:

Year ending June 30,

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2019	\$	172,098
2020		105,330
2021		-
2022		-
2023		-
Total future lease receipts		\$ 277,428

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### *Commitments for Conference Facilities*

PVA is committed under agreements with various organizations for conference space for its events through the year 2017. The contracts stipulate the number of room nights reserved and the termination clauses if PVA were to cancel on certain dates before the meetings.

As of June 30, 2018 and 2017, the potential liability to PVA for terminating all such conference contracts is \$785,933 and \$688,624, respectively. At the present time, PVA has no intention of terminating any of these contracts.

### *Legal Actions*

From time to time, PVA and its subsidiaries are named as defendants in various legal actions. In the opinion of management and legal counsel, the likelihood of a material adverse outcome is remote.

### **17. Risks and Uncertainties**

PVA places its investments in creditworthy financial institutions. PVA's investments are with three different brokerage firms and the investments are in excess of the SIPC limits of \$250,000 per brokerage firm at June 30, 2018 and 2017.

For the years ending June 30, 2018 and 2017, two vendors collectively processed approximately 87% of PVA's consolidated public contribution revenue.

### **18. Related Parties**

PVA paid \$30,000 for the years ending June 30, 2018 and 2017, respectively, to a company owned by one of the Research Foundation's directors for consulting services. During 2018, PVA Research Foundation paid \$14,186 to a company owned by one of the Research Foundation's directors for a research grant. There were no payments made to this company during 2018. In addition, during 2018 and 2017, PVA paid \$162,326 and \$121,500, respectively, to a university for research in which one of the Research Foundation's directors is a professor.

# Paralyzed Veterans of America

## Notes to Consolidated Financial Statements

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### 19. Subsequent Events

PVA evaluated subsequent events through October 1, 2018, which is the date the consolidated financial statements were available to be issued. During that period the Vaughn Chapter was released from financial oversight by the National Office of PVA.