

2017
Financial Statements
With
Auditor's Letters

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER

d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER

FINANCIAL STATEMENTS

JANUARY 31, 2017

(With Independent Auditor's Report Thereon)

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER
FINANCIAL STATEMENTS
JANUARY 31, 2017

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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, (a nonprofit organization) which comprise the statement of financial position as of January 31, 2017, 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 as of January 31, 2017, 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

March 31, 2017

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a. THE ALS ASSOCIATION TENNESSEE CHAPTER
STATEMENT OF FINANCIAL POSITION
JANUARY 31, 2017

ASSETS

Current Assets:		
Cash and cash equivalents	\$ 365,708	
Pledges receivable	475	
Inventory	146,744	
Prepaid expenses	13,082	
Investments	616,765	
Total current assets		\$ 1,142,774
Equipment:		
Equipment	37,852	
Less: accumulated depreciation	(13,903)	
		23,949
Assets Whose Use is Limited:		
Cash and cash equivalents	575,131	
Pledges receivable	105,834	
		680,965
Total Assets		\$ 1,847,688

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 35,850	
Accrued vacation	9,704	
Total current liabilities		\$ 45,554
Net Assets:		
Unrestricted	1,121,169	
Unrestricted board-designated	280,247	
Total unrestricted net assets		1,401,416
Temporarily restricted		400,718
Total net assets		1,802,134
Total Liabilities and Net Assets		\$ 1,847,688

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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Contributions	\$ 165,991	\$ 99,834	\$ -	\$ 265,825
Revenues:				
Grants	2,040	7,500	-	9,540
Special events income	610,830	-	-	610,830
In-kind donations	152,645	-	-	152,645
Interest income	1,064	-	-	1,064
Investment income, net	22,818	-	-	22,818
Gain (loss) on disposal of fixed asset	(778)	-	-	(778)
Net assets released from restriction	21,579	(21,579)	-	-
Total revenues	810,198	(14,079)	-	796,119
Total public support and revenue	976,189	85,755	-	1,061,944
Expenses:				
Program Services:				
Respite care, education and other expenses	953,006	-	-	953,006
Total program services	953,006	-	-	953,006
Supporting Services:				
Management and general	40,597	-	-	40,597
Fundraising	144,350	-	-	144,350
Total supporting services	184,947	-	-	184,947
Total program and supporting expenses	1,137,953	-	-	1,137,953
Increase (decrease) in net assets	(161,764)	85,755	-	(76,009)
Net assets - beginning of year	1,563,180	314,963	-	1,878,143
Net assets - end of year	\$ 1,401,416	\$ 400,718	\$ -	\$ 1,802,134

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, 2017

	Program Services	Supporting Services		
	Respite Care, Education and Other Expenses	Management and General	Fundraising	Total
Advertising	\$ 27	\$ -	\$ 12	\$ 39
Bank and credit card charges	5,329	-	13,092	18,421
Bad debts	-	100	-	100
Communications program	6,627	-	-	6,627
Depreciation	1,988	118	472	2,578
Dues and subscriptions	2,620	-	100	2,720
Education and training	11,692	174	1,314	13,180
Equipment loan program	16,542	-	-	16,542
Equipment rental	4,912	100	1,525	6,537
Holiday support program	3,527	-	-	3,527
In-kind	128,744	-	205	128,949
Insurance	30,398	2,804	2,902	36,104
Office supplies	4,846	1,097	1,242	7,185
Payments to national affiliate	86,288	7,198	13,971	107,457
Payroll	416,409	23,749	58,209	498,367
Payroll taxes	31,414	1,804	4,418	37,636
Payroll service	1,987	662	-	2,649
Permits and licenses	107	71	268	446
Postage and delivery	4,044	188	677	4,909
Printing and reproduction	2,636	72	578	3,286
Professional fees	11,724	816	6,816	19,356
Program expense and miscellaneous	44,532	-	-	44,532
Rent	16,168	994	3,974	21,136
Research	4,250	-	-	4,250
Repairs and maintenance	499	132	133	764
Respite care	52,200	-	-	52,200
Special events	23,147	-	26,033	49,180
Telephone	12,146	294	1,175	13,615
Travel	22,664	41	3,242	25,947
Utilities	2,572	171	686	3,429
Website	2,967	12	3,306	6,285
	<u>\$ 953,006</u>	<u>\$ 40,597</u>	<u>\$ 144,350</u>	<u>\$ 1,137,953</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, 2017

Cash Flows From Operating Activities:

Decrease in net assets	\$	(76,009)
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Adjustment to reconcile decrease in net assets
to net cash used in operating activities:

Depreciation	\$	2,578	
Unrealized gain on investments		(39,348)	
Loss on disposal of asset		778	
Donated inventory		(23,696)	
Changes in:			
Pledges receivable		8,000	
Prepaid expenses		(1,741)	
Assets whose use is limited		(66,002)	
Accounts payable		3,974	
Accrued vacation		1,794	
Total adjustments			(113,663)
Net cash used in operating activities			(189,672)

Cash Flows From Investing Activities:

Purchase of investments	(316,850)	
Purchase of equipment	(23,073)	
Sale of investment	336,445	
Net cash used in investing activities		(3,478)

Net decrease in cash and cash equivalents	(193,150)
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Cash and cash equivalents - beginning of year	558,858
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Cash and cash equivalents - end of year	\$ 365,708
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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, 2017

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, 2017, 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, 2017.

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, 2017, we had one certificate of deposit totaling \$207,099, 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, 2017, 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.

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
d.b.a THE ALS ASSOCIATION TENNESSEE CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, 2017, 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.

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
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NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

At January 31, 2017, 94% of our pledges receivable was due from one donor and 84% of our accounts payable was due to one vendor.

During the year ended January 31, 2017, we received 50% 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, 2017, 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, 2017:

	<u>Balance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Truxton Trust	\$207,099	.15%	April 22, 2017

NOTE 3 - Pledges Receivable

Pledges receivable consisted of the following at January 31, 2017:

Due in less than one year	\$ 102,309
Due in one to five years	<u>4,000</u>
Net contributions receivable	106,309
Less: restricted pledges	<u>105,834</u>
	<u>\$ 475</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, 2017:

Equities	\$ 32,780
Fixed income	<u>583,985</u>
	<u>\$ 616,765</u>

AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION TENNESSEE CHAPTER
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NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017

NOTE 4 - Investments (continued)

Investment income (loss) consisted of the following for the year ended January 31, 2017:

Interest, dividend, and capital gains	\$ 18,947
Unrealized gain	9,943
Investment fees	<u>(6,072)</u>
Investment income, net	<u>\$ 22,818</u>

NOTE 5 - Temporarily Restricted Net Assets

The following is a summary of temporarily restricted net assets at January 31, 2017:

Golf sponsorship	\$ 6,000
New clinic location	387,218
Respite care services	<u>7,500</u>
	<u>\$ 400,718</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 inventory. In-kind revenues differ from in-kind expenses in the year ended January 31, 2017, due to more inventory items being received than given to clients or disposed.

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, 2017, we remitted a total of \$107,457 to the national organization. As of January 31, 2017, we owed the national organization \$25,275.

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, 2017, was \$23,263. The storage units and one office space in Kingston, Tennessee, are classified as month to month leases.

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

For the years ended January 31,

2017	\$ 18,927
2018	4,924
2019	<u>885</u>
	<u>\$ 24,736</u>

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NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017

NOTE 9 - Joint Costs

During the year ended January 31, 2017, 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	\$ 23,147	\$ 26,033	\$ 49,180

NOTE 10 - Subsequent Events

We have evaluated events subsequent to the year ending January 31, 2017. As of March 31, 2017, 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, 2017.