



Paralyzed Veterans of America

Consolidated Financial Statements
and Independent Auditor's Report
Years ended June 30, 2019 and 2018

Paralyzed Veterans of America

Consolidated Financial Statements
and Independent Auditor's Report
Years ended June 30, 2019 and 2018

Paralyzed Veterans of America

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Independent Auditor's Report

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

Report on the Consolidated 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, 2019 and 2018, 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 Consolidate 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, 2019 and 2018, 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

November 1, 2019

**Consolidated
Financial Statements**

Paralyzed Veterans of America

Consolidated Statements of Financial Position

June 30,	2019	2018
Assets		
Cash and cash equivalents	\$ 4,661,986	\$ 8,621,249
Investments (Notes 5 and 6)	51,454,858	51,686,436
Contributions receivable (Note 4)	98,568	440,071
Prepaid expenses	1,329,556	1,184,593
Accounts and pledges receivable, net (Note 4)	674,115	473,039
Legacies and bequests receivable, net (Note 4)	7,815,285	4,830,687
Property and equipment, net (Note 7)	5,464,729	6,467,565
Total assets	\$ 71,499,097	\$ 73,703,640
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 2,736,354	\$ 6,152,029
Annuities payable (Note 9)	285,575	314,501
Accrued compensation and compensated absences	1,498,492	1,404,215
Grants payable (Note 10)	715,385	931,209
Deferred revenue	903,654	1,046,273
Capital lease obligations (Note 16)	877,443	1,343,564
Total liabilities	7,016,903	11,191,791
Commitments and contingencies (Notes 16 and 17)		
Net assets		
Without donor restrictions:		
Undesignated - available for program and supporting activities	59,481,246	56,621,582
Designated (Note 12)	673,262	322,597
Total without donor restrictions	60,154,508	56,944,179
With donor restrictions (Note 11)	4,327,686	5,567,670
Total net assets	64,482,194	62,511,849
Total liabilities and net assets	\$ 71,499,097	\$ 73,703,640

See accompanying notes to consolidated financial statements.

Paralyzed Veterans of America

Consolidated Statements of Activities

<i>Year Ended June 30, 2019</i>	Without donor Restrictions	With donor Restrictions	Total
Operating revenues and support			
Contributions: (Notes 4, 9, 13)			
Public contributions	\$ 73,698,120	\$ 1,616,891	\$ 75,315,011
Legacies and bequests	12,695,996	20,000	12,715,996
Contributed services	41,966,943	-	41,966,943
Total contributions	128,361,059	1,636,891	129,997,950
Other support:			
PVA publications	187,095	-	187,095
Other income (Note 16)	2,309,629	-	2,309,629
Total other support	130,857,783	1,636,891	132,494,674
Net assets released from restrictions (Note 11)	3,086,111	(3,086,111)	-
Total operating revenues and support	133,943,894	(1,449,220)	132,494,674
Operating expenses (Notes 7, 8, 13-16)			
Program services: (Note 2)			
VA benefits and medical advocacy services	17,515,443	-	17,515,443
Public education	58,624,136	-	58,624,136
Advocacy	1,976,676	-	1,976,676
Sports and recreation	1,984,738	-	1,984,738
Research, consumer and professional education	2,679,317	-	2,679,317
Chapter and community outreach	4,738,517	-	4,738,517
Total program services	87,518,827	-	87,518,827
Support services:			
General and administrative	10,147,240	-	10,147,240
Fund-raising	33,875,272	-	33,875,272
Total support services	44,022,512	-	44,022,512
Total operating expenses	131,541,339	-	131,541,339
Excess (deficiency) of operating revenues and support over operating expenses	2,402,555	(1,449,220)	953,335
Nonoperating activity			
Investment income, net (Note 5)	3,236,095	209,236	3,445,331
Transfer of assets (Note 1)	(2,428,321)	-	(2,428,321)
Change in net assets	3,210,329	(1,239,984)	1,970,345
Net assets, beginning of year	56,944,179	5,567,670	62,511,849
Net assets, end of year	\$ 60,154,508	\$ 4,327,686	\$ 64,482,194

See accompanying notes to consolidated financial statements.

Paralyzed Veterans of America

Consolidated Statements of Activities

<i>Year Ended June 30, 2018</i>	Without donor Restrictions	With donor Restrictions	Total
Operating revenues and support			
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
Total contributions	142,927,532	6,911,709	149,839,241
Other support:			
PVA publications	244,557	-	244,557
Other income (Note 16)	2,839,928	-	2,839,928
Total other support	146,012,017	6,911,709	152,923,726
Net assets released from restrictions (Note 11)	4,033,969	(4,033,969)	-
Total operating revenues and support	150,045,986	2,877,740	152,923,726
Operating expenses (Notes 7, 8, 13-16)			
Program services: (Note 2)			
VA benefits and medical advocacy services	18,234,010	-	18,234,010
Public education	75,111,755	-	75,111,755
Advocacy	1,894,955	-	1,894,955
Sports and recreation	2,358,725	-	2,358,725
Research, consumer and professional education	3,071,716	-	3,071,716
Chapter and community outreach	5,248,990	-	5,248,990
Total program services	105,920,151	-	105,920,151
Support services:			
General and administrative	11,622,201	-	11,622,201
Fund-raising	39,643,513	-	39,643,513
Total support services	51,265,714	-	51,265,714
Total operating expenses	157,185,865	-	157,185,865
Excess (deficiency) of operating revenues and support over operating expenses	(7,139,879)	2,877,740	(4,262,139)
Nonoperating activity			
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
Net assets, beginning of year	58,126,515	2,652,715	60,779,230
Net assets, end of year	\$ 56,944,179	\$ 5,567,670	\$ 62,511,849

See accompanying notes to consolidated financial statements.

Paralyzed Veterans of America

Consolidated Statements of Functional Expenses

Year Ended June 30, 2019	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	\$ -	\$ 11,000	\$ -	\$ 141,110	\$ 1,399,826	\$ 4,711,380	\$ 6,263,316	\$ -	\$ -	\$ -	\$ 6,263,316
Grants to individuals	13,000	-	-	-	-	-	13,000	-	-	-	13,000
Compensation of officers and directors	-	-	-	-	-	-	-	64,000	-	64,000	64,000
Other salaries and wages	9,579,091	418,137	1,127,808	541,524	216,487	-	11,883,047	2,711,372	1,900,913	4,612,285	16,495,332
Pension plan contributions	580,315	17,172	41,204	20,606	3,434	-	662,731	103,014	61,810	164,824	827,555
Other employee benefits	1,950,320	108,924	294,591	148,276	68,286	-	2,570,397	712,356	519,806	1,232,162	3,802,559
Payroll taxes	870,368	25,755	61,799	30,905	5,151	-	993,978	154,503	92,704	247,207	1,241,185
Legal fees	-	-	-	-	-	-	-	126,380	174,719	301,099	301,099
Accounting fees	-	-	-	-	-	-	-	219,483	-	219,483	219,483
Professional fund-raising fees	-	-	-	-	-	-	-	-	299,107	299,107	299,107
Other professional and consulting	493,961	441,816	56,544	127,355	330,547	-	1,450,223	378,294	2,391,133	2,769,427	4,219,650
Donated public service announcements	-	40,963,705	-	-	-	-	40,963,705	-	-	-	40,963,705
Advertising and promotion	196,315	266,297	9,381	5,053	-	-	477,046	752,637	238,263	990,900	1,467,946
Office expenses	239,534	9,880	18,825	46,519	23,106	-	337,864	367,273	18,411	385,684	723,548
Information technology	596,728	11,235	22,422	12,605	1,866	-	644,856	218,753	36,127	254,880	899,736
Occupancy	1,743,890	18,240	43,767	25,185	3,648	-	1,834,730	158,402	65,655	224,057	2,058,787
Conferences, conventions and meetings	733,170	45,680	250,890	867,540	623,102	27,137	2,547,519	1,106,986	381,549	1,488,535	4,036,054
Payments to Affiliates	-	-	-	-	-	-	-	39,163	-	39,163	39,163
Interest	2,126	63	151	75	13	-	2,428	377	226	603	3,031
Depreciation and amortization	281,124	321,936	19,961	9,982	1,664	-	634,667	194,945	29,943	224,888	859,555
Insurance	-	-	-	-	-	-	-	255,884	-	255,884	255,884
Mail program - fund-raising	-	15,893,360	-	-	-	-	15,893,360	2,331,519	27,250,204	29,581,723	45,475,083
Printing and publications	218,132	69,742	17,802	210	-	-	305,886	61,782	-	61,782	367,668
Bad debt expense	1,515	-	-	-	-	-	1,515	-	157,009	157,009	158,524
Other expenses	15,854	1,194	11,531	7,793	2,187	-	38,559	190,117	257,693	447,810	486,369
Total expenses	\$ 17,515,443	\$ 58,624,136	\$ 1,976,676	\$ 1,984,738	\$ 2,679,317	\$ 4,738,517	\$ 87,518,827	\$ 10,147,240	\$ 33,875,272	\$ 44,022,512	\$ 131,541,339

See accompanying notes to consolidated financial statements.

Paralyzed Veterans of America

Consolidated Statements of Functional Expenses

Year Ended June 30, 2018	Operating Expenses										Total Support Services	Total 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		
Grants to organizations	\$ 15,000	\$ 10,000	\$ -	\$ 221,889	\$ 1,716,662	\$ 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	-	-	-	-	-	-	-	603,045	-	603,045	603,045	
Other salaries and wages	10,021,472	385,557	947,626	631,904	216,846	-	12,203,405	2,787,385	2,574,131	5,361,516	17,564,921	
Pension plan contributions	577,479	17,372	38,126	24,348	6,862	-	664,187	85,034	87,386	172,420	836,607	
Other employee benefits	2,133,642	94,939	239,697	163,524	59,756	-	2,691,558	836,209	674,583	1,510,792	4,202,350	
Payroll taxes	902,770	27,325	59,885	38,320	10,716	-	1,039,016	173,868	144,071	317,939	1,356,955	
Legal fees	-	-	-	-	-	414	414	126,422	142,632	269,054	269,468	
Accounting fees	-	-	-	-	-	-	-	283,939	-	283,939	283,939	
Professional fund-raising fees	-	-	-	-	-	-	-	-	92,492	92,492	92,492	
Other professional and consulting	374,059	69,766	144,876	124,015	354,949	-	1,067,665	700,643	2,236,296	2,936,939	4,004,604	
Donated public service announcements	-	42,615,514	-	-	-	-	42,615,514	-	-	-	42,615,514	
Advertising and promotion	7,111	194,578	148	107	36	-	201,980	717,712	2,206,625	2,924,337	3,126,317	
Office expenses	261,368	10,419	27,588	81,381	26,835	3,035	410,626	461,226	282,038	743,264	1,153,890	
Information technology	558,090	20,327	19,982	13,757	3,558	-	615,714	227,868	45,147	273,015	888,729	
Occupancy	1,800,521	21,104	45,355	31,350	12,164	-	1,910,494	195,641	85,658	281,299	2,191,793	
Conferences, conventions and meetings	778,844	69,788	333,556	987,750	658,017	151,341	2,979,296	1,473,771	565,776	2,039,547	5,018,843	
Interest	5,505	164	360	229	66	-	6,324	131,170	754	131,924	138,248	
Depreciation and amortization	280,738	321,972	18,382	11,697	3,342	-	636,131	203,583	38,434	242,017	878,148	
Insurance	2,289	-	-	-	-	-	2,289	260,060	-	260,060	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	256,901	136,203	13,343	1,068	3	-	407,518	60,645	40	60,685	468,203	
Bad debt expense	1,515	-	-	-	-	-	1,515	-	92,852	92,852	94,367	
Other expenses	23,341	337	6,031	24,333	1,904	-	55,946	71,122	282,580	353,702	409,648	
Total expenses	\$ 18,234,010	\$ 75,111,755	\$ 1,894,955	\$ 2,358,725	\$ 3,071,716	\$ 5,248,990	\$ 105,920,151	\$ 11,622,201	\$ 39,643,513	\$ 51,265,714	\$ 157,185,865	

See accompanying notes to consolidated financial statements.

Paralyzed Veterans of America
Consolidated Statements of Cash Flows

<i>Years Ended June 30,</i>	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 1,970,345	\$ 1,732,619
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Gain on sale of investments, net	(994,892)	(8,615,037)
Unrealized (gain)/loss on investments	(1,202,465)	4,080,023
Loss on disposal of property & equipment	49,814	6,169
Depreciation and amortization	859,555	878,148
Donated stock and property	(168,341)	(161,167)
Bad debt expense	158,524	94,367
Transfer of assets	2,250,113	-
Changes in assets and liabilities:		
Contributions receivable	341,503	(381,090)
Prepaid expenses	(164,695)	(448,760)
Accounts and pledges receivable	(202,516)	240,268
Legacies and bequests receivable	(3,141,682)	(1,858,485)
Accounts payable and accrued expenses	(3,271,990)	(3,472,387)
Annuities payable	(28,926)	(185,992)
Accrued compensation and compensated absences	113,155	(153,855)
Grants payable	(215,824)	202,523
Deferred revenue	(142,619)	32,463
Net cash used in operating activities	(3,790,941)	(8,010,193)
Cash flows from investing activities		
Purchases of property and equipment	(275,000)	(357,681)
Proceeds from sales of property and equipment	332,271	-
Purchases of investments	(7,313,475)	(14,598,981)
Proceeds from sales of investments	7,554,003	28,471,920
Net cash provided by investing activities	297,799	13,515,258
Cash flows from financing activities		
Borrowings under line of credit	-	15,072,000
Principal payments on line of credit	-	(15,072,000)
Borrowings under capital leases	-	470,108
Principal payments on capital leases	(466,121)	(401,168)
Net cash (used in) provided by financing activities	(466,121)	68,940
Net (decrease) increase in cash and cash equivalents	(3,959,263)	5,574,005
Cash and cash equivalents, beginning of year	8,621,249	3,047,244
Cash and cash equivalents, end of year	\$ 4,661,986	\$ 8,621,249
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 42,195	\$ 138,247
Noncash transaction		
Purchases financed by capital leases	\$ -	\$ 231,226

See accompanying notes to consolidated financial statements.

Paralyzed Veterans of America

Notes to Consolidated Financial Statements

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 assumed decision making authority to continue to meet the needs of the veterans served. As of July 1, 2018, Vaughan reestablished an independent governing body and again became an independent chapter. PVA recorded a

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Notes to Consolidated Financial Statements

transfer of assets related to this change in organizational structure of \$2,428,321 to reflect Vaughn's independent chapter status, and \$178,208 of cash held by Vaughan was transferred to PVA. Effective March 1, 2014, PVA took over control of the Zia Chapter as this chapter no longer had a Board of Directors and therefore, PVA assumed decision making authority at that time. The PVA Board of Directors ultimately revoked the charter of the Zia Chapter as of July 1, 2017 as well as terminated the chapter grant to Zia. As part of the chapter dissolution process, PVA sold Zia's building in October 2018 and Zia was legally dissolved in November 2018.

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 or board governance.

Basis of Presentation

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:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed restrictions. Within net assets without donor restrictions, PVA's Board has designated amounts for certain purposes (see Note 12).

Net assets with donor restrictions—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 donor 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 revenue with donor restrictions and a release from restriction within the statement of activities.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

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 historical experience and various other factors and circumstances. PVA believes that the estimates

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Notes to Consolidated Financial Statements

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 \$3,702,191 and \$8,673,359 at June 30, 2019 and 2018, respectively. PVA has not experienced any losses in these accounts.

As of June 30, 2019 and 2018, 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 and amortization are 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. Land is not depreciated or amortized. 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, 2019 and 2018.

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

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as an increase to net assets with donor restrictions, 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.

Other Income

Other income consists primarily of list rental income and rental income. 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 \$738,538 and \$872,443 for the years ending June 30, 2019 and 2018, respectively, is included in contributions revenue in the accompanying consolidated statements of activities. The related list expenses of \$46,681 and \$75,503 for the years ending June 30, 2019 and 2018, respectively, are presented in fund-raising expenses in the consolidated statements of activities. List rental receivables of \$282,047 and \$289,524 as of June 30, 2019 and 2018, respectively, are included in accounts and pledges receivable in the accompanying consolidated statements of financial position. As of June 30, 2019 and 2018, an allowance of \$2,820 and \$2,895, respectively was recorded against list rental receivables for potential collection issues.

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. 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.

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of PVA. Those expenses include occupancy and information technology. These costs are allocated between PVA's programs, management and general, and fundraising based on the headcount for those functional areas to estimate the usage of these centralized services.

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.

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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*.

Reclassifications

Certain prior year amounts have been reclassified in the consolidated financial statements and accompanying notes to conform to the current year presentation.

Recent Accounting Pronouncement Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 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 internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Management adopted the new reporting model effective for the year ended June 30, 2019. ASU 2016-14 has been applied retrospectively to all periods presented. PVA has elected to use the practical expedient to only present liquidity and availability information for the year of adoption.

Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (ASU 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. ASU 606 becomes effective concurrently with ASU 2014-09. ASU 606 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.

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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, 2020, 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 June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08)*. The update clarifies the accounting guidance for making or receiving contributions. ASU 2018-08 provides a framework for evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of ASU 2018-08, or as exchange (reciprocal) transactions subject to other guidance. 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 ASU 2018-08 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, 2019, 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.

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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.

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

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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 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.

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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 active 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 (the 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 (the Code) and that contributions are tax deductible to donors under section 170 of the Code.

PVA Research Foundation and PVA Education Foundation 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, and PVA Education Foundation 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.

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

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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 2016. For the years ended June 30, 2019 and 2018, 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 consolidated statements of financial position are amounts received by PVA's caging facilities that were not processed as of June 30, 2019 and 2018, 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, 2019 and 2018, and are included in the accompanying consolidated statements of financial position:

	2019	2018
Due in less than one year	\$ 693,450	\$ 492,449
Allowance	(19,335)	(19,410)
Total	\$ 674,115	\$ 473,039

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, 2019 and 2018, and are included in the accompanying consolidated statements of financial position:

	2019	2018
Due in less than one year	\$ 3,228,560	\$ 2,548,623
Due in one-to-five years	4,998,056	2,536,311
Allowance	(411,331)	(254,247)
Total	\$ 7,815,285	\$ 4,830,687

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, 2019 and 2018, PVA incurred bad debt expense for all receivables of \$158,524 and \$94,367, respectively.

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.

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5. Investments

At June 30, 2019 and 2018, investments consisted of the following:

	2019	2018
Common and preferred stocks	\$ 32,429,183	\$ 33,047,732
Exchange traded funds	2,838,607	5,721,804
Corporate investment grade bonds	11,585,793	11,001,278
Total return fixed income mutual funds	4,601,275	1,915,622
Total	\$ 51,454,858	\$ 51,686,436

Investment income, net of management fees, consisted of the following for the years ended June 30, 2019 and 2018:

	2019	2018
Interest and dividends	\$ 1,435,114	\$ 1,684,777
Net realized gains	994,892	8,615,037
Net unrealized gains/(losses)	1,202,465	(4,080,023)
Annuity income	-	724
Management fees	(187,140)	(225,757)
Total	\$ 3,445,331	\$ 5,994,758

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.

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ASC 820-10 *Fair Value Measurements* 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, 2019 are as follows:

	Level 1	Level 2	Level 3	2019 Totals
Assets:				
Common and preferred stocks	\$ 32,429,183	\$ -	\$ -	\$ 32,429,183
Exchange traded funds	2,838,607	-	-	2,838,607
Corporate investment grade bonds	11,585,793	-	-	11,585,793
Total return fixed income mutual funds	4,601,275	-	-	4,601,275
Total assets measured at fair value on a recurring basis	\$ 51,454,858	\$ -	\$ -	\$ 51,454,858
Liability:				
Annuities payable	\$ -	\$ -	\$ 285,575	\$ 285,575

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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
Assets:				
Common 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
Total assets measured at fair value on a recurring basis				
	\$ 51,686,436	\$ -	\$ -	\$ 51,686,436
Liability:				
Annuities payable	\$ -	\$ -	\$ 314,501	\$ 314,501

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

	Annuities Payable	
	2019	2018
Balance, beginning of year	\$ 314,501	\$ 500,493
Payment to annuitants	(87,248)	(103,951)
Increase (decrease) in annuity liability based on life expectancy	58,322	(82,041)
Balance, end of year	\$ 285,575	\$ 314,501

The increase/(decrease) in annuity based on life expectancy is calculated based on the annuitants' age and the 90CM Annuity Mortality Table. The use of this mortality table is considered appropriate by management since material gifts were made prior to 2009. The use of an updated mortality table for gifts made after 2009 would, in management's opinion, not be material to the consolidated financial statements.

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, 2019 and 2018.

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7. Property and Equipment

At June 30, 2019 and 2018, property and equipment consisted of the following:

	2019	2018
Land	\$ 3,351,782	\$ 3,389,659
Building	6,221,490	6,594,432
Office furniture, computer and office equipment.	6,073,273	6,346,879
Building improvements	6,527,757	6,527,757
	<u>22,174,302</u>	<u>22,858,727</u>
Less-accumulated depreciation and amortization	<u>(16,709,573)</u>	<u>(16,391,162)</u>
Total	<u>\$ 5,464,729</u>	<u>\$ 6,467,565</u>

PVA recorded \$859,555 and \$878,148 of depreciation and amortization expense for the years ended June 30, 2019 and 2018, 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, 2019 and June 30, 2018. The interest is calculated at the London InterBank Offered Rate (LIBOR), plus a spread. The rate at June 30, 2019 and 2018 was 3.875% and 4.375%, respectively. There was no interest expense for the year ended June 30, 2019. Interest expense was \$95,391 for the year ended June 30, 2018.

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 90CM Annuity Mortality Table.

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Balances associated with charitable gift annuities as of and for the years ended June 30, 2019 and 2018, are summarized as follows:

	2019	2018
Annuities	\$ 1,039,803	\$ 1,091,459
Annuities payable	\$ 285,575	\$ 314,501

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:

	2019	2018
PVA Education Foundation	\$ 146,726	\$ 220,887
PVA Research Foundation	568,659	710,322
Total	\$ 715,385	\$ 931,209

Both the PVA Research Foundation and PVA Education Foundation approve multi-year 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 \$2,646 and \$76,638 for the years ended June 30, 2019 and 2018, respectively.

11. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018, were restricted for the following:

	2019	2018
Subject to expenditure for specified purpose:		
VA benefits and medical advocacy services	\$ 239,896	\$ 1,181,236
Advocacy	-	38,960
Sports and recreation	295,840	674,466
Research, consumer and professional education	3,791,950	3,673,008
Total net assets with donor restrictions	\$ 4,327,686	\$ 5,567,670

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During 2019 and 2018, PVA met donor-imposed requirements on certain gifts, therefore, released net assets with donor restrictions as follows:

	2019	2018
Purpose restrictions accomplished:		
VA benefits and medical advocacy services	\$ 1,095,487	\$ 1,739,271
Advocacy	38,960	-
Sports and recreation	1,306,080	753,805
Research, consumer and professional education	645,584	1,540,893
Total net assets with donor restrictions released	\$ 3,086,111	\$ 4,033,969

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

A summary of PVA affiliates' net assets at June 30, 2019 and 2018, is as follows:

	2019	2018
PVA Spinal Cord Injury Education and Training Foundation	\$ 134,658	\$ 260,513
PVA Spinal Cord Research Foundation	3,627,708	3,337,495
Vaughan Chapter PVA	-	2,428,321
Zia Chapter PVA	-	402,236
Total affiliate net assets	\$ 3,762,366	\$ 6,248,565

A summary of board-designated net assets at June 30, 2019 and 2018, is as follows:

	2019	2018
PVA Board contingency	\$ 206,936	\$ 312,182
PVA Disaster Relief Fund	100,421	10,415
Operating reserve fund	365,905	-
Total designated net assets	\$ 673,262	\$ 322,597

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, 2019 and 2018, PVA recorded \$40,963,705 and \$42,615,514, respectively, of donated public service announcements.

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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, 2019 and 2018, PVA recorded \$961,456 and \$1,011,838, respectively, of donated space which is recorded in occupancy in the consolidated statement of functional expenses.

Volunteer Services and In-Kind Contributions—PVA uses the following volunteers who provide specialized skills that would otherwise be required to be hired, if not provided by the volunteer. 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, 2019 and 2018, PVA recorded \$0 and \$37,491, respectively, of volunteer services which is recorded in other professional and consulting in the consolidated statement of functional expenses. PVA also 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, 2019 and 2018, PVA recorded \$41,782 and \$1,110,296, respectively, of in-kind contributions which are recorded in other professional and consulting in the consolidated statement of functional expenses.

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, 2019 and 2018, PVA contributed \$827,555 and \$836,607, 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 71.5 million pieces of mail. This campaign serves three primary 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 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

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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 World War II 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, 2019 and 2018, PVA incurred total direct mail program costs of \$45,475,083 and \$63,431,266, 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*:

	2019	2018
Public education	\$ 15,893,360	\$ 31,116,390
Fund-raising	\$ 27,250,204	\$ 30,092,018
General and administrative	\$ 2,331,519	\$ 2,222,858

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, 2019 and 2018 was \$154,771 and \$150,682, respectively.

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Future minimum lease payments under these leases are as follows:

Years ending June 30,	Operating Leases
2020	\$ 143,448
2021	60,377
Total future minimum lease payments	\$ 203,825

Capital Leases

PVA leases copiers, computers and capital improvements under capital lease agreements expiring on various dates through fiscal year 2024. 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, 2019, the future minimum lease payments under capital leases were as follows:

Years ending June 30,	Capital Leases
2020	\$ 470,054
2021	221,609
2022	185,839
2023	51,858
Total future minimum lease payments	929,360
Less: amounts representing interest	(40,029)
Less: amounts representing maintenance	(11,888)
Present value of lease obligation	\$ 877,443

PVA's total consolidated interest expense on the capital leases was \$42,195 and \$43,855 for the years ended June 30, 2019 and 2018, respectively. The interest rates on the capital leases for 2019 and 2018, ranged from 2% to 6.5%.

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 at June 30, 2019 total \$105,330 and are all due by June 30, 2020.

Commitments for Conference Facilities

PVA is committed under agreements with various organizations for conference space for its events through the year 2018. 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, 2019 and 2018, the potential liability to PVA for terminating all such conference contracts is \$904,663 and \$785,933, respectively. At the present time, PVA has no intention of terminating any of these contracts.

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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, 2019 and 2018.

For the years ending June 30, 2019 and 2018, two vendors collectively processed approximately 81% and 87%, respectively, of PVA's consolidated public contribution revenue.

18. Related Parties

PVA paid \$27,000 and \$30,000 for the years ending June 30, 2019 and 2018, 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 in 2019. In addition, during 2019 and 2018, PVA paid \$121,820 and \$162,326, respectively, to a university for research in which one of the Research Foundation's directors is a professor.

19. Liquidity and Availability of Resources

PVA's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	2019
Total financial assets	\$ 60,118,087
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions	
Restricted by donor with purpose restrictions	(565,320)
Held by PVA Research and Education Foundations	(3,762,366)
Board designations	
Quasi-endowment fund, primarily for long-term investing	(43,732,922)
Amounts set aside for liquidity reserve	(365,905)
Other board designations	(307,357)
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,384,217</u>

PVA funds consist of unrestricted funds, donor restricted funds and a quasi-endowment. The corpus and income from the donor restricted funds are for a specific purpose and therefore, is not available for general expenditure. Additionally PVA has a quasi-endowment of \$43,732,922, which represents total investments not already allocated to the budget for the year ended June 30, 2020. Although PVA does not intend to spend from its quasi-endowment other than amounts appropriated for

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general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available for general expenditure if necessary. PVA's Finance Committee set aside funds for a liquidity reserve during the year-ended June 30, 2019. These funds could be used in the event of significant budgeted expenses with approval from the Finance Committee.

As part of PVA's liquidity management, PVA has a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated short-term liquidity needs, PVA has a committed line of credit in the amount of \$9.9 million, which it could draw upon for seasonal changes in cash flows.

20. Subsequent Events

PVA evaluated subsequent events through November 1, 2019, which is the date the consolidated financial statements were available to be issued. During this period, there were no material subsequent events that require adjustment to or disclosure in the consolidated financial statements.