



**The ALS Association - Texas Chapter**

**Financial Statements**  
**January 31, 2020**

# The ALS Association – Texas Chapter

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## **Independent Auditors' Report**

To the Board of Directors of  
The ALS Association - Texas Chapter

We have audited the accompanying financial statements of The ALS Association - Texas Chapter (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 U.S. generally accepted accounting principles; 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted accounting standards. 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 misstatements 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 The ALS Association - Texas 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 U.S. generally accepted accounting principles.

A handwritten signature in black ink that reads "Sutton Frost Lang". The signature is written in a cursive, flowing style.

A Limited Liability Partnership

Arlington, Texas  
February 25, 2021

**The ALS Association - Texas Chapter**  
**Statement of Financial Position**  
**January 31, 2020**

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**Assets**

**Current assets:**

Cash	\$	932,306
Contributions receivable		41,580
Prepaid expense and deposits		15,105
Donated durable medical equipment		678,286

<b>Total current assets</b>		1,667,277
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Contributions receivable - long-term		50,000
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<b>Total assets</b>	\$	1,717,277
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**Liabilities and Net Assets**

**Current liabilities:**

Accounts payable and accrued liabilities	\$	88,828
Due to the National ALS		28,422
Note payable, net		43,422
Deferred revenue		2,500

<b>Total current liabilities</b>		163,172
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**Noncurrent liabilities:**

Note payable, net of current portion		128,962
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<b>Total liabilities</b>		292,134
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**Net assets:**

Without donor restrictions		1,327,167
With donor restrictions		97,976

<b>Total net assets</b>		1,425,143
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<b>Total liabilities and net assets</b>	\$	1,717,277
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**The ALS Association - Texas Chapter**  
**Statement of Activities**  
**Year Ended January 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Special events, net of \$202,631 in direct benefits to donors	\$ 1,584,302	\$ -	\$ 1,584,302
Contributions	1,066,788	100,000	1,166,788
Donated durable medical equipment	351,774	-	351,774
Net assets released from restrictions	29,460	(29,460)	-
<b>Total support and revenue</b>	<b>3,032,324</b>	<b>70,540</b>	<b>3,102,864</b>
<b>Expenses:</b>			
Program services	2,412,650	-	2,412,650
General and administrative	235,572	-	235,572
Fundraising	395,080	-	395,080
<b>Total expenses</b>	<b>3,043,302</b>	<b>-</b>	<b>3,043,302</b>
<b>Change in net assets</b>	<b>(10,978)</b>	<b>70,540</b>	<b>59,562</b>
<b>Net assets at beginning of year</b>	<b>1,338,145</b>	<b>27,436</b>	<b>1,365,581</b>
<b>Net assets at end of year</b>	<b>\$ 1,327,167</b>	<b>\$ 97,976</b>	<b>\$ 1,425,143</b>

See notes to financial statements.

**The ALS Association - Texas Chapter**  
**Statement of Functional Expenses**  
**Year Ended January 31, 2020**

	Program Services	General and Administrative	Fundraising	Total
Employee compensation and related expenses	\$ 1,093,647	\$ 156,235	\$ 312,471	\$ 1,562,353
Medical equipment provided to clients	406,497	-	-	406,497
Payments to the National ALS (incl. \$53,422 for research)	394,453	28,921	61,727	485,101
Office	63,577	9,083	59,021	131,681
Occupancy	94,823	13,546	27,092	135,461
General grants and support	36,041	-	-	36,041
Professional fees	5,529	10,269	-	15,798
ALS clinic support	127,000	-	-	127,000
Travel	67,068	5,980	18,262	91,310
Awards and prizes	16,142	-	13,915	30,057
Contract services	91,153	5,288	100,595	197,036
Insurance	3,874	553	1,107	5,534
Advertising and promotion	12,846	1,237	3,521	17,604
Interest	-	4,460	-	4,460
<b>Total expenses</b>	<b>2,412,650</b>	<b>235,572</b>	<b>597,711</b>	<b>3,245,933</b>
<b>Less expenses included with revenues on the statement of activities</b>				
Direct benefits to donors	-	-	(202,631)	(202,631)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 2,412,650</b>	<b>\$ 235,572</b>	<b>\$ 395,080</b>	<b>\$ 3,043,302</b>

See notes to financial statements.

**The ALS Association - Texas Chapter**  
**Statement of Cash Flows**  
**Year Ended January 31, 2020**

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<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 59,562
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Imputed interest expense	4,460
Changes in assets and liabilities:	
Contributions receivable	(66,820)
Prepaid expenses and deposits	(6,151)
Donated durable medical equipment	(52,914)
Accounts payable and accrued liabilities	19,303
Due to the National ALS	(83,375)
Deferred revenue	(35,000)
<b>Net cash used by operating activities</b>	<u>(160,935)</u>
<b>Cash flows from financing activities:</b>	
Payments on notes payable	<u>(25,394)</u>
<b>Net cash used by financing activities</b>	<u>(25,394)</u>
<b>Net decrease in cash</b>	(186,329)
<b>Cash at beginning of year</b>	<u>1,118,635</u>
<b>Cash at end of year</b>	<u><u>\$ 932,306</u></u>

See notes to financial statements.



# The ALS Association - Texas Chapter

## Notes to Financial Statements

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### 1. Organization

The ALS Association - Texas Chapter (Organization) is a nonprofit corporation formed in 1994 and serves as the sole successor entity resulting from mergers among various regional chapters throughout the State of Texas. Our purpose is to discover treatments and a cure for ALS (amyotrophic lateral sclerosis, commonly known as “Lou Gehrig’s Disease”) and to serve, advocate for and empower people affected by ALS to live their lives to the fullest. We fulfill our mission by funding ALS research, supporting ALS certified centers, providing direct services such as durable medical equipment, communication and assistive devices, support groups, informational and referral services, and continuing the perpetual campaign to educate the public and raise awareness about this horrible disease.

The Organization is chartered by the The Amyotrophic Lateral Sclerosis Association (National ALS) and is one of approximately 40 chapters across the country.

The Organization’s mission is also carried on through services provided by the National ALS. In accordance with the terms of this relationship, the Organization is required to share a calculated portion of its revenue with the National ALS based on a percentage of contributions, excluding contributions restricted to research. This revenue sharing is calculated and paid quarterly.

The Organization is primarily supported by contributions from the general public, special event revenue and donated medical equipment.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Accounting***

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

#### ***Financial Statement Presentation***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Net assets without donor restrictions* - Net assets not subject to donor-imposed restrictions. Net assets without donor or grantor restrictions may be designated for specific purposes by action of the board of directors.

*Net assets with donor restrictions* - Net assets subject to donor or grantor restrictions that will be met by actions of the Organization and/or the passage of time.

## **The ALS Association - Texas Chapter**

### **Notes to Financial Statements**

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Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a board of directors approved spending policy. As of January 31, 2020, no such net asset restrictions existed.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Contributions whose restrictions are met in the same year the contributions are received are reported as net assets without donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

#### ***Financial Instruments and Credit Risk Concentrations***

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and contributions receivable. The Organization places cash with a high credit quality financial institution to minimize risk. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization has an uninsured bank balance of \$802,392 at January 31, 2020. The Organization has not experienced any losses on such assets.

Contributions receivable are unsecured and are due from various donors. The Organization continually evaluates the collectability of contributions and maintains allowances for potential losses, if considered necessary. At January 31, 2020, the Organization estimates that no allowance for uncollectible receivables was necessary.

At January 31, 2020, 97% of contributions receivable was due from two donors.

#### ***Revenue Recognition***

The Organization recognizes contributions from individuals when cash, securities, other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Special event revenue is recognized at the time of the event. Cash received in advance of the event is reported as deferred revenue.

## **The ALS Association - Texas Chapter**

### **Notes to Financial Statements**

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#### ***Donated Durable Medical Equipment***

The Organization receives donated durable medical equipment (DME), which is distributed to qualified individuals. Donated DME is recorded at estimated fair value as in-kind contribution revenue and inventory at the time the items are available for intended use. Donated DME with insignificant value or that cannot be distributed to clients is not recorded. The fair value of items contributed and made ready for use during the year ended January 31, 2020 totaled \$351,774.

When the equipment is distributed to an eligible consumer, the item is recognized as expense and released from inventory. The estimated value of DME distributed to eligible consumers during the year ended January 31, 2020 totaled \$406,497 and is reported as medical equipment provided to clients in the accompanying statement of functional expenses.

All other donated materials and equipment are recognized as contributions at their estimated fair values at date of receipt. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of nonprofessional tasks that assist the Organization in delivering its programs and running fundraising events. The value of these services is not reflected in the financial statements as they do not meet the requirements for recognition in accordance with GAAP.

#### ***Advertising Costs***

Advertising costs are expensed as incurred. Advertising expense for the year ended January 31, 2020 totaled \$17,604 and is included in advertising and promotion expense in the accompanying statement of functional expenses.

#### ***Allocation of Functional Expenses***

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present expenses by function and natural classification. Certain costs are charged directly to the functions they benefit. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include employee compensation and related expenses, office, occupancy, travel, contract services, insurance, and advertising and promotion which are allocated on the basis of estimates of employee time and effort. The functional expense allocation of the revenue sharing expense is based on allocation information provided by the National ALS. All other expenses have been directly allocated.

## **The ALS Association - Texas Chapter**

### **Notes to Financial Statements**

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#### ***Federal Income Taxes***

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the year ended January 31, 2020. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of January 31, 2020, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

#### ***Estimates and Assumptions***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

#### ***New Accounting Pronouncements***

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and change in net assets.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases (ASC Topic 842)* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (ROU) assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2021.

The Organization is currently assessing the impact that adopting this new guidance will have on the financial statements.

# The ALS Association - Texas Chapter

## Notes to Financial Statements

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### ***Accounting Pronouncements Adopted***

The Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) effective February 1, 2019, using the full retrospective method. Based on the Organization's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. Adoption on this ASU had no impact on total beginning net assets.

The Organization adopted the amendments of ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*, which provides guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Adoption of this ASU had no impact on total beginning net assets.

### **3. Note Payable**

The Organization received an unsecured, interest-free loan from the National ALS in August 2012 totaling \$295,149. Payments consisting of the greater of \$15,000 or 1% of annual fiscal-year revenues are due by January 31 of each year until January 31, 2033, when the remaining principal must be repaid. Interest is imputed at a rate of 2.28% annually. As of January 31, 2020, the loan had a principal balance of \$195,360 less a discount of \$22,976 for a net payable of \$172,384.

Maturities for each of the subsequent five years and thereafter are as follows as of January 31, 2020:

2021	\$	43,422
2022		15,000
2023		15,000
2024		15,000
2025		15,000
Thereafter		91,938
	\$	<u>195,360</u>

**The ALS Association - Texas Chapter**  
**Notes to Financial Statements**

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**4. Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of amounts restricted for the following purposes at January 31, 2020:

Time restricted	\$ 22,976
Time restricted - programs	<u>75,000</u>
	<u>\$ 97,976</u>

**5. Commitments**

The Organization leases office facilities and equipment under noncancelable operating lease agreements expiring at various dates through January 2023. Future minimum lease payments are as follows for the years ending January 31:

2021	44,913
2022	17,368
2023	2,400

Rent expense totaled \$85,353 for the year ended January 31, 2020.

**6. Liquidity and Availability of Resources**

The Organization's financial assets available for general expenditure within one year of the statement of financial position date are as follows at January 31, 2020:

Cash	\$ 932,306
Contributions receivable	<u>91,580</u>
Total financial assets	1,023,886
Less amounts unavailable for general expenditures within one year due to:	
Contributions receivable restricted for future years	<u>(50,000)</u>
Total financial assets available within one year available for general expenditures	<u>\$ 973,886</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization targets to have four months general operating cash on hand as outlined by the National ALS.

## **The ALS Association - Texas Chapter**

### **Notes to Financial Statements**

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#### **7. Related Party Transactions**

The Organization makes revenue sharing payments to the National ALS based on a percentage of contributions, excluding contributions made for research which are given in full to the National ALS. During the year ended January 31, 2020, revenue sharing expense, contributions for research and other costs to the National ALS totaled \$381,252, \$53,442 and \$50,407, respectively and are reported as payments to the National ALS in the accompanying statement of functional expenses. As of January 31, 2020 the Association has a payable to the National ALS of \$28,422 reported as due to the National ALS in the accompanying statement of financial position. The Organization has a note payable to the National ALS at January 31, 2020 totaling \$195,360.

The Organization received contributions of \$103,908 during the year ended January 31, 2020, from members of the board of directors.

#### **8. Subsequent Events**

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The coronavirus outbreak has severely restricted the level of economic activity around the world. Given the uncertainty of the spread of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

#### ***2020 PPP Loan***

On April 15, 2020, the Organization received loan proceeds of \$298,800 from a promissory note issued under the Paycheck Protection Program (PPP) which was established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as amended by the Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act), and is administered by the U.S. Small Business Administration. The Organization has elected to record this loan under ASC 470, Debt in which any subsequent forgiveness of the debt would result in a gain on extinguishment in the period when the Organization is legally released from the obligations of the debt. The term on the loan is two years and the annual interest rate is 1.00%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, as amended by the Flexibility Act, PPP loan recipients can apply for and be granted forgiveness for all or portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expense and the maintenance of workforce and compensation levels with certain limitations. The Organization plans to return any unused funds at the end of the loan period and believes it will likely qualify for full forgiveness on loan funds used, but there is uncertainty around the standards and operations of the PPP, and no assurance is provided that the Organization will obtain forgiveness in whole or in part.

## **The ALS Association - Texas Chapter**

### **Notes to Financial Statements**

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#### ***EIDL Loan***

In July 2020, the Organization received \$150,000 in loan funding from the Small Business Administration (SBA) under the Economic Injury Disaster Loan (EIDL) program administered by the SBA, which program was expanded pursuant to the Coronavirus Aid, Relief and Economic Security Act of 2020. The EIDL is evidenced by a promissory note (EIDL Note) in the original principal amount of \$150,000 with the SBA, the lender.

Under the terms of the EIDL Note, interest accrues on the outstanding principal at the rate of 2.75% per annum. The term of the EIDL Note is 30 years, though it may be payable sooner upon an event of default under the EIDL Note. Under the EIDL Note, the Organization will be obligated to make equal monthly payments of \$641 beginning in July 2021 through the maturity date of July 2050. Payments are first applied to accrued interest. The EIDL Note may be prepaid in part or in full, at any time, without penalty and is collateralized by the Organization's bank deposits, accounts receivable and equipment.

#### ***2021 PPP Loan***

On January 29, 2021, the Organization received a second PPP loan in the amount of \$298,800 under similar terms to the 2020 PPP Loan.

The Organization has evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.