

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JANUARY 31, 2016

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# Gregory V. Villard

CERTIFIED PUBLIC ACCOUNTANT

7844 LA MESA BOULEVARD  
LA MESA, CA 91942  
619-589-5472  
619-589-5245 – FAX  
info@gregvillardcpa.com

## 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, 2016, 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, 2016, 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 2, 2016

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER  
STATEMENT OF FINANCIAL POSITION  
JANUARY 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 330,005	\$ 24,336	\$ 354,341
Investments	57,733	46,964	104,697
Property and Equipment - Net (Note 3)	146,306	-	146,306
Total Assets	\$ 534,044	\$ 71,300	\$ 605,344
 <b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 32,628	\$ -	\$ 32,628
Total Liabilities	32,628	-	32,628
 <b>Net Assets</b>			
Unrestricted	501,416	-	501,416
Temporarily restricted	-	71,300	71,300
Total Net Assets	501,416	71,300	572,716
Total Liabilities and Net Assets	\$ 534,044	\$ 71,300	\$ 605,344

See accompanying notes and independent auditor's report.

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER  
STATEMENT OF ACTIVITIES  
YEAR ENDED JANUARY 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 97,559	\$ 283,090	\$ 380,649
Special Events (net of \$72,029 expenses)	271,034	-	271,034
In-Kind Donations - Property & Equipment	10,282	-	10,282
In-Kind Donations - Home Renovations	160,000	-	160,000
Interest Income and Dividends	87	-	87
Unrealized gain on investments	747	-	747
Other Revenue	517	-	517
Net Assets released from restrictions	268,754	(268,754)	-
 Total Support and Revenue	 808,980	 14,336	 823,316
 <b>EXPENSES</b>			
Program Services			
Research & Advocacy	169,906	-	169,906
Patient Services	546,532	-	546,532
 Total Program Services	 716,438	 -	 716,438
 Supporting Services			
General & Administration	54,938	-	54,938
Fund raising	50,973	-	50,973
Total Supporting Services	105,911	-	105,911
 Total Expenses	 822,349	 -	 822,349
 Change in Net Assets	 (13,369)	 14,336	 967
 Net Assets			
Beginning of year	514,785	56,964	571,749
End of year	\$ 501,416	\$ 71,300	\$ 572,716

See accompanying notes and independent auditor's report.

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER  
STATEMENT OF CASH FLOWS  
JANUARY 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Change in Net Assets	\$ (13,369)	\$ 14,336	\$ 967
Reconciliation to net cash provided by (used in) operating activities			
Depreciation	22,306	-	22,306
(Increase) decrease in operating assets			
Increase (decrease) in operating liabilities			
Accounts payable and accrued expenses	<u>20,060</u>	<u>-</u>	<u>20,060</u>
Net cash provided by (used in) operating activities	<u>\$ 28,997</u>	<u>\$ 14,336</u>	<u>43,333</u>
<b>Cash Flows from Investing Activities</b>			
Change in Investments	(748)	-	(748)
Acquisition (Disposal) of Property & Equipment	<u>(25,176)</u>	<u>-</u>	<u>(25,176)</u>
Net cash provided by (used in) investing activities	(25,924)	-	(25,924)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	\$ 3,073	\$ 14,336	\$ 17,409
<b>Cash and Cash Equivalents</b>			
Beginning of year	<u>326,932</u>	<u>10,000</u>	<u>336,932</u>
End of year	<u>\$ 330,005</u>	<u>\$ 24,336</u>	<u>\$ 354,341</u>

See accompanying notes and independent auditor's report.

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JANUARY 31, 2016

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Research &amp; Advocacy</u>	<u>Patient Services</u>	<u>General &amp; Administration</u>	<u>Fundraising</u>	
Accounting and Bank Fees	\$ -	\$ -	\$ 16,246	\$ -	\$ 16,246
Advocacy	8,916	-	-	-	8,916
Conferences and Meetings	-	1,317	1,464	-	2,781
Convio Computer Use/Database	-	-	-	8,000	8,000
Depreciation	-	20,744	1,562	-	22,306
Direct Public Outreach	-	7,451	-	-	7,451
Program Expenses	-	57,856	-	-	57,856
Office Expenses	-	27,068	2,460	1,230	30,758
Outside Services	-	-	5,930	-	5,930
Rent and Utilities	-	33,425	3,038	1,519	37,982
Salaries and Related Expenses	-	235,678	23,976	39,961	299,615
Research	160,990	-	-	-	160,990
Telephone	-	2,993	262	263	3,518
Home Renovations	-	160,000	-	-	160,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenses	<u>\$ 169,906</u>	<u>\$ 546,532</u>	<u>\$ 54,938</u>	<u>\$ 50,973</u>	<u>\$ 822,349</u>

See accompanying notes and independent auditor's report.

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER  
NOTES TO FINANCIAL STATEMENTS  
JANUARY 31, 2016

NOTE 1. NATURE OF ORGANIZATION & OPERATIONS

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, (1) hospital beds (2) wheelchairs (3) augmentative communication devices (4) respirator equipment (5) occupational therapy devices and other equipment.

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 of the latest research and local Chapter events.

The Chapter has been instrumental in providing accessible transportation to patients with ALS to and from doctors' appointments and/or special family events. It 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.

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER  
NOTES TO FINANCIAL STATEMENTS  
JANUARY 31, 2016

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.

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.



THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER  
 NOTES TO FINANCIAL STATEMENTS  
 JANUARY 31, 2016

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 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	\$174,763
Communication Computer	50,691
Office Equipment	3,514
Phone System	<u>9,015</u>
	237,983
Less accumulated depreciation	( 91,677)
Property and Equipment, Net	<u>\$146,306</u>

Depreciation expense for the year ended January 31, 2016 was \$22,306.

NOTE 4. CONTINGENCY AND CONCENTRATIONS

The Chapter is located in Tustin, 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, 2016, the Chapter had \$104,341 in excess of the FDIC amount.

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER  
NOTES TO FINANCIAL STATEMENTS  
JANUARY 31, 2016

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, 2016 consist of the following:

	<u>Market Value</u>	<u>Cost</u>
Mutual Funds	<u>\$104,697</u>	<u>\$103,157</u>

Returns on investment securities consist of the following:

Interest and dividends	\$ 87
Unrealized gains (losses)	<u>747</u>
	<u>\$ 834</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, 2016 was \$1,946.

NOTE 7. WALK TO DEFEAT ALS SPECIAL EVENT

During the year ended January 31, 2016, the Chapter hosted its annual Walk to Defeat ALS Special Event. The purpose of this event is to support community-led efforts which help promote improved living standards of patients with ALS. The event generated \$240,939 with direct expenses of \$28,440, resulting in a profit of \$212,499 before indirect cost allocations.

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at January 31, 2016 are available for the following purposes:

Establishing a medical clinic	\$ 46,964
Disney Grant	4,200
W Family Charitable Trust Grant	8,695
Transportation Grant	1,851
Respite Care Grant	4,850
Precept/Rent	2,800
Precept Grant	<u>1,940</u>
	<u>\$ 71,300</u>

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER  
 NOTES TO FINANCIAL STATEMENTS  
 JANUARY 31, 2016

During the year ended January 31, 2016, donations and grants of \$283,090 were received that were considered restricted. The Chapter spent \$268,754 of these funds for their designated purpose, thereby releasing these funds from restriction.

NOTE 9. OPERATING LEASE

The Chapter entered into a three-year lease to rent office space in Tustin, 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 \$3,068 per month with an initial rent abatement.

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

<u>Year ended January 31,</u>	
2017	\$ 36,816
2018	<u>36,816</u>
	<u>\$ 73,632</u>

Rent expense for the office space for the year ended January 31, 2016 was \$34,988.

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, 2016 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	\$354,341	\$354,341

THE ALS ASSOCIATION, ORANGE COUNTY CHAPTER  
NOTES TO FINANCIAL STATEMENTS  
JANUARY 31, 2016

NOTE 11. CHAPTER SUPPORT AND REVENUE

The Chapter has recorded the following amounts for annual support and revenue:

<u>Year Ended January 31,</u>	
2016	\$823,316
2015	888,047**
2014	504,666
2013	316,348
2012	240,450

\*\* includes donations from the Ice Bucket Challenge

NOTE 12. IN-KIND DONATIONS – HOME RENOVATIONS

During the year, a donor contributed \$160,000 of materials and services to the Chapter for home renovations of six ALS patients.

NOTE 13. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 2, 2016, the date that the financial statements were available to be issued.