



**ALS THERAPY DEVELOPMENT FOUNDATION, INC.
D/B/A ALS THERAPY DEVELOPMENT INSTITUTE**

**FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

**ALS THERAPY DEVELOPMENT FOUNDATION, INC.
D/B/A ALS THERAPY DEVELOPMENT INSTITUTE**

Contents
December 31, 2014 and 2013

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Independent Auditor's Report

To the Board of Directors of
ALS Therapy Development Foundation, Inc.
d/b/a ALS Therapy Development Institute:

Report on the Financial Statements

We have audited the accompanying financial statements of ALS Therapy Development Foundation, Inc. d/b/a ALS Therapy Development Institute (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 audits 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 ALS Therapy Development Foundation, Inc. d/b/a ALS Therapy Development Institute as of December 31, 2014 and 2013, 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.

Alexander, Crosser, Penning & Co., P.C.

Boston, Massachusetts
April 6, 2015

**ALS THERAPY DEVELOPMENT FOUNDATION, INC.
D/B/A ALS THERAPY DEVELOPMENT INSTITUTE**

Statements of Financial Position
December 31, 2014 and 2013

Assets	2014	2013
Current Assets:		
Cash and cash equivalents	\$ 7,061,084	\$ 3,419,548
Cash held for others	1,245,745	-
Accounts receivable	234,014	639,248
Current portion of pledges receivable	630,000	530,000
Prepaid expenses and other	279,514	92,182
	9,450,357	4,680,978
Other Assets:		
Pledges receivable, net of current portion and discount	543,637	1,052,585
Certificate of deposit - restricted	292,555	291,520
Property and equipment, net	876,560	591,307
Patents, net	185,961	129,979
	1,898,713	2,065,391
	\$ 11,349,070	\$ 6,746,369
Liabilities and Net Assets		
Current Liabilities:		
Current portion of capital lease obligations	\$ 109,894	\$ 41,318
Accounts payable	384,170	221,694
Accrued expenses	417,091	389,919
Deferred revenue	109,206	64,825
Cash held for others	1,245,745	-
	2,266,106	717,756
Capital lease obligations, net of current portion	375,736	151,760
	2,641,842	869,516
Net Assets:		
Unrestricted:		
Operating	6,956,700	3,766,060
Property and equipment and patents	576,891	528,208
	7,533,591	4,294,268
Temporarily restricted	1,173,637	1,582,585
	8,707,228	5,876,853
	\$ 11,349,070	\$ 6,746,369

The accompanying notes are an integral part of these statements.

**ALS THERAPY DEVELOPMENT FOUNDATION, INC.
D/B/A ALS THERAPY DEVELOPMENT INSTITUTE**

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Changes in Unrestricted Net Assets:		
Revenue:		
Special event contributions, support and donated goods	\$ 10,133,186	\$ 3,430,907
Less - direct expenses	877,835	618,440
Special event contributions, support and donated goods, net	<u>9,255,351</u>	<u>2,812,467</u>
Contributions	4,314,317	1,443,647
Fee for service	435,914	457,977
Grants and contracts	188,000	4,049,806
Donated goods and services	12,751	31,410
Interest and other	5,151	5,924
Net assets released from time restrictions	<u>530,000</u>	<u>530,000</u>
Total revenue	<u>14,741,484</u>	<u>9,331,231</u>
Operating Expenses:		
Program services:		
Research and development:		
Science programs	7,696,978	6,464,570
Informatics	400,761	355,989
Patient services	<u>75,508</u>	<u>145,847</u>
Total research and development	8,173,247	6,966,406
Communications	1,389,898	1,231,287
Business development	<u>414,361</u>	<u>147,608</u>
Total program services	9,977,506	8,345,301
Support services:		
General and administrative	585,196	457,170
Fundraising	<u>939,459</u>	<u>761,813</u>
Total expenses	<u>11,502,161</u>	<u>9,564,284</u>
Changes in unrestricted net assets	3,239,323	(233,053)
Changes in Temporarily Restricted Net Assets:		
Contributions	121,052	31,030
Net assets released from time restrictions	<u>(530,000)</u>	<u>(530,000)</u>
Changes in temporarily restricted net assets	<u>(408,948)</u>	<u>(498,970)</u>
Changes in net assets	2,830,375	(732,023)
Net Assets:		
Beginning of year	<u>5,876,853</u>	<u>6,608,876</u>
End of year	<u>\$ 8,707,228</u>	<u>\$ 5,876,853</u>

The accompanying notes are an integral part of these statements.

**ALS THERAPY DEVELOPMENT FOUNDATION, INC.
D/B/A ALS THERAPY DEVELOPMENT INSTITUTE**

Statements of Cash Flows

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 2,830,375	\$ (732,023)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	272,258	197,218
Change in discount on pledges receivable	(21,052)	(31,030)
Bad debt	50,000	49,000
Changes in operating assets and liabilities:		
Accounts receivable	355,234	60,752
Prepaid expenses and other	(187,332)	(26,730)
Accounts payable	162,476	(873)
Accrued expenses	27,172	27,520
Deferred revenue	44,381	52,902
	<u>3,963,512</u>	<u>326,736</u>
Net cash provided by operating activities		
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(175,896)	-
Payments for patent costs	(70,758)	(63,919)
Interest earned on certificate of deposit - restricted	(1,035)	(1,324)
	<u>(247,689)</u>	<u>(65,243)</u>
Net cash used in investing activities		
Cash Flows from Financing Activities:		
Principal payments on capital lease obligations	(74,287)	(79,051)
	<u>(74,287)</u>	<u>(79,051)</u>
Net Change in Cash and Cash Equivalents	3,641,536	182,442
Cash and Cash Equivalents:		
Beginning of year	<u>3,419,548</u>	<u>3,237,106</u>
End of year	<u>\$ 7,061,084</u>	<u>\$ 3,419,548</u>
Supplemental Disclosure of Non-Cash Transactions:		
Assets acquired under capital lease obligations	<u>\$ 366,839</u>	<u>\$ 221,524</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 19,276</u>	<u>\$ 9,128</u>

The accompanying notes are an integral part of these statements.

ALS THERAPY DEVELOPMENT FOUNDATION, INC.
D/B/A ALS THERAPY DEVELOPMENT INSTITUTE

Statement of Functional Expenses
For the Year Ended December 31, 2014
(With Summarized Comparative Totals for the Year Ended December 31, 2013)

	2014										2013
	Program Services						Support Services				Total
	Research and Development			Total Research and Development	Communi- cations	Business Development	Total Program Services	General and Adminis- trative	Fund- raising	Total	
Science Programs	Informatics	Patient Services									
Personnel and Related:											
Salaries	\$ 2,601,795	\$ 230,824	\$ 52,952	\$ 2,885,571	\$ 666,278	\$ 268,825	\$ 3,820,674	\$ 115,646	\$ 435,299	\$ 4,371,619	\$ 3,756,709
Payroll taxes and fringe benefits	519,781	46,432	11,861	578,074	135,819	51,404	765,297	27,844	87,980	881,121	729,492
Consultants	242,525	19,522	4,742	266,789	65,667	21,458	353,914	71,002	42,878	467,794	540,731
Total personnel and related	<u>3,364,101</u>	<u>296,778</u>	<u>69,555</u>	<u>3,730,434</u>	<u>867,764</u>	<u>341,687</u>	<u>4,939,885</u>	<u>214,492</u>	<u>566,157</u>	<u>5,720,534</u>	<u>5,026,932</u>
Other Expenses:											
Testing and lab expense	2,209,996	-	-	2,209,996	41	-	2,210,037	-	-	2,210,037	1,655,276
Facility	1,041,968	23,953	-	1,065,921	71,126	29,942	1,166,989	56,195	-	1,223,184	1,185,478
Maintenance	453,284	10,318	304	463,906	12,044	12,857	488,807	19,530	2,419	510,756	439,041
Meetings and conferences	28,539	4	-	28,543	197,818	5	226,366	33,972	57,970	318,308	94,744
Miscellaneous	6,763	499	125	7,387	2,922	545	10,854	41,846	187,370	240,070	67,912
Small equipment	110,159	43,540	595	154,294	7,009	245	161,548	13,555	14,866	189,969	78,215
Utilities	157,192	3,614	-	160,806	8,131	4,517	173,454	7,227	-	180,681	181,680
Professional services	-	-	-	-	-	-	-	161,410	2,094	163,504	118,003
Communications	18,095	3,312	419	21,826	73,759	1,586	97,171	11,171	35,578	143,920	96,135
Printing and postage	23,216	1,089	271	24,576	76,127	1,300	102,003	1,071	27,939	131,013	83,036
Insurance	22,577	2,022	524	25,123	5,945	2,017	33,085	13,321	3,785	50,191	54,207
Bad debt	50,000	-	-	50,000	-	-	50,000	-	-	50,000	49,000
Program supplies and materials	12,548	879	225	13,652	9,034	909	23,595	2,673	7,018	33,286	32,427
Advertising	1,867	27	8	1,902	12,866	10	14,778	-	6,557	21,335	19,557
Interest	19,276	-	-	19,276	-	-	19,276	-	-	19,276	9,128
Dues and subscriptions	11,459	-	-	11,459	7	-	11,466	1,137	150	12,753	26,861
Staff training and travel	3,826	241	67	4,134	3,659	2,373	10,166	398	522	11,086	149,434
Total other expenses	<u>4,170,765</u>	<u>89,498</u>	<u>2,538</u>	<u>4,262,801</u>	<u>480,488</u>	<u>56,306</u>	<u>4,799,595</u>	<u>363,506</u>	<u>346,268</u>	<u>5,509,369</u>	<u>4,340,134</u>
Depreciation and Amortization	<u>162,112</u>	<u>14,485</u>	<u>3,415</u>	<u>180,012</u>	<u>41,646</u>	<u>16,368</u>	<u>238,026</u>	<u>7,198</u>	<u>27,034</u>	<u>272,258</u>	<u>197,218</u>
Total expenses	<u>\$ 7,696,978</u>	<u>\$ 400,761</u>	<u>\$ 75,508</u>	<u>\$ 8,173,247</u>	<u>\$ 1,389,898</u>	<u>\$ 414,361</u>	<u>\$ 9,977,506</u>	<u>\$ 585,196</u>	<u>\$ 939,459</u>	<u>\$ 11,502,161</u>	<u>\$ 9,564,284</u>

The accompanying notes are an integral part of these statements.

ALS THERAPY DEVELOPMENT FOUNDATION, INC.
D/B/A ALS THERAPY DEVELOPMENT INSTITUTE

Statement of Functional Expenses
For the Year Ended December 31, 2013

	Program Services						Support Services			
	Research and Development			Total Research and Development	Communi- cations	Business Development	Total Program Services	General and Adminis- trative	Fund- raising	Total
	Science Programs	Informatics	Patient Services							
Personnel and Related:										
Salaries	\$ 2,200,438	\$ 212,467	\$ 87,206	\$ 2,500,111	\$ 629,201	\$ 72,287	\$ 3,201,599	\$ 159,839	\$ 395,271	\$ 3,756,709
Payroll taxes and fringe benefits	433,235	41,812	18,375	493,422	125,119	13,104	631,645	20,171	77,676	729,492
Consultants	210,747	42,178	29,592	282,517	87,303	6,328	376,148	19,257	145,326	540,731
Total personnel and related	2,844,420	296,457	135,173	3,276,050	841,623	91,719	4,209,392	199,267	618,273	5,026,932
Other Expenses:										
Testing and lab expense	1,654,781	-	-	1,654,781	495	-	1,655,276	-	-	1,655,276
Facility	1,021,537	23,484	-	1,045,021	64,136	29,354	1,138,511	46,967	-	1,185,478
Maintenance	394,805	8,310	191	403,306	8,411	10,454	422,171	16,772	98	439,041
Meetings and conferences	29,811	327	190	30,328	44,492	2,426	77,246	12,071	5,427	94,744
Miscellaneous	7,716	475	187	8,378	8,975	158	17,511	20,211	30,190	67,912
Small equipment	47,944	2,579	592	51,115	6,988	4	58,107	2,359	17,749	78,215
Utilities	158,061	3,634	-	161,695	8,176	4,542	174,413	7,267	-	181,680
Professional services	-	-	-	-	-	-	-	116,803	1,200	118,003
Communications	16,859	1,650	713	19,222	49,804	559	69,585	2,587	23,963	96,135
Printing and postage	10,991	612	274	11,877	64,949	221	77,047	2,172	3,817	83,036
Insurance	30,805	3,002	1,318	35,125	9,066	1,026	45,217	3,485	5,505	54,207
Bad debt	49,000	-	-	49,000	-	-	49,000	-	-	49,000
Program supplies and materials	9,204	646	299	10,149	9,169	213	19,531	10,711	2,185	32,427
Advertising	379	37	14	430	17,949	13	18,392	-	1,165	19,557
Interest	9,128	-	-	9,128	-	-	9,128	-	-	9,128
Dues and subscriptions	22,092	-	-	22,092	3,029	-	25,121	660	1,080	26,861
Staff training and travel	40,782	3,381	2,075	46,238	59,914	3,125	109,277	9,857	30,300	149,434
Total other expenses	3,503,895	48,137	5,853	3,557,885	355,553	52,095	3,965,533	251,922	122,679	4,340,134
Depreciation and Amortization	116,255	11,395	4,821	132,471	34,111	3,794	170,376	5,981	20,861	197,218
Total expenses	\$ 6,464,570	\$ 355,989	\$ 145,847	\$ 6,966,406	\$ 1,231,287	\$ 147,608	\$ 8,345,301	\$ 457,170	\$ 761,813	\$ 9,564,284

The accompanying notes are an integral part of these statements.

**ALS THERAPY DEVELOPMENT FOUNDATION, INC.
D/B/A ALS THERAPY DEVELOPMENT INSTITUTE**

Notes to Financial Statements
December 31, 2014 and 2013

1. OPERATIONS AND NONPROFIT STATUS

ALS Therapy Development Foundation, Inc. d/b/a ALS Therapy Development Institute (ALS TDI) is a not-for-profit corporation formed to conduct medical research associated with discovering cures for and the treatment of amyotrophic lateral sclerosis (ALS) or, more commonly referred to as Lou Gehrig's disease.

During 2013, ALS TDI formed the following entities (collectively, the Affiliates):

- Anelixis Therapeutics, LLC (Anelixis), a Delaware limited liability company. ALS TDI is the sole corporate member of Anelixis.
- Neurocatharsis Therapeutics, LLC (Neurocatharsis), a Delaware limited liability company. Anelixis is the sole corporate member of Neurocatharsis.
- Neurostysis Therapeutics, LLC (Neurostysis), a Delaware limited liability company. Anelixis is the sole corporate member of Neurostysis.

The Affiliates were established to assist in providing mechanisms to ALS TDI to support research, scientific discoveries, inventions and processes to be developed, applied or patented. The Affiliates were also established as a means to generate funds to support discoveries and patents related to ALS TDI's mission. The Affiliates had no activity during 2013, and accordingly, the accompanying financial statements only reflect the financial position and activities of ALS TDI as of and for the year ended December 31, 2013. During 2014, the Affiliates incurred approximately \$28,000 of startup expenses and are included in general and administrative expenses on the accompanying statement of activities and changes in net assets for the year ended December 31, 2014.

ALS TDI is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). ALS TDI is also exempt from state income taxes. Donors may deduct contributions made to ALS TDI within the Internal Revenue Code requirements. The Affiliates are considered disregarded entities for tax purposes as single-member limited liability companies.

2. SIGNIFICANT ACCOUNTING POLICIES

ALS TDI prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Estimates

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

Pledges Receivable

Pledges receivable are recorded as unconditionally committed. Long-term pledges receivable have been discounted to present value using a discount rate of 2% (see Note 7).

**ALS THERAPY DEVELOPMENT FOUNDATION, INC.
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Notes to Financial Statements
December 31, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as they are incurred.

Expenditures for property and equipment in excess of \$5,000, and leases representing the purchase of equipment are capitalized. Depreciation is computed using the straight-line method over the estimated useful life of the assets as follows:

Leasehold improvements	Life of lease
Equipment	3 - 5 years

Patents and Amortization

ALS TDI incurs costs in relation to the creation of its patents on its medical procedures. These costs are capitalized and amortized over the expected life of the patent (fifteen years) and the carrying value is assessed for impairment on an annual basis.

Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by ALS TDI. ALS TDI has grouped its unrestricted net assets into the following categories:

Operating net assets represent net assets which are available for operations.

Property and equipment and patents net assets represent the net book value of property and equipment and patents, net of related debt.

Temporarily restricted net assets represent amounts received or committed by donors with time restrictions that have not yet been met.

Revenue Recognition

Special event revenue is recognized in the period in which the event takes place. Unrestricted grants, contributions and donated goods and services are recognized as revenue when unconditionally committed or received. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions lapse. Donor restricted grants received and satisfied in the same period are included in unrestricted net assets. Contract and fee for service revenue is recognized as income when services are rendered, costs are incurred or milestones are achieved. Interest and other revenue are recorded as earned.

Donated Goods and Services

Volunteers and other organizations contribute goods and services to ALS TDI in support of various aspects of its programs and special events. These goods and services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, agencies or by management.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

ALS TDI follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements* for qualifying assets and liabilities. Fair value is defined as the price that ALS TDI would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

ALS TDI uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of ALS TDI. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices 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 and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, management considers cash and cash equivalents to be any amounts held in checking, savings and money market accounts.

Certificate of Deposit - restricted

Certificate of deposit-restricted (CD) consists of a CD with an initial maturity of twelve months maturing in November 2015 and earning interest at .35% per annum. This CD is collateral for a standby letter of credit (see Note 8). The CD that existed as of December 31, 2013, matured in November 2014, and was renewed through November, 2015. Given the restrictions on the CD and its inherent lack of liquidity, it has been reflected as a long-term asset on the accompanying statements of financial position.

**ALS THERAPY DEVELOPMENT FOUNDATION, INC.
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Notes to Financial Statements
December 31, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Held for Others

Cash held for others represents amounts collected by ALS TDI on behalf of other public charities as directed by the donors. These amounts will be remitted to these charities in the following fiscal year.

Income Taxes

ALS TDI accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. ALS TDI has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2014 and 2013. ALS TDI's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Advertising Costs

Advertising costs are expensed when incurred.

Subsequent Events

Subsequent events have been evaluated through April 6, 2015, which is the date the financial statements were available to be issued. There was one event that met the criteria for recognition or disclosure in the financial statements (see Note 15).

3. PROPERTY, EQUIPMENT AND DEPRECIATION

As of December 31, 2014 and 2013, property and equipment consisted of the following:

	<u>2014</u>	<u>2013</u>
Equipment	\$ 2,709,504	\$ 2,166,769
Leasehold improvements	<u>375,683</u>	<u>375,683</u>
	3,085,187	2,542,452
Less – accumulated depreciation	<u>2,208,627</u>	<u>1,951,145</u>
	<u>\$ 876,560</u>	<u>\$ 591,307</u>

**ALS THERAPY DEVELOPMENT FOUNDATION, INC.
D/B/A ALS THERAPY DEVELOPMENT INSTITUTE**

Notes to Financial Statements
December 31, 2014 and 2013

3. PROPERTY, EQUIPMENT AND DEPRECIATION (Continued)

Depreciation expense was \$257,482 and \$187,207 for the years ended December 31, 2014 and 2013, respectively, and is included in depreciation and amortization on the accompanying statements of functional expenses.

The cost of equipment purchased under active capital leases was approximately \$587,870 and \$641,000 as of December 31, 2014 and 2013, respectively. Accumulated depreciation of equipment purchased under capital leases was \$103,092 and \$370,061 as of December 31, 2014 and 2013, respectively. During fiscal year 2014, capital leases pertaining to equipment with a cost basis of \$419,969 expired, and the assets remained in service. Depreciation expense on equipment purchased under capital leases was \$80,939 and \$70,192 for the years ended December 31, 2014 and 2013, respectively (see Note 8).

4. PATENTS AND AMORTIZATION

Patents, net consisted of the following as of December 31:

	<u>2014</u>	<u>2013</u>
Patents	\$ 221,634	\$ 150,876
Less - accumulated amortization	<u>35,673</u>	<u>20,897</u>
	<u>\$ 185,961</u>	<u>\$ 129,979</u>

Amortization expense was \$14,776 and \$10,011 for the years ended December 31, 2014 and 2013, respectively, and is included in depreciation and amortization on the accompanying statements of functional expenses. Amortization expense is expected to be approximately \$14,776 per year over the next five years.

5. PLEDGES RECEIVABLE

Pledges receivable are due as follows as of December 31:

	<u>2014</u>	<u>2013</u>
Amounts due in:		
Less than one year	\$ 630,000	\$ 530,000
One to five years	<u>555,000</u>	<u>1,085,000</u>
	1,185,000	1,615,000
Less - discount	<u>11,363</u>	<u>32,415</u>
	1,173,637	1,582,585
Less - current portion	<u>630,000</u>	<u>530,000</u>
	<u>\$ 543,637</u>	<u>\$ 1,052,585</u>
Long-term pledges receivable, net		

Pledges receivable have been discounted to present value using a discount rate of 2%.

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6. DONATED GOODS AND SERVICES

Donated special events – supplies and materials are included in special event contributions, support and donated goods on the accompany statements of activities and changes in net assets, for the years ended December 31, 2014 and 2013.

The value of these goods and services are as follows:

	<u>2014</u>	<u>2013</u>
Special events – supplies and material (see below)	\$ 69,435	\$ 65,001
Professional services	<u>12,751</u>	<u>31,410</u>
	<u>\$ 82,186</u>	<u>\$ 96,411</u>

7. SPECIAL EVENT CONTRIBUTIONS, SUPPORT AND DONATED GOODS

Included in special event contributions, support and donated goods are the results of various special events, which are shown net of related expenses in the accompany statements of activities and changes in net assets. Special event revenue and direct expenses are summarized as follows for the years ended December 31:

<u>Special Event</u>	<u>2014</u>	<u>2013</u>
Special event contributions and support	\$ 8,712,628	\$ 2,542,004
Special event revenue	1,351,123	823,902
Special event donated goods (see above)	69,435	65,001
Less - direct expenses	<u>(877,835)</u>	<u>(618,440)</u>
Special event contributions, support and donated goods, net	<u>\$ 9,255,351</u>	<u>\$ 2,812,467</u>

8. LEASE COMMITMENTS

Operating Facility and Equipment Leases

ALS TDI leases office and lab space under an operating lease for a facility located in Cambridge, Massachusetts. The lease commenced on March 2, 2012, and expires on March 2, 2017. As part of this agreement, ALS TDI has presented the landlord with a standby letter of credit from a bank in the amount of \$288,733. The letter of credit is secured by a CD held at the same bank (see Note 2). ALS TDI is also responsible for its proportionate share of operating expenses, payable monthly. Base monthly rent payments during 2014 and 2013 were approximately \$100,100 and \$98,200, respectively, and increase by 2% per annum.

Rent expense was approximately \$1,211,000 and \$1,174,000 for the years ended December 31, 2014 and 2013, respectively, which is included in facility in the accompanying statements of functional expenses.

During 2014, ALS TDI began renting additional office space, as well as warehouse space, under tenant-at-will agreements. Total rent expense for these spaces totaled \$9,060 in 2014.

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8. LEASE COMMITMENTS (Continued)

Operating Facility and Equipment Leases (Continued)

ALS TDI also leases office equipment under various operating lease agreements expiring at various dates through September 2017, with monthly payments ranging from \$293 to \$710.

Future minimum lease payments under these agreements over the remainder of the lease terms are as follows:

	<u>Facility</u>	<u>Equipment</u>
2015	\$ 1,221,617	\$ 12,036
2016	\$ 1,246,049	\$ 12,036
2017	\$ 208,356	\$ 9,027

Capital Leases

ALS TDI leases certain research and laboratory equipment under capital lease obligations, which are included in equipment (see Note 3). The interest rates under these agreements range from 5.3% to 8.3% per annum. These agreements expire at various dates through December 2019.

Future minimum lease payments under these agreements are as follows:

2015	\$ 138,794
2016	138,795
2017	138,794
2018	97,403
2019	<u>44,768</u>
Total future minimum payments	558,554
Less – amounts representing interest	<u>72,924</u>
Future minimum principal payments	485,630
Less - current portion	<u>109,894</u>
	<u>\$ 375,736</u>

9. RETIREMENT PLAN

ALS TDI contributes to a defined contribution pension plan (the Plan) under IRC Section 403(b). All employees are eligible to participate in the Plan upon the commencement of employment at ALS TDI. ALS TDI matches 50% of employee contributions, not to exceed \$1,000 of total matching contributions per employee each year. Employees vest immediately in all contributions. For 2014 and 2013, ALS TDI contributed \$35,288 and \$31,489, respectively, to the Plan, which is included in payroll taxes and fringe benefits on the accompanying statements of functional expenses for the years ended December 31, 2014 and 2013.

10. CONCENTRATIONS

ALS TDI maintains its cash balances in three banks. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. At certain times during the year, cash balances may exceed the insured amounts. ALS TDI has not experienced any losses in such accounts. ALS TDI believes it is not exposed to any significant credit risk on cash.

Cash equivalents include short-term, highly liquid investments with original maturities of three months or less and are reported at cost, which approximates fair value. ALS TDI deposits its cash equivalents in major financial institutions, and these accounts are not insured. ALS TDI has not experienced any losses in such accounts. ALS TDI believes it is not exposed to any significant credit risk on cash equivalents.

Approximately 84% of ALS TDI's net pledges receivable are from one donor and all of ALS TDI's accounts receivable are from two customers as of December 31, 2014. All of ALS TDI's net pledges receivable were from two donors and 99% of ALS TDI's accounts receivable were from one customer as of December 31, 2013. ALS TDI earned approximately 41% of its unrestricted revenues from one funding source during 2013 (see Note 12).

11. RELATED PARTY TRANSACTIONS

ALS TDI entered into the following related party transactions:

- A member of the Board of Directors is also a member of the Board of Directors of the Muscular Dystrophy Association (MDA), which provided significant funding to ALS TDI during 2013 (see Note 12).
- A family member of a member of the Board of Directors is employed by ALS TDI in the fundraising and development department.
- The Chairman of the Board of Directors is married to another board member.
- The President, Chief Scientific Officer (CSO) and Chief Executive Officer (CEO) of ALS TDI is also a voting member of the Board of Directors. He is only compensated for his services performed as the President, CSO and CEO of ALS TDI.

12. CONDITIONAL GRANT

From fiscal year 2007 through fiscal year 2013, ALS TDI received conditional grant commitments from MDA through its Augie's Quest Fundraising program totaling approximately \$26,830,000. These commitments were contingent upon ALS TDI meeting certain benchmarks and milestones in accordance with the grant agreements. ALS TDI recognized approximately \$3,830,000 during 2013 based on achievements of benchmarks and milestones. During 2014, Augie's Quest became a fundraising program of ALS TDI, at which time the conditional grant commitment from MDA expired.

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13. MANAGEMENT AGREEMENT

ALS TDI has an agreement with a management agent (the Agent) to carry on the fiscal, human resources, and information technology responsibilities of ALS TDI. The Agent receives management fees for services provided, as defined in the agreement, payable in monthly installments. Total fees paid to the Agent under this agreement for the years ended December 31, 2014 and 2013, were \$384,930 and \$351,656, respectively, and are included in consultants in the accompany statements of functional expenses. This agreement continues until either ALS TDI or the Agent terminates the agreement with thirty-day written notice.

14. RECLASSIFICATIONS

Certain amounts in the 2013 financial statements have been reclassified to conform with the 2014 presentation.

15. SUBSEQUENT EVENT

In April 2015, ALS TDI entered into a capital lease agreement for equipment with payments commencing in May 2015. The interest rate under this agreement is 5.3% and the agreement expires in May 2020.

Future minimum lease payments under this agreement are as follows:

2015	\$ 57,741
2016	98,985
2017	98,985
2018	98,985
2019	98,985
Thereafter	<u>35,818</u>
Total future minimum payments	489,499
Less – amounts representing interest	<u>59,212</u>
Future minimum principal payments	<u>\$ 430,287</u>