

Audited Financial Statements

ALS OF MICHIGAN, INC.

January 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
of ALS of Michigan, Inc.**

We have audited the accompanying financial statements of ALS of Michigan, Inc. (a Michigan nonprofit corporation), which comprise the statements of financial position as of January 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ALS of Michigan, Inc., as of January 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Croskey Lanni, PC

October 14, 2021
Rochester, Michigan

ALS OF MICHIGAN, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	January 31 ,	
	2021	2020
Current Assets		
Cash and cash equivalents	\$ 630,281	\$ 475,442
Other receivables	5,123	4,924
Prepaid expenses and deposits	8,817	9,950
Investments - other	100,147	210,528
Total current assets	744,368	700,844
Other Assets		
Property and equipment, net of accumulated depreciation of \$252,047 in 2021 and \$368,456 in 2020	225,760	218,506
Total assets	\$ 970,128	\$ 919,350

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 17,607	\$ 21,002
PPP loan payable	63,200	-
Unearned revenue	10,000	500
Total current liabilities	90,807	21,502
Net Assets		
Without donor restrictions	844,321	862,848
With donor restrictions	35,000	35,000
Total liabilities and net assets	\$ 970,128	\$ 919,350

See accompanying notes to financial statements

ALS OF MICHIGAN, INC.

STATEMENTS OF ACTIVITIES

	For the Year Ended January 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Memorials, gifts and other donations	\$ 294,477	\$ -	\$ 294,477	\$ 467,857	\$ -	\$ 467,857
Grant revenue	20,000	52,500	72,500	35,000	35,000	70,000
Donated equipment and supplies	76,500	-	76,500	119,350	-	119,350
Special events, net of direct costs	152,787	-	152,787	184,162	-	184,162
Interest income	6,641	-	6,641	10,627	-	10,627
Other income	-	-	-	121	-	121
Realized and unrealized gain (loss) on investments	618	-	618	(215)	-	(215)
Loss on equipment disposal	(14,017)	-	(14,017)	(16,640)	-	(16,640)
Subtotal	537,006	52,500	589,506	800,262	35,000	835,262
Net Assets Released from Restrictions	52,500	(52,500)	-	-	-	-
Total public support and revenue	589,506	-	589,506	800,262	35,000	835,262
Functional Expenses						
Program						
Patient services	530,811	-	530,811	575,377	-	575,377
Education	13,895	-	13,895	16,321	-	16,321
Total program	544,706	-	544,706	591,698	-	591,698
Administrative	29,645	-	29,645	37,120	-	37,120
Fundraising	33,682	-	33,682	31,856	-	31,856
Total expenses	608,033	-	608,033	660,674	-	660,674
(Decrease) Increase in Net Assets	(18,527)	-	(18,527)	139,588	35,000	174,588
Net Assets - Beginning	862,848	35,000	897,848	723,260	-	723,260
Net Assets - Ending	<u>\$ 844,321</u>	<u>\$ 35,000</u>	<u>\$ 879,321</u>	<u>\$ 862,848</u>	<u>\$ 35,000</u>	<u>\$ 897,848</u>

See accompanying notes to financial statements

ALS OF MICHIGAN, INC.

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JANUARY 31, 2021

	2021					
	Program					Total
	Patient Services	Education	Total	Administrative	Fundraising	Expenses
Salaries and wages	\$ 282,561	\$ 1,402	\$ 283,963	\$ 14,023	\$ 21,035	\$ 319,021
Payroll taxes	21,345	491	21,836	1,078	1,618	24,532
Depreciation	71,555	-	71,555	-	-	71,555
Insurance	1,836	949	2,785	184	92	3,061
Miscellaneous	1,026	-	1,026	2,528	3,279	6,833
Office expenses	5,274	1,875	7,149	3,747	820	11,716
Postage	1,557	741	2,298	148	4,967	7,413
Printing	988	-	988	606	-	1,594
Professional fees	2,759	-	2,759	5,874	267	8,900
Occupancy	14,185	7,328	21,513	709	1,418	23,640
Seminars and conferences	772	-	772	-	-	772
Specific assistance to individuals	124,697	-	124,697	-	-	124,697
Telephone	2,148	1,109	3,257	215	107	3,579
Travel and lodging	108	-	108	533	79	720
	<u>\$ 530,811</u>	<u>\$ 13,895</u>	<u>\$ 544,706</u>	<u>\$ 29,645</u>	<u>\$ 33,682</u>	<u>\$ 608,033</u>

See accompanying notes to financial statements

ALS OF MICHIGAN, INC.

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JANUARY 31, 2020

	2020					
	Program					Total
	Patient Services	Education	Total	Administrative	Fundraising	Expenses
Salaries and wages	\$ 255,431	\$ 1,590	\$ 257,021	\$ 15,896	\$ 23,844	\$ 296,761
Payroll taxes	19,855	359	20,214	1,250	1,875	23,339
Depreciation	61,545	-	61,545	2,564	-	64,109
Grants	-	1,000	1,000	-	-	1,000
Insurance	1,630	718	2,348	332	83	2,763
In-kind equipment supplies	2,350	-	2,350	-	-	2,350
Miscellaneous	2,477	-	2,477	1,609	2,616	6,702
Office expenses	5,625	1,688	7,313	2,475	1,462	11,250
Postage	4,155	2,221	6,376	573	215	7,164
Printing	381	196	577	134	320	1,031
Professional fees	98	-	98	9,710	-	9,808
Occupancy	16,728	7,318	24,046	784	1,307	26,137
Seminars and conferences	897	89	986	-	-	986
Specific assistance to individuals	201,285	-	201,285	-	-	201,285
Telephone	2,137	1,142	3,279	295	111	3,685
Travel and lodging	783	-	783	1,498	23	2,304
Total expenses	\$ 575,377	\$ 16,321	\$ 591,698	\$ 37,120	\$ 31,856	\$ 660,674

See accompanying notes to financial statements

ALS OF MICHIGAN, INC.

STATEMENTS OF CASH FLOWS

	Year Ended January 31,	
	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ (18,527)	\$ 174,588
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Depreciation	71,555	64,109
Loss on equipment disposal	14,017	16,640
Donated equipment	(76,500)	(117,000)
Realized gain on investments	(667)	(35)
Unrealized loss on investments	49	250
(Increase) decrease in operating assets		
Other receivables	(199)	(60)
Prepaid expenses	1,133	203
(Decrease) increase in operating liabilities		
Accounts payable and accrued expenses	(3,395)	(7,959)
Unearned revenue	9,500	500
	(3,034)	131,236
Net Cash (Used for) Provided by Operating Activities		
Cash Flows From Investing Activities		
Purchases of investments	-	(210,000)
Proceeds from the sale of investments	111,000	202,857
Purchases of equipment	(16,327)	(37,169)
	94,673	(44,312)
Net Cash Provided by (Used for) Investing Activities		
Cash Flows From Financing Activities		
Proceeds from PPP loan payable	63,200	-
	154,839	86,924
Net Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents - Beginning	475,442	388,518
Cash and Cash Equivalents - Ending	\$ 630,281	\$ 475,442

See accompanying notes to financial statements

ALS OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JANUARY 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of ALS of Michigan, Inc. ("the Organization") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operations

ALS of Michigan, Inc. is a nonprofit organization formed to educate and inform the general public as to the nature of this disease; to help the patient and the family to live as full and normal a life as possible; to aid those afflicted through various direct and indirect community-based programs; and to encourage scientific research for the prevention, alleviation, care, treatment and cure of those persons who have been subjected to amyotrophic lateral sclerosis.

Basis of Accounting

The Organization follows the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and demand deposits in banks plus short-term investments that are readily convertible to cash as well as investments with original maturities of three months or less.

Investments - Other

The Organization reports investments in certificates of deposit with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Property and Equipment

Property and equipment is stated at purchased cost. Donated property and equipment is stated at fair market value at the date of donation. Expenditures for major betterments and additions are charged to the property accounts while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. The Organization's policy is to capitalize expenditures in excess of \$500. Lesser amounts are expensed as incurred and included in the statement of activities.

Paycheck Protection Program (PPP) Loan Accounting - Debt Model

The Organization elected to account for its PPP funds utilizing the Debt Accounting Model. Under the Debt Model the PPP loan proceeds would be recorded as a liability and interest would also be recorded. Once the entity is legally released as the primary obligor from the creditor, the liability would be derecognized and governmental grant income would be recorded.

ALS OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED JANUARY 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation is provided on the straight-line method at annual rates which are sufficient to amortize the cost of the assets over their estimated useful lives as follows:

Equipment	3 - 7 Years
Office furniture and fixtures	5 - 7 Years

Gains or losses on the disposition of property and equipment are included in the statement of activities.

Financial Statement Presentation and Contributions

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets with restrictions: Net assets subject to imposed stipulations that they be maintained permanently by the Organization. These assets permit the Organization to use all of the income earned on related investments for general or specific purposes. Net assets with restrictions also include net assets subject to imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. At January 31, 2021 and 2020, the Organization had net assets with donor restrictions of \$35,000 to be utilized for respite care and related programs.

Net assets without restrictions: Net assets not subject to imposed stipulations. Revenue that is restricted is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. All other restricted support is reported as an increase in net assets with restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions.

Donated Goods and Services

Donated goods and services are reflected as revenue and expense in the period received at their estimated values on the date of receipt. In addition, a number of non-professional volunteers have donated significant hours of their time in the Organization's programs. No value for these donated services is reflected in the accompanying financial statements because these services are not specialized skills provided by entities or persons possessing those skills that would be purchased if they were not donated.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs on various bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

Income Taxes

The Organization is a nonprofit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, is not subject to tax under Federal income tax laws. Unrelated business income, if any, may be subject to income tax. Contributions to ALS of Michigan, Inc. qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Code. Generally, the Organization's tax returns (Form 990) remain open for examination by the Internal Revenue Service for three years from the date of filing.

ALS OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED JANUARY 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Recently Adopted Accounting Standards

The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 and all subsequently issued guidance replaced most existing revenue recognition guidance in the U.S. GAAP and most industry specific guidance. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods and services. The Organization adopted 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results for reporting periods after January 1, 2019 are presented under Topic 606 while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under Topic 605.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions for potential recognition or disclosure through October 14, 2021, the date that the financial statements were available to be issued.

During March 2021, the Organization received full forgiveness of the Paycheck Protection Plan loan of \$63,200 and all accrued interest from the US Small Business Administration. Further, during April 2021, the Organization received \$65,847 from the US Small Business Administration under the Paycheck Protection Plan Round 2. The loan bears interest at 1.0% annually and is due within 24 months. Management expects the loan to be forgiven under the Consolidated Appropriations Act, 2021 regulations.

NOTE 2 – CREDIT RISK

The Organization maintains cash balances at financial institutions located in Michigan. Accounts at these institutions were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during the years, cash balances exceeded federally insured limits.

The Organization also maintains cash and investment balances at an investment institution located in Michigan. Accounts at this institution were insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 for investments and \$250,000 for cash balances. At various times during the year, cash at this institution exceeded federally insured limits. Management does not believe there is any risk associated with balances exceeding the limits mentioned above at January 31, 2021.

ALS OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED JANUARY 31, 2021 AND 2020

NOTE 3 – INVESTMENTS - OTHER

The Organization's short-term other investments for the years ending January 31, consist of the following:

	2021		
	Cost	Net Unrealized Gain or (Loss)	Fair Value
One bank certificate of deposit held in brokerage account with an interest rate of 1.75% maturing February 2021.	<u>\$ 100,000</u>	<u>\$ 147</u>	<u>\$ 100,147</u>
	2020		
	Cost	Net Unrealized Gain or (Loss)	Fair Value
Two bank certificates of deposit held in brokerage account. Interest rates ranging from 1.65% to 1.75%, with maturity dates from December 2020 to February 2021.	<u>\$ 210,000</u>	<u>\$ 528</u>	<u>\$ 210,528</u>

NOTE 4 – FAIR VALUE MEASUREMENTS

FASB ACS Topic 820, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority and are without observable inputs. The Organization's investments are reported at fair value in the accompanying statement of financial position. At January 31, 2021 and 2020, there were no Level 2 or Level 3 investments.

The following table presents fair value measurement information for certificates of deposit. The carrying values of dues receivable, land contract receivable and cash and cash equivalents in the accompanying statements of financial position approximate fair value at January 31, 2021 and 2020 and are, therefore, not included in the following table.

Fair value of assets measured on a recurring basis at January 31, 2021 and 2020 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
January 31, 2021		
Certificate of deposit	<u>\$ 100,147</u>	<u>\$ 100,147</u>

ALS OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED JANUARY 31, 2021 AND 2020

NOTE 4 – FAIR VALUE MEASUREMENTS – Continued

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
January 31, 2020		
Certificates of deposit	\$ 210,528	\$ 210,528

NOTE 5 – PROPERTY AND EQUIPMENT

The principal categories of capital assets are as follows:

	January 31,	
	<u>2021</u>	<u>2020</u>
Medical equipment	\$ 396,751	\$ 515,637
Office equipment	23,140	24,489
Computer equipment	57,916	23,336
Construction in process	-	23,500
Sub-total	477,807	586,962
Less: accumulated depreciation	252,047	368,456
Total property and equipment	<u>\$ 225,760</u>	<u>\$ 218,506</u>

Depreciation included in the determination of net assets for the years ended January 31, 2021 and 2020 amounted to \$71,555 and \$64,109, respectively.

NOTE 6 – PAYROLL PROTECTION PROGRAM (PPP) LOAN PAYABLE

On April 28, 2020, the Organization entered into a Loan Agreement and Promissory Note (“SBA Loan”) pursuant to the Paycheck Protection Program (“PPP”) under the recently enacted Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) administered by the U.S. Small Business Administration.

The Organization received total loan proceeds of \$63,200. The loan is scheduled to mature on April 28, 2022, carries a 1.00% interest rate, and is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act. The loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. The loan contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties. Subject to certain conditions, the loan may be forgiven in whole or in part by applying for forgiveness pursuant to the CARES Act and the PPP. The amount of loan proceeds eligible for forgiveness is determined on a formula based on a number of factors, including the amount of loan proceeds used by the Organization during the covered period (8 to 24 weeks after the loan origination) for certain purposes.

ALS OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED JANUARY 31, 2021 AND 2020

NOTE 6 – NOTES PAYABLE – PAYROLL PROTECTION PROGRAM (PPP) – Continued

Covered expenses include payroll costs, interest on certain mortgage obligations, rent payments on certain leases, and certain qualified utility payments, provided that, among other matters, at least 60% of the loan amount is used for eligible payroll costs, the maintenance or rehiring of employees, and maintaining salaries at certain levels. In accordance with the requirements of the CARES Act and the PPP, the Organization used the proceeds from the loan primarily for payroll costs. During March 2021, the Organization received forgiveness in full including accrued interest.

NOTE 7 – SPECIAL EVENTS

Special events revenue and related expenses at January 31, 2021 are as follows:

	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Walk 'n' Roll for ALS	\$ 173,433	\$ 27,390	\$ 146,043
Online Auction	13,869	7,125	6,744
Total	<u>\$ 187,302</u>	<u>\$ 34,515</u>	<u>\$ 152,787</u>

Special events revenue and related expenses at January 31, 2020 are as follows:

	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Walk 'n' Roll for ALS	\$ 228,616	\$ 54,405	\$ 174,211
Tigers Day	16,036	12,127	3,909
Online Auction	34,751	28,709	6,042
Total	<u>\$ 279,403</u>	<u>\$ 95,241</u>	<u>\$ 184,162</u>

NOTE 8 – OPERATING LEASE AGREEMENTS

The Organization entered a five-year administrative office lease beginning November 1, 2013 through October 2018. This lease was extended for five years through November 1, 2023. The lease requires monthly payments of \$1,605. Further, the Organization entered into a four-year lease agreement for office equipment during September 2020 expiring August 2024. The lease calls for monthly payments of \$148. Future minimum payments under the terms of the lease for the next four-years ending January 31 are as follows:

2022	\$	21,036
2023		21,036
2024		16,221
2025		1,036

Rent expense included in the statement of activities the years ended January 31, 2021 and 2020 amounted to \$23,640 and \$26,137, respectively.

ALS OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED JANUARY 31, 2021 AND 2020

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of January 31, 2021 and 2020, reduced by amounts not available for general use within one year:

	December 31,	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 630,281	\$ 475,442
Investments - other	100,147	210,528
Accounts receivable	<u>5,123</u>	<u>4,924</u>
Financial assets (excluding noncurrent receivables) available to meet cash needs for expenditures within one year	<u>\$ 735,551</u>	<u>\$ 690,894</u>

NOTE 10 – CONTINGENCIES

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses and the economy. While the situation is evolving and the full impact is not yet known, the disruption caused by the Coronavirus is affecting business and consumer activities worldwide includes the disruption to major financial markets, supply chains, interruption of production, limited personnel, facility and store closures.