

Compassionate Care ALS, Inc.

Financial Statements

December 31, 2016

Compassionate Care ALS, Inc.

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December 31, 2016

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FRITZ DEGUGLIELMO LLC
*CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS*

INDEPENDENT AUDITOR'S REPORT

To the 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, 2016, 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, 2016, 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

We have previously audited the Compassionate Care ALS, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived, adjusted for the reclassification of net assets described below.

As discussed in Note K to the financial statements, during the year ended December 31, 2014 the Organization purchased property to be used as the construction site of a new facility in Falmouth, Massachusetts and paid cash in the amount of \$225,000 toward the purchase price of that property. At the time of purchase, it was determined that the funds used for the purchase were from unrestricted resources. In 2016, it was determined that the funds used were restricted funds from the Organization's capital campaign and not unrestricted resources. As a result of the determination, the classification of prior period net assets has been restated. Temporarily restricted net assets as of December 31, 2014 decreased by \$225,000 and unrestricted net assets as of December 31, 2014 increased by \$225,000. This prior period adjustment has not changed previously reported opinions.



Certified Public Accountants
Newburyport, Massachusetts
October 13, 2017

Compassionate Care ALS, Inc.

Statement of Financial Position

December 31, 2016

(with summarized financial information as of December 31, 2015, as restated)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 312,630	\$ 328,018
Accounts receivable	904	3,904
Pledges receivable - current	337,445	51,700
Prepaid expenses and deposits	25,232	27,419
	<u>676,211</u>	<u>411,041</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>
Pledges receivable - noncurrent	50,466	69,162
Cash restricted for property and equipment	1,566,340	435,064
	<u>1,616,806</u>	<u>504,226</u>
Property and Equipment	1,890,541	1,704,976
Less: Accumulated Depreciation	<u>(569,638)</u>	<u>(465,601)</u>
Property and Equipment, net	<u>1,320,903</u>	<u>1,239,375</u>
Total Assets	<u>\$ 3,613,920</u>	<u>\$ 2,154,642</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 11,388	\$ 23,021
Accrued expenses	7,084	5,816
Current portion of notes payable	28,361	25,657
	<u>46,833</u>	<u>54,494</u>
Notes payable, net of current portion	564,810	591,471
Total Liabilities	<u>611,643</u>	<u>645,965</u>
Net Assets:		
Unrestricted	1,048,026	952,751
Temporarily restricted	1,954,251	555,926
Total Net Assets	<u>3,002,277</u>	<u>1,508,677</u>
Total Liabilities and Net Assets	<u>\$ 3,613,920</u>	<u>\$ 2,154,642</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, 2016

(with summarized financial information for the year ended December 31, 2015, as restated)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	2016 <u>Total</u>	2015 <u>Total</u>
Support, Revenues and Reclassifications:				
Public Support and Revenue:				
Contributions	\$ 266,924	\$ -	\$ 266,924	\$ 310,086
Capital campaign	-	1,479,220	1,479,220	459,303
Grants	467,000	-	467,000	103,500
Fundraising Events	588,874	-	588,874	635,559
Program Services	3,385	-	3,385	4,058
Interest Income	692	-	692	380
Loss on disposal of assets	-	-	-	(24,962)
Net assets released from restrictions:				
Satisfaction of donor restrictions	80,895	(80,895)	-	-
Total Support, Revenues and Reclassifications	1,407,770	1,398,325	2,806,095	1,487,924
Operating Expenses:				
Program Services	687,736	-	687,736	580,253
Supporting Services:				
Fundraising	233,712	-	233,712	262,842
Administrative	192,097	-	192,097	216,605
Total Operating Expenses	1,113,545	-	1,113,545	1,059,700
Change in Net Assets, before Assistance to Individuals	294,225	1,398,325	1,692,550	428,224
Assistance to Individuals:				
Donated Supplies and Equipment	41,544	-	41,544	28,340
Less: Assistance to Individuals	(240,494)	-	(240,494)	(259,445)
Net Assistance to Individuals	(198,950)	-	(198,950)	(231,105)
Change in Net Assets	95,275	1,398,325	1,493,600	197,119
Net Assets - Beginning of Year				
As previously reported	727,751	780,926	1,508,677	1,311,558
Prior period adjustment (See Note K)	225,000	(225,000)	-	-
Balance at beginning of year, as restated	952,751	555,926	1,508,677	1,311,558
Net Assets - End of Year	\$ 1,048,026	\$ 1,954,251	\$ 3,002,277	\$ 1,508,677

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, 2016
(with summarized financial information for the year ended December 31, 2015)

	Program Services	Fundraising	Admin- istration	2016 Total	2015 Total
Directors' compensation	\$ 118,049	\$ 6,558	\$ 6,558	\$ 131,165	\$ 179,728
Other wages and salaries	231,500	-	-	231,500	164,964
Payroll taxes	32,042	601	601	33,244	28,854
Benefits	28,968	544	544	30,056	30,814
Capital campaign expenses	-	7,147	-	7,147	12,985
Contract services	40,255	2,085	6,274	48,614	14,805
Depreciation	99,168	-	4,869	104,037	117,383
Education and outreach	375	-	-	375	773
Event expenses	-	180,781	-	180,781	152,093
Insurance	48,228	-	-	48,228	43,473
Interest	821	-	24,689	25,510	27,691
Marketing and website	1,797	2,996	3,351	8,144	8,584
Occupancy and telephone	34,597	1,025	15,221	50,843	65,951
Office supplies and expense	5,792	1,599	17,375	24,766	26,793
Other	2,963	815	379	4,157	9,989
Postage and delivery	3,989	9,607	1,509	15,105	18,051
Printing	8,281	5,904	2,974	17,159	18,672
Professional fees	-	12,226	106,696	118,922	114,955
Travel	30,911	1,824	1,057	33,792	23,142
Total operating expenses	687,736	233,712	192,097	1,113,545	1,059,700
Assistance to individuals	240,494	-	-	240,494	259,445
	\$ 928,230	\$ 233,712	\$ 192,097	\$ 1,354,039	\$ 1,319,145

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, 2016

Cash Flows From Operating Activities:	
Change in net assets	\$ 1,493,600
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation	104,037
Decrease in accounts receivable	3,000
Decrease in prepaid expenses and deposits	2,187
Decrease in accounts payable and accrued expenses	(10,365)
Contributions restricted for investment in property	<u>(1,479,220)</u>
Net cash provided by operating activities	<u>113,239</u>
Cash Flows From Investing Activities:	
Purchase of capital assets	(185,565)
Purchase of assets restricted for investment in property	<u>(1,131,276)</u>
Net cash used in investing activities	<u>(1,316,841)</u>
Cash Flows From Financing Activities:	
Contributions restricted for investment in property	1,212,171
Repayment of notes payable	<u>(23,957)</u>
Net cash provided by financing activities	<u>1,188,214</u>
Net decrease in Cash	(15,388)
Cash at Beginning of Year	<u>328,018</u>
Cash at End of Year	<u><u>\$ 312,630</u></u>
Supplemental Disclosures:	
Interest Paid	<u>\$ 25,510</u>
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, 2016

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, 2015, 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, 2016.

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

Compassionate Care ALS, Inc.

Notes to Financial Statements

December 31, 2016

NOTE B – *continued*

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 and program service revenues not yet collected. There was \$904 accounts receivable at December 31, 2016. Management deemed all receivables to be collectible at December 31, 2016 and therefore, no allowance for doubtful accounts has been established.

Pledges Receivable

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

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 the year ended December 31, 2016, the Organization purchased three vehicles in the amount of \$82,930, none of which was financed. The Organization also purchased equipment and furniture in the amount of \$78,944. The Organization also incurred construction costs related to its new program center in Falmouth, Massachusetts in the amount of \$23,691. 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, 2016 is as follows:

	Estimated <u>Life</u>	<u>Cost</u>	Accumulated <u>Depreciation</u>
Building	39	\$ 1,004,952	\$ -
Computer Equipment	3	6,421	5,922
Website and Software	3	13,647	9,647
Office Furniture	5	21,285	2,820
Program Equipment	5	466,209	323,964
Motor Vehicles	5	<u>378,027</u>	<u>227,285</u>
		<u>\$1,890,541</u>	<u>\$ 569,638</u>

Compassionate Care ALS, Inc.

Notes to Financial Statements

December 31, 2016

NOTE B – *continued*

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.

Fair Value Measurements

Management has adopted the criteria of FASB ASC 820-10 (formerly SFAS No. 157, “*Fair Value Measurements*”). FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosure about fair value measurements. FASB ASC 820-10 establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework under FASB ASC 820-10 are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 Inputs other than quoted market prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

An asset’s or liability’s level within the framework is based on the lowest level of any input that is significant to the fair value measurement.

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.

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 October 13, 2017 which is the date the financial statements were available to be issued.

Compassionate Care ALS, Inc.

Notes to Financial Statements

December 31, 2016

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.

NOTE D – PLEDGES RECEIVABLE

The Organization has commenced a fund-raising campaign for funds to purchase and construct property for future use in its programs. Promises to give are restricted to payment of the costs of the new facility. The promises to give as of December 31, 2016, are unconditional and due \$337,445 in 2017 and \$53,329 over the following three years. Promises to give that are due after 2017 are discounted at 5%. The unamortized discount on promises to give is \$2,863 as of December 31, 2016. Uncollectible promises are expected to be insignificant.

NOTE E – NOTES PAYABLE

During the year ended December 31, 2014, the Organization purchased real estate in the amount of \$981,261 for future use in its programs. The Organization financed \$600,000 of the purchase through a mortgage secured by the real estate with a local bank. The loan is payable in monthly installments of principal and interest at 4.56% in the amount of \$3,355 until December 1, 2019. On December 1, 2019, the interest rate will be adjusted to the Federal Home Loan Bank five year index plus 2.5%, and monthly payments will be adjusted to a five-year amortizing loan with a maturity date of December 1, 2024. As of December 31, 2015, the balance of the loan was \$571,715.

Compassionate Care ALS, Inc.

Notes to Financial Statements

December 31, 2016

NOTE E – *continued*

During the year ended December 31, 2015, the Organization purchased a vehicle in the amount of \$51,595. The Organization financed \$35,945 of the purchase through a loan with a financing company. The loan is payable in monthly installments of principal and interest at 2.90% in the amount of \$1,045 until maturity in September, 2018. As of December 31, 2016, the balance of the loan was \$21,456.

The Organization has a \$130,000 line of credit with a local bank. Interest only payments at the prime rate plus 1.0 floating per annum are due monthly until maturity of December 1, 2018. As of December 31, 2016, no amounts had been drawn on this line.

Future maturities of notes payable as December 31, 2016 were as follows:

2017	\$ 28,361
2018	24,532
2019	15,960
2020	16,703
2021	17,481
Thereafter	<u>490,134</u>
	<u>\$593,171</u>

NOTE F – 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, 2019. The lease has payments of \$1,625 per month through April 30, 2017, \$1,650 through April 30, 2018, and \$1,675 through April 30, 2019. Future minimum lease commitments under this lease are as follows:

2017	\$ 19,700
2018	20,000
2019	<u>6,700</u>
	<u>\$ 46,400</u>

Total lease expense for the year ended December 31, 2016 was \$31,220.

NOTE G – 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, 2016, the Organization inventoried and capitalized the value of equipment held or provided for use in programs.

During 2016, Assistance to Individuals expense includes donated supplies and equipment with an estimated value of \$5,874 as well as purchased supplies and equipment and other financial assistance of \$234,620.

NOTE H – 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. The excess at one of the three financial institutions is insured in full.

Compassionate Care ALS, Inc.

Notes to Financial Statements

December 31, 2016

NOTE I– 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.

For the year ended December 31, 2016, restricted contributions in the amount of \$1,479,220 were received to be used for the construction of a new program center in Falmouth, Massachusetts. As of December 31, 2016, construction had not yet been completed and the program center was not yet in service. Temporarily restricted net assets were \$1,954,251.

NOTE J– 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. The Organization’s Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2016, 2015, 2014 and 2013 are subject to examination by the IRS, generally for 3 years after they were filed.

NOTE K– PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2014 the Organization purchased property to be used as the construction site of a new facility in Falmouth, Massachusetts and paid cash in the amount of \$225,000 toward the purchase price of that property. At the time of purchase, it was determined that the funds used for the purchase were from unrestricted resources. In 2016, it was determined that the funds used were restricted funds from the Organization’s capital campaign and not unrestricted resources. As a result of the determination, the classification of prior period net assets has been restated. Temporarily restricted net assets as of December 31, 2014 decreased by \$225,000 and unrestricted net assets as of December 31, 2014 increased by \$225,000.