

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
FINANCIAL STATEMENTS
YEARS ENDED JANUARY 31, 2023 AND 2022

**THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
TABLE OF CONTENTS
YEARS ENDED JANUARY 31, 2023 AND 2022**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



INDEPENDENT AUDITORS' REPORT

Board of Directors
The Amyotrophic Lateral Sclerosis Association
Washington, DC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Amyotrophic Lateral Sclerosis Association (the Association), which comprise the statements of financial position as of January 31, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Amyotrophic Lateral Sclerosis Association as of January 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, The Amyotrophic Lateral Sclerosis Association adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Arlington, Virginia
December 7, 2023

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2023 AND 2022

	2023	2022
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 5,404,933	\$ 6,565,833
Investments in Marketable Securities	58,685,305	78,900,690
Receivables:		
Bequests, Net	4,135,271	2,139,998
Chapter, Net	7,046,826	1,205,765
Pledges, Net	2,217,635	843,145
Other	2,928,243	2,518,929
Prepaid Expenses and Deposits	1,909,791	1,639,445
Beneficial Interest in Perpetual Trusts	763,677	874,547
Contributions Receivable from Remainder Trusts	103,853	275,876
Property and Equipment, Net	4,598,778	3,378,855
Right-of-Use Asset - Operating	6,650,710	-
	<u>\$ 94,445,022</u>	<u>\$ 98,343,083</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants Payable	\$ 3,462,525	\$ 1,150,000
Accounts Payable and Accrued Expenses	13,815,186	3,519,829
Line of Credit	3,028,346	-
Lease Liabilities - Operating	8,703,560	-
Annuity Payment Liability	959,985	1,008,902
Deferred Rent	-	1,574,519
Deferred Revenue	240,955	-
Total Liabilities	<u>30,210,557</u>	<u>7,253,250</u>
NET ASSETS		
Without Donor Restrictions:		
Undesignated	6,456,501	33,746,906
Board-Designated Mission Sustainability Fund	5,649,254	5,649,254
Board-Designated Reserve Fund	40,000,000	40,000,000
Total Without Donor Restrictions	<u>52,105,755</u>	<u>79,396,160</u>
With Donor Restrictions	12,128,710	11,693,673
Total Net Assets	<u>64,234,465</u>	<u>91,089,833</u>
	<u>\$ 94,445,022</u>	<u>\$ 98,343,083</u>

See accompanying Notes to Financial Statements.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JANUARY 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 31,182,996	\$ 12,993,040	\$ 44,176,036
Bequests	4,472,300	277,020	4,749,320
Chapters	4,747,879	2,758,774	7,506,653
Investment (Loss) Income	(4,502,028)	(705,460)	(5,207,488)
Other Income	119,782	-	119,782
Change in Value on Beneficial Interest in Perpetual Trusts	-	(110,870)	(110,870)
Change in Value of Split-Interest Agreements	-	(172,023)	(172,023)
Net Assets Released from Restrictions	20,726,217	(20,726,217)	-
Total Support and Revenue	<u>56,747,146</u>	<u>(5,685,736)</u>	<u>51,061,410</u>
OPERATING EXPENSES			
Research Grants	15,641,020	-	15,641,020
Patient and Community Services	26,960,747	-	26,960,747
Public and Professional Education	10,549,879	-	10,549,879
Total Program Services	<u>53,151,646</u>	<u>-</u>	<u>53,151,646</u>
Fundraising	22,059,606	-	22,059,606
Management and General	8,826,299	-	8,826,299
Total Operating Expenses	<u>84,037,551</u>	<u>-</u>	<u>84,037,551</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(27,290,405)	(5,685,736)	(32,976,141)
NONOPERATING ACTIVITY			
Excess Fair Value of Assets Acquired Over Liabilities Assumed	-	6,120,773	6,120,773
Contributed Services - Public Service Announcements Revenue	13,105,854	-	13,105,854
Contributed Services - Public Service Announcements Expense	(13,105,854)	-	(13,105,854)
Total Nonoperating Activity	<u>-</u>	<u>6,120,773</u>	<u>6,120,773</u>
TOTAL CHANGES IN NET ASSETS	(27,290,405)	435,037	(26,855,368)
Net Assets - Beginning of Year	<u>79,396,160</u>	<u>11,693,673</u>	<u>91,089,833</u>
NET ASSETS - END OF YEAR	<u>\$ 52,105,755</u>	<u>\$ 12,128,710</u>	<u>\$ 64,234,465</u>

See accompanying Notes to Financial Statements.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JANUARY 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 12,860,228	\$ 3,139,441	\$ 15,999,669
Bequests	3,445,146	270,880	3,716,026
Chapters	6,111,706	4,829,149	10,940,855
Events, Net of Expenses	1,405,494	65,000	1,470,494
Federated Campaigns	64,816	-	64,816
Investment Income	4,663,876	429,109	5,092,985
Forgiveness of PPP Loans	3,226,240	-	3,226,240
Employee Retention Credit	2,139,424	-	2,139,424
Other Income	21,419	-	21,419
Gain on Beneficial Interest in Perpetual Trusts	-	29,889	29,889
Change in Value of Split-Interest Agreements	-	(53,902)	(53,902)
Net Assets Released from Restrictions	12,983,094	(12,983,094)	-
Total Support and Revenue	<u>46,921,443</u>	<u>(4,273,528)</u>	<u>42,647,915</u>
EXPENSES			
Research Grants	14,145,819	-	14,145,819
Patient and Community Services	11,834,451	-	11,834,451
Public and Professional Education	5,729,467	-	5,729,467
Total Program Services	<u>31,709,737</u>	<u>-</u>	<u>31,709,737</u>
Fundraising	8,433,588	-	8,433,588
Management and General	4,484,442	-	4,484,442
Total Operating Expenses	<u>44,627,767</u>	<u>-</u>	<u>44,627,767</u>
CHANGES IN NET ASSETS FROM OPERATIONS	2,293,676	(4,273,528)	(1,979,852)
NONOPERATING ACTIVITY			
Contributed Services - Public Service Announcements Revenue and Other	14,109,349	-	14,109,349
Contributed Services - Public Service Announcements Expense and Other	(14,109,349)	-	(14,109,349)
Total Nonoperating Activity	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGES IN NET ASSETS	2,293,676	(4,273,528)	(1,979,852)
Net Assets - Beginning of Year	<u>77,102,484</u>	<u>15,967,201</u>	<u>93,069,685</u>
NET ASSETS - END OF YEAR	<u>\$ 79,396,160</u>	<u>\$ 11,693,673</u>	<u>\$ 91,089,833</u>

See accompanying Notes to Financial Statements.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JANUARY 31, 2023

	Program Services			Supporting Services			Total Functional Expenses
	Research Grants	Patient and Community Services	Public and Professional Education	Total Program Services	Fund- Raising	Management and General	
EXPENSES							
Operating Expenses:							
Grant Awards	\$ 14,316,768	\$ 4,423,925	\$ -	\$ 18,740,693	\$ -	\$ -	\$ 18,740,693
Chapter Support	-	3,534,121	-	3,534,121	-	-	3,534,121
Salaries and Related Expenses	865,904	13,224,671	6,264,087	20,354,662	13,059,498	3,893,946	37,308,106
Printing and Publications	729	203,220	21,788	225,737	212,216	14,108	452,061
Professional Fees and Contract Services	292,774	2,285,409	2,982,879	5,561,062	5,774,361	3,820,208	15,155,631
Postage and Shipping	2,167	69,305	18,125	89,597	1,049,705	24,158	1,163,460
Occupancy	30,678	551,159	235,750	817,587	591,618	132,799	1,542,004
Travel and Conferences	62,201	863,029	459,799	1,385,029	1,945,280	515,516	3,845,825
Telecommunications	8,147	151,622	85,497	245,266	209,183	35,653	490,102
Office Supplies	1,526	438,840	13,449	453,815	275,148	24,082	753,045
Dues and Subscriptions	7,958	25,965	67,603	101,526	135,854	58,911	296,291
Depreciation	34,655	804,236	266,311	1,105,202	662,216	156,735	1,924,153
Miscellaneous Equipment	14,074	326,605	108,151	448,830	268,930	63,649	781,409
Credit Card Fees and Other	3,439	58,640	26,440	88,519	631,317	86,534	806,370
Subtotal	15,641,020	26,960,747	10,549,879	53,151,646	24,815,326	8,826,299	86,793,271
Less: Special Event Expenses	-	-	-	-	(2,755,720)	-	(2,755,720)
Total Operating Expenses	15,641,020	26,960,747	10,549,879	53,151,646	22,059,606	8,826,299	84,037,551
Nonoperating Expenses:							
Contributed Services - Public Services Announcements and Other Services	-	-	13,105,854	-	-	-	13,105,854
Total Expenses	\$ 15,641,020	\$ 26,960,747	\$ 23,655,733	\$ 53,151,646	\$ 22,059,606	\$ 8,826,299	\$ 97,143,405

See accompanying Notes to Financial Statements.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JANUARY 31, 2022

	Program Services			Supporting Services			Total Functional Expenses	
	Research Grants	Patient and Community Services	Public and Professional Education	Total Program Services	Fund- Raising	Management and General		Total Supporting Services
EXPENSES								
Operating Expenses:								
Grant Awards	\$ 12,764,356	\$ -	\$ -	\$ 12,764,356	\$ -	\$ -	\$ -	\$ 12,764,356
Chapter Support	-	3,219,496	-	3,219,496	163	21,346	21,509	3,241,005
Salaries and Related Expenses	884,155	5,405,357	2,860,546	9,150,058	2,622,139	2,105,757	4,727,896	13,877,954
Printing and Publications	40	204,900	2,366	207,306	29,646	912	30,558	237,864
Professional Fees and Contract Services	345,284	1,590,680	1,827,939	3,763,903	4,543,156	1,565,047	6,108,203	9,872,106
Postage and Shipping	142	20,597	4,319	25,058	22,386	4,953	27,339	52,397
Occupancy	22,947	222,668	90,797	336,412	146,387	72,268	218,655	555,067
Travel and Conferences	17,098	328,074	271,572	616,744	126,141	243,492	369,633	986,377
Telecommunications	8,660	106,425	59,322	174,407	45,370	20,604	65,974	240,381
Office Supplies	1,321	28,346	80,177	109,844	137,486	13,761	151,247	261,091
Dues and Subscriptions	6,687	24,957	153,306	184,950	44,839	33,060	77,899	262,849
Depreciation and Miscellaneous Equipment	84,610	571,792	337,502	993,904	547,981	285,841	833,822	1,827,726
Credit Card Fees and Other	10,519	195,212	41,621	247,352	167,894	117,401	285,295	532,647
Subtotal	14,145,819	11,918,504	5,729,467	31,793,790	8,433,588	4,484,442	12,918,030	44,711,820
Less: Special Event Expenses	-	(84,053)	-	(84,053)	-	-	-	(84,053)
Total Operating Expenses	14,145,819	11,834,451	5,729,467	31,709,737	8,433,588	4,484,442	12,918,030	44,627,767
Nonoperating Expenses:								
Contributed Services - Public Services Announcements and Other Services	-	-	14,109,349	14,109,349	-	-	-	14,109,349
Total Expenses	\$ 14,145,819	\$ 11,834,451	\$ 19,838,816	\$ 45,819,086	\$ 8,433,588	\$ 4,484,442	\$ 12,918,030	\$ 58,737,116

See accompanying Notes to Financial Statements.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JANUARY 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (26,855,368)	\$ (1,979,852)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	1,924,153	1,710,428
Change in Value of Charitable Remainder Trusts	172,023	16,854
Net Realized and Unrealized Losses (Gains) in Beneficial Interests in Perpetual Trusts	110,870	(29,889)
Net Realized and Unrealized Loss (Gain) on Investments	6,876,659	(3,158,582)
PPP Loan Forgiveness	-	(3,226,240)
Changes in Operating Assets and Liabilities:		
Receivables:		
Bequests, Net	(1,995,273)	(276,395)
Chapters, Net	(5,841,061)	2,851,647
Pledges, Net	(1,374,490)	833,596
Other	(409,314)	(2,315,474)
Prepaid Expenses and Deposits	(270,346)	(317,882)
Grants Payable	2,312,525	878,617
Accounts Payable and Accrued Expenses	10,295,357	757,004
Annuity Payment Liability	(48,917)	(32,807)
Deferred Rent	478,331	58,343
Deferred Revenue	240,955	(10,000)
Net Cash Used by Operating Activities	<u>(14,383,896)</u>	<u>(4,240,632)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(3,144,076)	(69,739)
Purchases of Investments	(5,727,669)	(3,993,843)
Proceeds from Sold and Matured Investments	19,066,395	7,086,385
Net Cash Provided by Investing Activities	<u>10,194,650</u>	<u>3,022,803</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	3,028,346	-
Proceeds from PPP Loan	-	1,613,120
Net Cash Provided by Financing Activities	<u>3,028,346</u>	<u>1,613,120</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,160,900)	395,291
Cash and Cash Equivalents - Beginning of Year	<u>6,565,833</u>	<u>6,170,542</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,404,933</u>	<u>\$ 6,565,833</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Assets acquired from unification	<u>\$ 4,360,031</u>	<u>\$ -</u>
Right of Use Assets Received in Exchange for Operating Leases	<u>\$ 7,877,445</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Amyotrophic Lateral Sclerosis Association (the Association) was organized in 1985 through the merger of its predecessors, The Amyotrophic Lateral Sclerosis Society of America and The National ALS Foundation, Inc. The Association's mission priorities are to fund research directed at finding a treatment, the cause and cure for the disease, amyotrophic lateral sclerosis (ALS), commonly known as "Lou Gehrig's Disease;" to provide clinical, educational and other programs and services to people living with ALS and their families, health care professionals and other key stakeholders; and to increase public awareness through public policy and advocacy efforts at both the national and state levels.

The Association is a nonprofit voluntary health organization, exempt, together with its affiliated chapters, from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). The Association and its chapters are classified collectively as a publicly supported charitable organization under Section 509(a)(1) and qualify for the maximum charitable contribution deduction by donors under Section 170(b)(1)(A)(vi) of the Code.

Beginning February 1, 2022, the Association began the process of restructuring to a single corporation. As of January 31, 2023, the Association assumed the operating activity of 17 of its 34 affiliated chapters which agreed to merge into the Association. This means that former chapter employees are now employees of the Association and all new revenue and expense activity formerly associated with the 17 affiliated chapters are recorded by the Association in these financial statements subsequent to the effective date of merger. As required by generally accepted accounting principles, the unification was accounted for under acquisition fair value standards. Accordingly, the Association acquired the following:

ASSETS

Cash and Cash Equivalents	\$ 6,097,518
Receivables	1,740,825
Other Assets	266,984
Property and Equipment, Net	<u>2,184,523</u>
Total Assets	<u><u>\$ 10,289,850</u></u>

LIABILITIES

Total Liabilities	<u><u>\$ 4,169,077</u></u>
Excess Fair Value of Assets Assumed (Unification)	<u><u>\$ 6,120,773</u></u>

The net acquisition resulted in the recognition of \$6.1 million of excess fair market value from the acquired chapters, which is included as non-operating activity on the accompanying statement of activities for the year ending January 31, 2023.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (continued)

After the Association acquired the financial activity discussed above of the 17 chapters which agreed to merge, those chapters continued operating with their boards, corporate status, and charter agreement and are tasked with spending down their remaining reserves in support of mission activity until the merger is expected to be completed. The activity associated with the boards is not included in these financial statements.

Subsequent to January 31, 2023, another two chapters merged into the Association bringing the total number of merged chapters to 19. Effective September 1, 2023, 18 of the merged chapters completed the merger process with the Association. The merged chapters are no longer operating and have terminated their boards, corporate status and charter agreements. They subsequently transferred any unspent reserves to the Association as part of completing the merger. The remaining chapter who began the unification process is currently negotiating with the Association about how to potentially unwind its merger with the Association.

The remaining 15 chapters did not want to unify with the Association and filed a lawsuit against the Association in January 2023 to keep the Association from moving forward with unification. The Association ultimately settled the claim with this group. Effective September 1, 2023, these chapters are no longer affiliated with the Association as part of the executed settlement agreement. These financial statements do not include the accounts of these former chapters as, subject to their agreements with the Association, they are independently controlled by their own governing boards. These financial statements, however, do include amounts earned and owed to the Association through revenue share arrangements which are controlled by affiliation and charter agreements with the chapters.

Basis of Accounting

The Association prepares its financial statements in accordance with generally accepted accounting principles (GAAP) in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of money market funds and other highly liquid investments with original maturities of 90 days or less to be cash equivalents.

At January 31, 2023 and 2022, the cash and cash equivalents balance included approximately \$31,000 and \$21,000, respectively, which are earmarked for annuity obligations.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are initially recorded at cost if purchased, or at fair value at the date of donation if contributed. Investment income (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses. Subsequent to acquisition, investments are reported at their fair value. Investment income is recognized within net assets without donor restrictions unless their use is restricted by donors to a specified purpose or future period. The fair value of investments in securities traded on a national securities exchange are valued at the closing price on the last business day of the fiscal year, whereas securities traded on the over-the-counter market are valued at the last reported bid price.

Property and Equipment

Expenditures for property and equipment in excess of \$1,000 are capitalized at cost or, for donated assets, fair value as of the date of acquisition. Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of three to five years.

Research Grant Expense

Conditional research grants are expensed by the Association as the researchers substantially meet the terms and conditions of the grant during the grant period. Unconditional research grants are expensed when made.

Net Assets

For financial statement purposes, net assets consist of the following:

- Net assets without donor restrictions include net assets which are available for general operations of the Association. A significant portion of the Association's net assets without donor restrictions has been designated for certain purposes by the board of trustees as noted on the accompanying statements of financial position.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes, for use in future time periods or are to be held in perpetuity as directed by the original donor.

Contributions and Bequests

Contributions, including endowment gifts and pledges, are recognized as support in the period received or pledged. Unconditional promises to give that are expected to be collected within one year are recorded at their 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. Amortization of the discount to present value is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Bequests (continued)

Bequests are recognized at the time the Association's right to them is established by a court and the proceeds are subject to reasonable estimation. Bequests receivable are shown net of an allowance for present value discount of approximately \$207,000 and \$237,000 at January 31, 2023 and 2022, respectively.

Donations and bequests received with donor stipulations as to their intended use are reported in the statements of activities as restricted support. Net assets with donor restrictions are reclassified as net assets without donor restrictions when restrictions are met (that is, when a stipulated time restriction ends or a purpose restriction is accomplished).

In-Kind Contributions

The Association produces and distributes public service television announcements that focus attention on ALS education and awareness. These public service announcements are distributed to media stations nationwide and run free of charge. The Association has contracted with an independent outside agency to track the date and time that each public service announcement runs, and the value of the announcements is based on the date, time, and market in which the announcement is aired. For the years ended January 31, 2023 and 2022, the Association recorded approximately \$13,106,000 and \$14,109,000, respectively, in contributed public service announcement air time.

Split-Interest Agreements and Beneficial Interests in Trusts

The Association is the beneficiary in various split-interest agreements with donors primarily consisting of charitable gift annuities, perpetual trusts and charitable remainder trusts. The Association recognizes contribution revenue on the net amount of assets received and liabilities assumed on the agreements, as contribution revenue with donor restrictions. Assets held under the agreements are stated at fair value.

The Association pays a variable annuity amount equal to the specified percentage of the fair value of assets on the date of payment to the donors or the donors' designees for the remainder of their lives. The liability under these agreements is recognized at the present value of estimated future payments based on actuarial assumptions. Adjustments to the liability to reflect changes in actuarial assumptions and amortization of discount are recognized in the statements of activities.

Beneficial interests in perpetual trusts are recognized as revenue when the Association is notified of the trust's existence in accordance with the terms and provisions of the trust. The fair value of the contribution is estimated using the fair value of the assets contributed to the trust, unless facts and circumstances indicate that the fair value of the beneficial interest differs from the fair value of the assets contributed to the trust. The contribution is deemed to have donor restrictions, and annual distributions from the trust are reported as investment income that increases net assets without donor restrictions. At each reporting date, the beneficial interest is re-measured at fair value using the same valuation technique that was used to measure the asset initially and the change in fair value is recognized as gains or losses from donor restrictions.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Split-Interest Agreements and Beneficial Interests in Trusts (continued)

The Association is the beneficiary of two charitable remainder trusts for which the Association is not the trustee. The Association recognizes the present value of the estimated future benefits to be received when the trust assets are distributed as contribution revenue with donor restrictions and as a receivable. Adjustments to the receivable to reflect amortization of the discount and revaluation of the present value of the estimated future payments to the lifetime beneficiary are recognized in the statements of activities as change in value of split-interest agreements.

Leases

The Association determines if an arrangement is a lease at inception. Operating leases are included in Right-of-Use (ROU) asset – Operating and Lease Liability – Operating, and finance lease are included in Right-of-Use assets - Finance and Lease Liability - Finance in the statements of financial position.

ROU assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent the Association's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Association elected to use risk-free market rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives, if any. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Association will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Association has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets in the statements of financial position.

The Association's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Association considers factors such as if the Association has obtained substantially all of the rights to the underlying asset through exclusivity, if the Association can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The Association has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing various programs and activities of the Association have been summarized on a functional basis in the statements of activities and functional expenses. The majority of expenses are directly identified with a program activity or supporting service.

Certain categories of expenses are attributable to one or more program or supporting services of the Association. Those expenses include depreciation, rent, utilities and information technology charges. These costs are allocated ratably to functions based on the level of cost incurred in the specific function after adjusting out large expenses like grants or contributed public service announcements. Executive office salaries are not allocated to program functions.

Allocation of Joint Costs

The Association incurred joint costs for informational mailings that included fundraising appeals. The Association is permitted through accounting guidance to allocate to its programs a portion of its costs associated with its fundraising efforts. Costs are allocated between program and fundraising based on the percentage of words used for each purpose in a mailing.

For the year ended January 31, 2023, joint costs approximated \$2,537,000 and \$441,000 for fundraising and program services, respectively. For the year ended January 31, 2022, joint costs approximated \$1,604,000 and \$313,000 for fundraising and program services, respectively.

Income Taxes

The Association did not have any unrelated taxable income for the years ended January 31, 2023 and 2022. Accordingly, no provision for income taxes has been provided in the financial statements.

The Association follows the accounting standard regarding the recognition and measurement of uncertain tax positions. The Association evaluated its tax positions and determined that its positions are more-likely-than-not to be sustained on examination. The Association's tax returns are subject to review and examination by federal and state authorities.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

Fair Value Measurements

The Association accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. The Association has categorized these financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Association has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include, among others, quoted prices for similar assets or liabilities in active market or non-active market.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Operating Measure

For purposes of this presentation, the Association considers fair value in excess of assets acquired, contributed service revenue and expense activity as nonoperating for financial statement reporting purposes.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Leases (ASC 842). The new standard requires lessees to recognize a right-of-use asset and corresponding lease liability for all operating and finance leases with lease terms greater than one year, measured at its present value. ASC 842 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Association adopted the requirements of the guidance effective February 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard (continued)

The Association elected to apply practical expedients allowing it to 1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; 2) not reassess the lease classification for any expired or existing leases; and 3) not reassess initial direct costs for any existing leases. The Association also elected to apply the practical expedient to use hindsight in determining the lease term.

Subsequent Events

In preparing these financial statements, the Association continues to evaluate events and transactions for potential recognition or disclosure through December 7, 2023, the date the financial statements were available to be issued.

As previously noted, the Association settled a lawsuit with chapters who did not want to merge with the Association. As part of this settlement, the Association was required to remit to non-unifying chapters approximately \$3.5 million in September 2023. This amount has been accrued in the accompanying financial statements as of January 31, 2023.

NOTE 2 LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following as of January 31:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 5,404,933	\$ 6,565,833
Investments in Marketable Securities	58,685,305	78,900,690
Receivables	16,327,975	6,707,837
Beneficial Interest in Perpetual Trusts	763,677	874,547
Contributions Receivable from Remainder Trusts	103,853	275,876
	<u>81,285,743</u>	<u>93,324,783</u>
Less: Contractual or Donor-imposed Restrictions:		
Endowment Gifts	(700,961)	(6,509,730)
Other Donor Restrictions	(11,427,749)	(5,183,943)
Less: Board-Designated Reserve Fund	(40,000,000)	(40,000,000)
Less: Board-Designated Mission Sustainability Fund	(5,649,254)	(5,649,254)
	<u>(57,777,964)</u>	<u>(57,342,927)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 23,507,779</u>	<u>\$ 35,981,856</u>

The majority of the Association's available assets, which are invested according to a board-approved policy, are currently being used to supplement additional spending in research and patient and community services functions as well as investments in unification.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 2 LIQUIDITY (CONTINUED)

During the year ending January 31, 2020, the Association's board of trustees established a board-designated Reserve Fund to earmark a baseline level of net assets that the Association can utilize to maintain appropriate spending during an economic downturn or to further invest in the operations of the Association.

During the year ending January 31, 2021, the Association's board of trustees established a board-designated Mission Sustainability Fund to earmark a portion of net assets that the Association can utilize to support mission activity and ensure adequate resources remain available to provide services to constituents.

NOTE 3 CONCENTRATIONS

Credit Risk

The Association maintains demand deposits and money market funds with commercial financial institutions, the aggregate balance of which may, at times, exceed the Federal Deposit Insurance Corporation insured limit. The uninsured portions of these accounts are backed solely by the assets of the underlying institutions. Therefore, the failure of an underlying institution could result in financial loss to the Association.

Market Value Risk

The Association also invests in professionally managed portfolios containing various marketable debt and equity securities. Such investments are exposed to market and credit risks and may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the valuation methodologies used at January 31, 2023 and 2022.

Mutual Funds – The mutual funds in which the Association invests make their net asset values publicly available daily, to set the price for purchases and redemptions the following day. The investments held by these mutual funds are required by the Securities and Exchange Commission (SEC) to be measured daily at fair value. Therefore, mutual funds are valued at the published net asset value of share at the measurement date. The resulting fair value estimate is a Level 1 measure.

Equity Securities – Values measured using quoted market prices. The resulting fair value estimate is a Level 1 measure.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Private Equity Securities – Values measured using net asset value of share at a measurement date that is not readily measured or published on a regular basis. The resulting fair value estimate is a Level 3 measure.

Corporate Bonds, Government Agency Securities, Mortgage Securities – Values measured using identical assets in less active markets, such as dealer or broker markets, or survey of the dealer community by obtaining broker/dealer quotes on a daily basis. The resulting fair value estimate is a Level 2 measure.

Split-Interest Agreements and Beneficial Interests in Perpetual Trusts – Values measured using assumptions about the fair value of underlying trust assets, discounted cash flows and other present value techniques. The resulting fair value estimate is a Level 3 measure.

The following tables present the Association's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of January 31, 2023:

	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Mutual Funds	\$ 41,976,439	\$ -	\$ -	\$ 41,976,439
Equity Securities	16,413,381	-	-	16,413,381
Private Equity	-	-	250,000	250,000
Government Agency Obligations	-	45,485	-	45,485
Total Investments	58,389,820	45,485	250,000	58,685,305
Beneficial Interest in				
Perpetual Trusts	-	-	763,677	763,677
Contributions Receivable from				
Charitable Remainder Trusts	-	-	103,853	103,853
Total Assets at Fair Value	<u>\$ 58,389,820</u>	<u>\$ 45,485</u>	<u>\$ 1,117,530</u>	<u>\$ 59,552,835</u>
<u>Liabilities</u>				
Annuity Payment Liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 959,985</u>	<u>\$ 959,985</u>

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present the Association's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of January 31, 2022:

	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Mutual Funds	\$ 58,207,048	\$ -	\$ -	\$ 58,207,048
Equity Securities	20,392,920	-	-	20,392,920
Corporate Bonds	-	-	250,000	250,000
Government Agency Obligations	-	50,722	-	50,722
Total Investments	78,599,968	50,722	250,000	78,900,690
Beneficial Interest in				
Perpetual Trusts	-	-	874,547	874,547
Contributions Receivable from				
Charitable Remainder Trusts	-	-	275,876	275,876
Total Assets at Fair Value	<u>\$ 78,599,968</u>	<u>\$ 50,722</u>	<u>\$ 1,400,423</u>	<u>\$ 80,051,113</u>
<u>Liabilities</u>				
Annuity Payment Liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,008,902</u>	<u>\$ 1,008,902</u>

Investments include approximately \$1,818,000 and \$2,081,000 to cover annuity obligations for the years ended January 31, 2023 and 2022, respectively.

The following table provides a summary of changes in the fair value of the Association's Level 3 assets and liabilities:

	Private Equity	Beneficial Interest in Perpetual Trusts	Contributions Receivable from Charitable Remainder Trust	Annuity Payment Liability
Balance - January 31, 2021	\$ 250,000	\$ 844,658	\$ 292,730	\$ (1,041,709)
Change in Valuation	-	29,889	(16,854)	-
New Annuities	-	-	-	(20,000)
Annuity Payments and Releases	-	-	-	137,253
Loss from Annuity	-	-	-	(84,446)
Balance - January 31, 2022	250,000	874,547	275,876	(1,008,902)
Change in Valuation	-	(110,870)	(172,023)	-
Annuity Payments and Releases	-	-	-	142,125
Loss from Annuity	-	-	-	(93,208)
Balance - January 31, 2023	<u>\$ 250,000</u>	<u>\$ 763,677</u>	<u>\$ 103,853</u>	<u>\$ (959,985)</u>

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Investment income consists of the following for the years ended January 31:

	<u>2023</u>	<u>2022</u>
Interest and Dividends	\$ 1,849,992	\$ 2,158,934
Realized/Unrealized (Loss) Gain	(6,876,659)	3,158,582
Investment Fees	(180,821)	(224,531)
Total	<u>\$ (5,207,488)</u>	<u>\$ 5,092,985</u>

NOTE 5 CHAPTER RECEIVABLES

Amounts receivable from chapters consisted of the following at January 31:

	<u>2023</u>	<u>2022</u>
Revenue Sharing	\$ 7,046,826	\$ 1,323,306
Less: Reserve for Doubtful Collection	-	(127,587)
	<u>7,046,826</u>	<u>1,195,719</u>
Loans and Other Receivable	-	201,261
Less: Reserve for Doubtful Collection	-	(191,215)
	<u>-</u>	<u>10,046</u>
Total	<u>\$ 7,046,826</u>	<u>\$ 1,205,765</u>

NOTE 6 PLEDGES RECEIVABLE

The Association anticipates collection of outstanding pledges receivable as follows as of January 31:

	<u>2023</u>	<u>2022</u>
Due in Less Than One Year	\$ 2,103,490	\$ 698,000
Due in One to Five Years	100,000	106,000
Due in More Than Five Years	50,000	75,000
	<u>2,253,490</u>	<u>879,000</u>
Less: Discount to Present Value	(35,855)	(35,855)
Total	<u>\$ 2,217,635</u>	<u>\$ 843,145</u>

Amounts presented above have been discounted to present value using rates ranging from 2.55% to 4.48%.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at January 31:

	2023	2022
Furniture and Equipment	\$ 10,481,613	\$ 748,154
Software	4,667,667	4,809,090
Leasehold Improvements	1,327,429	1,097,274
	<u>16,476,709</u>	<u>6,654,518</u>
Less: Accumulated Depreciation and Amortization	(11,877,931)	(3,275,663)
Total	<u>\$ 4,598,778</u>	<u>\$ 3,378,855</u>

NOTE 8 RELATED PARTY TRANSACTIONS

During the years ended January 31, 2023 and 2022, the Association recorded contributions from board members of approximately \$140,000 and \$83,000, respectively. As of January 31, 2023 and 2022, outstanding pledges receivable from board members approximated \$6,000 and \$12,000, respectively.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions and related activity consist of the following as of and for the years ended January 31:

	2023			
	Beginning	Additions	Releases	Ending
Research Awards	\$ 2,368,318	\$ 5,159,671	\$ (6,629,099)	\$ 898,890
Research Endowment Principal	233,415	(18,056)	-	215,359
Beneficial Interest in Perpetual Trust	874,547	(110,870)	-	763,677
Term Endowment				
Supporting Research	6,276,315	(485,508)	(5,305,205)	485,602
Grants for Local Activity		12,604,149	(5,353,800)	7,250,349
Time Restricted	1,941,078	4,011,868	(3,438,113)	2,514,833
Total	<u>\$ 11,693,673</u>	<u>\$ 21,161,254</u>	<u>\$ (20,726,217)</u>	<u>\$ 12,128,710</u>
	2022			
	Beginning	Additions	Releases	Ending
Research Awards	\$ 5,840,576	\$ 7,065,854	\$ (10,538,112)	\$ 2,368,318
Research Endowment Principal	240,000	15,781	(22,366)	233,415
Beneficial Interest in Perpetual Trust	844,658	29,889	-	874,547
Term Endowment				
Supporting Research	6,276,315	413,328	(413,328)	6,276,315
Time Restricted	2,765,652	1,184,714	(2,009,288)	1,941,078
Total	<u>\$ 15,967,201</u>	<u>\$ 8,709,566</u>	<u>\$ (12,983,094)</u>	<u>\$ 11,693,673</u>

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Perpetual Trusts

The Association has beneficial interests in two trusts that the Association does not administer. The investments of each trust are administered by a trustee, who is independent of the Association, and distributions are made to the Association in accordance with the trust agreement for each trust. The beneficial interests in these trusts is included in the tables above.

NOTE 10 ENDOWMENTS

In 2013 and 2014, the Association received a bequest totaling \$6,276,315, establishing a term endowment according to designations made by the donor. The proceeds of this bequest are to be maintained by the Association in an endowment fund for a period of ten years. Earnings from the fund are restricted to support research and may be spent on a current basis. Upon expiration of the endowment term, the corpus of the fund must also be used to support research. During the year ending January 31, 2023, the Association released approximately \$5.3 million from this fund for research as the original portion of the gift met the ten year holding requirement. The Association expects to release the remainder of the fund during the next fiscal year.

In addition, the Association has another donor-restricted endowment fund. The principal of the endowment fund is to be held in perpetuity and the net earnings used to support research expenditures.

Interpretation of Relevant Law

Laws and regulations allow the board of trustees of the Association to appropriate so much of an endowment fund as is prudent.

As a result of this interpretation, the Association classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment maintained in perpetuity, (b) the original value of subsequent gifts to the endowment maintained in perpetuity, and (c) accumulations to the endowment maintained in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Association and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Association
- (7) The investment policies of the Association

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 10 ENDOWMENTS (CONTINUED)

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity. Under this policy approved by the board of trustees the endowment assets are invested in a manner with long-term orientation and without undue exposure to risk.

Over the long term, the Association expects to allow its endowment to grow annually, consistent with the Association's objectives to maintain the purchasing power of the endowment assets held in-perpetuity and to provide additional real growth through investment returns.

Endowment net asset composition by type and changes in endowment net assets is as follows for the years ended January 31:

	With Donor Restrictions
Balance, January 31, 2021	\$ 6,516,315
Total Investment Return	429,109
Appropriations	<u>(435,694)</u>
Balance, January 31, 2022	6,509,730
Total Investment Return	(503,564)
Appropriations	<u>(5,305,205)</u>
Balance, January 31, 2023	<u><u>\$ 700,961</u></u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual or specified term duration. Deficiencies of this nature are reported in net assets with donor restrictions. As of January 31, 2023 and 2022 deficiencies in endowment funds are \$59,000 and \$0 respectively.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Research Grants

The Association enters into conditional commitments semiannually to award scientific research grants. Research grants can be awarded either as a result of recommendations of the Scientific Review Committee which are approved by the board of trustees or by general authority through the research budget approved by the board of trustees. Subject to an annual review and reapproval process, these grants generally cover a period of one to three years.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Subject to the grantees meeting the applicable terms and conditions timely, conditional grants awarded to date will become payable as follows:

<u>Year Ending January 31,</u>	<u>Amount</u>
2024	\$ 5,242,175
2025	1,333,669
2026	598,510
2027	50,000
Total	<u>\$ 7,224,354</u>

Except as previously provided for by restricted gifts, the Association's ability to meet these grant commitments may be dependent on future contributions to be received.

Purchase Commitments

The Association entered into other noncancellable agreements for various services including but not limited to costs for the purchase and implementation of the new donor and constituent management system. The Association's maximum commitment for these services is approximately \$5,900,000 as of January 31, 2023.

PPP Loans and Employee Retention Credits

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Association's financial position.

Additionally, the Association was eligible for the Employee Retention Credit, a federal program in the form of a refundable tax credit on employer payroll taxes. These credits are subject to the review of the IRS for compliance and eligibility factors.

Leases

The Association leases offices in multiple states under noncancellable operating leases expiring at various dates through 2033. The leases require monthly rental payments and contain certain escalation clauses. In addition, the Association pays a pro rata share of real estate taxes and other operating expenses.

The Association also leases certain office equipment under leases expiring at various dates through 2025.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Minimum rental payments are due under the office and equipment leases as follows:

Operating Cash Flows from Operating Leases	\$ 1,465,262
Financing Cash Flows from Finance Leases	\$ 10,105
Right-of-Use Asset Obtained in Exchange for New Operating Lease Liability	\$ 7,877,445
Right-of-Use Asset Obtained in Exchange for Finance Lease Liability	\$ 17,759
Weighted-Average Remaining Lease Term - Operating Leases	1.71 Years
Weighted-Average Remaining Lease Term - Finance leases	1.7 Years
Weighted-Average Discount Rate - Operating Leases	2.01%
Weighted-Average Discount Rate - Finance Leases	1.37%

<u>Year Ending January 31,</u>	<u>Operating</u>
2024	\$ 1,697,416
2025	1,244,892
2026	1,120,991
2027	956,699
2028	883,940
Thereafter	<u>3,477,189</u>
Total	9,381,127
Less: Imputed Interest	<u>(677,567)</u>
Total	<u><u>\$ 8,703,560</u></u>

Rent expense under office and equipment leases amounted to approximately \$1,390,972 and \$555,000 for the years ended January 31, 2023 and 2022, respectively.

Loan Management Account

As a way to manage potential cash flow shortfalls, the Association established a Loan Management Account (LMA) credit facility with its investment advisor in May 2020. The LMA functions similarly to a margin account. The LMA is collateralized by a portion of the Association's investment portfolio and allows the Association to draw up to \$9.95 million to help facilitate short term cash flow needs. As of January 31, 2023 and 2022, there was \$3 million and \$0 outstanding on this credit facility. Interest expense incurred on this credit facility was \$28,000 and \$0 for the years ending January 31, 2023 and 2022 respectively. The outstanding balance owed as of January 31, 2023 was subsequently paid off.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023 AND 2022

NOTE 12 EMPLOYEE BENEFIT PLAN

The Association maintains a 401(k) defined contribution plan which is subject to limitations set forth by the Internal Revenue Code. The plan covers all employees who meet the requirements of the plan. The Association provides a 3% contribution to the plan on behalf of each eligible employee as well as an additional matching contribution of up to 4% if the employee makes a corresponding contribution. The total expenses relating to the plan were approximately \$1,800,000 and \$714,000 for the years ended January 31, 2023 and 2022, respectively.