

COMPASSIONATE CARE ALS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2013

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FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Compassionate Care ALS, Inc.
Falmouth, Massachusetts

We have audited the accompanying financial statements of Compassionate Care ALS, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compassionate Care ALS, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information and Prior Period Adjustment

The prior year summarized comparative information has been derived from Compassionate Care ALS, Inc.'s 2012 financial statements and in our report dated May 16, 2013, we expressed a qualified opinion on those audited financial statements due to the Organization not recording equipment held for use in programs as an asset, as is required by accounting principles generally accepted in the United States of America (US GAAP). In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived, adjusted for the change in accounting method described below.

As discussed in Note J to the financial statements, prior to 2013, the Organization expensed program equipment, which was not in accordance with US GAAP. During 2013, the Organization inventoried and capitalized program equipment with an original cost of \$500 or more. Accordingly, amounts reported for property and equipment, depreciation expense, and program expense have been restated in the 2012 financial statements now presented, and an adjustment has been made to net assets as of December 31, 2012 and 2011. Due to the adoption of the accounting method which is required by US GAAP, our opinion in relation to the restated summarized comparative information presented herein as of and for the year ended December 31, 2012 has changed from qualified to unmodified.



Certified Public Accountants
Newburyport, Massachusetts
April 24, 2014

COMPASSIONATE CARE ALS, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2013

(with summarized financial information as of December 31, 2012, as restated)

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 337,079	\$ 338,404
Accounts receivable	9,000	-
Prepaid expenses and deposits	<u>24,851</u>	<u>1,500</u>
	<u>370,930</u>	<u>339,904</u>
Organizational Costs	6,110	6,110
Less: Accumulated Amortization	<u>(6,110)</u>	<u>(6,110)</u>
Organizational Costs, Net	<u>-</u>	<u>-</u>
Property and Equipment	777,920	565,670
Less: Accumulated Depreciation	<u>(366,265)</u>	<u>(240,527)</u>
Property and Equipment, Net	<u>411,655</u>	<u>325,143</u>
Total Assets	<u>\$ 782,585</u>	<u>\$ 665,047</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 7,830	\$ 16,323
Accrued expenses	14,601	14,781
Loans payable - vehicles	<u>-</u>	<u>7,608</u>
Total Liabilities	<u>22,431</u>	<u>38,712</u>
Net Assets:		
Unrestricted	760,154	576,335
Temporarily restricted	<u>-</u>	<u>50,000</u>
Total Net Assets	<u>760,154</u>	<u>626,335</u>
Total Liabilities and Net Assets	<u>\$ 782,585</u>	<u>\$ 665,047</u>

See independent auditor's report and accompanying notes to financial statements.

COMPASSIONATE CARE ALS, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2013
(with summarized financial information for the year ended December 31, 2012, as restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
Support, Revenues and Reclassifications:				
Public Support and Revenue:				
Contributions	\$ 380,757	\$ -	\$ 380,757	\$ 379,823
Grants	113,500	-	113,500	165,000
Fundraising Events	606,427	-	606,427	547,990
Program Services	1,085	-	1,085	49,402
Interest Income	235	-	235	130
Net assets released from restrictions:				
Satisfaction of donor restrictions	50,000	(50,000)	-	-
Total Support, Revenues and Reclassifications	<u>1,152,004</u>	<u>(50,000)</u>	<u>1,102,004</u>	<u>1,142,345</u>
Operating Expenses:				
Program Services	572,967	-	572,967	487,358
Supporting Services:				
Fundraising	215,613	-	215,613	193,821
Administrative	112,660	-	112,660	103,206
Total Operating Expenses	<u>901,240</u>	<u>-</u>	<u>901,240</u>	<u>784,385</u>
Change in Net Assets, before Assistance to Individuals	250,764	(50,000)	200,764	357,960
Assistance to Individuals:				
Donated Supplies and Equipment	144,050	-	144,050	111,150
Less: Assistance to Individuals	(210,995)	-	(210,995)	(255,476)
	<u>(66,945)</u>	<u>-</u>	<u>(66,945)</u>	<u>(144,326)</u>
Change in Net Assets	183,819	(50,000)	133,819	213,634
Net Assets - Beginning of Year				
As previously reported	289,017	50,000	339,017	235,205
Prior period adjustment (See Note J)	287,318	-	287,318	177,496
Balance at beginning of year, as restated	<u>576,335</u>	<u>50,000</u>	<u>626,335</u>	<u>412,701</u>
Net Assets - End of Year	<u>\$ 760,154</u>	<u>\$ -</u>	<u>\$ 760,154</u>	<u>\$ 626,335</u>

See independent auditor's report and accompanying notes to financial statements.

COMPASSIONATE CARE ALS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2013
(with summarized financial information for the year ended December 31, 2012, as restated)

	Program Services	Fundraising	Admin- istration	2013 Total	2012 Total
Director's compensation	\$ 82,194	\$ 17,613	\$ 17,613	\$ 117,420	\$ 118,448
Other wages and salaries	192,738	-	-	192,738	161,017
Payroll taxes	23,515	1,506	1,506	26,527	23,877
Benefits	33,143	1,492	1,492	36,127	27,054
Contract services	500	720	1,526	2,746	5,648
Depreciation	124,760	-	978	125,738	89,627
Education and outreach	1,801	-	-	1,801	4,929
Event expenses	-	138,893	-	138,893	108,086
Insurance	27,446	-	-	27,446	24,316
Interest	-	-	-	-	1,938
Marketing and website	1,473	2,700	918	5,091	5,612
Occupancy and telephone	37,725	-	2,705	40,430	34,243
Office supplies and expense	1,909	-	17,077	18,986	23,457
Other	3,322	119	2,059	5,500	2,912
Postage and delivery	1,957	6,946	2,015	10,918	11,178
Printing	-	4,699	2,427	7,126	22,212
Professional fees	6,445	38,311	60,169	104,925	96,757
Travel	34,039	2,614	2,175	38,828	23,074
Total operating expenses	572,967	215,613	112,660	901,240	784,385
Assistance to individuals	210,995	-	-	210,995	255,476
	<u>\$ 783,962</u>	<u>\$ 215,613</u>	<u>\$ 112,660</u>	<u>\$ 1,112,235</u>	<u>\$ 1,039,861</u>

See independent auditor's report and accompanying notes to financial statements.

COMPASSIONATE CARE ALS, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2013

Cash Flows From Operating Activities:

Change in net assets	\$ 133,819
Adjustments to reconcile change in net assets to cash provided by operating activities:	

Depreciation	125,738
Contributions of capital assets	(117,000)
Increase in accounts receivable	(9,000)
Increase in prepaid expenses and deposits	(23,351)
Decrease in accounts payable and accrued expenses	<u>(8,673)</u>

Net cash provided by operating activities	<u>101,533</u>
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Cash Flows From Investing Activities:

Purchase of capital assets	<u>(95,250)</u>
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Net cash used in investing activities	<u>(95,250)</u>
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Cash Flows From Financing Activities:

Repayment of loan payable - vehicles	<u>(7,608)</u>
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Net cash used in financing activities	<u>(7,608)</u>
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Net decrease in Cash	(1,325)
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Cash at Beginning of Year	<u>338,404</u>
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Cash at End of Year	<u><u>\$ 337,079</u></u>
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Non-cash Transactions

During 2013, the Organization received contributions of two vans and other various equipment with a total estimated value of \$117,000. The cost of the vans and equipment was capitalized and is being depreciated while the corresponding revenue was recorded on the Statement of Activities under the caption "Donated Supplies and Equipment."

Supplemental Disclosures:

Interest Paid	\$ -
Income Taxes Paid	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes to financial statements.

COMPASSIONATE CARE ALS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE A – ORGANIZATION AND PROGRAM SERVICES

Compassionate Care ALS, Inc. was incorporated as a non-profit organization in 2002 and grew out of the work of the Gordon T. Heald ALS Fund. Gordon T. Heald was an active New England businessman who participated in and gave generously to local charities. In 1997 he was diagnosed with ALS. Before Gordon's death, the idea of starting a fund for ALS families in his name came to light. An announcement in Gordon's obituary in October 1998 generated the seed money for the Gordon T. Heald ALS Fund. Compassionate Care ALS, Inc. is dedicated to providing assistance to families in dealing with the complexities of ALS. Compassionate Care ALS, Inc. models compassion to those affected by ALS by providing educational and legal resources, respite opportunities, instruction and guidance, subsidy of living aids and assistance, durable goods and intimate dialogue with patients and their caregivers, families, and friends. The Organization's approach draws from hands-on experience and strives to understand the overwhelming dynamics ALS families endure.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958 (formerly SFAS No. 117, "*Financial Statements of Not-for-Profit Organizations*"). Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as defined below:

Unrestricted Net Assets – consists of assets, public support and program revenues which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets – includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment incomes earned on restricted funds.

Permanently Restricted Net Assets – includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Compassionate Care ALS, Inc.'s financial statements for the year ended December 31, 2012, from which the summarized information was derived. Certain reclassifications and restatements have been made to the summarized information to be consistent with the presentation in the audited financial statements as of December 31, 2013. See Note J for information on the restatement of summarized financial information for the year ended December 31, 2012 due to a change in accounting principle.

COMPASSIONATE CARE ALS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE B – *continued*

Recognition of Donor-restricted Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions received and expended in accordance with the donor's restrictions in the same fiscal year are recognized as unrestricted public support in these financial statements.

Accounts Receivable

Accounts receivable consist of grant revenues not yet collected. There was \$9,000 of accounts receivable at December 31, 2013. Management deemed all receivables to be collectible at December 31, 2013 and therefore, no allowance for doubtful accounts has been established.

Property and Equipment

Property and equipment purchases are capitalized at cost, if purchased, or at fair market value at the date of receipt, if donated. The Organization's policy is to capitalize items with a cost or value in excess of \$500. During 2013, two vehicles with a total estimated value of \$92,800 and small equipment for use in programs with a total estimated value of \$24,200 were contributed to the Organization and capitalized with the corresponding revenue recorded under the caption "Donated Supplies and Equipment." Capitalized assets are depreciated over their estimated useful lives using the straight-line method of depreciation. Expenditures for maintenance repairs and renewals are charged to expense as incurred, whereas, major betterments are capitalized using the straight-line method, and is charged against income over the estimated useful lives of the assets. A summary of property and equipment as of December 31, 2013 is as follows:

	Estimated <u>Life</u>	<u>Cost</u>	Accumulated <u>Depreciation</u>
Computer Equipment	3	\$ 5,421	\$ 5,421
Website and Software	3	5,648	3,441
Office Furniture	5	1,400	700
Program Equipment	5	454,516	195,315
Motor Vehicles	5	<u>310,935</u>	<u>161,388</u>
		<u>\$ 777,920</u>	<u>\$ 366,265</u>

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates used.

Functional Expenses

Compassionate Care ALS, Inc. allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases used in conjunction with the Organization's cost allocation plan.

COMPASSIONATE CARE ALS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE B – *continued*

Functional Expenses – (continued)

Supporting services are those related to operating and managing Compassionate Care ALS, Inc. and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administration – includes all activities related to Compassionate Care ALS, Inc.’s internal management and accounting for program services.

Fundraising – includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of funds for Compassionate Care ALS, Inc.’s programs.

Subsequent Events

Subsequent events have been evaluated through April 24, 2014, which is the date the financial statements were available to be issued.

NOTE C – PROGRAM SERVICES

Program services of the organization include the Gordon T. Heald program and Compassionate Care ALS program. Both programs provide assistance to families with ALS. Compassionate Care ALS’s range of services helps individuals to live as fully as possible within the parameters of the illness, and to gracefully experience the end of life with conscious choice and compassion. Services offered are tailored to meet the individual needs of each patient and family. Types of assistance offered include:

- **Emotional Support** – The staff visits families at home, listens and suggests options. The staff also facilitates gatherings for caregivers offer counseling, match caregivers with caregivers & patients with patients to foster intimate dialogue at home or in other safe settings.
- **Integrative Therapies** – Subsidized massage, acupuncture, cranial-sacral therapy, self-inquiry, energy work, contemplative practice such as meditation and promoting self-care for both patients and caregivers.
- **Contemplative Practice** – Work one on one with caregivers and families, teaching meditation and visualization techniques to help alleviate fear and anxiety and to promote well-being.
- **Education** – Lead workshops on “Cultivating Compassion” for health care professionals, caregivers, and the community about investigating conscious choice, living and dying with terminal illness, practicing self-care, and other topics related to ALS.
- **Van Service** – Provide the availability of a wheelchair-accessible van for everyday needs and special trips.
- **Youth Program** – Children of ALS patients are offered rites of passage programs and other supportive resources.
- **Gordon T. Heald ALS Fund** – Subsidizes the purchase of home care equipment such as communications devices and wheelchair ramps, and assist with prescription costs and other living expenses as needed.
- **Other assistance** – Responsive to a broad spectrum of special requests to ease the family burden of living with ALS.

COMPASSIONATE CARE ALS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE D – NOTE PAYABLE

The Organization had a note payable to a financial services company, secured by a vehicle. Monthly payments were \$720 through November 2013, including interest at 8.7%. The loan was paid off prior to December 31, 2013.

NOTE E – LEASES AND RELATED PARTY

The Organization leases office space from its executive director under a month to month lease agreement. Monthly payments under the agreement are \$985 per month.

The Organization also entered into a lease of warehouse space expiring April 30, 2015. The lease has payments of \$1,575 per month through April 30, 2014 and \$1,600 per month from May 1, 2014 to April 30, 2015. Future minimum lease commitments under this lease are as follows:

2014	\$ 19,100
2015	<u>6,400</u>
	\$ <u>25,500</u>

Total lease expense for the year ended December 31, 2013 was \$30,720.

NOTE F – ASSISTANCE TO INDIVIDUALS

During 2010, the Board of Directors of the Organization determined that all equipment intended for use in the Organization's programs is to be considered equipment owned by the Organization, unless title is specifically transferred to the individual. As of December 31, 2013, the Organization inventoried and capitalized the value of equipment held or provided for use in programs. See Note J for additional information.

During 2013, Assistance to Individuals expense includes donated supplies and equipment with an estimated value of \$27,050, as well as purchased supplies and equipment and other financial assistance of \$183,945.

NOTE G – CONCENTRATIONS

The Organization maintains cash balances in three financial institutions that at times may have amounts in excess of Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000.

NOTE H – UNRESTRICTED AND TEMPORARILY RESTRICTED NET ASSETS

The unrestricted net assets represent amounts for unrestricted purposes. Unrestricted net assets may be used for carrying on the operations of the Organization in accordance with the limitations of its charter and bylaws. During the year ended December 31, 2013, temporarily restricted net assets of \$50,000 were released for the purchase of a wheelchair van to be used in providing assistance to individuals.

COMPASSIONATE CARE ALS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE I – INCOME TAX STATUS

The Organization is organized and operated exclusively for charitable purposes. Income related to its charitable purpose is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Organization has adopted the application of the provisions of FASB ASC 740-10 (formerly FASB Interpretation No. 48, "*Accounting For Uncertainty in Income Taxes*"). The primary tax positions made by the Organization are the existence of Unrelated Business Income Tax and the Organization's status as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization currently evaluates all tax positions, and makes determinations regarding the likelihood of those positions being upheld under review. For the years presented, and as a result of adoption, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on its evaluations.

NOTE J – PRIOR PERIOD ADJUSTMENT

Prior to 2013, the Organization expensed program equipment, which was not in accordance with generally accepted accounting principles in the United States of America. During 2013, the Organization inventoried and capitalized program equipment with an original cost of \$500 or more. The effect of the change in accounting method resulted in an increase of net assets as of December 31, 2012 in the amount of \$287,318, which was the net book value of the capitalized assets as of December 31, 2012. The summarized financial information for the year ended December 31, 2012 presented herein has been restated to reflect the effect of the prior period adjustment. As a result, depreciation expense increased by \$63,335, program expense decreased by \$173,157, unrestricted net assets as of December 31, 2011 increased by \$177,496, and property and equipment, net of accumulated depreciation, increased by \$287,318 from the amounts previously reported.