

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

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

Financial Statements

Years Ended January 31, 2021 and 2020

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 - 19



B O U L A Y

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, 2021 and 2020 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, 2021 and 2020 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 12, 2021



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	
	2021	2020
Current Assets		
Cash and cash equivalents	\$ 866,496	\$ 480,709
Investments, short-term	621,431	408,146
Current maturities of pledges receivable	1,080	3,081
Other current assets	40,052	36,018
Total current assets	<u>1,529,059</u>	<u>927,954</u>
Investments, long-term	2,472,514	2,606,174
Property and Equipment		
Medical equipment loan pool	1,993,137	1,729,053
Hrbek-Sing program equipment	687,430	635,557
Office furniture and equipment	215,398	215,398
Leasehold improvements	490,367	490,367
Total property and equipment	<u>3,386,332</u>	<u>3,070,375</u>
Less accumulated depreciation	<u>1,861,940</u>	<u>1,509,890</u>
Net property and equipment	<u>1,524,392</u>	<u>1,560,485</u>
Other Assets	<u>19,518</u>	<u>19,518</u>
Total Assets	<u><u>\$ 5,545,483</u></u>	<u><u>\$ 5,114,131</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	
	2021	2020
Current Liabilities		
Accounts payable	\$ 112,232	\$ 45,797
Accrued liabilities	69,574	81,293
Current maturities of capital lease obligations	1,855	1,773
Due to ALS National	106,014	145,586
Deferred rent	43,289	40,109
Total current liabilities	<u>332,964</u>	<u>314,558</u>
Deferred Rent, net of current portion	449,314	492,603
Capital Lease Obligations, net of current maturities	1,774	3,629
Commitments and Contingencies		
Net Assets		
Without donor restrictions	4,399,361	4,040,196
With donor restrictions	362,070	263,145
Total net assets	<u>4,761,431</u>	<u>4,303,341</u>
Total Liabilities and Net Assets	<u>\$ 5,545,483</u>	<u>\$ 5,114,131</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support and contributions	\$ 871,638	1,279,861	\$ 2,151,499
Donated equipment	624,385	-	624,385
Special events, net of \$11,869 in direct benefits to donors	1,063,423	-	1,063,423
Interest and dividend income	37,724	-	37,724
Unrealized and realized gain on investments	142,996	-	142,996
Paycheck Protection Program forgiveness income	326,616	-	326,616
Total support and revenue before net assets released from restrictions	3,066,782	1,279,861	4,346,643
Net assets released from restrictions	1,180,936	(1,180,936)	-
Total support and revenue	4,247,718	98,925	4,346,643
Expenses			
Program services			
Care services	2,241,209	-	2,241,209
Advocacy	407,425	-	407,425
Research	266,974	-	266,974
Total program services	2,915,608	-	2,915,608
Supporting services			
Fundraising	685,055	-	685,055
Administration	287,890	-	287,890
Total supporting services	972,945	-	972,945
Total expenses	3,888,553	-	3,888,553
Change in Net Assets	359,165	98,925	458,090
Net Assets - Beginning of Year	4,040,196	263,145	4,303,341
Net Assets - End of Year	\$ 4,399,361	\$ 362,070	\$ 4,761,431

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 Functional Expenses

Year Ended January 31, 2021

	Program Services				Supporting Services			2021 Total Expenses
	Care Services	Advocacy	Research	Total	Fundraising	Administration	Total	
Salaries, payroll taxes, and benefits	\$ 661,868	\$ 277,665	\$ -	\$ 939,533	\$ 409,067	\$ 178,563	\$ 587,630	\$ 1,527,163
Respite care	207,068	-	-	207,068	-	-	-	207,068
Loan closet equipment	192,984	-	-	192,984	-	-	-	192,984
Revenue sharing expense, ALS National	103,699	36,725	112,450	252,874	64,425	27,219	91,644	344,518
Research, ALS National	-	-	154,524	154,524	-	-	-	154,524
Hrbek-Sing program	102,789	-	-	102,789	-	-	-	102,789
Home safety program	2,891	-	-	2,891	-	-	-	2,891
Occupancy	147,476	43,148	-	190,624	63,567	27,748	91,315	281,939
Printing and postage	28,859	1,644	-	30,503	8,236	1,057	9,293	39,796
Professional and consulting fees	43,815	21,503	-	65,318	27,022	10,077	37,099	102,417
Travel and meetings	4,325	291	-	4,616	3,114	187	3,301	7,917
ALS clinic expense	92,338	-	-	92,338	-	-	-	92,338
Supplies	2,357	844	-	3,201	1,626	543	2,169	5,370
Miscellaneous	840	352	-	1,192	519	227	746	1,938
Dues and subscriptions	27,789	11,658	-	39,447	17,175	7,497	24,672	64,119
Bank charges	-	-	-	-	26,253	26,253	52,506	52,506
Advertising	-	351	-	351	351	-	351	702
Family Assistance program	6,300	-	-	6,300	-	-	-	6,300
Special events	-	-	-	-	44,188	-	44,188	44,188
Special events, direct benefit to donor	-	-	-	-	11,869	-	11,869	11,869
Depreciation	615,811	13,244	-	629,055	19,512	8,519	28,031	657,086
Totals	<u>2,241,209</u>	<u>407,425</u>	<u>266,974</u>	<u>2,915,608</u>	<u>696,924</u>	<u>287,890</u>	<u>984,814</u>	<u>3,900,422</u>
Less special events, direct benefit to donor	-	-	-	-	(11,869)	-	(11,869)	(11,869)
Total functional expenses	<u>\$ 2,241,209</u>	<u>\$ 407,425</u>	<u>\$ 266,974</u>	<u>\$ 2,915,608</u>	<u>\$ 685,055</u>	<u>\$ 287,890</u>	<u>\$ 972,945</u>	<u>\$ 3,888,553</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 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	\$ 809,225	\$ 288,421	\$ -	\$ 1,097,646	\$ 424,472	\$ 245,014	\$ 669,486	\$ 1,767,132
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 and consulting fees	49,165	23,357	-	72,522	25,790	14,886	40,676	113,198
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

Statements of Cash Flows

	Years Ended January 31	
	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 458,090	\$ (469,737)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Donated capital equipment	(615,114)	(714,752)
Depreciation	657,086	597,626
Loss on disposal of asset	83,485	82,196
Unrealized and realized gain on investments	(142,996)	(121,954)
Paycheck Protection Program forgiveness income	(326,616)	-
Interest expense for Paycheck Protection Program loan	1,805	-
Change in assets and liabilities		
Pledge receivables	2,001	65,010
Other current assets	(4,034)	20,015
Other assets	-	3,010
Accounts payable	14,132	(117,321)
Accrued liabilities	(11,719)	(12,449)
Due to ALS National	(39,572)	(69,256)
Deferred rent	(40,109)	76,041
Net cash from (used for) operating activities	<u>36,439</u>	<u>(661,571)</u>
Cash Flows used for Investing Activities		
Proceeds from investments	487,090	1,009,974
Purchases of investments	(423,719)	(1,127,016)
Purchases of furniture and equipment	(37,061)	(174,531)
Net cash from (used for) investing activities	<u>26,310</u>	<u>(291,573)</u>
Cash Flows used for Financing Activities		
Payments on capital lease obligations	(1,773)	(1,696)
Proceeds from Paycheck Protection Program loan	324,811	-
Net cash from (used for) financing activities	<u>323,038</u>	<u>(1,696)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	385,787	(954,840)
Cash and Cash Equivalents - Beginning of Year	<u>480,709</u>	<u>1,435,549</u>
Cash and Cash Equivalents - End of Year	<u>\$ 866,496</u>	<u>\$ 480,709</u>
Supplemental Cash Flow Information		
Cash paid for interest	\$ 206	\$ 285
Supplemental Disclosure of Non-Cash Investing Activities		
Donated capital equipment	\$ 615,114	\$ 714,752
Equipment purchases included in accounts payable	\$ 52,303	\$ -

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, 2021 and 2020

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 11). 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, 2021 and 2020

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 \$615,000 and \$715,000 and donated non-capital equipment valued at approximately \$9,000 and \$13,000 was recorded for the years ended January 31, 2021 and 2020, 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, 2021 and 2020

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 was the Black Woods Blizzard Tour (Blizzard Tour), which was 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 2020 fiscal year. Contributions made as a part of the event were unconditional and not refundable; therefore, the contribution revenues were recognized when received.

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).

During fiscal 2020, the management of the Black Woods Blizzard Tour and Kolar Toyota ALS Fishing Tournament special events transitioned to Never Surrender, Inc., an independent charitable entity. Never Surrender, Inc. was responsible for the 2020 and 2021 Black Woods Blizzard Tour and the 2020 Kolar Toyota Fishing Tournament. The Association benefitted from and expects to continue to benefit from these events. With the transitioning of the Blizzard Tour and the Kolar Toyota Fishing Tournament to Never Surrender, Inc., contributions received by the Association for these two events are recorded within support and contributions, may be restricted in use, and are received subsequent to the event taking place.

During fiscal 2021, the largest special event was the Walk to Defeat event that occurred in several cities across Minnesota, North Dakota, and South Dakota with net special event revenue of approximately \$765,000.

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 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.

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

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

Notes to Financial Statements

January 31, 2021 and 2020

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 current and long-term liabilities and are 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 carrying value of cash equivalents, short-term investments, pledges receivable, accounts payable, and other financial working capital items approximate fair value at January 31, 2021 and 2020 due to the short maturity nature of these instruments.

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

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

Notes to Financial Statements

January 31, 2021 and 2020

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 2018.

Reclassifications

The presentation of certain items in the statement of financial position as of January 31, 2020 and statement of functional expenses for the year ended January 31, 2020 have been changed to conform to the classifications used in fiscal 2021. These reclassifications had no effect on the total asset, liabilities, and net assets or the change in net assets as previously reported.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (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.

COVID-19 Impact

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, and 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. Additionally, the Association did suspend certain program services, including respite care, for a period of time following the declaration and was able to resume the services in fiscal 2021 on a reduced use basis.

Subsequent Events

The Association has evaluated subsequent events through July 12, 2021, the date which the financial statements were available to be issued.

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

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

Notes to Financial Statements

January 31, 2021 and 2020

2. LIQUIDITY AND AVAILABILITY

The following represents the Association's financial assets at January 31, 2021 and 2020, reduced by amounts not available for general expenditure within one year because of donor restrictions or other contractual considerations:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 866,496	\$ 480,709
Investments, short-term	621,431	408,146
Current maturities of pledges receivable	1,080	3,081
Investments, long-term	<u>2,472,514</u>	<u>2,606,174</u>
Total financial assets	<u>3,961,521</u>	<u>3,498,110</u>
Less those unavailable for general expenditure within one year:		
Net assets with donor restrictions (Note 8)	<u>(362,070)</u>	<u>(263,145)</u>
Total financial assets not available for general expenditures within one year	<u>(362,070)</u>	<u>(263,145)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 3,599,451</u>	<u>\$ 3,234,965</u>

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, 2021 and 2020. 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 10% and 13% of the Association's total support and revenue for the years ended January 31, 2021 and 2020, respectively. During fiscal 2021, one donor contributed approximately \$1,001,000, or 26% of total contributions.

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

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

Notes to Financial Statements

January 31, 2021 and 2020

4. INVESTMENTS

Investments consist of the following instruments at January 31:

	<u>2021</u>	<u>2020</u>
Short-term investments:		
Certificates of deposit	\$ 621,431	\$ 408,146
Long-term investments:		
Certificates of deposit	416,911	622,656
Fixed income mutual funds	520,494	614,580
Equity exchange traded funds	704,459	615,126
Bond exchange traded funds	830,650	753,812
Total long-term investments	<u>2,472,514</u>	<u>2,606,174</u>
Total investments	<u>\$ 3,093,945</u>	<u>\$ 3,014,320</u>

Investment fees were approximately \$18,000 for the years ended January 31, 2021 and 2020 and are included within investment income on the statement of activities.

5. PLEDGES RECEIVABLE

Pledges receivable consist of the following at January 31:

	<u>2021</u>	<u>2020</u>
Equipment fund	\$ 594	\$ 2,633
Research	270	287
Hrbek-Sing program	216	230
Less unamortized discount	-	(69)
Total pledges receivable	<u>\$ 1,080</u>	<u>\$ 3,081</u>
Amounts are due in:		
Less than one year	\$ 1,080	\$ 3,150
Less unamortized discount (0.25% for 2021 and 2.25% for 2020)	1,080	3,150
Less unamortized discount (0.25% for 2021 and 2.25% for 2020)	-	(69)
Total pledges receivable	<u>\$ 1,080</u>	<u>\$ 3,081</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.

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

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

Notes to Financial Statements

January 31, 2021 and 2020

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 \$367,261 and \$408,838 at January 31, 2021 and 2020, 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 Association has a capital lease agreement for a copier, which has a remaining balance of \$3,629 and \$5,402 at January 31, 2021 and 2020, 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 \$206 and \$285 for the years ended January 31, 2021 and 2020, respectively.

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

	<u>2021</u>	<u>2020</u>
Equipment	\$ 8,851	\$ 8,851
Accumulated amortization	<u>(6,195)</u>	<u>(4,425)</u>
Net equipment under capital lease	<u>\$ 2,656</u>	<u>\$ 4,426</u>

At January 31, 2021, 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>
2022	149,432	1,980
2023	152,611	1,815
2024	155,791	-
2025	158,970	-
2026	162,149	-
Thereafter	<u>651,247</u>	<u>-</u>
Total minimum lease commitments	<u>\$ 1,430,200</u>	3,795
Less amount representing interest		<u>(166)</u>
Present value of minimum lease payments		<u>\$ 3,629</u>

Rent expense was \$267,659 and \$328,188 for the years ended January 31, 2021 and 2020, 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, 2021 and 2020

7. PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Association received the funding of a loan from a lending institution in the amount of approximately \$325,000 pursuant to the Paycheck Protection Program (the "PPP") under the Federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted March 27, 2020. The PPP is administered by the U.S. Small Business Administration ("SBA"). The PPP matures in April 2022 and bears interest at a rate of 1.0% per year. The loan may be prepaid at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. Under U.S. generally accepted accounting principles, loan forgiveness income is recognized when an entity is legally released from the obligation. In November 2020, the loan was forgiven in its entirety and the Association recognized forgiveness income for the principal and interest of approximately \$327,000 for the year ended January 31, 2021 which is included in support and revenue on the statement of activities.

Subsequent to year end, the Association received a second loan through the SBA's Payroll Protection Program for approximately \$286,000. All or a portion of the loan is forgivable if the Association meets certain conditional requirements in the future.

8. NET ASSETS

At January 31, 2021 and 2020, net assets with donor restrictions are temporarily restricted for the following specified purposes:

	<u>2021</u>	<u>2020</u>
Equipment fund	\$ 1,877	\$ 2,575
Research	281	281
Hrbek-Sing program	132,662	47,726
Home Safety	36,832	-
Respite care	74,697	64,800
Family Assistance program	109,571	8,500
Telecommunications program	-	50,000
General operations (salaries and rent)	6,150	89,263
Totals	<u>\$ 362,070</u>	<u>\$ 263,145</u>

During fiscal 2021, the Association received approval from the donor to use the \$50,000 restricted for telecommunications at January 31, 2021 for clinic support.

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

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

Notes to Financial Statements

January 31, 2021 and 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Hrbek-Sing program	\$ 156,275	\$ 126,158
Research	154,524	265,341
Equipment fund	455,404	54,339
Respite care	170,826	148,516
Home Safety	10,866	25,776
Advocacy program	10,000	2,913
Clinics	106,000	-
Support group	10,000	180
Volunteer program	-	5,713
Family Assistance program	23,928	1,500
Special event sponsorship for fiscal 2020	-	30,582
General operations (salaries and rent)	83,113	115,425
	<u>\$ 1,180,936</u>	<u>\$ 776,443</u>
Totals		

9. FAIR VALUE

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

	January 31, 2021			
	Fair Value & Carrying Amount	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
<u>Assets:</u>				
Money market funds, classified as:				
Cash and cash equivalents	\$ 574,619	\$ 574,619	\$ -	\$ -
Short-term investments				
Certificates of deposit	621,431	-	621,431	-
Long-term investments:				
Certificates of deposit	416,911	-	416,911	-
Fixed income mutual funds	520,494	520,494	-	-
Equity exchange traded funds	704,459	704,459	-	-
Bond exchange traded funds	830,650	830,650	-	-
Total	<u>\$ 3,668,564</u>	<u>\$ 2,630,222</u>	<u>\$ 1,038,342</u>	<u>\$ -</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, 2021 and 2020

	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>

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.

10. 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 \$33,999 and \$36,178 for the years ended January 31, 2021 and 2020, respectively. There were no discretionary contributions made during the years ended January 31, 2021 or 2020.

11. 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 \$344,518 and \$293,203 for the years ended January 31, 2021 and 2020, respectively. Research monies received that were distributed to ALS National were \$154,524 and \$245,877 for the years ended January 31, 2021 and 2020, respectively. The balance due to ALS National at January 31, 2021 and 2020 was \$106,014 and \$145,586, 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 2021, the Association received contributions from board members of approximately \$104,000. During fiscal 2020, the Association received contributions from board members of approximately \$103,000.