

**TARGET ALS FOUNDATION, INC.**

**Financial Statements  
and Supplementary Information**

**Year Ended December 31, 2019**

**(With Independent Auditors' Report Thereon)**

**TARGET ALS FOUNDATION, INC.**  
**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**  
**Year Ended December 31, 2019**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7
SUPPLEMENTARY INFORMATION:	
Program Accomplishments (Unaudited)	16

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Target ALS Foundation, Inc.:

We have audited the accompanying financial statements of Target ALS Foundation, Inc. (a non-profit organization) (the Foundation), which comprise the statement of financial position as of December 31, 2019, 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.

### **Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation'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 Target ALS Foundation, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule I is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and is of a non-accounting nature. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*Kahn, Litwin, Renya & Co., Ltd.*

May 11, 2020

**TARGET ALS FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2019**



**Assets**

Cash	\$	827,506
Investments		1,836,435
Receivables:		
Grants		350,000
Pledges		1,419,810
Prepaid expenses		76,159
Restricted cash		1,250,273

**Total Assets** **\$ 5,760,183**

**Liabilities and Net Assets**

Liabilities:

Research distributions payable	\$	191,585
Accrued expenses		25,711
<b>Total liabilities</b>		<b>217,296</b>

Net Assets:

Without donor restrictions	3,429,809
With donor restrictions	2,113,078
<b>Total net assets</b>	<b>5,542,887</b>

**Total Liabilities and Net Assets** **\$ 5,760,183**

**TARGET ALS FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2019**



Change in Net Assets Without Donor Restrictions:	
Revenue and Support:	
Contributions and grants	\$ 2,682,513
Investment earnings, net	3,983
Other income	8,806
Net assets released from restrictions	<u>1,224,116</u>
<b>Total revenue and support</b>	<b><u>3,919,418</u></b>
Expenses:	
Program	3,811,418
Management and general	1,104,275
Development	<u>290,269</u>
<b>Total expenses</b>	<b><u>5,205,962</u></b>
<b>Change in net assets without donor restrictions</b>	<b><u>(1,286,544)</u></b>
Change in Net Assets with Donor Restrictions:	
Contributions	2,417,805
Interest income	273
Net assets released from restrictions	<u>(1,224,116)</u>
<b>Change in net assets with donor restrictions</b>	<b><u>1,193,962</u></b>
<b>Change in Total Net Assets</b>	<b>(92,582)</b>
<b>Net Assets, beginning of year</b>	<b><u>5,635,469</u></b>
<b>Net Assets, end of year</b>	<b><u>\$ 5,542,887</u></b>

**TARGET ALS FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2019**

	<u>Program</u>	<u>Management and General</u>	<u>Development</u>	<u>Total</u>
Research distributions	\$ 3,362,860	\$ -	\$ -	\$ 3,362,860
Personnel and related:				
Salaries	-	569,677	226,600	796,277
Payroll taxes	-	34,675	11,983	46,658
Employee benefits	-	100,118	29,905	130,023
<b>Total personnel and related</b>	<u>-</u>	<u>704,470</u>	<u>268,488</u>	<u>972,958</u>
Other expenses:				
Advertising and promotion	-	9,734	-	9,734
Conferences, conventions and meetings	448,558	-	-	448,558
Occupancy	-	82,387	-	82,387
Office expenses	-	64,364	-	64,364
Printing and copying	-	5,574	-	5,574
Professional services	-	171,461	21,781	193,242
Travel	-	23,076	-	23,076
Meals	-	2,538	-	2,538
Telephone and internet	-	40,671	-	40,671
<b>Total other expenses</b>	<u>448,558</u>	<u>399,805</u>	<u>21,781</u>	<u>870,144</u>
<b>Total Expenses</b>	<u>\$ 3,811,418</u>	<u>\$ 1,104,275</u>	<u>\$ 290,269</u>	<u>\$ 5,205,962</u>

See accompanying notes to the financial statements and independent auditors' report.

**TARGET ALS FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2019**



Cash Flows from Operating Activities:	
Change in net assets	\$ (92,582)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized loss from investments	23,854
Contributions of stock received	(1,673,033)
Interest and dividends from investments	(27,837)
Discount on pledges receivable	80,190
Changes in operating assets and liabilities:	
Grants receivable	501,000
Pledges receivable	(1,500,000)
Prepaid expenses	(76,159)
Research distributions payable	(1,233,502)
Accrued expenses	13,546
<b>Net cash used by operating activities</b>	<b><u>(3,984,523)</u></b>
Cash Flows from Investing Activities:	
Proceeds from sale of investments	<u>1,600,000</u>
<b>Net cash provided by investing activities</b>	<b><u>1,600,000</u></b>
<b>Net Decrease in Cash and Restricted Cash</b>	<b>(2,384,523)</b>
<b>Cash and Restricted Cash, beginning of year</b>	<b><u>4,462,302</u></b>
<b>Cash and Restricted Cash, end of year</b>	<b><u><u>\$ 2,077,779</u></u></b>
<b>Reconciliation to Statement of Financial Position:</b>	
Cash	\$ 827,506
Restricted cash	<u>1,250,273</u>
<b>Cash and Restricted Cash, end of year</b>	<b><u><u>\$ 2,077,779</u></u></b>



**TARGET ALS FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2019**

**1. Nature of Operations**

Target ALS Foundation, Inc. (the Foundation), a not-for-profit Delaware corporation operating in New York, New York, was incorporated on December 3, 2015 to promote, support, and further the funding of medical and scientific research to accelerate drug discovery and development for Amyotrophic Lateral Sclerosis (ALS). The Foundation pursues its mission by awarding grants to fund ALS - related research.

**2. Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Foundation is presented to assist the reader in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

***Accounting Pronouncements Adopted***

Effective January 1, 2019, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance in accounting principles generally accepted in the United States of America. The standard 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 entity expects to be entitled in exchange for those goods or services. The adoption of ASU 2014-09 did not have a significant effect on the Foundation's financial statements.

Effective January 1, 2019, the Foundation adopted FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on characterizing grants and similar contracts as reciprocal exchanges or contributions, determining whether a contribution is conditional and the simultaneous release option. The adoption of ASU 2018-08 did not have a significant effect on the Foundation's financial statements.

Effective January 1, 2019, the Foundation adopted FASB ASU 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash* (ASU 2016-18), which requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also requires disclosures about the nature of restricted cash and a reconciliation of cash, cash equivalents and restricted cash between the balance sheet and the statement of cash flows. The accompanying statement of cash flows has been restated to reflect beginning of year cash as beginning of year cash and restricted cash.

**TARGET ALS FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2019**

***Financial Statement Presentation***

The Foundation prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

***Net Assets without Donor Restrictions***

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which make them unavailable for use at management's discretion.

***Net Assets with Donor Restrictions***

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation had no net assets to be maintained in perpetuity as of December 31, 2019.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

***Investments and Fair Value***

The Foundation values its investments 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by authoritative guidance, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Foundation has the ability to access.

Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.

**TARGET ALS FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2019**

Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the Foundation's own data.

The Foundation reports investments at fair value on a recurring basis. The investments are classified as level 1 within the fair value hierarchy.

Level 1 investments owned by the Foundation and listed on a National Securities Exchange are valued at the last recorded sales price as of the financial statement reporting date, or in the absence of recorded sales, at the last quoted bid price reported as of the financial statement reporting date.

Realized and unrealized gains and losses on investments are reported as changes in net assets without donor restrictions, unless gains and losses on investments are restricted by a donor's explicit stipulation or by a law that extends a donor's restriction.

Dividends and interest are recorded as received, which does not differ materially from the accrual basis. Purchases and sales of securities are recorded on the trade date.

***Restricted Cash***

Restricted cash consists of funds which are restricted to be held and accounted for separately from operating cash, as further discussed in Note 6.

***Grants and Pledges Receivable***

The Foundation carries its receivables at net realizable value. Pledges receivable consist of unconditional promises to give. Amounts 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 future years are recorded at the present value of the estimated future cash flows of the promises to give. On a periodic basis, the Foundation evaluates its receivables and establishes an allowance for doubtful accounts, based on a history of past bad debt expense and collections and current credit conditions.

The Foundation does not accrue interest on receivables. A receivable is considered past due if payment has not been received within stated terms. The Foundation will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged against the allowance for doubtful accounts.

**TARGET ALS FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2019**

***Research Distributions Payable***

Research distributions payable are recognized in the financial statements when they are recommended and approved by the Independent Review Committee (IRC) and the Chief Advisor of the Foundation. Subsequent to year-end, the entire research distributions payable balance was paid.

***Revenue Recognition***

The Foundation recognizes contributions and grant income in the year in which the contribution or grant is received. Conditional promises to give are recognized in the period in which the condition is met. Contributions and grants are recorded either as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. However, it is the policy of the Foundation to recognize restricted contributions and grants that are both received and expended during the current fiscal year as net assets without donor restrictions.

***Allocation of Expenses***

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated in a systematic and rational manner among the programs and supporting services benefited based on management's estimates.

***Income Taxes***

The Foundation is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Foundation operates in a manner consistent with its tax-exempt status at both the state and federal levels.

The Foundation annually files IRS Form 990 - *Return of Organization Exempt from Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities generally for a period of three years after they were filed. The Foundation currently has no tax examinations in progress.

***Estimates and Assumptions***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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. Accordingly, actual results could differ from those estimates.

**TARGET ALS FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2019**

**3. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2019:

Financial assets:	
Cash	\$ 827,506
Investments	1,836,435
Grants receivable	350,000
Pledges receivable	1,419,810
Restricted cash	<u>1,250,273</u>
Total financial assets	5,684,024
Less: financial assets unavailable for general expenditure:	
Receivables scheduled to be collected in more than one year	1,119,810
Required to satisfy donor purpose restrictions within one year	993,268
Board-designated for collaborative research development	<u>625,000</u>
Total financial assets unavailable for general expenditure	<u>2,738,078</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,945,946</u></u>

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Foundation manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. Actual performance is reported and monitored monthly in comparison to budgets. Adjustments are made to plan as needed to ensure adequate liquidity. In October 2019, the Foundation was granted the status of public charity and has begun to solicit additional funds from the general public.

**4. Investments**

Investments consist of the following:

Level 1:	
Money market funds	\$ 193,237
Common stock	<u>1,643,198</u>
Total Investments	<u><u>\$ 1,836,435</u></u>

**TARGET ALS FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2019**

Common stock consists solely of securities held in Google. Subsequent to year-end, the Foundation sold all common stock securities held. Net proceeds from the sale were approximately \$1,684,000.

**5. Pledges Receivable**

Pledges receivable consist of unconditional promises to give from contributors over the next five years to support the Foundation’s mission.

The present value of pledges receivable has been calculated using an interest rate of 1.69%, which approximates the Federal Reserve five-year Treasury bill rate.

Promised contributions are due as follows:

Within one year	\$ 300,000
One to five years	<u>1,200,000</u>
	1,500,000
Less present value component	<u>80,190</u>
 Pledges receivable, net	 <u><u>\$ 1,419,810</u></u>

**6. Conditional Promise to Give**

In August 2019, the Foundation entered into a funding agreement with a similar non-profit organization in the scientific research community (the Organization). The agreement stipulates that the Organization will award the Foundation four payments totaling \$2.5 million through July 2021, with a goal of collaborative research development, under the condition that the Foundation matches each of those payments. As of December 31, 2019, the Foundation has cash of \$625,000 designated for collaborative research development and has received one matching payment from the Organization of \$625,000, which is included in net assets with donor restrictions (Note 7). The total of these amounts is reported as restricted cash on the statement of financial position. Interest generated on cash balances is also restricted for the purpose of the agreement.

**TARGET ALS FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2019**

**7. Net Assets**

A summary of net assets is as follows:

Net Assets without Donor Restrictions	
Undesignated – available for operations	\$ 2,804,809
Board-designated for collaborative research development	625,000
Total net assets without donor restrictions	3,429,809
Net Assets with Donor Restrictions	
Subject to expenditure for specified purposes:	
Collaborative research development	625,273
TDP-43 biomarker initiative	350,000
Jackson Hole breakthrough fund	17,995
	993,268
Subject to time restriction	1,119,810
Total net assets with donor restrictions	2,113,078
Total net assets	\$ 5,542,887

***Collaborative Research Development***

Funds have been restricted with the goal of establishing a process to design and publicize the request for proposals for funding (RFPs) and to help recruit industry and academic scientists to form consortia for applying for such funding. Each RFP will be widely distributed to both the frontotemporal degeneration (FTD) and ALS research communities to spur ideation around therapeutic targets or biomarkers applicable to ALS and FTD (Note 6).

***TDP-43 Biomarker Initiative***

Funds have been restricted with the goal of developing improved immunoassays that can accurately measure and quantify TDP-43 in human biofluids, which would have tremendous impact on clinical research and therapeutic development for ALS and other neurodegenerative diseases.

***Jackson Hole Breakthrough Fund***

Funds have been restricted for accelerating discovery forum and reception.

**TARGET ALS FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2019**

**8. Commitments and Contingencies**

The Foundation leases office space, and additional conference rooms as needed, on a month to month basis. Rent expense was approximately \$82,400 for the year ended December 31, 2019.

***Research Distributions***

The Foundation enters into conditional commitments annually to award scientific research grants. All research distribution-making decisions are made by the Independent Review Committee (IRC) and are reviewed by the Conflict of Interest Committee to ensure the IRC has no stake in the projects selected. Subject to annual review and reapproval process, these distributions generally cover a period of one year. Subsequent to year-end, the Foundation has committed to future research distributions in the amount of approximately \$7,126,600 for the year ended December 31, 2020.

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

**9. Related Party Transactions**

During the year ended December 31, 2019, the Foundation received a contribution from a board member of approximately \$1,671,900.

**10. Retirement Plan**

The Foundation sponsors a defined contribution plan under Internal Revenue Code Section 403(b). The plan covers all employees over 21 years old excluding temporary employees. In addition, the Foundation elects to make a noncontributory match equal to 4% of total wages. Employer contributions of approximately \$34,800 were made to the plan during the year ended December 31, 2019.

**11. Concentrations of Credit and Business Risk**

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, grants and pledges receivable and investments.



**TARGET ALS FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2019**

The Foundation maintains its bank accounts in one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Foundation had bank balances in excess of federally insured limits. Cash balances in excess of \$250,000 are generally uninsured. Management does not believe significant credit risks exist at year end.

At December 31, 2019, the Foundation's outstanding grants receivable were due from one grantor. At December 31, 2019, the Foundation's outstanding pledges receivable were due from two contributors. Management believes there is no risk collectability risk associated with grants and pledges receivable.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and that such change could materially affect investment balances and activity included in the financial statements. At year end, management does not believe that significant credit risk exists relative to the investments.

The Foundation received approximately \$2,671,900 from two donors, which represents approximately 68% of total revenue and support without donor restrictions.

**12. Supplemental Cash Flow Information**

During the year ended December 31, 2019, the Foundation received a contribution in the form of common stock totaling \$1,673,033.

**13. Subsequent Events**

Subsequent to year-end, the COVID-19 outbreak in the United States has resulted in a disruption in operations. These recent developments could result in delays in receiving contributions and grant awards. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the outbreak. While the Foundation's operations continue, it is possible that this outbreak could negatively impact future operating results and the value of the Foundation's investments; however, the related financial impact and duration cannot be reasonably estimated at this time.

Management has evaluated subsequent events through May 11, 2020, which is the date these financial statements were available to be issued.

**TARGET ALS FOUNDATION, INC.**  
**PROGRAM ACCOMPLISHMENTS (UNAUDITED)**  
**Year Ended December 31, 2019**

The Foundation continues to make strides toward its mission to promote, support and further the funding of medical and scientific research to accelerate drug discovery and development for ALS. Select accomplishments during 2019 include the following:

- Awarded target discovery and development funding to six research consortia that are working toward the development of ground-breaking therapeutic approaches to treating ALS.
- Launched a collaborative funding call with the Association for Frontotemporal Degeneration (AFTD) to discover and develop new drug targets and biomarkers for both ALS and Frontotemporal Degeneration.
- Continued to expand the Foundation's core facilities, which are comprised of a network of academic centers and contract research organizations that, for the first time in the history of the disease, provide access to critical ALS research tools and resources to scientists.
- Hosted an annual meeting for more than 300 scientists from academia and the biotech and pharma industries to share research findings and promote cross-sector collaboration.