

ALS Association North Carolina Chapter
Raleigh, North Carolina

Audited Financial Statements
Years Ended January 31, 2022 and 2021



ALS Association North Carolina Chapter
Years Ended January 31, 2022 and 2021
Index to Financial Statements

	<u>PAGE(S)</u>
INDEPENDENT AUDITOR'S REPORT	2-3
<u>EXHIBIT</u>	
A STATEMENTS OF FINANCIAL POSITION January 31, 2022 and 2021	4
B STATEMENTS OF ACTIVITIES Years Ended January 31, 2022 and 2021	5
C STATEMENTS OF CASH FLOWS Years Ended January 31, 2022 and 2021	6
D STATEMENT OF FUNCTIONAL EXPENSES Year Ended January 31, 2022	7
E STATEMENT OF FUNCTIONAL EXPENSES Year Ended January 31, 2021	8
NOTES TO FINANCIAL STATEMENTS	9-16



Norton Collar Lund Lilley, PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the ALS Association North Carolina Chapter

Opinion

We have audited the accompanying financial statements of the ALS Association North Carolina Chapter (a North Carolina nonprofit organization), which comprise the statements of financial position as of January 31, 2022 and 2021, 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 the ALS Association North Carolina Chapter as of January 31, 2022 and 2021, 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 the ALS Association North Carolina Chapter 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 the ALS Association North Carolina Chapter's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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, including omissions, 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.



7701 Six Forks Road, Suite 100, Raleigh, NC 27615
Phone: (919) 841-1000/Fax: (919) 841-1001

www.ncllepa.com



- 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 ALS Association North Carolina Chapter'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 ALS Association North Carolina Chapter'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.

Norton Collar Lund Lilley, PLLC

September 20, 2022

ALS Association North Carolina Chapter
Statements of Financial Position
January 31, 2022 and 2021

EXHIBIT A

ASSETS

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 269,447	\$ 205,045
Investments	2,737,944	2,909,687
Accounts receivable	254,487	30,348
Grants receivable	236,753	95,151
Donated inventory	10,190	10,190
Prepaid expenses	14,894	4,005
	<u>3,523,715</u>	<u>3,254,426</u>
Fixed Assets		
Leasehold improvements	8,939	8,939
Medical equipment	182,500	132,500
Office furniture and equipment	19,689	20,703
	<u>211,128</u>	<u>162,142</u>
Less: Accumulated depreciation	(62,571)	(57,859)
	<u>148,557</u>	<u>104,283</u>
Other Assets		
Security deposit	4,153	4,153
	<u>4,153</u>	<u>4,153</u>
	<u>\$ 3,676,425</u>	<u>\$ 3,362,862</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 189,171	\$ 89,253
Accrued expenses	104,386	133,086
Accrued interest	-	2,423
Pass-through grant payable	10,000	10,000
Unearned revenue	45,440	48,575
	<u>348,997</u>	<u>283,337</u>
Long-Term Liabilities		
Loan payable, net of current maturities	-	150,000
	<u>-</u>	<u>150,000</u>
Net Assets		
Without donor-imposed restrictions	3,327,428	2,929,525
	<u>3,327,428</u>	<u>2,929,525</u>
	<u>\$ 3,676,425</u>	<u>\$ 3,362,862</u>

See accompanying notes to financial statements.

ALS Association North Carolina Chapter
Statements of Activities
Years Ended January 31, 2022 and 2021

EXHIBIT B

	Without Restrictions	
	2022	2021
Public Support and Revenues		
Special events:		
Walks	\$ 835,288	\$ 798,894
Golf tournament and other events	287,056	109,289
Total special events	1,122,344	908,183
Contributions	797,680	694,675
Donated goods, equipment and services	120,256	76,297
State of North Carolina grant	360,892	428,610
Other grant income	456,934	228,149
Miscellaneous income	-	25
Investment income, net of related expenses	14,425	207,474
Loss on disposal of assets	(27,203)	(57,709)
Total Public Support and Revenues	2,845,328	2,485,704
Expenses		
Program services	2,061,834	2,014,666
Management and general	168,228	114,943
Fundraising	217,363	102,450
Total Expenses	2,447,425	2,232,059
Change in net assets	397,903	253,645
Net Assets at Beginning of Year	2,929,525	2,675,880
Net Assets at End of Year	\$ 3,327,428	\$ 2,929,525

See accompanying notes to financial statements.

ALS Association North Carolina Chapter
Statements of Cash Flows
Years Ended January 31, 2022 and 2021

EXHIBIT C

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Cash received from contributors	\$ 2,347,270	\$ 2,437,030
Cash paid to suppliers and employees	<u>(2,340,740)</u>	<u>(2,154,538)</u>
Net cash provided by operating activities	<u>6,530</u>	<u>282,492</u>
Cash Flows From Investing Activities		
Purchase of investments	(576,022)	(909,709)
Proceeds from sale of investments	<u>783,894</u>	<u>595,000</u>
Net cash provided (used) by investing activities	<u>207,872</u>	<u>(314,709)</u>
Cash Flows From Financing Activities		
Proceeds from new loans payable	-	150,000
Payments on loans	<u>(150,000)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>(150,000)</u>	<u>150,000</u>
Net Increase (Decrease) In Cash	64,402	117,783
Cash at beginning of year	<u>205,045</u>	<u>87,262</u>
Cash at end of year	<u><u>\$ 269,447</u></u>	<u><u>\$ 205,045</u></u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	<u>\$ 397,903</u>	<u>\$ 253,645</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	26,023	32,931
Loss on disposal of assets	27,203	57,709
Realized (gain) loss on investments	(20)	21,772
Unrealized gain on investments	142,744	(187,738)
Interest and dividends reinvested	(179,500)	(60,988)
Investment fees and expenses	22,351	19,480
Donated securities	(21,704)	-
Donated equipment	(97,500)	(57,500)
(Increase) Decrease in accounts receivable	(224,139)	20,309
(Increase) Decrease in grants receivable	(141,602)	153,984
Increase (Decrease) in payables	97,495	(13,540)
Increase (Decrease) in accrued expenses	(39,589)	39,333
Increase in unearned revenue	<u>(3,135)</u>	<u>3,095</u>
Total adjustments	<u>(391,373)</u>	<u>28,847</u>
Net cash provided (used) by operating activities	<u><u>\$ 6,530</u></u>	<u><u>\$ 282,492</u></u>

See accompanying notes to financial statements.

ALS Association North Carolina Chapter
Statement of Functional Expenses
Year Ended January 31, 2022

EXHIBIT D

	Program Service Expenses				Management and General	Fundraising	Total
	Care Services	National Research	Public Education and Awareness	Total			
Salaries and payroll taxes	\$ 429,282	\$ -	\$ 452,510	\$ 881,792	\$ 34,841	\$ 34,329	\$ 950,962
Employee benefits	58,525	-	50,357	108,882	3,642	3,897	116,421
Retirement plan contributions	17,423	-	15,026	32,449	1,536	1,340	35,325
Event expenses	-	-	33,649	33,649	-	87,163	120,812
Advocacy and education conference	2,752	-	2,694	5,446	100	-	5,546
Program expenses	458,597	-	2,345	460,942	53	-	460,995
National dues	63,968	196,955	22,605	283,528	16,783	39,811	340,122
Marketing and advertising	-	-	1,322	1,322	-	110	1,432
Printing	509	-	355	864	570	5,311	6,745
Postage	4,019	-	3,215	7,234	1,096	2,270	10,600
Depreciation	-	-	-	-	26,023	-	26,023
Rent	57,387	-	31,092	88,479	3,498	9,599	101,576
Utilities	2,224	-	1,478	3,702	915	383	5,000
Website, computer, and database	22,357	-	19,066	41,423	7,718	3,373	52,514
Telecommunications	4,810	-	2,175	6,985	836	291	8,112
Professional fees	58,176	-	31,729	89,905	62,098	796	152,799
Office supplies and administrative	1,053	-	512	1,565	2,150	65	3,780
Service charges	-	-	-	-	1,560	29,333	30,893
Repairs and maintenance	-	-	-	-	411	-	411
Insurance	3,205	-	2,910	6,115	317	617	7,049
Interest expense	-	-	-	-	2,427	-	2,427
Miscellaneous, net of refunds	6,385	-	1,167	7,552	1,654	(1,325)	7,881
	<u>\$ 1,190,672</u>	<u>\$ 196,955</u>	<u>\$ 674,207</u>	<u>\$ 2,061,834</u>	<u>\$ 168,228</u>	<u>\$ 217,363</u>	<u>\$ 2,447,425</u>

See accompanying notes to financial statements.

ALS Association North Carolina Chapter
Statement of Functional Expenses
Year Ended January 31, 2021

EXHIBIT E

	Program Service Expenses				Management and General	Fundraising	Total
	Care Services	National Research	Public Education and Awareness	Total			
Salaries and payroll taxes	\$ 412,859	\$ -	\$ 535,143	\$ 948,002	\$ 36,203	\$ 25,523	\$ 1,009,728
Employee benefits	55,955	-	65,882	121,837	3,735	3,174	128,746
Retirement plan contributions	13,967	-	18,338	32,305	1,168	766	34,239
Event expenses	-	-	19,813	19,813	-	17,962	37,775
Advocacy and education conference	360	-	4,310	4,670	-	-	4,670
Program expenses	444,838	-	13,883	458,721	-	-	458,721
National dues	39,058	185,948	15,285	240,291	10,424	22,363	273,078
Marketing and advertising	202	-	174	376	18	335	729
Printing	688	-	3,083	3,771	2,380	117	6,268
Postage	4,632	-	8,159	12,791	560	954	14,305
Depreciation	-	-	-	-	32,931	-	32,931
Rent	56,855	-	31,793	88,648	3,342	8,786	100,776
Utilities	2,087	-	1,342	3,429	860	324	4,613
Website, computer, and database	19,073	-	15,713	34,786	4,687	2,891	42,364
Telecommunications	6,967	-	5,157	12,124	1,164	1,055	14,343
Professional fees	9,473	-	10,019	19,492	19,584	506	39,582
Office supplies and administrative	694	-	853	1,547	2,216	65	3,828
Service charges	-	-	-	-	996	16,935	17,931
Insurance	3,008	-	3,064	6,072	296	529	6,897
Interest expense	-	-	-	-	3,799	-	3,799
Miscellaneous, net of refunds	4,470	-	1,521	5,991	(9,420)	165	(3,264)
	<u>\$ 1,075,186</u>	<u>\$ 185,948</u>	<u>\$ 753,532</u>	<u>\$ 2,014,666</u>	<u>\$ 114,943</u>	<u>\$ 102,450</u>	<u>\$ 2,232,059</u>

See accompanying notes to financial statements.

ALS Association North Carolina Chapter
Notes to Financial Statements
Years Ended January 31, 2022 and 2021

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The ALS Association North Carolina Chapter (the "Association") was incorporated under the laws of the State of North Carolina. The Association's mission is to discover treatments and a cure for Amyotrophic Lateral Sclerosis (ALS) and to serve, advocate for, and empower people affected by ALS to live their lives to the fullest. These goals are met by providing research funding, ALS clinic support, monthly support group meetings, care services programs, and educational information for the general public, health care professionals, patients' families, and friends. The Association's support comes primarily from special event contributions and grants from the State of North Carolina. The Association is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code.

Programs

Programs of The ALS Association North Carolina Chapter are as follows:

Care Services is a program that serves families living with ALS in all 100 counties in North Carolina. The Association supports all ALS clinics, maintains a medical loan equipment program, hosts monthly support groups, and provides financial support to families for expenses related to ALS not covered by insurance or other available resources such as respite care, home modification, and medication.

National Research is a program that provides funding to the National ALS Association to assist with medical research for effective treatments and a cure for ALS.

Public Education and Awareness is a program that is intended to increase understanding, education, and awareness of the impact of ALS and the role that the Association plays in achieving its goals of providing care services, advancing global research for treatments and a cure, and advancing important public policy

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification 958-205, Financial Statements of Not-For-Profit Organizations. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor-imposed restrictions, and net assets with donor-imposed restrictions.

Net assets without donor-imposed restrictions are net assets available for use in general operations and are not subject to purpose- or time-related restrictions imposed by the original donor or grantor.

Net assets with donor-imposed restrictions are net assets that result from the receipt of donations or grants that have been restricted by the donor or grantor. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or the occurrence of events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Donor-imposed restrictions are released when the conditions are met; that is, when the specified time has elapsed or the specified purpose has been fulfilled, or both. At January 31, 2021 and 2020, the Organization did not have any net assets with donor-imposed restrictions.

Basis of Accounting

The accompanying financial statements of the Association have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ALS Association North Carolina Chapter
Notes to Financial Statements
Years Ended January 31, 2022 and 2021

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - continued**

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for a specified purpose are reported as increases to net assets with donor-imposed restrictions. When temporary time- or purpose-based donor-imposed restrictions expire, net assets with donor-imposed restrictions are reclassified to net assets without donor-imposed restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase net assets without donor-imposed restrictions.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Income Taxes

The Association is a not-for-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

Property and Equipment

The cost of property and equipment in excess of \$2,500 is recorded at cost when purchased and fair value when donated. Major additions or betterments are capitalized, while replacements, maintenance, and repairs are generally charged to expense as incurred. Depreciation is calculated primarily using the straight-line method. Estimated useful lives of assets are as follows:

Leasehold improvements	39 years
Medical equipment	5 to 7 years
Office furniture and equipment	3 to 7 years

Donated Equipment and Services

Donated materials, advertising and equipment are reflected as contributions in the accompanying statements at their estimated fair value at the date of receipt. The value of donated services, with the exception of Walk volunteers, board members, and program volunteers, is presented in the financial statements at estimated fair market value. Donated services have an estimated value of \$17,856 for the year ended January 31, 2022. Donated goods and equipment have an estimated value of \$100,900 for the year ended January 31, 2022. There are no donor-imposed or legal limitations on the use of these assets. Certain non-cash contributions, including a substantial number of volunteer hours, do not meet the recognition criteria described in FASB ASC 958-605, Revenue Recognition for Not-for-Profit Entities and, accordingly, have not been recorded.

Functional Expenses

Expenses are charged directly to program or management and general categories based on specific identification. Indirect expenses have been allocated based on analysis of personnel time and space used for the related activity.

Investments

The Association accounts for its investments under FASB ASC 958-320, "Accounting for Certain Investments Held By Not-For-Profit Organizations." ASC 958-320 requires investments held in equity securities to be measured at fair market value on the balance sheet date. Gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations.

Investments consist of mutual funds invested primarily in fixed income debt and equity securities and are stated at fair value based on quoted prices in active markets (Level 1 Measurements) or significant other observable inputs (Level 2 Measurements) and are summarized as follows, at January 31, 2022 and 2021:

ALS Association North Carolina Chapter
Notes to Financial Statements
Years Ended January 31, 2022 and 2021

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - continued**

	Amortized Cost	Unrealized Holding Gain (Loss)	Fair Value
<u>January 31, 2022</u>			
Money market funds	\$ 251,771	\$ -	\$ 251,771
Vanguard Total Bond Market ETF	82,995	5	83,000
iShares US Treasury Bond ETF	441,778	(118)	441,660
iShares Core US Aggregate Bond ETF	212,450	(30)	212,420
iShares Conv Bond ETF	120,977	3,118	124,095
Blackrock Health Sciences Opptys	142,864	23,113	165,977
Delaware Ivy Science & Technology	163,824	6,625	170,449
Dodge & Cox Stock	25,497	491	25,988
Federated Hermes Kaufmann Large Cap	282,036	71,959	353,995
iShares Core S&P 500	80,674	21,637	102,311
iShares Russell 2000 ETF	141,058	57,243	198,301
iShares Russell Mid Cap ETF	128,679	72,835	201,514
Proshares S&P Midcap 400 Dividend	29,305	(491)	28,814
Proshares Trust S&P 500 Div	28,587	(23)	28,564
T Rowe Price Blue Chip Growth	229,172	119,913	349,085
	<u>\$ 2,361,667</u>	<u>\$ 376,277</u>	<u>\$ 2,737,944</u>
	Amortized Cost	Unrealized Holding Gain (Loss)	Fair Value
<u>January 31, 2021</u>			
Money market funds	\$ 250,836	\$ -	\$ 250,836
Hartford Strategic Income Cl I	50,890	485	51,375
iShares US Treasury Bond ETF	623,386	6,552	629,938
iShares Core US Aggregate Bond ETF	449,329	17,642	466,971
Blackrock Health Sciences Opptys	108,291	36,241	144,532
Federated Hermes Kaufmann Large Cap	238,177	115,545	353,722
iShares Core S&P 500	36,911	12,872	49,783
iShares Russell 2000 ETF	139,011	61,632	200,643
iShares Russell Mid Cap ETF	143,759	59,307	203,066
iShares Conv Bond ETF	25,582	9,359	34,941
Ivy Science & Technology Cl I	114,607	52,749	167,356
T Rowe Price Blue Chip Growth	210,139	146,385	356,524
	<u>\$ 2,390,918</u>	<u>\$ 518,769</u>	<u>\$ 2,909,687</u>

Allowance for Doubtful Accounts

The Association considers accounts receivable to be fully collectible; accordingly, the allowance for uncollectible accounts is zero.

Advertising

The Association expenses advertising as incurred. Advertising expense for the years ended January 31, 2022 and 2021 was \$1,432 and \$729, respectively.

Inventories

Inventories consist of donated jewelry that is available to be sold or auctioned to raise funds. The inventory is stated at its donor-appraised fair market value on the date of donation, consistent with the recognition principles stated in FASB ASC 958-605.

ALS Association North Carolina Chapter
Notes to Financial Statements
Years Ended January 31, 2022 and 2021

NOTE 2 - CONCENTRATION OF CREDIT RISK

Cash is a financial instrument which potentially subjects the Association to a concentration of credit risk. At times, cash balances in these accounts exceed federally insured limits. At January 31, 2022, the Association did not exceed insured amounts.

Financial instruments that subject the Association to a concentration of credit risk primarily consist of uncollateralized sponsorships receivable. At January 31, 2022 and 2021, the Association's balance was \$254,487 and \$30,348, respectively.

NOTE 3 - QUASI-ENDOWMENT FUNDS

The Association's endowment includes funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

	<u>2022</u>	<u>2021</u>
Endowment balances at beginning of year	\$ 2,909,687	\$ 2,387,504
Transfers in	597,725	909,709
Transfers out	(783,893)	(595,000)
Dividends and interest	179,500	60,988
Realized gains on sales	20	(21,772)
Net appreciation (depreciation) of investments	(142,744)	187,738
Investment fees and expenses	(22,351)	(19,480)
Endowment balance at end of year	<u>\$ 2,737,944</u>	<u>\$ 2,909,687</u>

The Association has adopted investment policies, approved by the Board of Directors, for endowment assets that attempt to produce a favorable investment return as compared to inflation. The Association seeks long term principal growth while preserving capital by means of minimizing the risk of substantial loss in asset value through investment in a diversified portfolio of quality investment securities. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The Board has designated the following objectives and goals for the endowment funds:

Operating Reserves - The goal of the Operating Reserves fund is the preservation of principal sufficient to meet six months of operating expenses.

ALS Quasi-Endowment - The goal of the ALS Quasi-Endowment fund is to achieve income sufficient to distribute 5% of the fund per year while also preserving and growing the fund corpus. The ALS Quasi-Endowment Fund is intended to be sufficient to meet one year of operating expenses.

Operating Reserves Backup - The goal of the Operating Reserves Backup Fund is to generate income sufficient to distribute 2-3% of the fund annually while also preserving and growing the fund corpus. The Operating Reserve Backup Fund is intended to be sufficient to meet six months of operating expenses.

Discretionary Fund - The goal of the Discretionary Fund is to generate income sufficient to preserve principal, and serves as a fund available for use for purposes that the Board of Directors determine to be necessary.

Through the goals and targets set for the various quasi-endowment funds, the Association intends to have access to two years of operating expenses, allowing the Association to be prepared for periods of economic uncertainty, to take advantage of new opportunities and to provide care when new treatments to extend the life of people with ALS become available.

ALS Association North Carolina Chapter
Notes to Financial Statements
Years Ended January 31, 2022 and 2021

NOTE 3 - QUASI-ENDOWMENT FUNDS - continued

The Association has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value if needed. In establishing this policy, the Association considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds and the possible effects of inflation. The President and CEO and/or the Director of Finance and Operations may order disbursements of greater than 5% of the corresponding endowment fund if necessary to meet budgetary requirements. Additionally, the Association may make a disbursement out of the corpus of the fund if approved by the Board of Directors.

NOTE 4 - NET ASSETS

Net assets composition by type of fund as of January 31, 2022 are as follows:

	Unrestricted	Temporarily Restricted	Total Net Assets
Board designated funds	\$ 2,737,944	\$ -	\$ 2,737,944
Unrestricted funds	589,484	-	589,484
Temporarily restricted funds	-	-	-
	\$ 3,327,428	\$ -	\$ 3,327,428

NOTE 5 - 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.

In accordance with the Fair Value Measurements and Disclosures topic of the Codification, the Association groups assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 - Valuation is based upon quoted prices for identical instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models, and similar techniques.

In the determination of the classification of financial instruments in Level 2 or Level 3 of the fair value hierarchy, we consider all available information, including observable market data, indications of market liquidity and orderliness and our understanding of the valuation techniques and significant inputs used. For securities in inactive markets, the Association uses a predetermined percentage to evaluate the impact of fair value adjustments derived from weighting both external and internal indications of value to determine if the instrument is classified as Level 2 or Level 3. Based upon the specific facts and circumstances of each instrument or instrument category, judgments are made regarding the significance of the Level 3 inputs to the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3.

In accordance with the Fair Value Measurements and Disclosures topic of the Codification, the Association bases fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Association's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, as prescribed in the fair value hierarchy.

ALS Association North Carolina Chapter
Notes to Financial Statements
Years Ended January 31, 2022 and 2021

NOTE 5 - FAIR VALUE MEASUREMENTS - continued

In instances where there is limited or no observable market data, fair value measurements for assets and liabilities are based primarily upon the Association's estimates or combination of estimates and independent vendor or broker pricing and the measurements are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future values.

The table below presents the balances of assets measured at fair value on a recurring basis at January 31, 2022 and 2021:

	Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
<u>January 31, 2022</u>			
Money market funds	\$ 251,771	\$ -	\$ 251,771
Vanguard Total Bond Market ETF	83,000	83,000	-
iShares US Treasury Bond ETF	441,660	441,660	-
iShares Core US Aggregate Bond ETF	212,420	212,420	-
iShares Conv Bond ETF	124,095	124,095	-
Blackrock Health Sciences Oppty	165,977	165,977	-
Delaware Ivy Science & Technology	170,449	170,449	-
Dodge & Cox Stock	25,988	25,988	-
Federated Hermes Kaufmann Large Cap	353,995	353,995	-
iShares Core S&P 500	102,311	102,311	-
iShares Russell 2000 ETF	198,301	198,301	-
iShares Russell Mid Cap ETF	201,514	201,514	-
Proshares S&P Midcap 400 Dividend	28,814	28,814	-
Proshares Trust S&P 500 Div	28,564	28,564	-
T Rowe Price Blue Chip Growth	349,085	349,085	-
	<u>\$ 2,737,944</u>	<u>\$ 2,486,173</u>	<u>\$ 251,771</u>
<u>January 31, 2021</u>			
Money market funds	\$ 250,836	\$ -	\$ 250,836
Hartford Strategic Income Cl I	51,375	51,375	-
iShares US Treasury Bond ETF	629,938	629,938	-
iShares Core US Aggregate Bond ETF	466,971	466,971	-
Blackrock Health Sciences Oppty	144,532	144,532	-
Federated Hermes Kaufmann Large Cap	353,722	353,722	-
iShares Core S&P 500	49,783	49,783	-
iShares Russell 2000 ETF	200,643	200,643	-
iShares Russell Mid Cap ETF	203,066	203,066	-
iShares Conv Bond ETF	34,941	34,941	-
Ivy Science & Technology Cl I	167,356	167,356	-
T Rowe Price Blue Chip Growth	356,524	356,524	-
	<u>\$ 2,909,687</u>	<u>\$ 2,658,851</u>	<u>\$ 250,836</u>

ALS Association North Carolina Chapter
Notes to Financial Statements
Years Ended January 31, 2022 and 2021

NOTE 6 - LEASE COMMITMENTS

On January 31, 2022, the Association was obligated under the following lease:

Office space is leased from 4 North Blount, LLC with monthly payments of \$6,230 per month, increasing to \$7,513 beginning February 1, 2022 and then by 3% per year thereafter. The lease term will end on January 31, 2026.

Minimum annual rental commitments with initial or remaining terms of one year or more are as follows:

Year ending January 31, 2023	\$	90,151
Year ending January 31, 2024		92,856
Year ending January 31, 2025		95,640
Year ending January 31, 2026		98,510
	<u>\$</u>	<u>377,157</u>

Office and equipment rental expense for the year ended January 31, 2022 and 2021 was \$83,720 and \$80,116, respectively.

NOTE 7 - PENSION PLAN

The Association sponsors a 401(k) defined contribution plan which is funded by employer contributions equal to 100% of employee contributions up to 4% of compensation, and 50% of the next 2% of compensation. The Association contributed \$35,325 and \$34,239 for the years ended January 31, 2022 and 2021, respectively.

NOTE 8 - RELATED PARTY TRANSACTIONS

The Association pays dues to the National ALS Organization each quarter, calculated as a percentage of total contribution revenue per quarter. For the year ended January 31, 2022, the Association's dues expense for the National ALS Organization totaled \$340,122, of which \$122,217 was payable as of January 31, 2022. At January 2022, the Association was also obligated to the National Organization in the amount of \$14,903 related to website fees.

At January 31, 2022 the Association was owed \$5,989 from the National Organization related to pass-through employee giving.

The Jim "Catfish" Hunter ALS Foundation ("Foundation") was formed by Jim "Catfish" Hunter, his family and friends and the Bear Swamp-Beech Springs Ruritan Club to fund research and provide support to families living with and fighting ALS. The Foundation grants money to the Association for direct clinic and individual support. As of January 31, 2022, the Association has fully spent all donated funds. The remaining balance, if any, of these donations would be maintained as net assets with donor-imposed restrictions.

NOTE 9 - INCOME TAX UNCERTAINTY

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association, and has concluded that as of January 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2019.

NOTE 10 - CONCENTRATION

Approximately 39% of the Association's revenues were derived from special events.

ALS Association North Carolina Chapter
Notes to Financial Statements
Years Ended January 31, 2022 and 2021

NOTE 11 - NOTE PAYABLE

At January 31, 2022 and 2021, the Association was obligated under the following note payable:

	<u>2022</u>	<u>2021</u>
U.S. Small Business Administration		
A note due in monthly installments of \$641 bearing interest at 2.75% with payments beginning in June 2021. The note was fully repaid during the 2022 fiscal year.	\$ -	\$ 150,000
Total notes payable	\$ -	\$ 150,000

NOTE 12 - LINE OF CREDIT

On January 31, 2022 the Company had a \$50,000 uncollateralized line of credit with Wells Fargo, with annual interest at 10%. Payments are due monthly, with a minimum payment of 1% of the outstanding balance or \$50, plus any finance charges and fees, whichever is greater. At January 31, 2022 and 2021, the Company had no outstanding balance on the line of credit.

NOTE 13 - PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On February 10, 2021, the Association received a Paycheck Protection Program (PPP) loan from the U.S. Small Business Administration in the amount of \$215,618. Under the terms of the loan, interest would accrue at a rate of 1% per annum and payments were to be deferred for six months. On August 26, 2021, the Association was notified that the loan and all accrued interest was forgiven.

NOTE 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The ALS Association North Carolina Chapter has \$1,873,633 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$269,447, accounts and grants receivable of \$491,240, and immediately accessible investments of \$1,112,946. Immediately accessible investments consist of cash, cash equivalents, and investment in short- to medium-term bond funds.

The patient population in North Carolina has increased from 276 in 2006, to 587 in 2022, representing a 113% increase. With exciting advances in research and the promise of life-extending treatments on the horizon, the Chapter must be prepared to meet the needs of a growing population and fund important research when the opportunity presents itself. The majority of the Chapter's available assets are invested according to a Board-approved policy intended to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Chapter invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Chapter has a committed line of credit in the amount of \$50,000 which it could draw upon. Additionally, the Chapter has a Board-designated quasi-endowment from which the Board of Directors can approve distributions to meet cash flow needs. Although the Chapter does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

NOTE 15 - SUBSEQUENT EVENTS

The Association has evaluated events and transactions that occurred between January 31, 2022 and September 20, 2022, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

On July 9, 2021, the Organization's Board of Directors was notified that beginning February 1, 2024, pending final agreement by the Board of The ALS Association National and all local affiliates of The ALS Association Chapter Network will relegate formal governance to the National Board with a local advisory committee only. This proposal has not been accepted by the Organization as of January 31, 2022.