

**THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA,
SOUTH DAKOTA CHAPTER**

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Financial Statements

Years Ended January 31, 2020 and 2019

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

C O N T E N T S

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2 - 3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 20



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The ALS Association, Minnesota, North Dakota, South Dakota Chapter
d.b.a. ALS Association, MN/ND/SD Chapter
Minneapolis, Minnesota

We have audited the accompanying financial statements of The ALS Association, Minnesota, North Dakota, South Dakota Chapter, d.b.a. ALS Association, MN/ND/SD Chapter (a Minnesota nonprofit organization) (the "Association"), which comprise the statements of financial position as of January 31, 2020 and 2019 and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 The ALS Association, Minnesota, North Dakota, South Dakota Chapter, d.b.a. ALS Association, MN/ND/SD Chapter as of January 31, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Boulay PLLP

Boulay PLLP

Minneapolis, Minnesota
July 13, 2020

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Statements of Financial Position

ASSETS	January 31	
	2020	2019
Current Assets		
Cash and cash equivalents	\$ 480,709	\$ 1,435,549
Investments, short-term	408,146	410,416
Current maturities of pledges receivable	3,081	68,091
Other current assets	36,018	56,033
Total current assets	<u>927,954</u>	<u>1,970,089</u>
Investments, long-term	2,606,174	2,364,908
Property and Equipment		
Medical equipment loan pool	1,729,053	1,703,936
Hrbek-Sing program equipment	635,557	597,562
Office furniture and equipment	215,398	212,191
Leasehold improvements	490,367	490,367
Total furniture and equipment	<u>3,070,375</u>	<u>3,004,056</u>
Less accumulated depreciation	<u>1,509,890</u>	<u>1,538,617</u>
Net property and equipment	<u>1,560,485</u>	<u>1,465,439</u>
Other Assets	<u>19,518</u>	<u>22,528</u>
Total Assets	<u><u>\$ 5,114,131</u></u>	<u><u>\$ 5,822,964</u></u>

Notes to Financial Statements are an integral part of this Statement.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Statements of Financial Position

LIABILITIES AND NET ASSETS	January 31	
	2020	2019
Current Liabilities		
Accounts payable	\$ 45,797	\$ 277,533
Accrued liabilities	81,293	93,742
Current maturities of capital lease obligations	1,773	1,696
Due to ALS National	145,586	214,842
Total current liabilities	<u>274,449</u>	<u>587,813</u>
Deferred Rent	532,712	456,671
Capital Lease Obligations, net of current maturities	3,629	5,402
Commitments and Contingencies		
Net Assets		
Without donor restrictions	4,040,196	4,219,884
With donor restrictions	263,145	553,194
Total net assets	<u>4,303,341</u>	<u>4,773,078</u>
Total Liabilities and Net Assets	<u>\$ 5,114,131</u>	<u>\$ 5,822,964</u>

Notes to Financial Statements are an integral part of this Statement.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Statement of Activities

Year Ended January 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support and contributions	\$ 896,086	\$ 486,394	\$ 1,382,480
Donated equipment	727,992	-	727,992
Special events, net of \$240,490 in direct benefits to donors	1,719,160	-	1,719,160
Interest and dividend income	51,565	-	51,565
Unrealized and realized gain on investments	121,954	-	121,954
Total support and revenue before net assets released from restrictions	3,516,757	486,394	4,003,151
Net assets released from restrictions	776,443	(776,443)	-
Total support and revenue	4,293,200	(290,049)	4,003,151
Expenses			
Program services			
Care services	2,406,103	-	2,406,103
Advocacy	434,582	-	434,582
Research	375,179	-	375,179
Total program services	3,215,864	-	3,215,864
Supporting services			
Fundraising	868,011	-	868,011
Administration	389,013	-	389,013
Total supporting services	1,257,024	-	1,257,024
Total expenses	4,472,888	-	4,472,888
Change in Net Assets	(179,688)	(290,049)	(469,737)
Net Assets - Beginning of Year	4,219,884	553,194	4,773,078
Net Assets - End of Year	\$ 4,040,196	\$ 263,145	\$ 4,303,341

Notes to Financial Statements are an integral part of this Statement.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Statement of Activities

Year Ended January 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support and contributions	\$ 2,070,025	\$ 949,495	3,019,520
Donated equipment	450,322	-	450,322
Special events, net of \$143,069 in direct benefits to donors	2,961,853	-	2,961,853
Interest and dividend income	34,315	-	34,315
Unrealized and realized loss on investments	(18,971)	-	(18,971)
Total support and revenue before net assets released from restrictions	5,497,544	949,495	6,447,039
Net assets released from restrictions	410,861	(410,861)	-
Total support and revenue	<u>5,908,405</u>	<u>538,634</u>	6,447,039
Expenses			
Program services			
Care services	2,389,386	-	2,389,386
Advocacy	431,281	-	431,281
Research	859,392	-	859,392
Total program services	<u>3,680,059</u>	-	3,680,059
Supporting services			
Fundraising	1,084,117	-	1,084,117
Administration	371,665	-	371,665
Total supporting services	<u>1,455,782</u>	-	1,455,782
Total expenses	<u>5,135,841</u>	-	5,135,841
Change in Net Assets	772,564	538,634	1,311,198
Net Assets - Beginning of Year	<u>3,447,320</u>	<u>14,560</u>	3,461,880
Net Assets - End of Year	<u>\$ 4,219,884</u>	<u>\$ 553,194</u>	\$ 4,773,078

Notes to Financial Statements are an integral part of this Statement.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Statement of Functional Expenses

Year Ended January 31, 2020

	Program Services				Supporting Services			2020 Total Expenses
	Care Services	Advocacy	Research	Total	Fundraising	Administration	Total	
Salaries, payroll taxes, and benefits	\$ 837,126	\$ 298,366	\$ -	\$ 1,135,492	\$ 439,108	\$ 253,462	\$ 692,570	\$ 1,828,062
Respite care	281,392	-	-	281,392	-	-	-	281,392
Loan closet equipment	189,216	-	-	189,216	-	-	-	189,216
Revenue sharing expense, ALS National	73,594	28,734	129,302	231,630	41,928	19,645	61,573	293,203
Research, ALS National	-	-	245,877	245,877	-	-	-	245,877
Hrbek-Sing program	60,985	-	-	60,985	-	-	-	60,985
Home safety program	5,994	-	-	5,994	-	-	-	5,994
Occupancy	181,180	55,759	-	236,939	82,062	47,368	129,430	366,369
Printing and postage	19,327	1,665	-	20,992	17,294	1,414	18,708	39,700
Professional fees	21,264	13,412	-	34,676	11,154	6,438	17,592	52,268
Travel and meetings	42,943	6,476	-	49,419	27,037	5,502	32,539	81,958
ALS clinic expense	87,234	-	-	87,234	-	-	-	87,234
Supplies	14,856	5,295	-	20,151	7,792	4,498	12,290	32,441
Miscellaneous	7,271	2,164	-	9,435	3,184	1,838	5,022	14,457
Dues and subscriptions	25,784	9,190	-	34,974	13,525	7,807	21,332	56,306
Bank charges	-	-	-	-	30,824	30,824	61,648	61,648
Advertising	-	1,494	-	1,494	1,494	-	1,494	2,988
Support group	255	-	-	255	-	-	-	255
Special events	-	-	-	-	174,909	-	174,909	174,909
Special events, direct benefit to donor	-	-	-	-	240,490	-	240,490	240,490
Depreciation	557,682	12,027	-	569,709	17,700	10,217	27,917	597,626
Totals	2,406,103	434,582	375,179	3,215,864	1,108,501	389,013	1,497,514	4,713,378
Less special events, direct benefit to donor	-	-	-	-	(240,490)	-	(240,490)	(240,490)
Total functional expenses	\$ 2,406,103	\$ 434,582	\$ 375,179	\$ 3,215,864	\$ 868,011	\$ 389,013	\$ 1,257,024	\$ 4,472,888

Notes to Financial Statements are an integral part of this Statement.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Statement of Functional Expenses

Year Ended January 31, 2019

	Program Services				Supporting Services			2019 Total Expenses
	Care Services	Advocacy	Research	Total	Fundraising	Administration	Total	
Salaries, payroll taxes, and benefits	\$ 737,167	\$ 296,520	\$ -	\$ 1,033,687	\$ 487,367	\$ 229,243	\$ 716,610	\$ 1,750,297
Respite care	261,149	-	-	261,149	-	-	-	261,149
Loan closet equipment	295,881	-	-	295,881	-	-	-	295,881
Revenue sharing expense, ALS National	137,272	49,397	231,387	418,056	64,996	36,918	101,914	519,970
Research, ALS National	-	-	628,005	628,005	-	-	-	628,005
Hrbek-Sing program	69,103	-	-	69,103	-	-	-	69,103
Home safety program	6,120	-	-	6,120	-	-	-	6,120
Occupancy	82,392	32,743	-	115,135	54,752	25,314	80,066	195,201
Printing and postage	8,925	1,894	-	10,819	22,169	2,477	24,646	35,465
Professional fees	43,649	17,557	-	61,206	28,858	13,574	42,432	103,638
Travel and meetings	24,925	13,847	-	38,772	26,103	6,263	32,366	71,138
ALS clinic expense	94,625	-	-	94,625	-	-	-	94,625
Supplies	7,387	2,842	-	10,229	9,345	2,197	11,542	21,771
Miscellaneous	8,586	1,038	-	9,624	1,824	802	2,626	12,250
Dues and subscriptions	15,845	6,374	-	22,219	10,476	4,927	15,403	37,622
Bank charges	-	-	-	-	41,861	41,861	83,722	83,722
Advertising	-	980	-	980	980	-	980	1,960
Support group	642	-	-	642	-	-	-	642
Special events	-	-	-	-	327,297	-	327,297	327,297
Special events, direct benefit to donor	-	-	-	-	143,069	-	143,069	143,069
Depreciation	595,718	8,089	-	603,807	8,089	8,089	16,178	619,985
Totals	2,389,386	431,281	859,392	3,680,059	1,227,186	371,665	1,598,851	5,278,910
Less special events, direct benefit to donor	-	-	-	-	(143,069)	-	(143,069)	(143,069)
Total functional expenses	\$ 2,389,386	\$ 431,281	\$ 859,392	\$ 3,680,059	\$ 1,084,117	\$ 371,665	\$ 1,455,782	\$ 5,135,841

Notes to Financial Statements are an integral part of this Statement.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Statements of Cash Flows

	Years Ended January 31	
	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (469,737)	\$ 1,311,198
Adjustments to reconcile change in net assets to net cash from operating activities:		
Donated capital equipment	(714,752)	(440,063)
Depreciation	597,626	619,985
Loss on disposal of asset	82,196	129,926
Unrealized and realized (gain) loss on investments	(121,954)	18,971
Contributions restricted for long-term purposes	-	(61,770)
Change in assets and liabilities		
Pledge receivables	65,010	(53,531)
Other current assets	20,015	(41,689)
Other assets	3,010	(19,518)
Accounts payable	(117,321)	99,510
Accrued liabilities	(12,449)	9,022
Due to ALS National	(69,256)	35,127
Deferred rent	76,041	(3,559)
Net cash from (used for) operating activities	<u>(661,571)</u>	<u>1,603,609</u>
Cash Flows used for Investing Activities		
Proceeds from investments	1,009,974	164,255
Purchases of investments	(1,127,016)	(1,271,999)
Purchases of furniture and equipment	(174,531)	(122,889)
Net cash used for investing activities	<u>(291,573)</u>	<u>(1,230,633)</u>
Cash Flows used for Financing Activities		
Payments on capital lease obligations	(1,696)	(1,621)
Proceeds from contributions restricted for equipment	-	61,770
Net cash from (used for) financing activities	<u>(1,696)</u>	<u>60,149</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(954,840)	433,125
Cash and Cash Equivalents - Beginning of Year	<u>1,435,549</u>	<u>1,002,424</u>
Cash and Cash Equivalents - End of Year	<u>\$ 480,709</u>	<u>\$ 1,435,549</u>
Supplemental Cash Flow Information		
Cash paid for interest	\$ 285	\$ 359
Supplemental Disclosure of Non-Cash Investing Activities		
Donated capital equipment	\$ 714,752	\$ 440,063
Lease incentives, leasehold improvements paid by landlord	\$ -	\$ 450,415
Property and furniture purchases included in accounts payable	\$ -	\$ 114,415

Notes to Financial Statements are an integral part of this Statement.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Notes to Financial Statements

January 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The ALS Association, Minnesota, North Dakota, South Dakota Chapter, d.b.a. ALS Association, MN/ND/SD Chapter (the "Association") was organized in 1993 as a volunteer organization to provide technical and emotional support to people living with Amyotrophic Lateral Sclerosis (ALS) and their families and to raise money for research. In April 2008, the Association expanded its service territory to include North Dakota and then further expanded during January 2011 to service South Dakota.

The Association is a chapter of the national Amyotrophic Lateral Sclerosis Association ("ALS National"). Under the Association's governance documents and its chapter affiliation and revenue sharing agreements with ALS National, the Association is considered "financially interrelated" with ALS National as that term is defined within generally accepted accounting principles. As such, the donor restricted research funds received by the Association are reflected as restricted contributions and the related distributions to ALS National are reflected as expenses within the Association's financial statements.

The Association is focused on three mission areas: care services, advocacy, and ALS research.

Care services programs provide direct services such as the durable medical equipment loan pool, Jack Norton family respite program, Hrbek-Sing communication and assistive device program, home safety program, volunteer programs, support groups, and information and referral services. The Association also provides funding to ALS Certified Centers through their service area.

The Association's advocacy program includes collecting information about ALS and disseminating it to people living with the disease, families, health care professionals, and the general public; and raising awareness for research and care services. The Association works, on a national and state level, to address the various challenges that people with ALS and their families face each day. These ongoing advocacy efforts involve working to shape Medicare and Medicaid policies and conveying the urgent need for additional research funding.

The research program is funded through the Association's specific contributions for this purpose to ALS National and through the Association's revenue sharing agreement (see Note 10). All research projects are overseen by and administered through ALS National and any research funds received by local chapters are required to be distributed to ALS National for this restricted purpose.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis.

The Association reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions based upon the existence or absence of donor-imposed restrictions.

Contributions

The Association reports gifts of cash and other assets as support with donor restrictions if they are received with donor restrictions that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Notes to Financial Statements

January 31, 2020 and 2019

Contributions of furniture and equipment or other long-lived assets are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as donor restricted support. Absent explicit donor restrictions about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Non-cash contributions of goods and services, which meet certain recognition requirements, are recorded at their estimated fair value at the date of receipt. Donated capital equipment valued at approximately \$715,000 and \$440,000 and donated non-capital equipment valued at approximately \$13,000 and \$10,000 was recorded for the years ended January 31, 2020 and 2019, respectively. Additionally, a substantial number of volunteer hours are donated by individuals to the Association's program services and fundraising campaigns which do not meet the requirements for recognition in the financial statements, and therefore, their value has not been recorded.

Use of Estimates

The preparation of the financial statements, in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates, and the difference could be material. Significant management estimates include economic lives of furniture and equipment, the valuation of donated equipment, and the expense allocations to program and supporting services. It is at least reasonably possible that these estimates may change in the near term.

Cash and Cash Equivalents

The Association considers all highly liquid debt instruments and certificates of deposits purchased with initial maturities of three months or less to be cash equivalents. The Association includes in cash amounts held in checking and money market savings accounts. The Association's certificates of deposit with initial maturities of greater than three months are reported within investments. The Association's investments in certificates of deposits are held in separate financial institutions. At times throughout the year, the Association's cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation.

Investments

Investments are reported at fair market value and are generally classified as long-term, except for those certificates of deposit maturing in the next year which are classified as current. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Realized and unrealized gains and losses on investments are recorded in the statement of activities. Investment income is generally absent donor restriction and is therefore unrestricted.

Property and Equipment

Property and equipment are stated at cost for purchased items or at fair value at date of gift for donated items. Depreciation is recorded using the straight-line method over the estimated useful lives of three to ten years for equipment (medical, communication, and office equipment) and office furniture. Commencing February 1, 2019, leasehold improvements are amortized over the shorter of the lease term or useful life on a straight-line basis which is eleven years. Normal repairs and maintenance are charged to expense when incurred. The present values of capital lease obligations are classified as long-term debt and the related assets are included in equipment. Amortization of equipment under capital leases is recorded at the shorter of its useful life or the lease term and is included in depreciation expense.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Notes to Financial Statements

January 31, 2020 and 2019

The majority of the Association's equipment is used in providing direct services to the individuals and families the Association serves. The medical equipment and the loan pool equipment is typically placed on loan with those individuals and families. A significant portion of medical equipment donated to the loan pool is used. The fair values assigned to these donated items are based on a variety of factors, including the current condition of the equipment at the date of receipt and the original cost. The estimates of fair value of donated used medical equipment and the remaining useful life of such equipment represent significant estimates, which may change in the near term.

Long-Lived Assets

Long-lived assets, such as furniture and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Association first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including, but not limited to, discounted cash flow models, quoted market values, and third-party independent appraisals.

Special Event Revenue

Special event revenue is received from a number of events held throughout the year. One of the largest special events is the Black Woods Blizzard Tour (Blizzard Tour), which is typically held near or at the Association's fiscal year end. The 2019 Blizzard Tour was held in January and February 2019, occurring partially during the 2019 fiscal year and partially in the current 2020 fiscal year. The 2018 Blizzard Tour was held in February 2018, during the 2019 fiscal year. Contributions made as a part of the event are unconditional and not refundable; therefore, the contribution revenues are recognized when received. Contributions for the February 2019 and February 2018 Blizzard Tour events that were received during the 2019 fiscal year were recognized as revenue in the year ended January 31, 2019. The portion of the revenue that relates to the ticket price for the cost of the event dinner or other similar benefit is recognized when the event occurs.

Both the Black Woods Blizzard Tour and Kolar Toyota ALS Fishing Tournament are now being managed by Never Surrender, Inc., an independent charitable entity. Never Surrender, Inc. was responsible for the 2020 Black Woods Blizzard Tour held in January and February 2020 and the Kolar Toyota Fishing Tournament held in May of 2020. The Association expects to continue to benefit from these events. Future contributions received by the Association will be recorded as a donation, may be restricted in use, and will be received subsequent to the event taking place.

Net special event revenue of \$1,719,160 for the year ended January 31, 2020 included \$171,385 of Blizzard Tour income (\$114,522 associated with the January 30 – February 2, 2019 Blizzard Tour and \$56,863 associated with the January 29 – February 1, 2020 Blizzard Tour). Net special event revenue of \$2,961,853 for the year ended January 31, 2019 included \$1,373,798 of Blizzard Tour income (\$422,807 associated with the February 7-10, 2018 Blizzard Tour and \$950,991 of revenue associated with the January 30 – February 2, 2019 Blizzard Tour).

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Notes to Financial Statements

January 31, 2020 and 2019

The Association follows a policy of providing an allowance for doubtful accounts; however, based on historical experience, and its evaluation of the current status of receivables, the Association is of the belief that such accounts will be collectible in all material respects and thus an allowance is not necessary. Accounts are considered past due if payment is not made on a timely basis. Accounts considered uncollectible are written off.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of the Association. Expenses charged to program services and supporting services, if not directly identifiable, are allocated to the services benefited based on estimates by management. Administrative expenses typically include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association. The primary expenses that are allocated include salaries, payroll taxes, and benefits and occupancy expenses which are allocated on the basis of estimates of time and effort, depreciation which is allocated on the basis of nature and use of the assets owned, and revenue sharing expense which is allocated based on allocation information provided by ALS National.

Deferred Rent

Certain of the Association's operating leases (primarily the facility lease) contain predetermined fixed escalations of minimum rentals during the original lease terms. The Association recognizes rental expense on a straight-line basis over the lease term and records the difference between the accumulated monthly lease payments and the accumulated straight-line expense incurred as deferred rent. Additionally, the Association received certain lease incentives in conjunction with entering into its new facility lease as described in Note 6. The lease incentives are recorded as deferred rent within other long-term liabilities and will be recognized on a straight-line basis as a reduction of rent expense over the lease term.

Fair Value of Financial Instruments

The Association's accounting for fair value measurements of assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis adheres to the Financial Accounting Standards Board (FASB) fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Notes to Financial Statements

January 31, 2020 and 2019

Income Taxes

The Association is a nonprofit entity and therefore exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code and applicable state statutes. The Association follows guidance for accounting for uncertainty in income taxes and has evaluated whether they have any significant tax uncertainties that would require recognition or disclosure. Primarily due to the exempt status, the Association does not have any significant tax uncertainties that would require recognition or disclosure.

The Association is no longer subject to income tax examinations for years before fiscal year 2017.

Recently Adopted Accounting Pronouncements

In May 2014 and subsequently amended, the FASB issued ASU No. 2014-09 which amended *Revenue from Contracts with Customers (Topic 606)* of the Accounting Standards Codification. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Association adopted the new standard effective February 1, 2019 using the modified retrospective method. The adoption of Topic 606 did not have a material impact on the Association's financial statements.

In June 2018, the FASB issued ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance was issued to clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The new standard is to be applied on a modified prospective basis, although retrospective application is permitted. For transactions in which the Association serves as the resource recipient, the amendments are effective for annual periods beginning February 1, 2019. For transactions in which the Association serves as the resource provider, the amendments are effective for annual periods beginning February 1, 2020. Early adoption of the amendment is permitted. The Association adopted this standard as of February 1, 2019 and the adoption of this standard did not have a material impact on the Association's financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires organizations to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for the Association for the fiscal year beginning February 1, 2022. The Association is currently evaluating the impact that the adoption of this guidance will have on its financial statements.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Notes to Financial Statements

January 31, 2020 and 2019

Subsequent Events

The Association has evaluated subsequent events through July 13, 2020, the date which the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic. The extent of the impact of COVID-19 interferes with the Association's ability, of that of its employees, suppliers, and other business partners, to perform their respective responsibilities and obligations relative to the conduct of the Association's business as well as impacts donors' ability to support the Association. The Association's special events following the declaration of a pandemic were able to continue in a virtual format. At this time, it is impossible to predict the effect and ultimate impact of the COVID-19 pandemic on the Association's operations results and financial condition, as the situation is rapidly evolving.

Subsequent to year end, the Association received a loan through the Small Business Administration's Payroll Protection Program for approximately \$325,000. All or a portion of the loan is forgivable if the Association meets certain conditional requirements in the future.

2. LIQUIDITY AND AVAILABILITY

The following represents the Association's financial assets at January 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year because of donor restrictions or other contractual considerations:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents	\$ 480,709	\$ 1,435,549
Investments, short-term	408,146	410,416
Current maturities of pledges receivable	3,081	68,091
Investments, long-term	<u>2,606,174</u>	<u>2,364,908</u>
Total financial assets	<u>3,498,110</u>	<u>4,278,964</u>
Less those unavailable for general expenditure within one year:		
Net assets with donor restrictions, exclusive of amounts expended for assets not yet in service (Note 7)	<u>(263,145)</u>	<u>(512,049)</u>
Total financial assets not available for general expenditures within one year	<u>(263,145)</u>	<u>(512,049)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 3,234,965</u>	<u>\$ 3,766,915</u>

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Notes to Financial Statements

January 31, 2020 and 2019

Net assets with donor restrictions are specifically restricted for use towards the Association's program services and are not available to meet general expenditures. Although such funds may ultimately be used within one year, their use is restricted by the donors and therefore the funds are not considered available for the general use of the Association. The pledges receivable are subject to time and donor imposed restrictions and are included within net assets with donor restrictions for the years ended January 31, 2020 and 2019. The Association structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of liquidity management, the Association maintains financial assets, which consist of cash, cash equivalents, and short-term investments, on hand to meet at least 6 months of normal operating expenses. The Association invests cash in excess of daily requirements in long-term investments, consisting of certificates of deposits and equity securities, for the stability and future viability of the Association. The Association does not foresee using the long-term investments within the next year, however, these funds could be used if necessary.

3. CONCENTRATIONS

Proceeds from the Twin Cities Walk event represent 13% of the Association's total support and revenue for the year ended January 31, 2020. Proceeds from the Black Woods Tour events represent 21% of the Association's total support and revenue for the year ended January 31, 2019. During fiscal 2019, one donor contributed approximately \$964,000, or 15% of total contributions.

The Association had pledges receivable of \$68,091 at January 31, 2019. One donor comprised 72% of the Association's pledges receivable at January 31, 2019.

4. INVESTMENTS

Investments consist of the following instruments at January 31:

	<u>2020</u>	<u>2019</u>
Short-term investments:		
Certificates of deposit	\$ 408,146	\$ 410,416
Long-term investments:		
Certificates of deposit	622,656	614,476
Fixed income mutual funds	614,580	501,246
Commodity exchange traded funds	-	22,800
Equity exchange traded funds	615,126	553,139
Bond exchange traded funds	753,812	673,247
Total long-term investments	<u>2,606,174</u>	<u>2,364,908</u>
Total investments	<u>\$ 3,014,320</u>	<u>\$ 2,775,324</u>

Investment fees were approximately \$18,000 and \$13,000 for the years ended January 31, 2020 and 2019, respectively, and are included within investment income on the statement of activities.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Notes to Financial Statements

January 31, 2020 and 2019

5. PLEDGES RECEIVABLE

Pledges receivable consist of the following at January 31:

	<u>2020</u>	<u>2019</u>
Equipment fund	\$ 2,633	\$ 2,743
Research	287	20,337
Hrbek-Sing program	230	270
Volunteer program	-	5,884
Advocacy program	-	3,000
Special event sponsorship	-	31,500
General operations	-	6,400
Less unamortized discount	<u>(69)</u>	<u>(2,043)</u>
Total pledges receivable	<u>\$ 3,081</u>	<u>\$ 68,091</u>
Amounts are due in:		
Less than one year	<u>\$ 3,150</u>	<u>\$ 70,134</u>
	3,150	70,134
Less unamortized discount (2.25% for 2020 and 3.00% for 2019)	<u>(69)</u>	<u>(2,043)</u>
Total pledges receivable	<u>\$ 3,081</u>	<u>\$ 68,091</u>

6. LEASE OBLIGATIONS

The Association leases office space and certain items of equipment over terms of five to eleven years. The Association is obligated to pay costs of insurance, repairs, and maintenance pursuant to the terms of the leases.

In February 2014, the Association extended its previous office space lease agreement through December 2019. Under the extended and amended agreement, the Association leased its previous office space, which required monthly rent ranging from \$7,546 to \$8,662 through December 2019. In February 2019, the Association moved its offices from the previous leased space to the new office space. However, the existing lease remained in effect through December 2019.

In September 2018, the Association entered into a new office space lease through November 2029. The Association began leasing the new office space in February 2019 and the lease requires monthly rent ranging from \$11,923 to \$14,572, beginning in December 2019 through November 2029. The Association has the option to extend the lease for five years.

During fiscal 2018, the Association received a lease incentive of \$450,415 from the new office space lease related to leasehold improvements. The unamortized balance of the lease incentive liability totaled \$408,838 and \$450,415 at January 31, 2020 and 2019, respectively, and is included in deferred rent on the statement of financial position. The leasehold improvements are recorded within property and equipment. Amortization of the lease incentive deferred rent liability and the leasehold improvements began in February 2019 with the commencement of the lease term.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Notes to Financial Statements

January 31, 2020 and 2019

The Association has a capital lease agreement for a copier, which has a remaining balance of \$5,402 and \$7,098 at January 31, 2020 and 2019, respectively. This agreement includes monthly payments of \$165 with interest at 4.50% and matures in December 2022. The agreement is secured by the leased equipment. Interest expense was \$285 and \$359 for the years ended January 31, 2020 and 2019, respectively.

Furniture and equipment include the following amounts for equipment under capital lease at January 31:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 8,851	\$ 8,851
Accumulated amortization	(4,425)	(2,655)
Net equipment under capital lease	<u>\$ 4,426</u>	<u>\$ 6,196</u>

At January 31, 2020, the Association had the following minimum commitments by fiscal year for payment of rentals under leases, which at inception had a noncancellable term of more than one year:

	<u>Operating Lease</u>	<u>Capital Lease</u>
2021	146,252	1,980
2022	149,432	1,980
2023	152,611	1,815
2024	155,791	-
2025	158,970	-
Thereafter	813,397	-
Total minimum lease commitments	<u>\$ 1,576,453</u>	5,775
Less amount representing interest		<u>(373)</u>
Present value of minimum lease payments		<u>\$ 5,402</u>

Rent expense was \$328,188 and \$101,234 for the years ended January 31, 2020 and 2019, respectively.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Notes to Financial Statements

January 31, 2020 and 2019

7. NET ASSETS

At January 31, 2020 and 2019, net assets with donor restrictions are temporarily restricted for the following specified purposes:

	<u>2020</u>	<u>2019</u>
Equipment fund	\$ 2,575	\$ 2,663
Research	281	19,745
Hrbek-Sing program*	47,726	113,489
Respite care	64,800	113,400
Advocacy program	-	2,913
Volunteer program	-	5,713
Family Assistance program	8,500	10,000
Telecommunications program	50,000	50,000
Special event sponsorship for fiscal 2020	-	30,582
General operations (salaries and rent)	<u>89,263</u>	<u>204,689</u>
Totals	<u>\$ 263,145</u>	<u>\$ 553,194</u>

* Included \$61,770 in 2019 related to long-lived assets of which \$41,145 had been expended but which the long-lived assets were not yet in service until fiscal 2020.

Net assets were released from donor restrictions by incurring expenses or otherwise satisfying the restrictions specified by donors as follows for the years ended January 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Hrbek-Sing program	\$ 126,158	\$ 73,553
Research	265,341	208,574
Equipment fund	54,339	70,532
Respite care	148,516	30,206
Home Safety	25,776	20,914
Advocacy program	2,913	3,087
Support group	180	-
Volunteer program	5,713	3,995
Family Assistance program	1,500	-
Special event sponsorship for fiscal 2020	30,582	-
General operations (salaries and rent)	<u>115,425</u>	<u>-</u>
Totals	<u>\$ 776,443</u>	<u>\$ 410,861</u>

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Notes to Financial Statements

January 31, 2020 and 2019

8. FAIR VALUE

The following tables provide information on those assets that are measured at fair value on a recurring basis.

	Fair Value & Carrying Amount	January 31, 2020		
		Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Assets:				
Money market funds, classified as:				
Cash and cash equivalents	\$ 73,741	\$ 73,741	\$ -	\$ -
Short-term investments				
Certificates of deposit	408,146	-	408,146	-
Long-term investments:				
Certificates of deposit	622,656	-	622,656	-
Fixed income mutual funds	614,580	614,580	-	-
Equity exchange traded funds	615,126	615,126	-	-
Bond exchange traded funds	753,812	753,812	-	-
Total	<u>\$ 3,088,061</u>	<u>\$ 2,057,259</u>	<u>\$ 1,030,802</u>	<u>\$ -</u>

	Fair Value & Carrying Amount	January 31, 2019		
		Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Assets:				
Money market funds, classified as:				
Cash and cash equivalents	\$ 251,594	\$ 251,594	\$ -	\$ -
Short-term investments				
Certificates of deposit	410,416	-	410,416	-
Long-term investments:				
Certificates of deposit	614,476	-	614,476	-
Fixed income mutual funds	501,246	501,246	-	-
Commodity exchange traded funds	22,800	22,800	-	-
Equity exchange traded funds	553,139	553,139	-	-
Bond exchange traded funds	673,247	673,247	-	-
Total	<u>\$ 3,026,918</u>	<u>\$ 2,002,026</u>	<u>\$ 1,024,892</u>	<u>\$ -</u>

The fair value of the money market funds, mutual funds, and exchanged traded funds is based on quoted market prices in an active market. The fair value of the certificates of deposit is based on quoted prices for identified or similar assets in a non-active market.

THE ALS ASSOCIATION, MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA CHAPTER

d.b.a. ALS ASSOCIATION, MN/ND/SD CHAPTER

Notes to Financial Statements

January 31, 2020 and 2019

9. EMPLOYEE BENEFIT PLAN

The Association has a defined contribution 403(b) plan for substantially all employees who meet certain eligibility requirements. The Association makes matching contributions of 100% of the participant's elective deferrals up to a maximum of 3% of compensation. The Association may also make discretionary contributions in accordance with the plan. The Association made matching contributions of \$36,178 and \$38,146 for the years ended January 31, 2020 and 2019, respectively. There were no discretionary contributions made during the years ended January 31, 2020 or 2019.

10. RELATED PARTY INFORMATION

The Association has a revenue sharing agreement with ALS National. The agreement requires the Association to share 17% of gross revenue, not including amounts for research, after a 20% operating allowance deduction and a 46.4% credit for discretionary research contributions. In addition, all amounts received that are restricted by a donor to be used for research are to be distributed to ALS National since ALS National oversees and administers all research projects. Revenue sharing and research funds are to be paid to ALS National on a quarterly basis.

Revenue sharing expense was \$293,203 and \$519,970 for the years ended January 31, 2020 and 2019, respectively.

Research monies received that were distributed to ALS National were \$245,877 and \$228,005 for the years ended January 31, 2020 and 2019, respectively. During the year ended January 31, 2019, the Board of Directors approved an additional distribution of \$400,000 for research that was sent to the ALS National in addition to donor directed research gifts. The balance due to ALS National at January 31, 2020 and 2019 was \$145,586 and \$214,842, respectively, which represents the approved research distribution and revenue sharing monies to ALS National for the fourth quarter of the respective fiscal year.

During fiscal 2020, the Association received contributions from board members of \$103,190. During fiscal 2019, the Association received contributions from board members of \$96,000, including a pledge receivable of \$50,400 at January 31, 2019 that was received in fiscal 2020.