

2020
Financial Statements
With
Auditor's Letters

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER

d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER

FINANCIAL STATEMENTS

JANUARY 31, 2020

(With Independent Auditor's Report Thereon)

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER
FINANCIAL STATEMENTS
JANUARY 31, 2020

CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Audited Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11



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, 2020, 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, 2020, 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

June 26, 2020

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER
STATEMENT OF FINANCIAL POSITION
JANUARY 31, 2020

ASSETS

Current Assets:			
Cash and cash equivalents	\$	434,347	
Inventory		161,681	
Prepaid expenses		11,465	
Investments		193,821	
Total current assets			\$ 801,314
Equipment:			
Equipment		70,142	
Less: accumulated depreciation		(39,513)	
			30,629
Assets Whose Use is Limited:			
Restricted cash and cash equivalents		8,342	
Investments		410,923	
			419,265
Total Assets			\$ 1,251,208

LIABILITIES AND NET ASSETS

Current Liabilities:			
Accounts payable	\$	35,508	
Accrued liabilities		8,524	
Total current liabilities			\$ 44,032
Net Assets:			
Without donor restrictions		787,911	
With donor restrictions		419,265	
Total net assets			1,207,176
Total Liabilities and Net Assets			\$ 1,251,208

See accompanying notes to financial statements.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenue, Gains, and Other Support:			
Contributions	\$ 195,929	\$ 15,100	\$ 211,029
Revenues:			
Gross special events revenue	741,351	-	741,351
Less direct cost of special events	(71,373)	-	(71,373)
Net special events revenue	669,978	-	669,978
Grants	17,000	-	17,000
In-kind donations	203,590	-	203,590
Investment income, net	29,275	7,124	36,399
Gain (loss) on disposal of fixed asset	(431)	-	(431)
Net assets released from restriction	55,587	(55,587)	-
Total revenues	974,999	(48,463)	926,536
Total operating revenue, gains, and other support	1,170,928	(33,363)	1,137,565
Operating Expenses:			
Program Services:			
Respite care, education and other expenses	1,011,828	-	1,011,828
Total program services	1,011,828	-	1,011,828
Supporting Services:			
Management and general	60,106	-	60,106
Fundraising	115,445	-	115,445
Total supporting services	175,551	-	175,551
Total program and supporting expenses	1,187,379	-	1,187,379
Decrease in net assets	(16,451)	(33,363)	(49,814)
Net assets - beginning of year	804,362	452,628	1,256,990
Net assets - end of year	\$ 787,911	\$ 419,265	\$ 1,207,176

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, 2020

	<u>Program Services</u>	<u>Supporting Services</u>		
	Respite Care, Education and Other Expenses	Management and General	Fundraising	Total
Bank and credit card charges	\$ 23,984	\$ 287	\$ -	\$ 24,271
Communications program	1,851	-	-	1,851
Depreciation	-	10,617	-	10,617
Dues and subscriptions	2,443	-	274	2,717
Education and training	2,880	-	2,567	5,447
Equipment loan program	6,523	-	-	6,523
Equipment rental	3,178	148	610	3,936
Holiday support program	5,563	-	-	5,563
In-kind	160,897	-	-	160,897
Insurance	55,567	2,610	5,428	63,605
Office supplies	1,360	490	3,500	5,350
Payments to national affiliate	106,002	9,361	16,480	131,843
Payroll	421,330	28,912	50,210	500,452
Payroll taxes	31,110	2,160	3,674	36,944
Payroll service	1,489	99	397	1,985
Permits and licenses	195	8	271	474
Postage and delivery	3,978	231	1,004	5,213
Printing and reproduction	1,709	54	898	2,661
Professional fees	26,889	1,460	7,462	35,811
Program expense and miscellaneous	58,320	-	-	58,320
Rent	43,734	2,838	11,351	57,923
Research	-	-	5,100	5,100
Repairs and maintenance	125	-	125	250
Respite care	19,000	-	-	19,000
Special events	35,567	-	35,806	71,373
Telephone	13,754	22	1,996	15,772
Travel	16,722	474	1,294	18,490
Utilities	128	9	34	171
Website	3,097	326	2,770	6,193
Total expenses by function	1,047,395	60,106	151,251	1,258,752
Less expenses included with revenues on the statement of activities:				
Direct cost of special events	(35,567)	-	(35,806)	(71,373)
Total expenses included in the expense section on the statement of activities	<u>\$ 1,011,828</u>	<u>\$ 60,106</u>	<u>\$ 115,445</u>	<u>\$ 1,187,379</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, 2020

Cash Flows From Operating Activities:		
Decrease in net assets	\$	(49,814)
Adjustment to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	\$	10,617
Unrealized loss on investments		(18,359)
Realized gain on investments		1,698
Loss on disposal of asset		431
Donated inventory		(42,693)
Changes in:		
Prepaid expenses		299
Accounts payable		7,769
Accrued Liabilities		(1,766)
Total adjustments		<u>(42,004)</u>
Net cash used in operating activities:		<u>(91,818)</u>
Cash Flows From Investing Activities:		
Purchase of investments	(106,875)	
Purchase of equipment	(1,998)	
Sale of investment	<u>201,493</u>	
Net cash provided by investing activities		<u>92,620</u>
Net increase in cash and cash equivalents, and restricted cash		802
Cash and cash equivalents, and restricted cash - beginning of year		<u>441,887</u>
Cash and cash equivalents - end of year		434,347
Restricted cash - end of year		<u>8,342</u>
Cash and cash equivalents, and restricted cash - end of year	\$	<u><u>442,689</u></u>

See accompanying notes to financial statements.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a THE ALS ASSOCIATION TENNESSEE CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020

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, 2020, 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, 2020, we had one certificate of deposit totaling \$209,420, shown in Note 3, which is included as a cash equivalent.

Revenue

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. We recognize grant revenue when the grant is awarded. See Note 5 for a description of restricted revenue.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a THE ALS ASSOCIATION TENNESSEE CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, 2020, no allowance was considered necessary.

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, 2020, 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. We did not incur any advertising expense for the year ended January 31, 2020.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a THE ALS ASSOCIATION TENNESSEE CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

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, 2020, 84% 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.

Recently Issued Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates that will affect the Organization's revenue recognition. The first, Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This Update requires entities to make new judgements and estimates and provide expanded disclosures about revenue. The second, Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. We have adopted these standards retrospectively during 2019. The adoption of this standard had no effect on beginning net assets on our statement of activities for the year ended December 31, 2019.

In November 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified on the statements of financial position and cash flows. The statements of financial position and cash flows have been presented to reflect this Accounting Standards Update at December 31, 2019, and certain reclassifications of prior year summarized amounts have been made to conform to the current year presentation.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a THE ALS ASSOCIATION TENNESSEE CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Pledges Receivable

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AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a THE ALS ASSOCIATION TENNESSEE CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020

NOTE 4 - Investments (continued)

As shown on the financial statements as follows at January 31, 2020:

Cash and cash equivalents	\$ 3,019
Restricted cash and cash equivalents	8,342
Unrestricted Investments	193,821
Restricted investments	<u>410,923</u>
	<u>\$ 616,105</u>

Investment income (loss) consisted of the following for the year ended January 31, 2020:

Interest, dividend, and capital gains	\$ 25,693
Realized and unrealized loss, net	16,660
Investment fees	<u>(5,954)</u>
Investment income, net	<u>\$ 36,399</u>

NOTE 5 – Net Assets with Donor Restrictions

The following is a summary of net assets with donor restrictions at January 31, 2020:

Memphis Clinic	<u>\$ 419,265</u>
	<u>\$ 419,265</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, 2020.

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, 2020, we remitted a total of \$131,843 to the national organization. As of January 31, 2020, we owed the national organization \$25,310.

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, 2020, was \$57,923, which includes \$3,936 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.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a THE ALS ASSOCIATION TENNESSEE CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020

NOTE 8 - Operating Leases (continued)

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

<u>For the years ended January 31,</u>	
2020	\$ 58,464
2021	60,126
2022	32,016
2023	<u>1,531</u>
	<u>\$ 152,137</u>

NOTE 9 - Joint Costs

During the year ended January 31, 2020, we had certain joint costs pertaining to special events and website costs that have been allocated between fundraising and program expense as follows:

	<u>Program and Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Special events	\$ 35,567	\$ 35,806	\$ 71,373

NOTE 10 - New Pronouncements

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, 2020, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 11 - Subsequent Events

We have evaluated events subsequent to the year ending January 31, 2020. As of June 26, 2020, the date the financial statements were available to be issued, the COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary reduction of our operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the reductions. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.