

2021
Financial Statements
With
Auditor's Letters

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER

d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER

FINANCIAL STATEMENTS

JANUARY 31, 2021

(With Independent Auditor's Report Thereon)

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER
FINANCIAL STATEMENTS
JANUARY 31, 2021

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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, 2021, 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, 2021, 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

July 27, 2021

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
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STATEMENT OF FINANCIAL POSITION
JANUARY 31, 2021

ASSETS

Current Assets:		
Cash and equivalents	\$ 326,689	
Restricted cash and equivalents	7,731	
Inventory	158,075	
Prepaid expenses	11,303	
Investments	<u>199,715</u>	
Total current assets		\$ 703,513
Equipment:		
Equipment	72,963	
Less: accumulated depreciation	<u>(50,437)</u>	
		22,526
Assets Whose Use is Limited:		
Investments	<u>375,668</u>	
		<u>375,668</u>
Total Assets		<u>\$ 1,101,707</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 22,741	
Accrued liabilities	14,496	
Current portion of long-term debt	<u>21,124</u>	
Total current liabilities		\$ 58,361
Non-current Liabilities		
Long-term debt	<u>103,135</u>	
Total non-current liabilities		<u>103,135</u>
Total Liabilities		161,496
Net Assets:		
Without donor restrictions	556,812	
With donor restrictions	<u>383,399</u>	
Total net assets		<u>940,211</u>
Total Liabilities and Net Assets		<u>\$ 1,101,707</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, 2021

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Public Support and Revenue:			
Contributions	\$ 177,084	\$ -	\$ 177,084
Revenues:			
Gross special events revenue	446,929	-	446,929
Less direct cost of special events	<u>(14,788)</u>	<u>-</u>	<u>(14,788)</u>
Net special events revenue	432,141	-	432,141
Grants	12,400	-	12,400
In-kind donations	37,454	-	37,454
Investment income, net	7,447	14,005	21,452
Net assets released from restriction	<u>49,871</u>	<u>(49,871)</u>	<u>-</u>
Total revenues	<u>539,313</u>	<u>(35,866)</u>	<u>503,447</u>
Total public support and revenue:	<u>716,397</u>	<u>(35,866)</u>	<u>680,531</u>
Operating Expenses:			
Program Services:			
Respite care, education and other expenses	<u>788,125</u>	<u>-</u>	<u>788,125</u>
Total program services	<u>788,125</u>	<u>-</u>	<u>788,125</u>
Supporting Services:			
Management and general	57,196	-	57,196
Fundraising	<u>102,175</u>	<u>-</u>	<u>102,175</u>
Total supporting services	<u>159,371</u>	<u>-</u>	<u>159,371</u>
Total program and supporting expenses	<u>947,496</u>	<u>-</u>	<u>947,496</u>
Decrease in net assets	(231,099)	(35,866)	(266,965)
Net assets - beginning of year	<u>787,911</u>	<u>419,265</u>	<u>1,207,176</u>
Net assets - end of year	<u>\$ 556,812</u>	<u>\$ 383,399</u>	<u>\$ 940,211</u>

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, 2021

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Respite Care, Education and Other Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>		
Advertising	\$ 105	\$ -	\$ 105	\$ 210	
Bank and credit card charges	16,899	37	-	16,936	
Communications program	130	-	-	130	
Depreciation	-	10,924	-	10,924	
Dues and subscriptions	1,655	245	130	2,030	
Education and training	1,269	-	688	1,957	
Equipment loan program	6,219	-	-	6,219	
Equipment rental	2,432	253	648	3,333	
Holiday support program	5,748	-	-	5,748	
In-kind	40,560	-	500	41,060	
Insurance	53,408	1,788	5,030	60,226	
Office supplies	1,868	383	657	2,908	
Payments to national affiliate	69,197	5,869	12,526	87,592	
Payroll	404,858	29,773	50,243	484,874	
Payroll taxes	30,036	2,244	3,750	36,030	
Payroll service	1,204	80	321	1,605	
Permits and licenses	126	58	274	458	
Postage and delivery	2,508	397	460	3,365	
Printing and reproduction	1,131	35	1,507	2,673	
Professional fees	29,882	1,725	8,305	39,912	
Program expense and miscellaneous	44,126	-	22	44,148	
Rent	45,109	2,929	11,717	59,755	
Research	20	-	-	20	
Respite care	12,950	-	-	12,950	
Special events	6,760	-	8,028	14,788	
Telephone	10,409	-	2,147	12,556	
Travel	3,052	121	340	3,513	
Utilities	128	9	34	171	
Website	3,096	326	2,771	6,193	
Total expenses by function	794,885	57,196	110,203	962,284	
Less expenses included with revenues on the statement of activities:					
Direct cost of special events	(6,760)	-	(8,028)	(14,788)	
Total expenses included in the expense section on the statement of activities	\$ 788,125	\$ 57,196	\$ 102,175	\$ 947,496	

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, 2021

Cash Flows From Operating Activities:		
Decrease in net assets		\$ (266,965)
Adjustment to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	\$ 10,924	
Unrealized gain on investments	(8,045)	
Changes in:		
Inventory	3,606	
Prepaid expenses	162	
Accounts payable	(12,767)	
Accrued liabilities	5,972	
Total adjustments		(148)
Net cash used in operating activities:		(267,113)
Cash Flows From Investing Activities:		
Purchase of investments	(21,408)	
Sale of investments	58,814	
Purchase of equipment	(2,821)	
Net cash provided by investing activities		34,585
Cash Flows From Financing Activities:		
Proceeds from issuance of debt	124,259	
Net cash provided by financing activities		124,259
Net decrease in cash and cash equivalents, and restricted cash		(108,269)
Cash, restricted cash and equivalents - beginning of year		442,689
Cash, restricted cash and equivalents - end of year		<u>\$ 334,420</u>

See accompanying notes to financial statements.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
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NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2021

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, d.b.a. The ALS 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, 2021, 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 net assets without donor restrictions.

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, 2021, we had one certificate of deposit totaling \$210,137, shown in NOTE 3, which is included as a cash equivalent.

Contributions, Support and Revenue

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities and changes in net assets. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
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NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

Contributions, Support and Revenue (continued)

The Organization has adopted Accounting Standards Update ("ASU") No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605), as the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of contributions have been enhanced in accordance with the standard.

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, 2021, we had no 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, 2021, all of our investments were based on Level 1 inputs at the active market prices.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
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NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 incurred \$210 of advertising expenses for the year ended January 31, 2021.

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, 2021, 81% of our accounts payable was due to a related party. See NOTE 8.

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.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
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NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2021

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 January 31,	
Cash and cash equivalents	\$ 326,689
Investments	<u>199,715</u>
	<u>\$ 526,404</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.

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 our 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 our 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, 2021, 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, 2021:

	<u>Balance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Truxton Trust	\$210,137	.75%	April 06, 2020

The certificate of deposit was renewed as of the date the financials were available to be issued with a new maturity date of September 28, 2021. The interest rate remained the same.

NOTE 4 - Investments

Investments consisted of the following at January 31, 2021:

Money Market	\$ 12,057
Fixed income	<u>575,383</u>
	<u>\$ 587,440</u>

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
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NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2021

NOTE 4 – Investments (continued)

As shown on the financial statements as follows at January 31, 2021:

Unrestricted Investments	199,715
Restricted investments	<u>375,668</u>
	<u>\$ 575,383</u>

Investment income (loss) consisted of the following for the year ended January 31, 2021:

Interest, dividend, and realized gains	\$ 19,071
Unrealized gains	8,045
Investment fees	<u>(5,664)</u>
Investment income, net	<u>\$ 21,452</u>

NOTE 5 – Paycheck Protection Program Loan

During 2021, the Organization was the recipient of a loan under the Paycheck Protection Program ("PPP"). The PPP, established as a part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act, provides for loans to small businesses to pay up to 24 weeks of payroll costs and benefits, interest on mortgages, rent and utilities. The loan is fully forgivable if certain conditions are met. The Organization has elected to account for the loan as a financial liability, and it is shown as long-term debt and current maturities of long-term debt on the Statement of Financial Position at January 31, 2021, as allowable by generally accepted accounting principles in the United States of America. As of April 9, 2021 the loan has been forgiven, see NOTE 13.

NOTE 6 – Net Assets with Donor Restrictions

The following is a summary of net assets with donor restrictions at January 31, 2021:

Memphis Clinic	\$ 383,399
	<u>\$ 383,399</u>

NOTE 7 - 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 provided to clients or disposed of from our inventory. In-kind revenues differ from in-kind expenses in the year ended January 31, 2021.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 8 - 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, 2021, we remitted a total of \$87,592 to the national organization. As of January 31, 2021, we owed the national organization \$17,246.

NOTE 9 - 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, 2021, was \$59,755, which includes \$3,333 in equipment rental as shown on the Statement of Functional Expenses. The storage units and one office space in Kingsport, Tennessee, are classified as month to month leases.

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

<u>For the years ended January 31,</u>		
2022	\$	31,671
2023		21,860
2024		<u>6,265</u>
	\$	<u>59,796</u>

NOTE 10 - Joint Costs

During the year ended January 31, 2021, 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	\$ 6,760	\$ 8,028	\$ 14,788

NOTE 11 - 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, 2021, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 12 - Subsequent Events

We have evaluated events subsequent to the year ending January 31, 2021. As of July 27, 2021, the date the financial statements were available to be issued, except for the following matter, no events subsequent to the statement of financial position date are considered necessary to be included in the financial statements.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
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NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2021

NOTE 12 - Subsequent Events (continued)

As of February 10, 2021, we received a second round of the Small Business Administration's PPP Loan. As of April 9, 2021, our application for forgiveness of the Small Business Administration's PPP Loan has been accepted, see NOTE 5. As of the forgiveness date, the Organization is not responsible for any payments, and the balance of the loan has been reclassified to other income on the Statement of Activities.