

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
FINANCIAL STATEMENTS
YEARS ENDED JANUARY 31, 2020 AND 2019



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**THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
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YEARS ENDED JANUARY 31, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Amyotrophic Lateral Sclerosis Association
Washington, DC

We have audited the accompanying financial statements of The Amyotrophic Lateral Sclerosis Association, which comprise the statements of financial position as of January 31, 2020 and 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

Board of Directors
The Amyotrophic Lateral Sclerosis Association

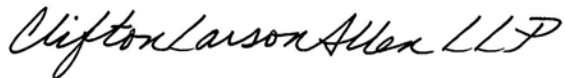
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Amyotrophic Lateral Sclerosis Association as of January 31, 2020 and 2019, 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.

Other Matters

Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2020 The Amyotrophic Lateral Sclerosis Association adopted new accounting guidance for recognizing revenue from contracts with customers and for contributions received. Our opinion is not modified with respect to these matters.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Arlington, Virginia
May 30, 2020

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2020 AND 2019

ASSETS	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 5,085,006	\$ 12,064,314
Investments in Marketable Securities	79,137,064	73,672,515
Receivables:		
Bequests, Net	1,372,816	1,316,095
Chapter, Net	2,418,418	2,968,331
Pledges, Net	2,410,100	3,442,351
Other	196,563	190,948
Prepaid Expenses and Deposits	619,001	176,424
Construction in Progress - Software	3,783,556	1,167,480
Construction in Progress - Leasehold Improvements	1,497,447	-
Beneficial Interest in Perpetual Trusts	1,091,393	1,017,015
Contributions Receivable from Remainder Trusts	264,622	209,180
Property and Equipment, Net	157,666	92,060
	\$ 98,033,652	\$ 96,316,713
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants Payable	\$ 1,142,569	\$ 2,818,427
Accounts Payable and Accrued Expenses	4,733,477	2,070,215
Annuity Payment Liability	853,282	933,628
Deferred Rent	1,092,682	55,728
Deferred Revenue	15,350	-
Total Liabilities	7,837,360	5,877,998
NET ASSETS		
Without Donor Restrictions:		
Undesignated	39,169,831	79,882,951
Board Designated Reserve Fund	40,000,000	-
Total Without Donor Restrictions	79,169,831	79,882,951
With Donor Restrictions	11,026,461	10,555,764
Total Net Assets	90,196,292	90,438,715
	\$ 98,033,652	\$ 96,316,713

See accompanying Notes to Financial Statements.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JANUARY 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$15,099,980	\$ 2,871,325	\$17,971,305
Bequests	1,857,294	2,627,765	4,485,059
Chapters	6,967,554	2,924,860	9,892,414
Events, Net of Expenses	1,577,870	-	1,577,870
Federated Campaigns	107,805	-	107,805
Investment Income	6,622,488	587,974	7,210,462
Other Income	114,771	-	114,771
Gain on Beneficial Interest in Perpetual Trusts	-	58,591	58,591
Change in Value of Split-Interest Agreements	-	(33,766)	(33,766)
	<u>32,347,762</u>	<u>9,036,749</u>	<u>41,384,511</u>
Net Assets Released from Restrictions	8,566,052	(8,566,052)	-
Total Support and Revenue	<u>40,913,814</u>	<u>470,697</u>	<u>41,384,511</u>
OPERATING EXPENSES			
Research Grants	18,352,163	-	18,352,163
Patient and Community Services	10,463,835	-	10,463,835
Public and Professional Education	4,052,273	-	4,052,273
Total Program Services	<u>32,868,271</u>	<u>-</u>	<u>32,868,271</u>
Fundraising	5,954,947	-	5,954,947
Management and General	2,803,716	-	2,803,716
Total Operating Expenses	<u>41,626,934</u>	<u>-</u>	<u>41,626,934</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(713,120)	470,697	(242,423)
NON-OPERATING ACTIVITY			
Contributed Services-Public Service Announcements Revenue	40,066,257	-	40,066,257
Contributed Services-Public Service Announcements Expense	<u>(40,066,257)</u>	<u>-</u>	<u>(40,066,257)</u>
Total Non-Operating Activity	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGES IN NET ASSETS	(713,120)	470,697	(242,423)
Net Assets - Beginning of Year	<u>79,882,951</u>	<u>10,555,764</u>	<u>90,438,715</u>
NET ASSETS - END OF YEAR	<u>\$79,169,831</u>	<u>\$11,026,461</u>	<u>\$90,196,292</u>

See accompanying Notes to Financial Statements.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JANUARY 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$11,852,156	\$ 4,336,520	\$16,188,676
Bequests	1,007,929	133,403	1,141,332
Chapters	6,754,711	3,562,473	10,317,184
Events, Net of Expenses	1,422,630	255	1,422,885
Federated Campaigns	153,834	-	153,834
Investment Loss	(720,894)	(34,322)	(755,216)
Other Income	203,001	-	203,001
Loss on Beneficial Interest in Perpetual Trusts	-	(26,731)	(26,731)
Change in Value of Split-Interest Agreements	74,648	(41,792)	32,856
	<u>20,748,015</u>	<u>7,929,806</u>	<u>28,677,821</u>
Net Assets Released from Restrictions	10,653,077	(10,653,077)	-
Total Support and Revenue	<u>31,401,092</u>	<u>(2,723,271)</u>	<u>28,677,821</u>
EXPENSES			
Research Grants	15,436,780	-	15,436,780
Patient and Community Services	9,144,294	-	9,144,294
Public and Professional Education	3,290,965	-	3,290,965
Total Program Services	<u>27,872,039</u>	<u>-</u>	<u>27,872,039</u>
Fundraising	4,353,885	-	4,353,885
Management and General	2,461,072	-	2,461,072
Total Operating Expenses	<u>34,686,996</u>	<u>-</u>	<u>34,686,996</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(3,285,904)	(2,723,271)	(6,009,175)
NON-OPERATING ACTIVITY			
Contributed Services-Public Service Announcements Revenue and Other	5,744,096	-	5,744,096
Contributed Services-Public Service Announcements Expense and Other	<u>(5,744,096)</u>	<u>-</u>	<u>(5,744,096)</u>
Total Non-Operating Activity	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGES IN NET ASSETS	(3,285,904)	(2,723,271)	(6,009,175)
Net Assets - Beginning of Year	<u>83,168,855</u>	<u>13,279,035</u>	<u>96,447,890</u>
NET ASSETS - END OF YEAR	<u>\$79,882,951</u>	<u>\$10,555,764</u>	<u>\$90,438,715</u>

See accompanying Notes to Financial Statements.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JANUARY 31, 2020

	Program Services			Supporting Services			Total Functional Expenses	
	Research Grants	Patient and Community Services	Public and Professional Education	Total Program Services	Fund-Raising	Management and General		Total Supporting Services
EXPENSES								
Operating Expenses:								
Grant Awards	\$17,003,505	\$ -	\$ -	\$17,003,505	\$ -	\$ -	\$ -	\$17,003,505
Chapter Support	987	3,389,963	2,800	3,393,750	4,561	2,973	7,534	3,401,284
Salaries and Related Expenses	573,566	4,640,083	1,739,094	6,952,743	1,843,669	1,881,590	3,725,259	10,678,002
Printing and Publications	1,518	349,942	22,030	373,490	38,752	1,151	39,903	413,393
Professional Fees and Contract Services	405,336	622,305	1,551,471	2,579,112	3,325,970	286,285	3,612,255	6,191,367
Postage and Shipping	363	23,276	918	24,557	8,239	12,186	20,425	44,982
Occupancy	39,914	358,337	113,205	511,456	184,367	82,949	267,316	778,772
Travel and Conferences	296,219	926,292	425,029	1,647,540	359,763	363,960	723,723	2,371,263
Telecommunications	10,715	109,562	70,512	190,789	47,315	22,755	70,070	260,859
Office Supplies	2,273	36,918	22,339	61,530	16,580	8,073	24,653	86,183
Dues and Subscriptions	11,101	32,644	89,050	132,795	23,864	36,954	60,818	193,613
Depreciation and Miscellaneous Equipment	6,584	37,667	15,590	59,841	20,082	20,960	41,042	100,883
Credit Card Fees and Other	82	104,401	235	104,718	81,785	83,880	165,665	270,383
Subtotal	18,352,163	10,631,390	4,052,273	33,035,826	5,954,947	2,803,716	8,758,663	41,794,489
Less: Special Event Expenses	-	(167,555)	-	(167,555)	-	-	-	(167,555)
Total Operating Expenses	18,352,163	10,463,835	4,052,273	32,868,271	5,954,947	2,803,716	8,758,663	41,626,934
Non-Operating Expenses:								
Contributed Services-Public Services Announcements and Other Services	-	-	40,066,257	40,066,257	-	-	-	40,066,257
Total Expenses	\$ 18,352,163	\$ 10,463,835	\$ 44,118,530	\$ 72,934,528	\$ 5,954,947	\$ 2,803,716	\$ 8,758,663	\$ 81,693,191

See accompanying Notes to Financial Statements.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JANUARY 31, 2019

	Program Services			Supporting Services			Total Functional Expenses	
	Research Grants	Patient and Community Services	Public and Professional Education	Total Program Services	Fund- Raising	Management and General		Total Supporting Services
EXPENSES								
Operating Expenses:								
Grant Awards	\$14,543,261	\$ -	\$ -	\$ 14,543,261	\$ -	\$ -	\$ -	\$ 14,543,261
Chapter Support	25,077	3,294,823	4,981	3,324,881	7,530	15,088	22,618	3,347,499
Salaries and Related Expenses	132,179	3,554,014	1,461,166	5,147,359	1,615,333	1,672,017	3,287,350	8,434,709
Printing and Publications	7,563	358,527	51,042	417,132	47,647	5,263	52,910	470,042
Professional Fees and Contract Services	453,511	465,401	1,160,715	2,079,627	2,062,406	298,560	2,360,966	4,440,593
Postage and Shipping	65	23,184	1,534	24,783	30,400	9,506	39,906	64,689
Occupancy	31,982	342,022	113,041	487,045	169,257	90,301	259,558	746,603
Travel and Conferences	217,868	1,037,215	380,252	1,635,335	255,029	235,858	490,887	2,126,222
Telecommunications	9,975	80,747	58,372	149,094	31,992	17,797	49,789	198,883
Office Supplies	1,052	43,116	10,161	54,329	14,508	11,663	26,171	80,500
Dues and Subscriptions	3,341	23,739	34,775	61,855	20,235	29,219	49,454	111,309
Bad Debts	-	-	-	-	-	(6,046)	(6,046)	(6,046)
Depreciation and Miscellaneous Equipment	10,771	52,411	14,801	77,983	23,649	21,843	45,492	123,475
Credit Card Fees and Other	135	74,884	125	75,144	75,899	60,003	135,902	211,046
Subtotal	15,436,780	9,350,083	3,290,965	28,077,828	4,353,885	2,461,072	6,814,957	34,892,785
Less: Special Event Expenses	-	(205,789)	-	(205,789)	-	-	-	(205,789)
Total Operating Expenses	15,436,780	9,144,294	3,290,965	27,872,039	4,353,885	2,461,072	6,814,957	34,686,996
Non-Operating Expenses:								
Contributed Services-Public Services Announcements and Other Services	-	-	5,744,096	5,744,096	-	-	-	5,744,096
Total Expenses	<u>\$ 15,436,780</u>	<u>\$ 9,144,294</u>	<u>\$ 9,035,061</u>	<u>\$ 33,616,135</u>	<u>\$ 4,353,885</u>	<u>\$ 2,461,072</u>	<u>\$ 6,814,957</u>	<u>\$ 40,431,092</u>

See accompanying Notes to Financial Statements.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JANUARY 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (242,423)	\$ (6,009,175)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities:		
Depreciation and Amortization	66,309	97,947
Loss on Disposal of Property and Equipment	55,457	-
Change in Value of Charitable Remainder Trusts	(55,442)	99,225
Net Realized and Unrealized (Gains) Losses in Beneficial Interests in Perpetual Trusts	(74,378)	54,530
Net Realized and Unrealized (Gains) Losses on Investments	(4,609,650)	3,193,823
Changes in Operating Assets and Liabilities:		
Receivables:		
Bequests, Net	(56,721)	(57,092)
Chapters, Net	549,913	534,829
Pledges, Net	1,032,251	(664,075)
Other	(5,615)	(92,658)
Prepaid Expenses and Deposits	(442,577)	(102,833)
Grants Payable	(1,675,858)	2,643,686
Accounts Payable and Accrued Expenses	2,663,262	362,862
Annuity Payment Liability	(80,346)	82,168
Deferred Rent	(53,936)	(25,544)
Deferred Revenue	15,350	-
Net Cash (Used) Provided by Operating Activities	(2,914,404)	117,693
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(187,372)	(63,818)
Construction in Progress - Leasehold Improvements	(406,557)	-
Construction in Progress - Software	(2,616,076)	(1,167,480)
Purchases of Investments	(4,115,535)	(2,720,333)
Proceeds from Sold and Matured Investments	3,260,636	10,127,522
Net Cash (Used) Provided by Investing Activities	(4,064,904)	6,175,891
NET CHANGE IN CASH AND CASH EQUIVALENTS	(6,979,308)	6,293,584
Cash and Cash Equivalents - Beginning of Year	12,064,314	5,770,730
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,085,006	\$ 12,064,314
Leasehold Improvements Paid by the Landlord	\$ 1,090,890	\$ -

See accompanying Notes to Financial Statements.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Amyotrophic Lateral Sclerosis Association (the Association) was organized in 1985 through the merger of its predecessors, The Amyotrophic Lateral Sclerosis Society of America and The National ALS Foundation, Inc. The Association's mission priorities are to fund research directed at finding a treatment, the cause and cure for the disease, amyotrophic lateral sclerosis (ALS), commonly known as "Lou Gehrig's Disease;" to provide clinical, educational and other programs and services to people living with ALS and their families, health care professionals and other key stakeholders; and to increase public awareness through public policy and advocacy efforts at both the national and state levels.

The Association is a not-for-profit, voluntary health organization, exempt, together with its affiliated chapters, from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). The Association and its chapters are classified collectively as a publicly supported charitable organization under Section 509(a)(1) and qualify for the maximum charitable contribution deduction by donors under Section 170 (b)(1)(A)(vi) of the Code.

These financial statements do not include the accounts of affiliated chapters as, subject to their agreements with the Association, they are independently controlled by their own governing boards. These financial statements, however, do include amounts earned and owed to the Association through revenue share and loan arrangements which are controlled by affiliation and charter agreements, or separate loan documents with the chapters.

Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting. Revenue is recognized when earned, while expense is recognized when the obligation is incurred.

Adoption of Accounting Standards Updates

During the year ended January 31, 2020, the Association adopted Accounting Standards Update (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of the contributions received portion of ASU 2018-08 had no effect on the Association's financial statements as of and for the year ended December 31, 2019. The contributions made portion of this ASU is effective for the year ending January 31, 2021, and management is evaluating the effect of this guidance on the Association's financial statements.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Standards Updates (Continued)

During the year ended January 31, 2020, the Association also adopted ASU No. 2015-14 – *Not-for-Profit Entities (Topic 606): Revenue from Contracts with Customers*. This guidance is intended to establish principles to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue from contracts with customers. The new guidance:

- Removes inconsistencies and weaknesses in existing revenue requirements
- Provides a more robust framework for addressing revenue issues
- Improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets
- Provides more useful information to users of financial statements through improved disclosure requirements, and
- Simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

The adoption of ASU 2014-09 did not significantly impact the Association's reported historical revenue.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of money market funds and other highly liquid investments with original maturities of 90 days or less to be cash equivalents.

At January 31, 2020 and 2019, the cash and cash equivalents balance included approximately \$26,000 and \$66,000, respectively, which are earmarked for annuity obligations.

Investments

Investments are initially recorded at cost if purchased, or at fair value at the date of donation if contributed. Investment income (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses. Subsequent to acquisition, investments are reported at their fair value. Investment income is recognized within net assets without donor restrictions unless their use is restricted by donors to a specified purpose or future period. The fair value of investments in securities traded on a national securities exchange are valued at the closing price on the last business day of the fiscal year, whereas securities traded on the over-the-counter market are valued at the last reported bid price.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction in Progress - Software

During 2019 and continuing into 2020, the Association maintains agreements with software vendors and implementation partners to adopt a new donor and constituent management system. The implementation costs will be capitalized until the system is operational, at which point the Association will begin amortizing these charges. As of January 31, 2020 and 2019, the Association had capitalized approximately \$3,800,000 and \$1,200,000, respectively, in implementation costs.

Property and Equipment

Expenditures for property and equipment in excess of \$1,000 are capitalized at cost or, for donated assets, fair value as of the date of acquisition. Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of three to five years.

Research Grant Expense

Conditional research grants are expensed by the Association as the researchers substantially meet the terms and conditions of the grant during the grant period. Unconditional research grants are expensed when made.

Net Assets

For financial statement purposes, net assets consist of the following:

- Net assets without donor restrictions include net assets which are available for general operations of the Association. Portions of the Association's net assets without donor restrictions have been designated for certain purposes by the board of trustees.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes, for use in future time periods or are to be held in perpetuity as directed by the original donor.

Contributions and Bequests

Contributions, including endowment gifts and pledges, are recognized as support in the period received or pledged. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discount to present value is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Bequests are recognized at the time the Association's right to them is established by a court and the proceeds are subject to reasonable estimation. Bequests receivable are shown net of an allowance for present value discount of approximately \$299,000 and \$330,000 at January 31, 2020 and 2019, respectively.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Bequests (Continued)

Donations and bequests received with donor stipulations as to their intended use are reported in the statements of activities as restricted support. Net assets with donor restrictions are reclassified as net assets without donor restrictions when restrictions are met (that is, when a stipulated time restriction ends or a purpose restriction is accomplished).

Contributed Services

Contributed services are reported at fair value in the accompanying financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. The Association receives a substantial number of volunteer hours donated by individuals in program services and fund-raising campaigns which are not recorded in the financial statements. Donated materials are recorded at their fair value at the date of the gift. If donors stipulate how long donated assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of goods are recorded as support received without donor restrictions. The Association recognized contributed services in the amount of \$0 and \$405,000 for the years ended January 31, 2020 and 2019, respectively.

In-Kind Contributions

The Association produces and distributes public service television announcements that focus attention on ALS education and awareness. These public service announcements are distributed to media stations nationwide and run free of charge. The Association has contracted with an independent outside agency to track the date and time that each public service announcement runs, and the value of the announcements is based on the date, time, and market in which the announcement is aired. For the years ended January 31, 2020 and 2019, the Association recorded approximately \$40,066,000 and \$5,339,000, respectively, in contributed public service announcement air time.

Split-Interest Agreements and Beneficial Interests in Trusts

The Association is the beneficiary in various split-interest agreements with donors primarily consisting of charitable gift annuities, perpetual trusts and charitable remainder trusts. The Association recognizes contribution revenue on the net amount of assets received and liabilities assumed on the agreements, as contribution revenue with donor restrictions. Assets held under the agreements are stated at fair value.

The Association pays a variable annuity amount equal to the specified percentage of the fair value of assets on the date of payment to the donors or the donors' designees for the remainder of their lives. The liability under these agreements is recognized at the present value of estimated future payments based on actuarial assumptions. Adjustments to the liability to reflect changes in actuarial assumptions and amortization of discount are recognized in the statements of activities.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Split-Interest Agreements and Beneficial Interests in Trusts (Continued)

Beneficial interests in perpetual trusts are recognized as revenue when the Association is notified of the trust's existence in accordance with the terms and provisions of the trust. The fair value of the contribution is estimated using the fair value of the assets contributed to the trust, unless facts and circumstances indicate that the fair value of the beneficial interest differs from the fair value of the assets contributed to the trust. The contribution is deemed to have donor restrictions, and annual distributions from the trust are reported as investment income that increases net assets without donor restrictions. At each reporting date, the beneficial interest is re-measured at fair value using the same valuation technique that was used to measure the asset initially and the change in fair value is recognized as gains or losses from donor restrictions.

The Association is the beneficiary of two charitable remainder trusts for which the Association is not the trustee. The Association recognizes the present value of the estimated future benefits to be received when the trust assets are distributed as contribution revenue with donor restrictions and as a receivable. Adjustments to the receivable to reflect amortization of the discount and revaluation of the present value of the estimated future payments to the lifetime beneficiary are recognized in the statements of activities as change in value of split-interest agreements.

Functional Expenses

The costs of providing various programs and activities of the Association have been summarized on a functional basis in the statements of activities and functional expenses. The majority of expenses are directly identified with a program activity or supporting service.

Certain categories of expenses are attributable to one or more program or supporting services of the Association. Those expenses include depreciation, rent, utilities and information technology charges. These costs are allocated ratably to functions based on the level of cost incurred in the specific function after adjusting out large expenses like grants, contributed services or contributed public service announcements. Executive office salaries are not allocated to program functions.

Allocation of Joint Costs

The Association incurred joint costs for informational mailings that included fundraising appeals. The Association is permitted through accounting guidance to allocate to its programs a portion of its costs associated with its fundraising efforts. Costs are allocated between program and fundraising based on the percentage of words used for each purpose in a mailing.

For the year ended January 31, 2020, joint costs approximated \$1,382,000 and \$275,000 for fundraising and program services, respectively. For the year ended January 31, 2019, joint costs approximated \$1,227,000 and \$250,000 for fundraising and program services, respectively.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Association did not have any unrelated taxable income for the years ended January 31, 2020 and 2019. Accordingly, no provision for income taxes has been provided in the financial statements.

The Association follows the accounting standard regarding the recognition and measurement of uncertain tax positions. The Association evaluated its tax positions and determined that its positions are more-likely-than-not to be sustained on examination. The Association's tax returns are subject to review and examination by federal and state authorities.

Fair Value of Financial Instruments

Fair Value Measurements

The Association accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. The Association has categorized these financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Association has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include, among others, quoted prices for similar assets or liabilities in active market or non-active market.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no effect on the previously reported change in net assets.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Measure

For purposes of this presentation, the Association considers contributed service revenue and expense activity as non-operating for financial statement reporting purposes.

Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 30, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, the pandemic of coronavirus COVID-19 was declared by the World Health Organization. Future fundraising events, revenue and expenses of the Association are uncertain due to government-mandated restrictions on non-essential travel, mass gatherings and non-essential business operations. While the Association is able to operate remotely, the restrictions have impacted the global economy, which in turn has affected charitable donations to the Association as well as the ability to host previously contracted conferences. Investment markets have also experienced significant fluctuations since January 31, 2020. Maintaining necessary cash flow will be paramount as the Association continues to address these issues. As of May 30, 2020, the amount and likelihood of losses relating to these events is not yet determinable.

As a way to manage potential cash flow shortfalls, the Association entered into a Loan Management Account (LMA) credit facility with its investment advisor. The LMA functions similarly to a margin account. The LMA is collateralized by a portion of the Association's investment portfolio and allows the Association to draw up to \$9.95 million to help facilitate short term cash flow needs. There was no amount drawn on this credit facility as of May 30, 2020.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 2 LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following as of January 31:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 5,085,006	\$ 12,064,314
Investments in Marketable Securities	79,137,064	73,672,515
Receivables	6,397,897	7,917,725
Beneficial Interest in Perpetual Trusts	1,091,393	1,017,015
Contributions Receivable from Remainder Trusts	264,622	209,180
	<u>91,975,982</u>	<u>94,880,749</u>
Less: Receivables Scheduled to be Collected in More than One Year	(967,751)	(1,625,000)
Less: Contractual or Donor-imposed Restrictions:		
Endowment Gifts	(6,516,315)	(6,454,731)
Other Donor Restrictions	(4,510,146)	(4,101,033)
Cash and Investments Held in Charitable Remainder Trust	(1,635,698)	(1,675,698)
Less: Board Designated Reserve Fund	(40,000,000)	-
	<u>(53,629,910)</u>	<u>(13,856,462)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 38,346,072</u>	<u>\$ 81,024,287</u>

The majority of the Association's available assets, which are invested according to a Board-approved policy, are currently being used to supplement additional spending in research and patient and community services functions. Since the completion of the Ice Bucket Challenge in fiscal year 2015, the Association has almost doubled its annual expenditures (as compared to pre-Ice Bucket Challenge spending). The increased expenditures have been, and will continue to be, funded by these available reserves when regular operating revenue is not sufficient to cover them. In addition, the available net assets can be used to fund approximately \$16,800,000 and \$16,600,000 of conditional research commitments as of January 31, 2020 and 2019, respectively, as disclosed in Note 11 of these financial statements.

During the year ending January 31, 2020, the Association's Board of Trustees established a Board Designated Reserve Fund to earmark a baseline level of net assets that the Association can utilize to maintain appropriate spending during an economic downturn or to further invest in the operations of the Association.

NOTE 3 CONCENTRATIONS

Credit Risk

The Association maintains demand deposits and money market funds with commercial financial institutions, the aggregate balance of which may, at times, exceed the Federal Deposit Insurance Corporation insured limit. The uninsured portions of these accounts are backed solely by the assets of the underlying institutions. Therefore, the failure of an underlying institution could result in financial loss to the Association.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 3 CONCENTRATIONS (CONTINUED)

Market Value Risk

The Association also invests in professionally managed portfolios containing various marketable debt and equity securities. Such investments are exposed to market and credit risks and may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

NOTE 4 INVESTMENTS AND 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. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the valuation methodologies used at January 31, 2020 and 2019.

Mutual Funds – The mutual funds in which the Association invests make their net asset values publicly available daily, to set the price for purchases and redemptions the following day. The investments held by these mutual funds are required by the Securities and Exchange Commission (SEC) to be measured daily at fair value. Therefore, mutual funds are valued at the published net asset value of share at the measurement date. The resulting fair value estimate is a Level 1 measure.

Equity Securities – Values measured using quoted market prices. The resulting fair value estimate is a Level 1 measure.

Corporate Bonds, Government Agency Securities, Mortgage Securities – Values measured using identical assets in less active markets, such as dealer or broker markets, or survey of the dealer community by obtaining broker/dealer quotes on a daily basis. The resulting fair value estimate is a Level 2 measure.

Split-Interest Agreements and Beneficial Interests in Perpetual Trusts – Values measured using assumptions about the fair value of underlying trust assets, discounted cash flows and other present value techniques. The resulting fair value estimate is a Level 3 measure.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present the Association's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of January 31, 2020:

	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Mutual Funds	\$59,261,346	\$ -	\$ -	\$ 59,261,346
Equity Securities	16,139,010	-	-	16,139,010
Corporate bonds	-	1,796,958	-	1,796,958
Government Agency Obligations	-	1,939,750	-	1,939,750
Total Investments	75,400,356	3,736,708	-	79,137,064
Beneficial Interest in				
Perpetual Trusts	-	-	1,091,393	1,091,393
Contributions Receivable from				
Charitable Remainder Trusts	-	-	264,622	264,622
Total Assets at Fair Value	<u>\$75,400,356</u>	<u>\$ 3,736,708</u>	<u>\$ 1,356,015</u>	<u>\$ 80,493,079</u>
<u>Liabilities</u>				
Annuity Payment Liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 853,282</u>	<u>\$ 853,282</u>

The following tables present the Association's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of January 31, 2019:

	2019			
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Mutual Funds	\$56,728,429	\$ -	\$ -	\$ 56,728,429
Equity Securities	13,256,623	-	-	13,256,623
Corporate Bonds	-	2,058,910	-	2,058,910
Government Agency Obligations	-	1,628,553	-	1,628,553
Total Investments	69,985,052	3,687,463	-	73,672,515
Beneficial Interest in				
Perpetual Trusts	-	-	1,017,015	1,017,015
Contributions Receivable from				
Charitable Remainder Trusts	-	-	209,180	209,180
Total Assets at Fair Value	<u>\$69,985,052</u>	<u>\$ 3,687,463</u>	<u>\$ 1,226,195</u>	<u>\$ 74,898,710</u>
<u>Liabilities</u>				
Annuity Payment Liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 933,628</u>	<u>\$ 933,628</u>

Investments include approximately \$1,642,000 and \$1,610,000 to cover annuity obligations for the years ended January 31, 2020 and 2019, respectively.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table provides a summary of changes in the fair value of the Association's Level 3 assets and liabilities:

	Beneficial Interest in Perpetual Trusts	Contributions Receivable from Charitable Remainder Trust	Annuity Payment Liability
Balance - January 31, 2018	\$ 1,071,545	\$ 308,405	\$ (851,460)
Change in Valuation	(54,530)	(99,225)	-
New Annuities	-	-	(308,722)
Annuity Payments and Releases	-	-	169,120
Gain from Annuity	-	-	57,434
Balance - January 31, 2019	1,017,015	209,180	(933,628)
Change in Valuation	74,378	55,442	-
New Annuities	-	-	(12,723)
Annuity Payments and Releases	-	-	182,276
Loss from Annuity	-	-	(89,207)
Balance - January 31, 2020	<u>\$ 1,091,393</u>	<u>\$ 264,622</u>	<u>\$ (853,282)</u>

Investment income (loss) consists of the following for the years ended January 31:

	2020	2019
Interest and Dividends	\$ 2,782,381	\$ 2,641,824
Realized/Unrealized Gain (Loss)	4,609,650	(3,193,823)
Investment Fees	(181,569)	(203,217)
Total	<u>\$ 7,210,462</u>	<u>\$ (755,216)</u>

NOTE 5 CHAPTER RECEIVABLES

Amounts receivable from chapters consisted of the following at January 31:

	2020	2019
Revenue Sharing	\$ 2,370,490	\$ 2,830,592
Less: Reserve for Doubtful Collection	(181,676)	(149,147)
	2,188,814	2,681,445
Loans Receivable	512,291	579,489
Less: Reserve for Doubtful Collection	(211,174)	(208,993)
Less: Discount to Present Value	(71,513)	(83,610)
	229,604	286,886
Total	<u>\$ 2,418,418</u>	<u>\$ 2,968,331</u>

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 6 PLEDGES RECEIVABLE

The Association anticipates collection of outstanding pledges receivable a follows as of January 31:

	2020	2019
Due in Less Than One Year	\$ 1,585,797	\$ 2,016,045
Due in One to Five Years	967,751	1,625,000
	<u>2,553,548</u>	<u>3,641,045</u>
Less: Discount to Present Value	(47,778)	(103,024)
Less: Reserve for Uncollectible Pledges	(95,670)	(95,670)
Total	<u>\$ 2,410,100</u>	<u>\$ 3,442,351</u>

Amounts presented above have been discounted to present value using rates ranging from 1.39% to 4.65%.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at January 31:

	2020	2019
Furniture and Equipment	\$ 301,492	\$ 488,594
Software	396,302	396,302
Leasehold Improvements	-	146,535
	<u>697,794</u>	<u>1,031,431</u>
Less: Accumulated Depreciation and Amortization	(540,128)	(939,371)
Total	<u>\$ 157,666</u>	<u>\$ 92,060</u>

NOTE 8 RELATED PARTY TRANSACTIONS

During the years ended January 31, 2020 and 2019, the Association recorded contributions from board members of approximately \$101,000 and \$1,100,000, respectively. As of January 31, 2020 and 2019, outstanding pledges receivable from board members approximated \$624,000 and \$800,000, respectively.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions and related activity consist of the following as of and for the years ended January 31:

	2020			
	Beginning	Additions	Releases	Ending
Research Awards	\$ 498,962	\$ 6,708,727	\$ (5,977,695)	\$ 1,229,994
Research Endowment Principal	237,382	21,624	(19,006)	240,000
Beneficial Interest in Perpetual Trust	741,434	58,591	-	800,025
Term Endowment				
Supporting Research	6,217,349	566,350	(507,384)	6,276,315
Other Programs	2,860,637	1,681,457	(2,061,967)	2,480,127
Total	<u>\$10,555,764</u>	<u>\$ 9,036,749</u>	<u>\$ (8,566,052)</u>	<u>\$ 11,026,461</u>
	2019			
	Beginning	Additions	Releases	Ending
Research Awards	\$ 3,944,917	\$ 6,021,735	\$ (9,467,690)	\$ 498,962
Research Endowment Principal	239,633	(2,251)	-	237,382
Beneficial Interest in Perpetual Trust	768,165	(26,731)	-	741,434
Term Endowment				
Supporting Research	6,276,315	(58,966)	-	6,217,349
Other Programs	2,050,005	1,996,019	(1,185,387)	2,860,637
Total	<u>\$13,279,035</u>	<u>\$ 7,929,806</u>	<u>\$ (10,653,077)</u>	<u>\$ 10,555,764</u>

Perpetual Trusts

The Association has beneficial interests in two trusts that the Association does not administer. The investments of each trust are administered by a trustee, who is independent of the Association, and distributions are made to the Association in accordance with the trust agreement for each trust. The beneficial interests in these trusts is included in the tables above.

NOTE 10 ENDOWMENTS

In 2013 and 2014, the Association received a bequest totaling \$6,276,315, establishing a term endowment according to designations made by the donor. The proceeds of this bequest are to be maintained by the Association in an endowment fund for a period of ten years. Earnings from the fund are restricted to support research and may be spent on a current basis. Upon expiration of the endowment term, the corpus of the fund must also be used to support research.

In addition, the Association has another donor-restricted endowment fund. The principal of the endowment fund is to be held in perpetuity and the net earnings used to support research expenditures.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The board of trustees of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Association classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment maintained in perpetuity, (b) the original value of subsequent gifts to the endowment maintained in perpetuity, and (c) accumulations to the endowment maintained in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Association and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Association
- (7) The investment policies of the Association

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity. Under this policy approved by the board of trustees the endowment assets are invested in a manner with long-term orientation and without undue exposure to risk.

Over the long term, the Association expects to allow its endowment to grow annually, consistent with the Association's objectives to maintain the purchasing power of the endowment assets held in-perpetuity and to provide additional real growth through investment returns.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 10 ENDOWMENTS (CONTINUED)

Endowment net asset composition by type and changes in endowment net assets is as follows for the years ended January 31:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, January 31, 2018	\$ -	\$ 6,515,948	\$ 6,515,948
Total Investment Return	-	(61,217)	(61,217)
Appropriations	-	-	-
Balance, January 31, 2019	-	6,454,731	6,454,731
Total Investment Return	-	587,974	587,974
Appropriations	-	(526,390)	(526,390)
Balance, January 31, 2020	<u>\$ -</u>	<u>\$ 6,516,315</u>	<u>\$ 6,516,315</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual or specified term duration. Deficiencies of this nature are reported in net assets with donor restrictions. As of January 31, 2020 and 2019, funds with an original gift value of \$6.5 million were underwater by approximately \$0 and \$61,000, respectively. The favorable market conditions in 2020 helped the fund to not be deficient.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Research Grants

The Association enters into conditional commitments semiannually to award scientific research grants. Research grants can be awarded either as a result of recommendations of the Scientific Review Committee which are approved by the Board of Trustees or by general authority through the research budget approved by the Board of Trustees. Subject to an annual review and reapproval process, these grants generally cover a period of one to three years.

Subject to the grantees meeting the applicable terms and conditions timely, conditional grants awarded to date will become payable as follows:

<u>Year Ending January 31,</u>	<u>Amount</u>
2021	\$ 9,458,413
2022	5,485,077
2023	1,841,265
2024	56,000
Total	<u>\$ 16,840,755</u>

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2020 AND 2019

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Research Grants (Continued)

Except as previously provided for by restricted gifts, the Association's ability to meet these grant commitments may be dependent on future contributions to be received.

Leases

The Association leases offices in Washington, D.C., Virginia, South Carolina, Kentucky, Michigan and New Hampshire under noncancellable operating leases expiring at various dates through 2033. The leases require monthly rental payments and contain certain escalation clauses. In addition, the Association pays a pro rata share of real estate taxes and other operating expenses.

The Association also leases certain office equipment under leases expiring at various dates through 2025.

During the year ending January 31, 2020, the Association entered into a long-term lease for office space in Arlington, Virginia to replace its Washington, D.C. office space lease which expires in February 2020. The new lease commences in March 2020, and expires in February 2032. The new lease requires the Association to execute a letter of credit for approximately \$50,000 for security deposit considerations. As of the January 31, 2020, and through the date of this report, no amounts have been drawn on the letter of credit.

As part of lease arrangement for the new space, the Association received 14 months of rent abatement and was provided an allowance by the landlord to assist in building out the office space. The allowance was valued at just over \$1 million and along with other costs incurred by the Association for the buildout, there is approximately \$1.5 million in leasehold and other buildout costs that will be placed into service when the new lease commences during 2020.

Minimum rental payments are due under the office and equipment leases as follows:

<u>Year Ending January 31,</u>	<u>Amount</u>
2021	\$ 148,729
2022	465,148
2023	607,379
2024	617,551
2025	582,924
Thereafter	4,551,092
Total	<u>\$ 6,972,823</u>

Rent expense under office and equipment leases amounted to approximately \$779,000 and \$765,000 for the years ended January 31, 2020 and 2019, respectively.

THE AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION
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JANUARY 31, 2020 AND 2019

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Purchase Commitments

The Association has entered into various purchase agreements with a hotel for guest rooms relating to its annual conferences. Should the agreement be cancelled, the Association may be subject to cancellation fees contingent on the ability of the rooms to be resold. At January 31, 2020, the Association's maximum commitment for potential liquidated damages, assuming no rooms or convention space were resold, was approximately \$453,000. This number includes reductions received from vendors subsequent to year-end for contracts that were not able to be held due to government related closures from the COVID-19 pandemic. In addition, the Association entered into other noncancellable agreements for various services including but not limited to costs for the purchase and implementation of the new donor and constituent management system. The Association's maximum commitment for these services is approximately \$4,319,000 as of January 31, 2020.

NOTE 12 EMPLOYEE BENEFIT PLAN

The Association maintains a 401(k) defined contribution plan which is subject to limitations set forth by the Internal Revenue Code. The plan covers all employees who meet the requirements of the plan. The Association provides a 3% contribution to the plan on behalf of each eligible employee. During the year ending January 31, 2020, the Association amended the plan to add an additional matching contribution of up to 4% if the employee made a corresponding contribution. The total expenses relating to the plan were approximately \$485,000 and \$205,000 for the years ended January 31, 2020 and 2019, respectively.