

2014
Financial Statements
With
Auditor's Letters

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION

TENNESSEE CHAPTER

FINANCIAL STATEMENTS

JANUARY 31, 2014

(With Independent Auditor's Report Thereon)

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
TENNESSEE CHAPTER
FINANCIAL STATEMENTS
JANUARY 31, 2014

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 - 10



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Amyotrophic Lateral Sclerosis Association
Tennessee Chapter

We have audited the accompanying financial statements of Amyotrophic Lateral Sclerosis Association, Tennessee Chapter, (a nonprofit organization) which comprise the statement of financial position as of January 31, 2014, 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 of 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, as of January 31, 2014, 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 8, 2014

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
TENNESSEE CHAPTER
STATEMENT OF FINANCIAL POSITION
JANUARY 31, 2014

ASSETS

Current Assets:

Cash and cash equivalents	\$ 783,276	
Pledges receivable	650	
Inventory	75,690	
Prepaid expenses	11,465	
Investments	<u>401,629</u>	
Total current assets		\$ 1,272,710

Equipment:

Equipment	18,797	
Less: accumulated depreciation	<u>(14,831)</u>	
		3,966

Assets Whose Use is Limited:

Cash	7,000	
Pledges receivable	<u>105,408</u>	
		<u>112,408</u>
		<u>\$ 1,389,084</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 12,403	
Accrued expenses	<u>6,524</u>	
Total current liabilities		\$ 18,927

Net Assets:

Unrestricted	1,257,749	
Temporarily restricted	<u>112,408</u>	
		<u>1,370,157</u>
		<u>\$ 1,389,084</u>

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
TENNESSEE CHAPTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Contributions	\$ 55,324	\$ 101,408	\$ -	\$ 156,732
Revenues:				
Grants	3,675	7,000	-	10,675
Special events income	764,224	-	-	764,224
In-kind donations	83,203	-	-	83,203
Interest income	711	-	-	711
Investment income, net	(2,462)	-	-	(2,462)
Net assets released from restriction	7,000	(7,000)	-	-
Total revenues	856,351	-	-	856,351
Total public support and revenue	911,675	101,408	-	1,013,083
Expenses:				
Program Services:				
Respite care, education and other expenses	717,909	-	-	717,909
Total program services	717,909	-	-	717,909
Supporting Services:				
Management and general	30,237	-	-	30,237
Fundraising	118,552	-	-	118,552
Total supporting services	148,789	-	-	148,789
Total program and supporting expenses	866,698	-	-	866,698
Increase in net assets	44,977	101,408	-	146,385
Net assets - beginning of year	1,212,772	11,000	-	1,223,772
Net assets - end of year	\$ 1,257,749	\$ 112,408	\$ -	\$ 1,370,157

See accompanying notes to financial statements.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
TENNESSEE CHAPTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2014

	Program Services	Supporting Services		
	Respite Care, Education and Other Expenses	Management and General	Fundraising	Total
Bank and credit card charges	\$ -	\$ 105	\$ 7,318	\$ 7,423
Bad debts	-	75	-	75
Communications program	5,678	-	-	5,678
Depreciation	710	47	189	946
Dues and subscriptions	2,185	91	-	2,276
Education and training	5,831	17	756	6,604
Equipment loan program	15,393	-	-	15,393
Equipment rental	1,445	96	385	1,926
Holiday support program	514	-	-	514
In-kind	100,515	190	1,273	101,978
Insurance	13,079	2,325	1,462	16,866
Office supplies	2,702	334	732	3,768
Payments to national affiliate	90,034	13,201	9,590	112,825
Payroll	318,067	10,352	41,410	369,829
Payroll taxes	23,765	770	3,079	27,614
Payroll service	1,398	466	-	1,864
Permits and licenses	82	36	322	440
Postage and delivery	2,751	162	691	3,604
Printing and reproduction	675	40	158	873
Professional fees	7,086	526	2,106	9,718
Program expense and miscellaneous	14,254	-	-	14,254
Rent	14,030	857	3,430	18,317
Repairs and maintenance	412	28	110	550
Respite care	42,977	-	-	42,977
Special events	17,549	-	36,971	54,520
Telephone	9,962	283	1,129	11,374
Travel	19,960	46	2,204	22,210
Utilities	2,778	185	741	3,704
Website	4,077	5	4,496	8,578
	<u>\$ 717,909</u>	<u>\$ 30,237</u>	<u>\$ 118,552</u>	<u>\$ 866,698</u>

See accompanying notes to financial statements.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
TENNESSEE CHAPTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JANUARY 31, 2014

Cash Flows From Operating Activities:

Increase in net assets \$ 146,385

Adjustment to reconcile increase in net assets
to net cash provided by operating activities:

Depreciation	\$ 946	
Unrealized loss on investments	9,808	
Dividends and interest reinvested, net of fees	(7,346)	
Donated inventory	18,775	
Changes in:		
Accounts receivable	919	
Pledges receivable	6,105	
Prepaid expenses	(1,052)	
Assets whose use is limited	(101,408)	
Accounts payable	(14,487)	
Accrued expenses	1,566	
Total adjustments		(86,174)
Net cash provided by operating activities		60,211

Cash Flows From Investing Activities:

Purchase of investments	(404,091)	
Purchase of equipment	(2,411)	
Net cash used in investing activities		(406,502)

Net decrease in cash and cash equivalents (346,291)

Cash and cash equivalents - beginning of year 1,129,567

Cash and cash equivalents - end of year \$ 783,276

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
TENNESSEE CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2014

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, 2014, 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, 2014.

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, 2014, we had one certificate of deposit totaling \$206,152, shown in Note 2, which is included as a cash equivalent.

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, 2014, no allowance was considered necessary.

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

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.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
TENNESSEE CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2014

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, 2014, 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. We are not subject to examination by U.S. federal or state taxing authorities for fiscal years before 2010.

Advertising

Advertising is expensed as incurred.

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.

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.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
TENNESSEE CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2014

NOTE 1 - Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

At January 31, 2014, 96% of our pledges receivable was due from one donor and 75% of our accounts payable was due to one vendor, which is our national affiliate. See Note 7.

During the year ended January 31, 2014, we received 62% of total revenue from one type of event.

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, 2014, we had one certificate of deposit that will mature in the next fiscal year. The certificate of deposit is held at Nashville Bank and 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, 2014:

	<u>Balance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Nashville Bank and Trust	\$206,152	.15%	February 7, 2014

NOTE 3 - Pledges Receivable

Pledges receivable consisted of the following at January 31, 2014:

Due in less than one year	\$ 104,058
Due in one to five years	<u>2,000</u>
	106,058
Less: discounts to net present value	(-)
Less: allowance for doubtful accounts	<u>(-)</u>
	<u>\$ 106,058</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.

Pledges receivable at January 31, 2014, are shown in the financial statements as follows:

Pledges receivable	\$ 650
Asset whose use is limited by - pledges receivable	<u>105,408</u>
	<u>\$ 106,058</u>

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
TENNESSEE CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2014

NOTE 4 - Investments

Investments consisted of the following at January 31, 2014:

Equities	20,423
Fixed income	<u>381,206</u>
	<u>\$ 401,629</u>

Investment income (loss) consisted of the following for the year ended January 31, 2014:

Interest and dividend income	11,743
Unrealized loss, net	(9,808)
Investment fees	<u>(4,397)</u>
Investment income, net	<u>\$ (2,462)</u>

NOTE 5 - Temporarily Restricted Net Assets

The following is a summary of temporarily restricted net assets at January 31, 2014:

Golf sponsorship	\$ 4,000
New clinic location	101,408
Respite care services	<u>7,000</u>
	<u>\$ 112,408</u>

NOTE 6 - Inventory and In-Kind Revenues and Expenses

Inventory, which is comprised of donated items such as wheelchairs, cushions, mattresses, 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 inventory. In-kind revenues differ from in-kind expenses in the year ended January 31, 2014, due to more inventory items being given to clients and disposed than donated inventory items being received by us.

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, 2014, we remitted a total of \$112,825 to the national organization. As of January 31, 2014, we owed the national organization \$8,584.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
TENNESSEE CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2014

NOTE 8 - Operating Leases

We lease office space and equipment under leases classified as operating leases. Total rental expense for the year ended January 31, 2014, was \$20,243.

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

For the years ended January 31,

2015	\$ 18,610
2016	17,554
2017	<u>1,400</u>
	<u>\$ 37,564</u>

NOTE 9 - Joint Costs

During the year ended January 31, 2014, 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	\$ 17,549	\$ 36,971	\$ 54,520
Website	<u>4,082</u>	<u>4,496</u>	<u>8,578</u>
	<u>\$ 21,631</u>	<u>\$ 41,467</u>	<u>\$ 63,098</u>

NOTE 10 - Subsequent Events

We have evaluated events subsequent to the year ending January 31, 2014. As of May 8, 2014, 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, 2014.

