

**2019**  
**Financial Statements**  
**With**  
**Auditor's Letters**

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER

d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER

FINANCIAL STATEMENTS

JANUARY 31, 2019

(With Independent Auditor's Report Thereon)

**AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER**  
**d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER**  
**FINANCIAL STATEMENTS**  
**JANUARY 31, 2019**

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**PATTERSON, HARDEE & BALLENTINE, P.C.**

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Amyotrophic Lateral Sclerosis Association Tennessee Chapter  
d.b.a. The ALS Association Tennessee Chapter

We have audited the accompanying financial statements of Amyotrophic Lateral Sclerosis Association Tennessee Chapter d.b.a. The ALS Association Tennessee Chapter, (a nonprofit organization) which comprise the statement of financial position as of January 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these 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 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 these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amyotrophic Lateral Sclerosis Association Tennessee Chapter d.b.a. The ALS Association Tennessee Chapter as of January 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Patterson Hardee & Ballentine*

May 24, 2019

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**AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER**  
**d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER**  
**STATEMENT OF FINANCIAL POSITION**  
**JANUARY 31, 2019**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 431,602	
Inventory	118,988	
Prepaid expenses	11,764	
Investments	<u>240,358</u>	
Total current assets		\$ 802,712

Equipment:

Equipment	71,694	
Less: accumulated depreciation	<u>(32,015)</u>	
		39,679

Assets Whose Use is Limited:

Cash and cash equivalents	10,285	
Investments	<u>442,343</u>	
		<u>452,628</u>

Total Assets		<u><u>\$ 1,295,019</u></u>
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**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts payable	\$ 27,739	
Accrued vacation	<u>10,290</u>	
Total current liabilities		<u>\$ 38,029</u>

Net Assets:

Without donor restrictions	804,362	
With donor restrictions	<u>452,628</u>	

Total net assets		<u>1,256,990</u>
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Total Liabilities and Net Assets		<u><u>\$ 1,295,019</u></u>
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**AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER**  
**d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JANUARY 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenue, Gains, and Other Support:			
Contributions	\$ 128,990	\$ 21,956	\$ 150,946
Revenues:			
Gross special events revenue	635,429	-	635,429
Less direct cost of special events	(95,646)	-	(95,646)
Net special events revenue	539,783	-	539,783
Grants	14,500	-	14,500
In-kind donations	180,841	-	180,841
Investment income, net	5,889	-	5,889
Net assets released from restriction	65,319	(65,319)	-
Total revenues	806,332	(65,319)	741,013
Total operating revenue, gains, and other support	935,322	(43,363)	891,959
Operating Expenses:			
Program Services:			
Respite care, education and other expenses	831,351	-	831,351
Total program services	831,351	-	831,351
Supporting Services:			
Management and general	273,258	-	273,258
Fundraising	254,015	-	254,015
Total supporting services	527,273	-	527,273
Total program and supporting expenses	1,358,624	-	1,358,624
Change in net assets from operations	(423,302)	(43,363)	(466,665)
Decrease in net assets	(423,302)	(43,363)	(466,665)
Net assets - beginning of year	1,227,664	495,991	1,723,655
Net assets - end of year	\$ 804,362	\$ 452,628	\$ 1,256,990

See accompanying notes to financial statements.

**AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER**  
**d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JANUARY 31, 2019**

	Program Services	Supporting Services		
	Respite Care, Education and Other Expenses	Management and General	Fundraising	Total
Advertising	\$ 180	\$ -	\$ 102	\$ 282
Bank and credit card charges	18,194	34	-	18,228
Communications program	5,393	-	-	5,393
Depreciation	-	10,576	-	10,576
Dues and subscriptions	2,273	397	127	2,797
Education and training	10,616	707	3,445	14,768
Equipment loan program	10,796	-	-	10,796
Equipment rental	4,782	126	1,468	6,376
Holiday support program	4,091	-	-	4,091
In-kind	166,658	-	-	166,658
Insurance	68,749	-	5,301	74,050
Office supplies	6,750	352	634	7,736
Payments to national affiliate	-	124,160	-	124,160
Payroll	323,107	122,061	151,997	597,165
Payroll taxes	35,559	2,222	5,796	43,577
Payroll service	1,259	79	176	1,514
Permits and licenses	391	25	55	471
Postage and delivery	4,488	448	1,033	5,969
Printing and reproduction	1,665	4,146	2,717	8,528
Professional fees	27,742	1,825	3,463	33,030
Program expense and miscellaneous	41,777	444	21,106	63,327
Rent	42,930	2,257	11,431	56,618
Research	530	34	136	700
Respite care	8,425	2,106	31,594	42,125
Special events	47,703	-	47,943	95,646
Telephone	8,337	21	8,423	16,781
Travel	32,186	959	3,836	36,981
Utilities	281	-	57	338
Website	4,192	279	1,118	5,589
Total expenses by function	879,054	273,258	301,958	1,454,270
Less expenses included with revenues on the statement of activities:				
Direct cost of special events	(47,703)	-	(47,943)	(95,646)
Total expenses included in the expense section on the statement of activities	<u>\$ 831,351</u>	<u>\$ 273,258</u>	<u>\$ 254,015</u>	<u>\$ 1,358,624</u>

See accompanying notes to financial statements.

**AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER**  
**d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JANUARY 31, 2019**

Cash Flows From Operating Activities:

Decrease in net assets	\$	(466,665)
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Adjustment to reconcile decrease in net assets  
to net cash used in operating activities:

Depreciation	\$	10,576	
Unrealized loss on investments		12,951	
Dividends and interest reinvested, net of fees		(17,684)	
Donated inventory		(14,183)	
Changes in:			
Prepaid expenses		1,098	
Pledges receivable		2,000	
Assets whose use is limited		371,868	
Accounts payable		(36,613)	
Accrued vacation		276	
Total adjustments			330,289
Net cash used in operating activities:			(136,376)

Cash Flows From Investing Activities:

Purchase of investments		(435,153)	
Purchase of equipment		(3,660)	
Sale of investment		377,237	
Net cash used in investing activities			(61,576)

Net decrease in cash and cash equivalents		(197,952)
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Cash and cash equivalents - beginning of year		629,554
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Cash and cash equivalents - end of year	\$	431,602
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**AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER**  
**d.b.a THE ALS ASSOCIATION TENNESSEE CHAPTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 31, 2019**

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

In these notes, the terms "Organization", "we", "us" or "our" mean the Amyotrophic Lateral Sclerosis Association Tennessee Chapter. We are a nonprofit organization and a locally governed affiliate of our national organization, Amyotrophic Lateral Sclerosis Association. Our mission is to find a cure for and improve living for people with Amyotrophic Lateral Sclerosis (ALS). Virtually all of our revenue and support for the year ended January 31, 2019, was from the general public.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes, therein, are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all unrestricted cash, certificates of deposit, and investment instruments purchased with original maturities of three months or less to be cash equivalents. At January 31, 2019, we had one certificate of deposit totaling \$208,082, shown in Note 3, which is included as a cash equivalent.

Revenue Recognition

We receive contributions from individuals, grantors, foundations, and special events. We recognize as it is received or promised to us in accordance with generally accepted accounting principles for non-profit organizations. We also receive income from our investments in the forms of dividends recognized when received and interest recognized as earned.

Pledges Receivable

Unconditional promises to give (pledges) are recognized as contribution revenue when the donor's commitment is received or pledged. Pledges with payments due to us in future periods are recorded as increases in temporarily restricted or permanently restricted net assets at the estimated present value of future cash flows, net of an allowance for estimated uncollectible promises. The allowance is based on prior years' experience and our analysis of specific accounts. At January 31, 2019, no allowance was considered necessary.

**AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER**  
**d.b.a THE ALS ASSOCIATION TENNESSEE CHAPTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 31, 2019**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Pledges Receivable

In contrast to unconditional promises as described above, conditional promises are not recorded until donor contingencies are substantially met.

Prepaid expenses

Prepaid expenses consist of insurance premiums and professional fees paid by us in advance.

Equipment

Equipment is recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred. It is our policy to capitalize purchases of fixed assets with a value of \$500 or more or with a useful life of over one year.

Investments

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs not corroborated by market data.

For the year ended January 31, 2019, all of our investments were based on Level 1 inputs at the active market prices.

Income Tax Status

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Advertising

Advertising is expensed as incurred. Total cost for the year ended January 31, 2019, was \$282.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Many expenditures are classified on an invoice by invoice basis. If an expense is deemed to relate to all functional expense categories, it is allocated 75% to program, 20% to fundraising, and 5% to management and general. This methodology is based upon staff functions and office space utilization. Salary expense is allocated on the basis of actual time spent on each function.



**AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 31, 2019**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments.

Concentration of Credit Risk

At January 31, 2019, 74% of our accounts payable was due to a related party. See Note 7.

Cash Concentrations

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe that we are exposed to any significant credit risk on our cash.

New Accounting Pronouncement

On August 8, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively and has not affected the beginning balance of net assets.

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets for the year ended	2019
Cash	\$ 431,602
Inventory	118,988
Prepaid expenses	11,764
Investments	240,358
	<u>802,712</u>

The Organization has certain donor-restricted assets limited to use which are only available for restricted programs. Accordingly, these assets have been excluded from the qualitative information above.

**AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER**  
**d.b.a THE ALS ASSOCIATION TENNESSEE CHAPTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 31, 2019**

**NOTE 2 - Availability and Liquidity (continued)**

In the next fiscal year, we plan to receive the same level of contributions, and consider contributions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is currently held in multiple bank accounts. This cash is readily available. We manage our liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

**NOTE 3 - Certificate of Deposit**

At January 31, 2019, we had one certificate of deposit that will mature in the next fiscal year. The certificate of deposit is held at Truxton Trust, has an original maturity date of 90 days, and has been reported as a cash equivalent.

The following is a summary of the certificate of deposit at January 31, 2019:

	<u>Balance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Truxton Trust	\$208,082	.60%	April 12, 2019

The certificate of deposit was renewed as of the date the financials were available to be issued with a new maturity date of July 11, 2019. The interest rate remained the same.

**NOTE 4 - Investments**

Investments consisted of the following at January 31, 2019:

Equities	\$ 37,449
Fixed income	<u>645,252</u>
	<u>\$ 682,701</u>

As shown on the financial statements as follows at January 31, 2019:

Unrestricted investments	\$ 240,358
Restricted investments	<u>442,343</u>
	<u>\$ 682,701</u>

Investment income (loss) consisted of the following for the year ended January 31, 2019:

Interest, dividend, and capital gains	\$ 25,701
Realized and unrealized loss, net	(12,951)
Investment fees	<u>(6,861)</u>
Investment income, net	<u>\$ 5,889</u>

**AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER**  
**d.b.a THE ALS ASSOCIATION TENNESSEE CHAPTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 31, 2019**

**NOTE 5 – Net Assets With Donor Restrictions**

The following is a summary of net assets with donor restrictions at January 31, 2019:

Memphis Clinic	\$ 452,628
	<u>\$ 452,628</u>

**NOTE 6 - Inventory and In-Kind Revenues and Expenses**

Inventory, which is comprised of donated items such as wheelchairs, cushions, mattresses, iPads, ramps, and walkers, etc., is valued at each item's fair value on the date received based on values of comparable items. We recognize in-kind revenues at the fair value for the inventory items received and recognize in-kind expenses at the fair value of the inventory items as they are given to clients or disposed from an inventory. In-kind revenues differ from in-kind expenses in the year ended January 31, 2019.

**NOTE 7 - Revenue Sharing and Related Parties**

We are a locally governed affiliate of the national organization that is required to remit a percentage of all of our revenues to the national office. In exchange for this remittance to the national organization, we receive updated education materials and information to assist in our mission. During the year ended January 31, 2019, we remitted a total of \$124,160 to the national organization. As of January 31, 2019, we owed the national organization \$20,610.

**NOTE 8 - Operating Leases**

We lease office space, storage units, and equipment under leases classified as operating leases. Total rental expense for the year ended January 31, 2019, was \$62,994, which includes \$6,376 in equipment rental as shown on the Statement of Functional Expenses. The storage units and one office space in Kingston, Tennessee, are classified as month to month leases.

A schedule of future minimum lease payments under the noncancellable operating leases is as follows:

For the years ended January 31,

2020	\$ 57,526
2021	57,949
2022	<u>28,954</u>
	<u>\$ 144,429</u>

**NOTE 9 - Joint Costs**

During the year ended January 31, 2019, we had certain joint costs pertaining to special events and website costs that have been allocated between fundraising and program expense as follows:

	Program and Management and General	Fundraising	Totals
Special events	\$ 47,703	\$ 47,943	\$ 95,646



**AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER**  
**d.b.a THE ALS ASSOCIATION TENNESSEE CHAPTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 31, 2019**

**NOTE 10 - New Pronouncements**

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2019, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements.

**NOTE 11 - Subsequent Events**

We have evaluated events subsequent to the year ending January 31, 2019. As of May 24, 2019, the date that the financial statements were available to be issued, no events subsequent to the statement of financial position date are considered necessary to be included in the financial statements for the year ended January 31, 2019.