

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JANUARY 31, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members
The ALS Association, Orange County Chapter

Report on the Financial Statements

I have audited the accompanying financial statements of The ALS Association, Orange County Chapter, which comprise the balance sheet as of January 31, 2015, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ALS Association, Orange County Chapter as of January 31, 2015, and the changes in net assets, cash flows, and functional expenses for the year then ended in conformity with accounting principles generally accepted in the United States of America.

La Mesa, California
August 20, 2015


Gregory V. Villard
Certified Public Accountant

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER
STATEMENT OF FINANCIAL POSITION
JANUARY 31, 2015

	Unrestricted	Temporarily Restricted	Total
ASSETS			
Cash and cash equivalents	\$ 326,932	\$ 10,000	\$ 336,932
Investments	56,985	46,964	103,949
Property and Equipment - Net (Note 3)	143,436	-	143,436
Total Assets	\$ 527,353	\$ 56,964	\$ 584,317
 LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	\$ 12,568	\$ -	\$ 12,568
Total Liabilities	12,568	-	12,568
 Net Assets			
Unrestricted	514,785	-	514,785
Temporarily restricted	-	56,964	56,964
Total Net Assets	514,785	56,964	571,749
Total Liabilities and Net Assets	\$ 527,353	\$ 56,964	\$ 584,317

See accompanying notes and independent auditor's report.

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER
STATEMENT OF ACTIVITIES
YEAR ENDED JANUARY 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 191,530	\$ 163,960	\$ 355,490
Special Events (net of \$62,762 expenses)	352,789	-	352,789
In-Kind Donations - Property & Equipment	76,011	-	76,011
In-Kind Donations - Home Renovations	100,000	-	100,000
Interest Income and Dividends	63	-	63
Unrealized gain on investments	2,329	-	2,329
Other Revenue	1,365	-	1,365
Net Assets released from restrictions	163,960	(163,960)	-
	<u>888,047</u>	<u>-</u>	<u>888,047</u>
Total Support and Revenue			
 EXPENSES			
Program Services			
Research & Advocacy	178,864	-	178,864
Patient Services	382,502	-	382,502
	<u>561,366</u>	<u>-</u>	<u>561,366</u>
Total Program Services			
Supporting Services			
General & Administration	42,025	-	42,025
Fund raising	25,069	-	25,069
Total Supporting Services	67,094	-	67,094
	<u>628,460</u>	<u>-</u>	<u>628,460</u>
Total Expenses			
Change in Net Assets	259,587	-	259,587
Net Assets			
Beginning of year	255,198	56,964	312,162
End of year	<u>\$ 514,785</u>	<u>\$ 56,964</u>	<u>\$ 571,749</u>

See accompanying notes and independent auditor's report.

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER
STATEMENT OF CASH FLOWS
JANUARY 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Cash Flows from Operating Activities			
Change in Net Assets	\$ 259,587	\$ -	\$ 259,587
Reconciliation to net cash provided by (used in) operating activities			
Depreciation	35,171	-	35,171
(Increase) decrease in operating assets			
Prepaid Expenses	2,223	-	2,223
Other Assets - Deposits	2,058	-	2,058
Increase (decrease) in operating liabilities			
Accounts payable and accrued expenses	2,832	-	2,832
Due to ALSA office	(975)	-	(975)
Net cash provided by (used in) operating activities	<u>\$ 300,896</u>	<u>\$ -</u>	<u>300,896</u>
Cash Flows from Investing Activities			
Change in Investments	(2,266)	-	(2,266)
Acquisition of Property & Equipment	<u>(81,188)</u>	<u>-</u>	<u>(81,188)</u>
Net cash provided by (used in) investing activities	(83,454)	-	(83,454)
Increase (Decrease) in Cash and Cash Equivalents	\$ 217,442	\$ -	\$ 217,442
Cash and Cash Equivalents			
Beginning of year	<u>109,490</u>	<u>10,000</u>	<u>119,490</u>
End of year	<u><u>\$ 326,932</u></u>	<u><u>\$ 10,000</u></u>	<u><u>\$ 336,932</u></u>

See accompanying notes and independent auditor's report.

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JANUARY 31, 2015

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Research & Advocacy</u>	<u>Patient Services</u>	<u>General & Administration</u>	<u>Fundraising</u>	
Accounting and Bank Fees	\$ -	\$ -	\$ 16,538	\$ -	\$ 16,538
Advocacy	7,717	-	-	-	7,717
Conferences and Meetings	-	122	490	-	612
Convio Computer Use/Database	-	-	-	7,102	7,102
Depreciation	-	34,136	1,035	-	35,171
Direct Public Outreach	-	4,572	-	-	4,572
Program Equipment	-	139,239	-	-	139,239
Other Office Expenses	-	29,969	3,525	1,762	35,256
Outside Services	-	-	7,970	-	7,970
Rent and Utilities	-	23,649	2,782	1,391	27,822
Salaries and Related Expenses	-	148,752	8,549	13,678	170,979
Research	171,147	-	-	-	171,147
Telephone	-	2,063	1,136	1,136	4,335
	<u>-</u>	<u>2,063</u>	<u>1,136</u>	<u>1,136</u>	<u>4,335</u>
 Total Expenses	 <u>\$ 178,864</u>	 <u>\$ 382,502</u>	 <u>\$ 42,025</u>	 <u>\$ 25,069</u>	 <u>\$ 628,460</u>

See accompanying notes and independent auditor's report.

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2015

NOTE 1. NATURE OF ORGANIZATION

The ALS (Amyotrophic Lateral Sclerosis) Association, Orange County Chapter, (the Chapter), is a nonprofit corporation, formed August 26, 1987, with the primary goal of enhancing the quality of life for patients and their families when they have been diagnosed with Amyotrophic Lateral Sclerosis (ALS). A system of Chapter provided programs begins with assisting families to locate resources and to navigate the maze of insurance and Social Security. A Patient Services Coordinator and a RN-Case Manager support this process, including home visits to evaluate and assist with special needs. The Chapter provides medical equipment such as, but not limited to, hospital beds and wheelchairs. Patients unable to speak are supported through devices and specially equipped computers, and are trained to use the software and devices. The Chapter maintains a lending library of pertinent information for families, conducts monthly support groups, and operates a patient helpline. Programs are in place to assist children of patients dealing with ALS, as well as a respite care program providing relief for caregivers of ALS patients. A newsletter is published with information the latest research and local Chapter events.

The Chapter has been instrumental in the purchase and placement of "Surf and Sand Chairs" at Southern California beaches, enabling individuals with disabilities to enjoy the beach. The Chapter promotes patient advocacy by conducting public awareness and education programs, including an annual symposium. In addition to providing various programs to improve and maintain the life quality for ALS patients and their families, the Chapter is dedicated to supporting the National ALS Association's research efforts to find the cause, treatments, and ultimately, a cure for ALS.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The Chapter utilizes the accrual method of accounting for financial statement presentation, in accordance with accounting principles generally accepted in the United States of America.

Other Revenue Recognition

Revenue from donations, bequests, fund raisers, etc. are available for general use unless specifically restricted by the donor.

Donated Services

A number of businesses and unpaid volunteers have made significant contributions of time to the Chapter's fundraising and operations. Contributed services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Basis of Presentation

Financial Statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Chapter is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, restricted, and permanently restricted net assets.

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2015

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Support and Net Assets

The Chapter reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period, are reported as unrestricted support in the period.

Grant Receivables and Revenues

Grant revenues earned, but not received, are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as refundable advances. Grant expenditures are recorded when the liability is incurred.

No allowance for uncollectable accounts has been established since, in management's opinion, they are all collectable.

Investments

Investments in all debt securities and equity securities with readily determinable market values are recorded at fair market values in the Statement of Financial Position. Realized and unrealized gains and losses are included in the accompanying Statement of Activities and Changes in Net Assets. Fair market value is determined from quoted market prices.

Property and Equipment

Office furniture, equipment, and vehicles have been recorded at cost if purchased or at fair market value at the time of donation. Depreciation is provided over the estimated useful lives of the respective depreciable assets on a straight-line basis.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Chapter considers all highly liquid investments available for current use with initial maturity of three months or less to be cash equivalents.

Income Tax Status

The Chapter has qualified for tax-exempt status under Internal Revenue Code Section 501(c)(3) and California Revenue Code Section 23701(d). The Chapter has also been classified by the Internal Revenue Service as an entity that is not a private foundation within the meaning of Section 170(c)(2). Income for certain activities not directly related to the Chapter's tax-exempt purpose is subject to taxation as unrelated business income. No provision for income taxes has been made in the accompanying financial statements, however, since there is no unrelated business activity.

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2015

The Chapter recognizes the financial statement benefit of tax positions, such as its income tax exempt filing status, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Chapter is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California purposes is generally three and four years, respectively.

Allocation of Functional Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3. PROPERTY AND EQUIPMENT

Property and Equipment are summarized as follows:

Wheelchairs	\$254,359
Communication Computer	49,691
Office Equipment	3,514
Phone System	<u>9,015</u>
	316,579
Less accumulated depreciation	<u>(173,143)</u>
Property and Equipment, Net	<u>\$143,436</u>

Depreciation expense for the year ended January 31, 2015 was \$35,171.

NOTE 4. CONTINGENCY AND CONENTRATIONS

The Chapter is located in Santa Ana, California and its operations are largely dependent upon the local economy.

The Chapter maintains cash in several accounts in financial institutions which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, cash balances may exceed this amount. At January 31, 2015, the Chapter had \$84,796 in excess of the FDIC amount.

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER
 NOTES TO FINANCIAL STATEMENTS
 JANUARY 31, 2015

NOTE 5. INVESTMENTS

Investments in marketable securities with readily determinable fair values are carried at their fair values in the statement of financial position. Investments at January 31, 2015 consist of the following:

	<u>Market Value</u>	<u>Cost</u>
Mutual Funds	<u>\$103,949</u>	<u>\$103,070</u>

Returns on investment securities consist of the following:

Interest and dividends	\$ 63
Unrealized gains (losses)	<u>2,329</u>
	<u>\$ 2,392</u>

NOTE 6. RELATED PARTY TRANSACTIONS

The Chapter is affiliated with the ALSA national office. The Chapter is required to remit certain amounts in revenue sharing to the ALSA national office on a quarterly basis to help further the scientific research programs and other programs of ALSA. The amount remitted to the ALSA national office during the year ended January 31, 2015 was \$171,147 which was designated for research.

NOTE 7. WALK TO D'FEET SPECIAL EVENT

During the year ended January 31, 2015, the Chapter hosted its annual Walk to D'Feet. The purpose of this event is to support community-led efforts which help promote improved living standards of patients with ALS. The event generated \$328,599 with direct expenses of \$29,008, resulting in a profit of \$299,591 before indirect cost allocations.

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at January 31, 2015 are available for the following purposes:

Establishing a medical clinic	\$ 46,964
Patient Services	<u>10,000</u>
	<u>\$ 56,964</u>

During the year ended January 31, 2015, donations of \$163,960 were received during the year for research and were paid to the National ALSA and therefore released from restriction.

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2015

NOTE 9. OPERATING LEASE

The Chapter entered into a three-year lease to rent office space in Santa Ana, California from an unrelated party. The lease commenced on January 1, 2015 and will expire on February 28, 2018. Terms of the lease call for initial rental payments of \$2,219 per month.

The future minimum lease payments for the next three years are as follows:

<u>Year ended January 31,</u>	
2015	\$ 26,628
2016	29,433
2017	<u>32,232</u>
	<u>\$ 88,293</u>

Rent expense for the office space for the year ended January 31, 2015 was \$24,000.

NOTE 10. FAIR VALUE MEASUREMENTS

Fair values are measured along the following criteria:

- Level 1 input: Quoted prices in active markets for identical assets
- Level 2 input: Significant observable inputs
- Level 3 input: Significant unobservable inputs

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents: The carrying amount approximates fair value because of the short maturities.
- Certificates of deposit: The fair value of certificates of deposit is determined based on quoted market prices.

Fair values of the Association's financial instruments at January 31, 2015 are as follows, and all values are classified as Level 1 inputs:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and Cash Equivalents	\$336,932	\$336,932

NOTE 11. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 20, 2015, the date that the financial statements were available to be issued.