

Paritz & Company, P.A.

UNITED SPINAL ASSOCIATION, INC.

*FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT*

*YEARS ENDED JUNE 30, 2010 WITH
COMPARATIVE TOTALS FOR 2009*

INDEPENDENT AUDITORS' REPORT

Board of Directors
United Spinal Association, Inc.
Jackson Heights, New York

We have audited the accompanying statements of financial position of **United Spinal Association, Inc.** (the "Association") as of June 30, 2010 and 2009 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from United Spinal Association Inc.'s June 30, 2009 financial statement and, in our report dated December 16, 2009, we expressed an unqualified opinion on that financial statement.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control for financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **United Spinal Association, Inc.** as of June 30, 2010 and 2009, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Paritz & Company P.A.

Hackensack, New Jersey
November 18, 2010

UNITED SPINAL ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	-----JUNE 30,----- 2010	2009
ASSETS		
Cash and cash equivalents	\$2,845,796	\$3,236,477
Accounts and other receivables	413,976	369,390
Investments	364,527	209,160
Inventories	161,665	136,067
Prepaid expenses and other assets	59,596	98,725
Property and equipment, net of accumulated depreciation of \$321,255 and \$499,490	<u>178,977</u>	<u>195,686</u>
TOTAL ASSETS	<u><u>\$4,024,537</u></u>	<u><u>\$4,245,505</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 999,416	\$1,126,236
Accrued liability for compensated absences	507,798	504,277
Deferred revenue	5,000	18,400
Lease settlement obligation	1,789,009	2,106,667
Deferred rent payable	<u>8,234</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>3,309,457</u></u>	<u><u>3,755,580</u></u>
NET ASSETS:		
Unrestricted	375,336	144,681
Temporarily restricted	12,500	18,000
Permanently restricted	<u>327,244</u>	<u>327,244</u>
TOTAL NET ASSETS	<u><u>715,080</u></u>	<u><u>489,925</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$4,024,537</u></u>	<u><u>\$4,245,505</u></u>

See notes to financial statements

UNITED SPINAL ASSOCIATION, INC.

STATEMENT OF ACTIVITIES

JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	YEAR ENDED JUNE 30, 2010	2009
SUPPORT AND REVENUE:					
Contributions	\$12,232,300	\$20,000	\$ -	\$12,252,300	\$11,149,713
Bequests	293,075	-	-	293,075	1,641,459
Donated services and facilities	3,188,400	-	-	3,188,400	2,890,600
Donated materials	7,900	-	-	7,900	20,900
Investment income (loss)	45,768	-	-	45,768	(42,794)
Program services income	1,838,938	-	-	1,838,938	2,214,118
Other income	148,579	-	-	148,579	133,542
NET ASSETS RELEASED FROM RESTRICTIONS:					
Satisfaction of program restrictions	<u>25,500</u>	<u>(25,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>17,780,460</u>	<u>(5,500)</u>	<u>-</u>	<u>17,774,960</u>	<u>18,007,538</u>
EXPENDITURES:					
<i>Program services:</i>					
Veteran, member and public affairs	10,762,493	-	-	10,762,493	10,212,207
Grants and research	22,725	-	-	22,725	214,863
Wheelchair Medic	1,480,483	-	-	1,480,483	1,486,687
<i>Total program services</i>	<u>12,265,701</u>	<u>-</u>	<u>-</u>	<u>12,265,701</u>	<u>11,913,757</u>
<i>Supporting services:</i>					
Management and general	1,346,259	-	-	1,346,259	1,502,227
Fundraising	3,899,721	-	-	3,899,721	3,583,440
<i>Total supporting services</i>	<u>5,245,980</u>	<u>-</u>	<u>-</u>	<u>5,245,980</u>	<u>5,085,667</u>
TOTAL EXPENDITURES	<u>17,511,681</u>	<u>-</u>	<u>-</u>	<u>17,511,681</u>	<u>5,085,667</u>
Write-off of abandoned leasehold improvements	38,124	-	-	38,124	-
TOTAL EXPENSES	<u>17,549,805</u>	<u>-</u>	<u>-</u>	<u>17,549,805</u>	<u>16,999,424</u>
CHANGE IN NET ASSETS	230,655	(5,500)	-	225,155	1,008,114
NET ASSETS (DEFICIT)-BEGINNING OF YEAR	<u>144,681</u>	<u>18,000</u>	<u>327,244</u>	<u>489,925</u>	<u>(518,189)</u>
NET ASSETS-END OF YEAR	<u>\$ 375,336</u>	<u>\$ 12,500</u>	<u>\$327,244</u>	<u>\$ 715,080</u>	<u>\$ 489,925</u>

See notes to financial statements

UNITED SPINAL ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	PROGRAM SERVICES			SUPPORT SERVICES			TOTAL FUNDS	
	Veteran, Member and Public Affairs	Wheelchair Medic	Total Program Services	Management and General	Fundraising	2010	2009	
Salaries	\$2,225,280	\$ 470,104	\$2,695,384	\$ 387,994	\$ 263,014	\$3,346,392	\$3,345,436	
Employee benefits and payroll taxes	714,714	149,553	864,267	123,984	83,971	1,072,222	1,062,677	
Total salaries and related expenses	2,939,994	619,657	3,559,651	511,978	346,985	4,418,614	4,408,113	
Mail program costs	3,355,745	-	3,355,745	372,445	3,480,916	7,209,106	6,530,743	
Occupancy	279,798	152,518	432,316	74,284	26,257	532,857	661,962	
Postage and shipping	74,299	4,699	78,998	7,412	537	86,947	80,520	
Grants and philanthropic contributions	22,725	-	22,725	-	-	22,725	212,472	
Professional and other services	304,140	13,775	317,915	172,737	2,112	492,764	464,910	
Travel and conferences	290,973	10,495	301,468	8,251	9,206	318,925	336,867	
Wheelchair components	-	536,893	536,893	-	-	536,893	630,444	
Recreation programs	15,460	-	15,460	-	-	15,460	13,620	
Public relations and media cost	2,985,642	5,800	2,991,442	-	-	2,991,442	2,687,075	
Printing and publications	125,573	-	125,573	-	-	125,573	121,321	
Office equipment and supplies	121,041	13,525	134,566	50,776	3,896	189,238	248,749	
Insurance	74,810	30,874	105,684	26,959	16,221	148,864	149,298	
Depreciation	12,012	9,954	21,966	7,363	210	29,539	44,585	
Repairs and maintenance	3,692	15,032	18,724	410	3,829	22,963	27,688	
Telephone	63,049	18,370	81,419	6,655	6,458	94,532	99,701	
Vehicle fuel and repairs	-	14,852	14,852	2,354	-	17,206	20,402	
Finance charges	93,290	33,034	126,324	84,309	2,356	212,989	223,705	
Books and subscriptions	11,410	368	11,778	2,754	488	15,020	16,337	
Miscellaneous	11,565	637	12,202	17,572	250	30,024	20,912	
	\$10,785,218	\$1,480,483	\$12,265,701	\$1,346,259	\$3,899,721	\$17,511,681	\$16,999,424	

See notes to financial statements

UNITED SPINAL ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	YEAR ENDED JUNE 30,	
	2010	2009
OPERATING ACTIVITIES:		
Change in net assets	\$ 225,155	\$1,008,114
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	29,538	44,587
Unrealized gains on investments	(30,365)	76,177
Write-off of abandoned leasehold improvements	38,124	-
Write-off of obsolete inventory	32,881	87,000
Donation of vehicle to unrelated organization	-	4,726
Deferred rent	8,234	(9,534)
Changes in:		
Accounts and other receivables	(44,586)	(69,666)
Inventories	(58,479)	(944)
Prepaid expenses	39,128	(5,310)
Accounts payable and accrued expenses	(126,820)	(2,432)
Accrued liability for compensated absences	3,521	(50,196)
Deferred revenue	(13,400)	(11,510)
NET CASH PROVIDED BY OPERATING ACTIVITIES	102,931	1,071,012
INVESTING ACTIVITIES:		
Proceeds from sales of investments	-	620,099
Purchases of investments	(125,000)	-
Purchases of property and equipment	(50,954)	(60,905)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(175,954)	559,194
FINANCING ACTIVITIES:		
Repayment of lease settlement obligation	(317,658)	(293,313)
NET CASH USED IN FINANCING ACTIVITIES	(317,658)	(293,313)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(390,681)	1,336,893
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	3,236,477	1,899,584
CASH AND CASH EQUIVALENTS- END OF YEAR	\$2,845,796	\$ 3,236,477
Supplemental disclosures of cash flow information:		
<i>Cash paid during the year for:</i>		
Interest	\$ 157,054	\$ 181,398

See notes to financial statements

UNITED SPINAL ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

1 DESCRIPTION OF ORGANIZATION

United Spinal Association, Inc., formerly the Eastern Paralyzed Veterans Association (the "Association") was organized in 1946 and is certified as a national veterans' service organization. The Association's mission is to improve the quality of life for Americans with spinal-cord injuries and disorders. The Association's support comes primarily from individual donor contributions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements of the Association have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable for not-for-profit organizations.

The costs of providing the Association various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

The classification of the Association's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

All financial transactions have been recorded as either unrestricted, temporarily restricted or permanently restricted net assets:

- Unrestricted net assets consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Association and include those expendable resources which have been designated for special use by the Board.
- Temporarily restricted net assets represent those amounts which are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets result from donors who place restrictions on the use of their contributions which mandate that the original principal be invested in perpetuity. This original principal is reported as permanently restricted net assets, the income from which may be either temporarily restricted or unrestricted, depending on the donor's specification.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Cash and cash equivalents

For financial reporting purposes, the Association considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

The Association maintains cash balances at various financial institutions. These accounts are insured by either the Securities Investor Protection Corp ("SIPC") up to \$500,000 or the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Association's accounts may at times exceed the insured limits. The Association has not experienced any such losses.

Investments

The Association carries investments in marketable securities with readily determinable fair values at their fair values in the Statement of Financial Position. Money market accounts are stated at cost on a specific identification basis, which approximates market value. Donated securities are reported at their fair values, as determined on the dates of donation.

Income taxes

The Association was incorporated in the State of New York and is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from similar state and local taxes. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

The Association has evaluated the provisions of ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. The evaluation was performed for the tax years 2006 through 2009, the years which remain subject to examination by major tax jurisdictions as of June 30, 2010. The Association concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Association does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Association does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2010 and it is not aware of any claims for such amounts by Federal or state income tax authorities.

Inventories

Inventories, consisting primarily of wheelchair parts, are reported at the lower of cost or market, on a weighted average basis. The Association has established reserves for inventory items considered to be obsolete.

Property and equipment

Property and equipment are recorded at their original costs or their fair values on the dates of purchase. Depreciation is provided over the estimated useful lives of these assets, which range from four to ten years. Likewise, depreciation of leasehold improvements is amortized over the lesser of the estimated useful life of the specific asset or the term of the applicable lease. Depreciation and amortization are calculated using the straight-line method.

Maintenance, repairs and minor renewals are charged to expense when incurred. Replacements and major renewals are capitalized.

Accrued sick and vacation obligation

Based on their tenure, the Association's employees are entitled to be paid for unused sick and vacation time if they leave the Association's employ. Accordingly, the Association must recognize a liability for the amount that would be incurred if the employees with such unused sick and vacation were to leave.

Donated facilities, goods and services

Those donated goods and services that meet the requirements for recognition under generally accepted accounting principles are recorded as both revenue and expense in the accompanying statement of activities, at amounts determined by management to be reasonable for obtaining such goods and services.

Support and revenue

Contributions are recorded as revenue upon receipt of cash or unconditional pledges. Contributions are considered available for unrestricted use, unless specifically restricted by the donor. Conditional contributions are recorded when the specified conditions have been met. All contributions are recognized at their fair values at the dates received.

The Association frequently receives bequests from decedents' estates. Because of the uncertainties associated with bequests, pending the finalization of various legal and estate matters, the Association does not recognize bequests in its financial statements until the amounts to be received can be determined with reasonable certainty or are actually received in cash.

Revenue from wheelchair repair and accessibility services is recognized when services are rendered. Annual conference fees are recognized at the time the conference takes place. Amounts received in advance of the conference are recorded as deferred revenue. Revenue from the sale of publications is recognized at the time of distribution.

Deferred revenue

Deferred revenue represents conference revenues received in advance and is recognized as revenue in the period the event occurs.

Rental expense

Rental expense is accounted for on the straight-line method.

Deferred rent payable as of June 30, 2010 represents the excess of recognized rent expense over scheduled lease payments.

3 FAIR VALUE MEASUREMENT

The Association carries its investments at fair value. Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. A fair value hierarchy consists of three levels that are used to prioritize inputs to fair value techniques:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Investments whose values are based on quoted market prices in active markets, and whose values are therefore classified as Level 1, consist of active listed equities.

Investments that trade in markets that are not considered to be active, but whose values are based on quoted market prices, dealer quotations or valuations provided by alternative pricing sources supported by observable inputs are classified as Level 2. These generally include certain U.S. government obligations and investment-grade corporate bonds.

Investments whose values are classified as Level 3 have significant unobservable inputs, as they may trade infrequently or not at all. Investments whose values are classified as Level 3 generally include private investments. When observable prices are not available for these securities, the Association uses one or more valuation techniques (e.g., the market approach or the income approach) for which sufficient and reliable data is available.

Within Level 3 of the fair value hierarchy, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by the Association in estimating the value of investments classified as Level 3 may include the original transaction price, quoted prices for similar securities or assets in active markets, completed or pending third-party transactions in the underlying investment or comparable issuers, and changes in financial ratios or cash flows.

The values assigned to investments are based on available information and do not necessarily represent amounts that might be realized if a ready market existed and such differences could be material. Furthermore, the ultimate realization of such amounts depends on future events and circumstances and therefore valuation estimated may differ from the values realized upon disposition of individual positions.

The carrying values and estimated fair values of the Association's financial instruments for the periods presented are as follows:

	Carrying Value	Quote Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2010:				
Financial Assets				
Mutual funds	\$ 364,527	\$ 364,527	\$ -	\$ -
Total Financial Assets	\$ 364,527	\$ 364,527	\$ -	\$ -
June 30, 2009:				
Financial Assets:				
Mutual funds	\$ 209,160	\$ 209,160	\$ -	\$ -
Total Financial Assets	\$ 209,160	\$ 209,160	\$ -	\$ -

In the normal course of its business, the Association's investments may be subject to the following risks:

Market risk represents the potential loss that can be caused by increases or decreases in the fair value of investments.

Interest rate risk is the risk that the fair value or future cash flows of fixed income or rate sensitive instruments will increase or decrease because of changes in interest rates. Generally the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the fair value of fixed income securities tends to decrease. Conversely, as interest rates fall, the fair value of fixed income securities tends to increase. This risk is generally greater for long-term securities than for short-term securities.

Credit risk represents the potential loss that would occur if counterparties fail to perform pursuant to the terms of their obligations. In addition to its investments, the Association is subject to credit risk to the extent a custodian or broker with whom it conducts business is unable to fulfill contractual obligations.

Liquidity risk is the risk that the Association will not be able to raise funds to fulfill its obligations, including inability to sell investments quickly or at close to fair value.

The Association's other financial instruments primarily include cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued expenses. As of the balance sheet date, the estimated fair values of these financial instruments were not materially different from their carrying values as presented due to the short maturities of these instruments.

4 LEASE COMMITMENTS

The Association leases its headquarters and general offices under an operating lease expiring in August 2016. Base rents are adjusted annually by two percent and for increases in New York City real estate taxes and maintenance costs. The Association also leases a direct mail management office in Milford, New Hampshire under a lease expiring in April 2010 with base rent of \$48,000 per year for the remainder of the lease term and an office in Washington D.C. with a base rent adjusted by 3% yearly escalations.

At June 30, 2010, the future annual minimum lease payments, including the amended lease agreement, are as follows:

Year Ended June 30,	
2011	\$ 238,000
2012	214,000
2013	219,000
2014	220,000
2015	89,000
	<hr/>
	\$980,000
	<hr/>

Net rental and utilities expense for the years ended June 30, 2010 and 2009 totalled approximately \$533,000 and \$662,000, respectively, which included \$233,000 and \$232,000, respectively, of donated rental space (see Note 5).

5 IN-KIND CONTRIBUTIONS

Donated facilities

The Association is given rent free occupancy in four offices located in U.S. Government facilities. In addition, the Association has been granted free occupancy of a New York City owned building which is being used as an office, warehouse and garage facility for its Wheelchair Medic program. For the years ended June 30, 2010 and 2009, the spaces donated were recorded at their fair value of \$233,000 and \$232,000, respectively.

Donated services

During the fiscal years 2010 and 2009, the Association received the benefit of public service announcements ("PSAs") on local television and radio stations. The PSAs and other media and sports related services were recorded as contributions and expenses in the accompanying statement of activities, based on a fair value of approximately \$2,958,000 and \$2,662,000 for 2010 and 2009, respectively.

Donated goods

For the years ended June 30, 2010 and 2009, the Association received donated goods in the form of wheelchair parts, which were recorded as contributions and expenses in the accompanying statement of activities at their estimated fair value of \$5,200 and \$18,000, respectively.

6 EMPLOYEE BENEFIT PLANS

During the year ended June 30, 2008, the Association sponsored a qualified defined contribution money purchase pension plan covering all full time employees. In July 1, 2008 the Association converted the plan to a profit sharing plan also covering all full time employees. Employer contributions to these plans for 2010 and 2009 were \$94,000 and \$118,000, respectively.

In addition, the Association has a voluntary deferred compensation plan under Section 403(b) of the Internal Revenue Code. During the years ended June 30, 2010 and 2009, contributions were made solely through elective deferrals by the employee through salary reduction arrangements.

7 JOINT COSTS

In 2010 and 2009, the Association conducted direct mail campaigns that included requests for contributions, as well as program and management and general components. The joint costs were allocated as follows:

	-----JUNE 30,-----	
	2010	2009
Development	\$3,480,916	\$3,030,744
Veteran, member and public affairs	3,355,745	3,142,589
Management and general	<u>372,445</u>	<u>357,410</u>
	<u>\$7,209,106</u>	<u>\$6,530,743</u>

The portion of cost allocated to program activities consists of that component of mailings that contain information about the Association and the types of actions an individual may take with regard to a specific issue. Development is that component of joint costs associated with asking for contributions. Additional fund-raising activities that included program information were not eligible for allocation under generally accepted accounting principles and were treated exclusively as fund-raising expense.

8 LEASE SETTLEMENT OBLIGATION

Lease settlement obligation consists of a term note due to the landlord payable in monthly installments through December 2014 of \$39,559, including interest at 8% per annum.

Principal payment requirements on the above obligation in subsequent years are as follows:

Year ending June 30,	
2011	\$ 344,024
2012	372,577
2013	403,501
2014	436,992
2015	<u>231,915</u>
	<u>\$1,789,009</u>