

Audited Financial Statements

ALS OF MICHIGAN, INC.

January 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023 and 2022, and 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 ALS of Michigan, Inc. 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ALS of Michigan, Inc. 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.

Responsibilities of Management 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, and for 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 ALS of Michigan, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Adoption of New Accounting Standard

As described in Note 8 to the financial statements, at February 1, 2022, ALS of Michigan, Inc. adopted new accounting guidance, Accounting Standards Codification (ASC) Topic 842, *Leases*. Our opinion is not modified in respect to this matter.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 ALS of Michigan, Inc.'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 ALS of Michigan, Inc.'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.



Croskey Lanni, PC

October 7, 2023
Rochester, Michigan

ALS OF MICHIGAN, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	January 31 ,	
	2023	2022
Current Assets		
Cash and cash equivalents	\$ 1,175,210	\$ 906,838
Other receivables	2,000	2,500
Prepaid expenses and deposits	4,882	5,914
Total current assets	1,182,092	915,252
Property and Equipment, Net	155,150	189,165
Other Assets		
Right of use asset	15,910	-
Total assets	\$ 1,353,152	\$ 1,104,417

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 25,841	\$ 12,951
Lease liability	15,910	-
Total liabilities	41,751	12,951
Net Assets		
Without donor restrictions	1,276,401	1,056,466
With donor restrictions	35,000	35,000
Total net assets	1,311,401	1,091,466
Total liabilities and net assets	\$ 1,353,152	\$ 1,104,417

See accompanying notes to financial statements

ALS OF MICHIGAN, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JANUARY 31,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Memorials, gifts, and other donations	\$ 524,865	\$ -	\$ 524,865	\$ 323,804	\$ -	\$ 323,804
Grant revenue	-	70,000	70,000	-	90,000	90,000
Donated equipment and supplies	52,650	-	52,650	38,180	-	38,180
Special events, net of direct costs	204,179	-	204,179	222,814	-	222,814
Subtotal	781,694	70,000	851,694	584,798	90,000	674,798
Net Assets Released from Restrictions	70,000	(70,000)	-	90,000	(90,000)	-
Total public support and revenue	851,694	-	851,694	674,798	-	674,798
Functional Expenses						
Programs						
Patient services	440,563	-	440,563	422,212	-	422,212
Education	16,526	-	16,526	17,098	-	17,098
Total programs	457,089	-	457,089	439,310	-	439,310
Supporting Services						
Administrative	55,300	-	55,300	51,250	-	51,250
Fundraising	101,985	-	101,985	91,923	-	91,923
Total supporting services	157,285	-	157,285	143,173	-	143,173
Total expenses	614,374	-	614,374	582,483	-	582,483
Change in Net Assets Before Other Income and Expenses	237,320	-	237,320	92,315	-	92,315
Other Income and Expenses						
Loss on equipment disposal	(22,900)	-	(22,900)	(12,375)	-	(12,375)
Interest income	4,956	-	4,956	1,659	-	1,659
Forgiveness of PPP Loans	-	-	-	129,047	-	129,047
Other miscellaneous income	559	-	559	1,499	-	1,499
Total net other income (expense)	(17,385)	-	(17,385)	119,830	-	119,830
Increase in Net Assets	219,935	-	219,935	212,145	-	212,145
Net Assets - Beginning	1,056,466	35,000	1,091,466	844,321	35,000	879,321
Net Assets - Ending	<u>\$ 1,276,401</u>	<u>\$ 35,000</u>	<u>\$ 1,311,401</u>	<u>\$ 1,056,466</u>	<u>\$ 35,000</u>	<u>\$ 1,091,466</u>

See accompanying notes to financial statements

ALS OF MICHIGAN, INC.

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JANUARY 31, 2023

	2023						
	Programs			Supporting Services			
	Patient Services	Education	Total Programs	Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries and wages	\$ 199,235	\$ 1,663	\$ 200,898	\$ 23,455	\$ 79,524	\$ 102,979	\$ 303,877
Payroll taxes	15,005	468	15,473	1,806	6,125	7,931	23,404
Depreciation	60,115	-	60,115	-	-	-	60,115
Insurance	3,986	2,029	6,015	393	136	529	6,544
In-kind equipment supplies	3,650	-	3,650	-	-	-	3,650
Miscellaneous	292	-	292	4,945	582	5,527	5,819
Office expenses	3,057	850	3,907	10,203	2,891	13,094	17,001
Postage	74	-	74	3,128	478	3,606	3,680
Printing	-	-	-	1,346	9,873	11,219	11,219
Professional fees	6,147	3,073	9,220	7,512	341	7,853	17,073
Occupancy	14,289	7,383	21,672	953	1,190	2,143	23,815
Seminars and conferences	45	198	243	396	-	396	639
Specific assistance to individuals	129,283	-	129,283	-	-	-	129,283
Telephone	1,828	862	2,690	586	172	758	3,448
Travel and lodging	3,557	-	3,557	577	673	1,250	4,807
Total expenses	\$ 440,563	\$ 16,526	\$ 457,089	\$ 55,300	\$ 101,985	\$ 157,285	\$ 614,374

See accompanying notes to financial statements

ALS OF MICHIGAN, INC.

STATEMENTS OF FUNCTIONAL EXPENSES – Continued FOR THE YEAR ENDED JANUARY 31, 2022

	2022						
	Programs			Supporting Services			
	Patient Services	Education	Total Programs	Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries and wages	\$ 206,016	\$ 1,835	\$ 207,851	\$ 25,111	\$ 81,607	\$ 106,718	\$ 314,569
Payroll taxes	15,668	489	16,157	1,952	6,343	8,295	24,452
Depreciation	61,570	-	61,570	-	-	-	61,570
Insurance	2,172	1,122	3,294	217	109	326	3,620
In-kind equipment supplies	830	-	830	-	-	-	830
Miscellaneous	118	-	118	4,846	947	5,793	5,911
Office expenses	2,277	1,084	3,361	7,265	218	7,483	10,844
Postage	1,907	970	2,877	335	133	468	3,345
Printing	824	427	1,251	177	44	221	1,472
Professional fees	5,464	2,732	8,196	9,836	182	10,018	18,214
Occupancy	14,185	7,328	21,513	709	1,418	2,127	23,640
Seminars and conferences	415	-	415	-	-	-	415
Specific assistance to individuals	108,587	-	108,587	-	-	-	108,587
Telephone	2,150	1,111	3,261	215	107	322	3,583
Travel and lodging	29	-	29	587	815	1,402	1,431
Total expenses	\$ 422,212	\$ 17,098	\$ 439,310	\$ 51,250	\$ 91,923	\$ 143,173	\$ 582,483

See accompanying notes to financial statements

ALS OF MICHIGAN, INC.

STATEMENTS OF CASH FLOWS

	Year Ended January 31,	
	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 219,935	\$ 212,145
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	60,115	61,570
Amortization of right of use asset	23,640	-
Loss on equipment disposal	22,900	12,375
Donated equipment	(49,000)	(37,350)
Forgiveness of PPP loans	-	(129,047)
(Increase) decrease in operating assets		
Other receivables	500	2,623
Prepaid expenses	1,032	2,903
(Decrease) increase in operating liabilities		
Accounts payable and accrued expenses	12,890	(4,656)
Unearned revenue	-	(10,000)
	292,012	110,563
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities		
Proceeds from the sale of investments	-	100,147
Cash Flows from Financing Activities		
Payments on lease liability	(23,640)	-
Proceeds from PPP loan payable	-	65,847
	(23,640)	65,847
Net Cash (Used for) Provided by Financing Activities		
Net Increase in Cash and Cash Equivalents	268,372	276,557
Cash and Cash Equivalents - Beginning	906,838	630,281
Cash and Cash Equivalents - Ending	\$ 1,175,210	\$ 906,838
Supplemental Cash Flow Information:		
Establishment of right of use asset	\$ 39,550	\$ -
Establishment of lease liability	\$ 39,550	\$ -

See accompanying notes to financial statements

ALS OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

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 statements of activities.

Property and Equipment

Property and equipment are 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.

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

ALS OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Gains or losses on the disposition of property and equipment are included in the statements 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, 2023 and 2022, 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.

Revenue is recognized when earned. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Contributions and fundraising activities are generally available for unrestricted use in the year received. Unconditional promises to give are recorded as contributions in the year received. Contributions of noncash assets are recorded at their fair market value in the period received.

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.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

ALS OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions for potential recognition or disclosure through October 7, 2023, the date that the financial statements were available to be issued.

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, 2023.

NOTE 3 – PROPERTY AND EQUIPMENT

The principal categories of property and equipment are as follows:

	January 31,	
	2023	2022
Medical equipment	\$ 369,246	\$ 361,246
Office equipment	23,140	23,140
Computer equipment	57,916	57,916
Subtotal	450,302	442,302
Less: Accumulated depreciation	295,152	253,137
Net property and equipment	<u>\$ 155,150</u>	<u>\$ 189,165</u>

Depreciation included in the determination of net assets for the years ended January 31, 2023 and 2022 amounted to \$60,115 and \$61,570, respectively.

ALS OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

NOTE 4 – RIGHT OF USE ASSET, LEASE LIABILITY, AND OPERATING LEASE

The Organization’s right of use asset as of January 31, 2023 and 2022 can be summarized as follows:

	January 31,	
	2023	2022
Right of use asset	\$ 39,550	\$ -
Less: Accumulated amortization	23,640	-
Net right of use asset	<u>\$ 15,910</u>	<u>\$ -</u>

Amortization of the right of use asset for the year ended January 31, 2023 amounted to \$23,640 which is included in occupancy expenses in the statements of functional expenses. Due to adopting ASC Topic 842, *Leases*, during the year ended January 31, 2023 (see Note 8), there was no amortization for the year ended January 31, 2022.

The Organization entered a five-year administrative office lease beginning November 1, 2013 through October 2018. This lease was extended for five years through September 30, 2023. The lease required monthly payments of approximately \$1,970 during the year ended January 31, 2023 with an annual increase to approximately \$1,989 beginning February 1, 2023 through the remainder of the lease which expires on September 30, 2023. As of October 7, 2023, the Organization has not signed a new lease extension, however, the Organization does intend to extend this lease upon expiration.

The related lease liability as of January 31, 2023 was \$15,910. Due to the adoption of Topic 842 during the fiscal year ended January 31, 2023, no lease liability existed at January 31, 2022.

NOTE 5 – PAYROLL PROTECTION PROGRAM (PPP) LOAN PAYABLE AND FORGIVENESS OF PPP LOANS

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. 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.

During April 2021, the Organization received \$65,847 from the US Small Business Administration under the Paycheck Protection Plan Round 2. During December 2021, the Organization received full forgiveness of \$65,847 and all accrued interest under the Consolidated Appropriations Act, 2021 regulations.

The total gain of \$129,047 for forgiveness received during the fiscal year ended January 31, 2022 is recognized in the statements of activities as “Forgiveness of PPP Loans.”

ALS OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

NOTE 6 – SPECIAL EVENTS

Special events revenue and related expenses at January 31, 2023 are as follows:

	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Walk 'n' Roll for ALS	\$ 229,261	\$ 35,784	\$ 193,477
Online auction	14,343	3,641	10,702
Total	<u>\$ 243,604</u>	<u>\$ 39,425</u>	<u>\$ 204,179</u>

Special events revenue and related expenses at January 31, 2022 are as follows:

	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Walk 'n' Roll for ALS	\$ 244,313	\$ 23,030	\$ 221,283
Online auction	9,992	3,573	6,419
Other events	10,278	15,166	(4,888)
Total	<u>\$ 264,583</u>	<u>\$ 41,769</u>	<u>\$ 222,814</u>

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of January 31, 2023 and 2022, reduced by amounts not available for general use within one year:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,175,210	\$ 906,838
Other receivables	2,000	2,500
Subtotal	1,177,210	909,338
Less:		
Net assets with donor restrictions, net of long-term amounts	<u>35,000</u>	<u>35,000</u>
Financial assets (excluding noncurrent receivables) available to meet cash needs for expenditures within one year	<u>\$ 1,142,210</u>	<u>\$ 874,338</u>

ALS OF MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

NOTE 8 – ADOPTION OF NEW ACCOUNTING STANDARD

On February 1, 2022, the Organization adopted new guidance under Accounting Standards Codification (ASC) Topic 842, *Leases*. Under the new guidance, the Organization recognizes right of use assets and lease liabilities for leases with terms greater than 12 months. Leases are now classified as either financial or operating leases, which dictates whether the expense is recognized based on effective interest method or on a straight-line basis over the term of the lease. The Organization adopted Topic 842 using the modified retrospective method. Accordingly, the new guidance was applied retrospectively to leases that existed as of February 1, 2022 (the date of initial application). As a result, the Organization recorded a right of use asset and a related lease liability of \$39,550. The adoption did not have a significant impact on the Organization's net assets, results of operations or cash flows.

The Organization elected the following practical expedients and accounting policy elections:

1. Expired or existing contracts were not assessed to determine whether they are or contain leases upon adoption.
2. Previous classification of existing leases (operating or finance) was retained as of the date of adoption.
3. Initial direct costs were not reassessed upon adoption.
4. Hindsight is used in determining the lease term and in evaluating impairment of right of use assets.
5. Existing or expired land easements that were not previously evaluated were not assessed to determine whether they are or contain leases upon adoption.