

PROJECT A.L.S., INC.
FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

PROJECT A.L.S., INC.
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Project A.L.S., Inc.

We have audited the accompanying financial statements of Project A.L.S., Inc., which comprise the statements of financial position as of July 31, 2019 and 2018, and 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.

Auditor's 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 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 Project A.L.S., Inc. as of July 31, 2019 and 2018, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
June 8, 2020

PROJECT A.L.S., INC.
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,831,429	\$ 3,472,829
Investments, at fair value	-	169,934
Contributions and grants receivable	56,938	40,552
Prepaid expenses and other assets	112,362	175,660
Furniture and equipment, less accumulated depreciation of \$5,228 (2019 and 2018)	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,000,729</u>	<u>\$ 3,858,975</u>
<u>LIABILITIES AND NET ASSETS (DEFICIENCY)</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 36,998	\$ 4,165
Grants payable	2,218,169	3,223,385
Deferred special event revenue	<u>260,000</u>	<u>377,750</u>
Total liabilities	<u>2,515,167</u>	<u>3,605,300</u>
Commitments (Notes 3, 7 and 10)		
Net assets (deficiency):		
Without donor restrictions	(581,760)	253,675
With donor restrictions	<u>67,322</u>	<u>-</u>
Total net assets (deficiency)	<u>(514,438)</u>	<u>253,675</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	<u>\$ 2,000,729</u>	<u>\$ 3,858,975</u>

See accompanying notes to financial statements.

PROJECT A.L.S., INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	<u>2019</u>			<u>2018</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Special events revenue, net of direct benefits to donors of \$900,106 in 2019 and \$571,777 in 2018	\$ 2,358,773	\$ -	\$ 2,358,773	\$ 2,966,311	\$ -	\$ 2,966,311
Grants and contributions	760,587	163,805	924,392	686,396	45,000	731,396
Other fundraising	467,057	-	467,057	302,424	-	302,424
Investment income	554	-	554	19,189	-	19,189
Other income	-	-	-	18,791	-	18,791
Net assets released from restrictions	<u>96,483</u>	<u>(96,483)</u>	<u>-</u>	<u>45,000</u>	<u>(45,000)</u>	<u>-</u>
Total revenues	<u>3,683,454</u>	<u>67,322</u>	<u>3,750,776</u>	<u>4,038,111</u>	<u>-</u>	<u>4,038,111</u>
Expenses:						
Programs:						
Grants and research	3,415,954	-	3,415,954	2,967,445	-	2,967,445
Education	<u>567,891</u>	<u>-</u>	<u>567,891</u>	<u>635,208</u>	<u>-</u>	<u>635,208</u>
Total programs	<u>3,983,845</u>	<u>-</u>	<u>3,983,845</u>	<u>3,602,653</u>	<u>-</u>	<u>3,602,653</u>
Supporting services:						
Management and general	256,820	-	256,820	267,861	-	267,861
Fundraising	<u>278,224</u>	<u>-</u>	<u>278,224</u>	<u>226,790</u>	<u>-</u>	<u>226,790</u>
Total supporting services	<u>535,044</u>	<u>-</u>	<u>535,044</u>	<u>494,651</u>	<u>-</u>	<u>494,651</u>
Total expenses	<u>4,518,889</u>	<u>-</u>	<u>4,518,889</u>	<u>4,097,304</u>	<u>-</u>	<u>4,097,304</u>
Changes in net assets	(835,435)	67,322	(768,113)	(59,193)	-	(59,193)
Net assets - beginning	<u>253,675</u>	<u>-</u>	<u>253,675</u>	<u>312,868</u>	<u>-</u>	<u>312,868</u>
NET ASSETS (DEFICIENCY)- ENDING	<u>\$ (581,760)</u>	<u>\$ 67,322</u>	<u>\$ (514,438)</u>	<u>\$ 253,675</u>	<u>\$ -</u>	<u>\$ 253,675</u>

See accompanying notes to financial statements.

PROJECT A.L.S., INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2019

	Programs			Supporting Services		Direct Benefits To Donors	Total
	Grants and Research	Education	Total	Management and General	Fundraising		
Salaries	\$ 353,245	\$ 136,849	\$ 490,094	\$ 130,358	\$ 37,124	\$ -	\$ 657,576
Payroll taxes and employee benefits	62,714	24,296	87,010	23,143	6,591	-	116,744
Grants	2,827,681	-	2,827,681	-	-	-	2,827,681
Professional fees and outside services	32,325	231,564	263,889	59,753	-	-	323,642
Telephone	11,330	4,389	15,719	4,181	1,191	-	21,091
Office supplies and expenses	26,956	10,443	37,399	9,947	2,833	-	50,179
Occupancy costs	25,969	10,061	36,030	9,583	2,729	-	48,342
Postage and shipping	3,283	4,221	7,504	469	1,407	-	9,380
Newsletter, printing and website	-	124,343	124,343	-	79,495	-	203,838
Conferences, meetings, and events	61,093	17,595	78,688	2,199	138,777	900,106	1,119,770
Other expenses	11,358	4,130	15,488	17,187	8,077	-	40,752
Total expenses	3,415,954	567,891	3,983,845	256,820	278,224	900,106	5,418,995
Less: expenses included with revenues on the statement of activities	-	-	-	-	-	(900,106)	(900,106)
TOTAL EXPENSES ON THE STATEMENT OF ACTIVITIES	\$ 3,415,954	\$ 567,891	\$ 3,983,845	\$ 256,820	\$ 278,224	\$ -	\$ 4,518,889

See accompanying notes to financial statements.

PROJECT A.L.S., INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2018

	Programs			Supporting Services		Direct Benefits To Donors	Total
	Grants and Research	Education	Total	Management and General	Fundraising		
Salaries	\$ 290,034	\$ 140,052	\$ 430,086	\$ 148,975	\$ 35,191	\$ -	\$ 614,252
Payroll taxes and employee benefits	48,295	23,321	71,616	24,806	5,860	-	102,282
Grants	2,451,853	-	2,451,853	-	-	-	2,451,853
Professional fees and outside services	43,425	244,109	287,534	39,231	154,259	-	481,024
Telephone	9,357	4,518	13,875	4,806	1,135	-	19,816
Office supplies and expenses	27,448	13,254	40,702	14,099	3,330	-	58,131
Occupancy costs	22,610	10,918	33,528	11,613	2,743	-	47,884
Postage and shipping	3,194	4,107	7,301	456	1,369	-	9,126
Printing, publications and website	-	157,180	157,180	2,645	8,273	-	168,098
Conferences, meetings and events	64,517	20,731	85,248	1,231	1,620	571,777	659,876
Newsletter	-	12,823	12,823	-	398	-	13,221
Other expenses	6,712	4,195	10,907	19,999	12,612	-	43,518
Total expenses	2,967,445	635,208	3,602,653	267,861	226,790	571,777	4,669,081
Expenses included with revenues on the statement of activities	-	-	-	-	-	(571,777)	(571,777)
TOTAL EXPENSES ON THE STATEMENT OF ACTIVITIES	\$ 2,967,445	\$ 635,208	\$ 3,602,653	\$ 267,861	\$ 226,790	\$ -	\$ 4,097,304

See accompanying notes to financial statements.

PROJECT A.L.S., INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Changes in net assets	\$ (768,113)	\$ (59,193)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Reinvested dividends	(4,829)	-
Contribution of stock	(4,773)	(54,992)
Realized and unrealized loss (gain) on investments	4,867	(14,531)
Fees paid through investment account	175	175
Changes in assets and liabilities:		
Contributions and grants receivable	(16,386)	12,511
Prepaid expenses and other assets	63,298	(81,632)
Deferred special event revenue	(117,750)	352,750
Accounts payable and accrued expenses	32,833	(35,049)
Grants payable	<u>(1,005,216)</u>	<u>(678,012)</u>
Net cash used in operating activities	<u>(1,815,894)</u>	<u>(557,973)</u>
Cash flows from investing activities:		
Purchase of investments	-	(23,493)
Proceeds from sales of investments	<u>174,494</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>174,494</u>	<u>(23,493)</u>
Net decrease in cash and cash equivalents	(1,641,400)	(581,466)
Cash and cash equivalents - beginning	<u>3,472,829</u>	<u>4,054,295</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,831,429</u>	<u>\$ 3,472,829</u>

See accompanying notes to financial statements.

PROJECT A.L.S., INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Project A.L.S., Inc. (the "Organization") is a nonprofit corporation incorporated in the state of New York in August 1998 to fund research efforts in order to find effective treatments and a cure for Amyotrophic Lateral Sclerosis ("ALS") and to raise public awareness about the disease through educational efforts.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis on the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services. Specifically, salaries, payroll taxes and employee benefits, professional fees and outside services, printing publications and website, conferences, meetings and travel and other miscellaneous expenses which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on estimates of time and effort incurred by personnel.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

PROJECT A.L.S., INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are comprised of a money market fund held with a brokerage firm.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 8 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Unrealized gains and losses represent the net change in the carrying value of securities owned as of the date of the statement of financial position. Realized gains and losses on investments are determined using the specific-identification method. Earnings from dividends are recognized when earned.

Revenue Recognition

Donated securities are reported at their fair values as determined on the date of donation.

Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized as contributions when substantially all conditions are met.

Contributions received are measured at their fair value and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit their use or if they are designated as support for future periods. When a donor restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as "Net assets released from restrictions."

In addition, a number of unpaid volunteers have made or have agreed to make significant contributions of their time. The value of such contributions is not reflected in these financial statements since these services do not require specialized skills.

Contributions and Grants Receivable

Sponsorships, contributions and grants receivable are stated at the amount management expects to collect from outstanding balances. Contributions and grants receivable are due in less than one year; therefore, no discount to present value is required.

Management evaluates such receivables and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current credit conditions.

The Organization has determined that all receivables are fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to expense when that determination is made.

PROJECT A.L.S., INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Furniture and Equipment

The Organization capitalizes those items with a useful life over one year. If purchased, equipment is recorded at cost; donated equipment is recorded at its estimated fair value at the date of donation. Equipment is depreciated using the straight-line method over its estimated useful lives.

Income Taxes

The Organization is a not-for-profit organization and has been recognized by the Internal Revenue Service ("IRS") as exempt from federal income taxes under Internal Revenue Code ("IRC") Section 501(a) as described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization has determined that it is not subject to unrelated business income tax.

The Organization recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740, *Income Taxes*. Under that guidance, the Organization assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

PROJECT A.L.S., INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Recently Adopted Accounting Pronouncement

In August 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which changes the presentation of not-for-profit financial statements. The ASU reduces the number of net asset classes from three to two and increases disclosures about financial measures and liquidity risks, among other changes. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recently Issued but not yet Effective Accounting Pronouncements

Revenue Recognition

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue guidance in U.S. GAAP, including industry-specific guidance, when it becomes effective, for years beginning after December 15, 2018. The Organization is currently completing its initial assessment and evaluation of the impact that ASU 2014-09 will have on the financial statements and related disclosures. At a minimum, the adoption will result in expanded disclosures that will enable users to better understand the nature, amount, timing, and uncertainty, if any, of revenues and cash flows from contracts.

Contributions

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. The Organization is currently completing its initial assessment and evaluation of the impact that ASU 2018-08 will have on its financial statements and related disclosures. At a minimum, the adoption will result in expanded disclosures that will enable users to better understand whether a contribution is conditional or unconditional.

PROJECT A.L.S., INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued but not yet Effective Accounting Pronouncements (Continued)

Leases

FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). This ASU requires all leases with terms greater than 12 months to be recognized on the balance sheet through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for the years beginning after December 15, 2020, with early adoption permitted. The Organization is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through June 8, 2020, the date on which these financial statements were available to be issued. Except as disclosed in Note 10, the Organization is not aware of any material events that required recognition or additional disclosure in these financial statements.

NOTE 2. LIQUIDITY AND AVAILABILITY

The table below presents financial assets available for general expenditures within one year at July 31, 2019:

Cash and cash equivalents	\$ 1,831,429
Contributions and grants receivable	<u>56,938</u>
Total financial assets	1,888,367
Less: amounts not available to be used within one year:	
Net assets with donor identified purpose restrictions	<u>67,322</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,821,045</u>

The Organization's goal is generally to maintain readily available financial assets to cover its operations. As part of management's liquidity plan, all cash and cash equivalents are maintained in bank accounts, readily available for use of liquidation.

NOTE 3. GRANTS

Grants Payable

As part of its mission, the Organization has committed to provide grants and assistance to various health organizations, specific individuals, and medical research facilities involved in finding a cure for ALS. During 2019 and 2018, the Organization provided funds under such commitments to Children's Hospital, Columbia University, Cornell University, New York University, Harvard College, Harvard Medical School, Salk Institute, New York Genome Center, New York Structural Biology, University of Pennsylvania, Sloan Kettering and the University of California, San Francisco.

PROJECT A.L.S., INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE 2. GRANTS (CONTINUED)

Grants Payable (Continued)

At July 31, 2019, the following summarizes the Organization's grant payments due over the remaining commitment periods:

<u>Year ending July 31:</u>	<u>Amount</u>
2020	\$ 1,647,311
2021	520,858
2022	25,000
2023	<u>25,000</u>
	<u>\$ 2,218,169</u>

Conditional Grants

As of July 31, 2019, the Organization has a multi-year grant commitment to an unrelated nonprofit organization, to establish the Pre-Clinical Core Program at the hospital, which aims to develop an investigational pipeline to find effective treatments and a cure for ALS (the "Grant Agreement"). The Grant Agreement provides for funding of \$6,289,541 that is conditioned upon future events and, accordingly, is not recorded. As of July 31, 2019, the Organization made payments in the amount of \$2,298,256 in accordance with the provisions of the agreement.

Commitments for this grant are contingent upon the satisfactory completion of milestones and/or other conditions in the grant agreement. If such conditions are satisfied, the remaining amounts are estimated to be paid as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2020	\$ 1,596,512
2021	1,596,512
2022	<u>798,261</u>
	<u>\$ 3,991,285</u>

NOTE 4. FURNITURE AND EQUIPMENT

The Organization's equipment consists of fully depreciated office furniture and equipment, with an original cost of \$5,228 at both July 31, 2019 and 2018.

NOTE 5. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash on deposit with a commercial bank and investments with a brokerage firm.

At times, the Organization's cash and cash equivalents and investments may exceed federally provided insurance coverage. The Organization has not experienced any losses in such accounts.

For the year ended July 31, 2019, one contributor accounted for 11% of the Organization's total contributions received. There were no such concentrations during the year ended July 31, 2018.

PROJECT A.L.S., INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for Organization's laboratory research in the amount of \$67,332 as of July 31, 2019. There were no net assets with donor restrictions available as of July 31, 2018.

During the years ended July 31, 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying certain assets with donor restrictions or by the passage of time in the amounts of \$96,483 and \$45,000, respectively.

NOTE 7. COMMITMENT

The Organization is committed under a non-cancelable operating lease for rental of office space. The lease, originally scheduled to expire in February 2019, has been renewed through February 2021. The remaining commitments due in connection with this lease as of July 31, 2019, are as follows: \$40,512 (2020) and \$23,632 (2021).

NOTE 8. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. The valuation techniques are as follows:

- (a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following tables present the Organization's assets on a recurring basis using the fair value hierarchy as of July 31, 2018:

Description	Total at July 31, 2018	Level 1	Level 2	Level 3	Valuation Technique
Investments:					
Common stock	\$ 75,180	\$ 75,180	\$ -	\$ -	(a)
Exchange-traded funds	<u>94,754</u>	<u>94,754</u>	<u>-</u>	<u>-</u>	(a)
Total investments	<u>\$ 169,934</u>	<u>\$ 169,934</u>	<u>\$ -</u>	<u>\$ -</u>	

The following is a description of the valuation methodologies used for the assets measured at fair value.

- Money market funds are valued at cost plus accrued interest, which approximates fair value.

PROJECT A.L.S., INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE 8. FAIR VALUE MEASUREMENTS (CONTINUED)

- Common stocks and exchange-traded funds are valued based on quoted market prices, when available, or on market prices provided by recognized broker-dealers or fund managers.

There have been no changes in the methodologies used at July 31, 2019 and 2018.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 9. RETIREMENT PLAN

The Organization sponsors a defined contribution 403(b) retirement plan covering substantially all of its full-time employees. No contributions were made to the plan on behalf of the employees for the years ended July 31, 2019 and 2018.

NOTE 10. SUBSEQUENT EVENTS

Public Health Emergency

During the 2020 calendar year, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Disruptions to business operations could occur as a result from quarantines of employees, customers and suppliers in areas affected by the outbreak. Further, economic uncertainties have arisen which are likely to negatively impact support and revenue. Given the uncertainty of the situation, the duration of the business disruption and related financial impact cannot be reasonably estimated at this time. No adjustments or provisions were made in these financial statements related to COVID-19.

Paycheck Protection Program

On May 6, 2020, the Organization received loan proceeds of approximately \$107,000 under the Paycheck Protection Program ("PPP"). The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act, provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after eight weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels. Not more than 25% of the amount forgiven can be attributable to non-payroll costs. The amount of loan forgiveness will be reduced by any amounts received by the Organization as an advance as part of the Economic Injury Disaster Loan program, made available through the Small Business Administration, that is ultimately converted to a grant.

The PPP loan matures two years from the date of first disbursement of proceeds to the Organization (the "PPP Loan Date") and accrues interest at a fixed rate of 1%. Payments are deferred for the first six months and payable in eighteen (18) equal consecutive monthly installments of principal and interest commencing on the seven-month anniversary of the PPP Loan Date.

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NOTE 10. SUBSEQUENT EVENTS (CONTINUED)

Paycheck Protection Program (Continued)

The Organization currently intends to use the proceeds for purposes consistent with the PPP, however, there can be no assurances that the Organization will ultimately meet the conditions for forgiveness of the loan or that it will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part.