



**The ALS Association - Texas Chapter**

**Financial Statements**  
**January 31, 2021**

# The ALS Association – Texas Chapter

## Contents

---

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

## **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, 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 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, 2021, 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  
December 2, 2021

**The ALS Association - Texas Chapter**  
**Statement of Financial Position**  
**January 31, 2021**

---

**Assets**

**Assets:**

Cash	\$ 1,740,277
Contributions receivable	176,781
Prepaid expense and deposits	3,342
Donated durable medical equipment	<u>802,680</u>
<b>Total assets</b>	<u><u>\$ 2,723,080</u></u>

**Liabilities and Net Assets**

**Liabilities:**

Accounts payable and accrued liabilities	\$ 51,072
Note payable to National ALS, net	172,384
Refundable advance	298,800
Economic Injury Disaster loan	<u>149,900</u>
<b>Total liabilities</b>	<u>672,156</u>

**Net assets:**

Without donor restrictions	1,727,948
With donor restrictions	<u>322,976</u>
<b>Total net assets</b>	<u>2,050,924</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 2,723,080</u></u>

See notes to financial statements.

**The ALS Association - Texas Chapter**  
**Statement of Activities**  
**Year Ended January 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Special events, net of \$75,354 in direct benefits to donors	\$ 1,293,449	\$ -	\$ 1,293,449
Contributions	1,011,326	250,000	1,261,326
Government grants	308,800	-	308,800
Donated durable medical equipment	555,225	-	555,225
Net assets released from restrictions	25,000	(25,000)	-
<b>Total support and revenue</b>	<b>3,193,800</b>	<b>225,000</b>	<b>3,418,800</b>
<b>Expenses:</b>			
Program services	1,980,904	-	1,980,904
General and administrative	220,566	-	220,566
Fundraising	417,798	-	417,798
<b>Total expenses</b>	<b>2,619,268</b>	<b>-</b>	<b>2,619,268</b>
<b>Change in net assets from operations</b>	<b>574,532</b>	<b>225,000</b>	<b>799,532</b>
Loss on inventory obsolescence	(173,751)	-	(173,751)
<b>Change in net assets</b>	<b>400,781</b>	<b>225,000</b>	<b>625,781</b>
<b>Net assets at beginning of year</b>	<b>1,327,167</b>	<b>97,976</b>	<b>1,425,143</b>
<b>Net assets at end of year</b>	<b>\$ 1,727,948</b>	<b>\$ 322,976</b>	<b>\$ 2,050,924</b>

See notes to financial statements.

**The ALS Association - Texas Chapter**  
**Statement of Functional Expenses**  
**Year Ended January 31, 2021**

	Program Services	General and Administrative	Fundraising	Total
Employee compensation and related expenses	\$ 1,124,544	\$ 160,649	\$ 321,298	\$ 1,606,491
Medical equipment provided to clients	337,052	-	-	337,052
Payments to the National ALS (incl. \$28,790 for research)	305,297	29,760	70,446	405,503
Office	30,369	4,338	51,832	86,539
Occupancy	75,677	10,811	21,622	108,110
General grants and support	6,153	-	-	6,153
Professional fees	4,976	9,241	-	14,217
Travel	9,982	829	2,703	13,514
Awards and prizes	18,615	-	2,068	20,683
Contract services	46,517	2,734	17,202	66,453
Insurance	3,925	561	1,121	5,607
Advertising and promotion	14,227	1,133	3,840	19,200
Bank charges	991	142	283	1,416
Other	2,579	368	737	3,684
<b>Total expenses</b>	<b>1,980,904</b>	<b>220,566</b>	<b>493,152</b>	<b>2,694,622</b>
<b>Less expenses included with revenues on the statement of activities</b>				
Direct benefits to donors	-	-	(75,354)	(75,354)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 1,980,904</b>	<b>\$ 220,566</b>	<b>\$ 417,798</b>	<b>\$ 2,619,268</b>

See notes to financial statements.

**The ALS Association - Texas Chapter**  
**Statement of Cash Flows**  
**Year Ended January 31, 2021**

---

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 625,781
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Loss on inventory obsolescence	173,751
Changes in assets and liabilities:	
Contributions receivable	(85,201)
Prepaid expenses and deposits	11,763
Donated durable medical equipment	(298,145)
Accounts payable and accrued liabilities	(37,756)
Due to the National ALS	(28,422)
Refundable advance	298,800
Deferred revenue	(2,500)
	<u>658,071</u>
<b>Net cash provided by operating activities</b>	
<b>Cash flows from financing activities:</b>	
Proceeds from Economic Injury Disaster loan	<u>149,900</u>
<b>Net cash provided by financing activities</b>	
	<u>149,900</u>
<b>Net increase in cash</b>	807,971
<b>Cash at beginning of year</b>	<u>932,306</u>
<b>Cash at end of year</b>	<u><u>\$ 1,740,277</u></u>

See notes to financial statements.



# The ALS Association - Texas Chapter

## Notes to Financial Statements

---

### 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 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

---

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, 2021, 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 \$1,683,248 at January 31, 2021. The Organization has not experienced any losses on such assets.

Contributions receivable are unsecured and are due from various donors. At January 31, 2021, contributions receivable are expected to be collected as follows:

FYE 2022	\$ 151,781
FYE 2023	<u>25,000</u>
	<u>\$ 176,781</u>

The Organization continually evaluates the collectability of contributions and maintains allowances for potential losses, if considered necessary. At January 31, 2021, the Organization estimates that no allowance for uncollectible receivables was necessary.

At January 31, 2021, 83% of contributions receivable was due from three donors.

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

### **Notes to Financial Statements**

---

#### ***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.

#### ***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, 2021 totaled \$555,225.

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, 2021 totaled \$337,052 and is reported as medical equipment provided to clients in the accompanying statement of functional expenses. During the year ended January 31, 2021, the Organization recognized a loss on DME inventory in the amount of \$173,751 to remove obsolete inventory.

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, 2021 totaled \$19,200 and is included in advertising and promotion expense in the accompanying statement of functional expenses.

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

### **Notes to Financial Statements**

---

#### ***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.

#### ***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, 2021. 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, 2021, 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 ALS Association - Texas Chapter**

### **Notes to Financial Statements**

---

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.

In 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Organization will be required to present contributed nonfinancial assets as a separate line items in the statement of activities, apart from contributions of cash or other financial assets, and additional quantitative and qualitative disclosures will be required. The standard takes effect for annual reporting periods beginning after June 15, 2021.

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

### **3. Note Payable to National ALS**

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, 2021, the loan had a principal balance of \$195,360 less a discount of \$22,976 for a net payable of \$172,384. Subsequent to year end, the Organization paid the loan in full.

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

### **Notes to Financial Statements**

---

#### **4. Paycheck Protection Program Loans**

On April 15, 2020, the Organization received loan proceeds from a bank in the aggregate amount of \$298,800 (PPP1 Loan) pursuant to the Paycheck Protection Program (PPP). The PPP is sponsored by the Small Business Administration (SBA), and is part of the Coronavirus Aid, Relief and Economic Security Act, as amended by the Paycheck Protection Program Flexibility Act of 2020. The PPP loans may be forgiven after an eight or twenty four week period as long as the borrower uses the loan proceeds for eligible purposes and maintains payroll levels. The unforgiven portion of the PPP1 Loan is payable over two years at an interest rate of 1%, with a deferral of payments until the date the SBA remits the borrower's loan forgiveness amount to the lender (or until ten months after the covered period if the borrower does not apply for forgiveness). The Organization believes that its use of the PPP1 Loan proceeds has met the conditions for forgiveness by the SBA as of January 31, 2021. In accordance with ASU 2018-08, the Organization is treating the PPP1 Loan as a conditional contribution. Accordingly, the Organization has recognized the full amount of the PPP1 Loan as government grant revenue in the accompanying statement of activities for the year ended January 31, 2021. The Organization received formal forgiveness on August 6, 2021.

On January 27, 2021, the Organization received \$298,800 (PPP2 Loan) under the second iteration of the PPP, which has similar terms as the original. The proceeds of the PPP2 Loan are reported as a refundable advance on the accompanying statement of financial position at January 31, 2021. The Organization will recognize government grant revenue as the allowable expenditures are incurred. The Organization received formal forgiveness on October 14, 2021.

#### **5. EIDL Loan**

On July 24, 2020, the Organization received \$150,000 in loan funding from the Economic Injury Disaster Loan (EIDL) program administered by the SBA, which program was expanded pursuant to the CARES Act. 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 beginning on July 24, 2022. 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 2022 through the maturity date of July 2050. 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. The balance outstanding on the EIDL Note at January 31, 2021 was \$149,900.

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

---

Minimum required future principal payments on the EIDL Note are as follows for the years ending January 31:

2022	\$ 2,143
2023	3,674
2024	3,777
2025	3,882
2026	3,990
Thereafter	<u>132,434</u>
	<u>\$ 149,900</u>

**6. Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of amounts restricted for the following purposes at January 31, 2021:

Time restricted	\$ 97,976
Time restricted - programs	<u>225,000</u>
	<u>\$ 322,976</u>

**7. Commitments**

The Organization leases office facilities and equipment under noncancelable operating lease agreements expiring at various dates through September 2022. Future minimum lease payments are as follows for the years ending January 31:

2022	\$ 42,568
2023	2,400

Rent expense totaled \$104,096 for the year ended January 31, 2021.

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

---

**8. 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, 2021:

Cash	\$ 1,740,277
Contributions receivable	<u>176,781</u>
Total financial assets	1,917,058
Less amounts unavailable for general expenditures within one year due to:	
Contributions receivable restricted for future years	<u>(25,000)</u>
Total financial assets available within one year available for general expenditures	<u>\$ 1,892,058</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.

**9. 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, 2021, revenue sharing expense, contributions for research and other costs to the National ALS totaled \$328,650, \$28,790 and \$48,063, respectively and are reported as payments to the National ALS in the accompanying statement of functional expenses. The Organization has a note payable to the National ALS at January 31, 2021 totaling \$195,360. Subsequent to year end, this note was paid in full.

The Organization received contributions of \$123,313 during the year ended January 31, 2021, from members of the board of directors.

**10. Coronavirus Aid, Relief, and Economic Security Act and Other Coronavirus 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.



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

---

**11. Subsequent Events**

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.