

2018

Financial Statements With Auditor's Letters

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER

d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER

FINANCIAL STATEMENTS

JANUARY 31, 2018

(With Independent Auditor's Report Thereon)

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER
FINANCIAL STATEMENTS
JANUARY 31, 2018

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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, 2018, 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, 2018, 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

April 20, 2018

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AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER
STATEMENT OF FINANCIAL POSITION
JANUARY 31, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$ 629,554	
Pledges receivable	2,000	
Inventory	104,805	
Prepaid expenses	12,862	
Investments	<u>229,275</u>	
Total current assets		\$ 978,496

Equipment:

Equipment	68,034	
Less: accumulated depreciation	<u>(21,439)</u>	
		46,595

Assets Whose Use is Limited:

Cash and cash equivalents	2,889	
Cash and cash equivalents - board designated	276,939	
Pledges receivable	102,325	
Investments	<u>390,777</u>	
		<u>772,930</u>
Total Assets		<u><u>\$ 1,798,021</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 64,352	
Accrued vacation	<u>10,014</u>	
Total current liabilities		<u>\$ 74,366</u>

Net Assets:

Unrestricted	950,725	
Unrestricted board-designated	<u>276,939</u>	
Total unrestricted net assets		1,227,664
Temporarily restricted		<u>495,991</u>
Total net assets		<u>1,723,655</u>
Total Liabilities and Net Assets		<u><u>\$ 1,798,021</u></u>

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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenue, Gains, and Other Support:				
Contributions	\$ 299,023	\$ 147,177	\$ -	\$ 446,200
Revenues:				
Gross special events revenue	752,026	-	-	752,026
Less direct cost of special events	(94,245)	-	-	(94,245)
Net special events revenue	657,781	-	-	657,781
Grants	-	7,500	-	7,500
In-kind donations	123,319	-	-	123,319
Interest income	1,001	-	-	1,001
Investment income, net	12,919	-	-	12,919
Net assets released from restriction	59,404	(59,404)	-	-
Total revenues	854,424	(51,904)	-	802,520
Total operating revenue, gains, and other support	1,153,447	95,273	-	1,248,720
Operating Expenses:				
Program Services:				
Respite care, education and other expenses	1,085,072	-	-	1,085,072
Total program services	1,085,072	-	-	1,085,072
Supporting Services:				
Management and general	58,126	-	-	58,126
Fundraising	142,691	-	-	142,691
Total supporting services	200,817	-	-	200,817
Total operating program and supporting expenses	1,285,889	-	-	1,285,889
Change in net assets from operations	(132,442)	95,273	-	(37,169)
Other Changes:				
Inventory impairment loss	(41,310)	-	-	(41,310)
Total other changes	(41,310)	-	-	(41,310)
Increase (decrease) in net assets	(173,752)	95,273	-	(78,479)
Net assets - beginning of year	1,401,416	400,718	-	1,802,134
Net assets - end of year	\$ 1,227,664	\$ 495,991	\$ -	\$ 1,723,655

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, 2018

	Operating Program Services	Operating Supporting Services		
	Respite Care, Education and Other Expenses	Management and General	Fundraising	Total
Advertising	\$ 650	\$ -	\$ 369	\$ 1,019
Bank and credit card charges	18,523	35	-	18,558
Bad debts	-	100	-	100
Communications program	4,463	-	-	4,463
Depreciation	-	7,537	-	7,537
Dues and subscriptions	2,573	450	144	3,167
Education and training	6,272	418	2,036	8,726
Equipment loan program	14,304	-	-	14,304
Equipment rental	3,696	97	1,134	4,927
Holiday support program	4,175	-	-	4,175
In-kind	115,075	-	8,873	123,948
Insurance	61,721	3,222	5,796	70,739
Office supplies	6,800	2,569	3,199	12,568
Payments to national affiliate	135,999	8,500	22,167	166,666
Payroll	448,065	28,141	62,449	538,655
Payroll taxes	33,315	2,120	4,682	40,117
Payroll service	885	88	204	1,177
Permits and licenses	163	407	266	836
Postage and delivery	4,081	269	509	4,859
Printing and reproduction	8,179	87	4,132	12,398
Professional fees	22,751	1,312	6,645	30,708
Program expense and miscellaneous	59,039	-	-	59,039
Rent	32,542	2,092	8,366	43,000
Repairs and maintenance	49	13	188	250
Respite care	52,888	-	-	52,888
Special events	46,819	120	47,306	94,245
Telephone	13,345	398	1,591	15,334
Travel	30,428	117	6,112	36,657
Utilities	2,311	154	616	3,081
Website	2,780	-	3,213	5,993
Total expenses by function	1,131,891	58,246	189,997	1,380,134
Less expenses included with revenues on the statement of activities:				
Direct cost of special events	(46,819)	(120)	(47,306)	(94,245)
Total expenses included in the expense section on the statement of activities	<u>\$ 1,085,072</u>	<u>\$ 58,126</u>	<u>\$ 142,691</u>	<u>\$ 1,285,889</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, 2018

Cash Flows From Operating Activities:

Decrease in net assets	\$	(37,169)
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Adjustment to reconcile decrease in net assets
to net cash provided by operating activities:

Depreciation	\$ 7,537		
Unrealized gain on investments	(5,854)		
Realized gain on investments	8,030		
Dividends and interest reinvested, net of fees	(20,199)		
Donated inventory	629		
Changes in:			
Pledges receivable	(1,525)		
Prepaid expenses	220		
Assets whose use is limited	298,812		
Accounts payable	28,502		
Accrued vacation	310		
Total adjustments			316,462
Net cash provided by operating activities:			279,293

Cash Flows From Investing Activities:

Purchase of investments	(1,419,915)		
Purchase of equipment	(30,183)		
Sale of investment	1,434,651		
Net cash used in investing activities			(15,447)

Net increase in cash and cash equivalents		263,846
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Cash and cash equivalents - beginning of year		365,708
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Cash and cash equivalents - end of year	\$	629,554
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Supplemental Cash Flows Information:

During the year ended January 31, 2018, we had a noncash impairment of inventory totaling \$41,310.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a THE ALS ASSOCIATION TENNESSEE CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2018

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, 2018, was from the general public.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and 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:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations, which may or will be met, either by our actions and/or by the passage of time. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations which require the assets to be permanently maintained. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes. We had no permanently restricted net assets as of January 31, 2018.

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, 2018, we had one certificate of deposit totaling \$207,410, shown in Note 2, 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 no-profit organizations. We also receive income from our investments in the forms of dividends and interest that are recognized in revenue as we receive them.

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, 2018, no allowance was considered necessary.

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

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a THE ALS ASSOCIATION TENNESSEE CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2018

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, 2018, 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, 2018, was \$1,019.

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.

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.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
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NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2018

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, 2018, 96% of our pledges receivable was due from one donor and 78% 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 it is exposed to any significant credit risk on our cash.

NOTE 2 - Certificate of Deposit

At January 31, 2018, 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, 2018:

	<u>Balance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Truxton Trust	\$207,410	.15%	April 17, 2018

The certificate of deposit was renewed as of the date the financials were available to be issued with a new maturity date of July 16, 2018. The interest rate remained the same.

NOTE 3 - Pledges Receivable

Pledges receivable consisted of the following at January 31, 2018:

Due in less than one year	\$ 104,325
Less: restricted pledges	<u>(102,325)</u>
	<u>\$ 2,000</u>

Pledges receivable due in one to five years have not been discounted to present value since they are not expected to be significantly different from the carrying values.

NOTE 4 - Investments

Investments consisted of the following at January 31, 2018:

Equities	\$ 34,765
Fixed income	<u>585,287</u>
	<u>\$ 620,052</u>

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a THE ALS ASSOCIATION TENNESSEE CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2018

NOTE 4 - Investments (continued)

As shown on the financial statements as follows at January 31, 2018:

Unrestricted investments	\$ 229,275
Restricted investments	<u>390,777</u>
	<u>\$ 620,052</u>

Investment income (loss) consisted of the following for the year ended January 31, 2018:

Interest, dividend, and capital gains	\$ 21,170
Realized and Unrealized loss, net	(2,176)
Investment fees	<u>(6,075)</u>
Investment income, net	<u>\$ 12,919</u>

NOTE 5 - Temporarily Restricted Net Assets

The following is a summary of temporarily restricted net assets at January 31, 2018:

Golf sponsorship	\$ 2,000
Memphis Clinic	<u>493,991</u>
	<u>\$ 495,991</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, 2018, due to inventory impairment loss on inventory items that are no longer being supported by the manufacturer. We also received donated airtime for the year ended January 31, 2018, but we are unable to estimate the value of the contribution.

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, 2018, we remitted a total of \$166,666 to the national organization. As of January 31, 2018, we owed the national organization \$50,400.

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, 2018, was \$47,927, which includes \$4,927 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
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NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2018

NOTE 8 - Operating Leases (continued)

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

For the years ended January 31,

2019	\$ 55,912
2020	56,287
2021	57,064
2022	<u>28,954</u>
	<u>\$ 198,217</u>

NOTE 9 - Joint Costs

During the year ended January 31, 2018, 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	\$ 46,939	\$ 47,306	\$ 94,245

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 issued Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Update provides guidance about the presentation of financial statements for non-profit organizations. The amendments in this Update are effective for annual periods beginning after December 15, 2017, 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.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
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NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2018

NOTE 10 - New Pronouncements (continued)

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, 2018. As of April 20, 2018, 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, 2018.