

**LUPUS FOUNDATION OF AMERICA –
PHILADELPHIA TRI-STATE CHAPTER, INC.**

Financial Report

September 30, 2009 and 2008

**LUPUS FOUNDATION OF AMERICA –
PHILADELPHIA TRI-STATE CHAPTER, INC.**

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Independent Auditor's Report

To the Board of Directors
Lupus Foundation of America –
Philadelphia Tri-State Chapter, Inc.
Jenkintown, Pennsylvania

We have audited the accompanying statements of financial position of Lupus Foundation of America – Philadelphia Tri-State Chapter, Inc. as of September 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lupus Foundation of America – Philadelphia Tri-State Chapter, Inc., as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Dunlap & Associates, P.C.
DUNLAP & ASSOCIATES, P.C.

Chalfont, Pa.
February 10, 2010



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**LUPUS FOUNDATION OF AMERICA -
PHILADELPHIA TRI-STATE CHAPTER, INC.**
Statements of Financial Position
September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash	\$ 209,233	\$ 253,309
Accounts Receivable	38,467	28,963
Prepaid Expenses and Deposits	31,257	30,861
Furniture and Equipment, Net	<u>30,295</u>	<u>11,645</u>
Total Assets	<u><u>\$ 309,252</u></u>	<u><u>\$ 324,778</u></u>
 Liabilities		
Accounts Payable and Accrued Expenses	\$ 16,769	\$ 13,662
Deferred Revenue	52,915	88,435
Total Liabilities	<u>69,684</u>	<u>102,097</u>
 Net Assets		
Unrestricted	159,857	136,469
Temporarily Restricted	37,211	43,712
Permanently Restricted	<u>42,500</u>	<u>42,500</u>
Total Net Assets	<u>239,568</u>	<u>222,681</u>
 Total Liabilities and Net Assets	 <u><u>\$ 309,252</u></u>	 <u><u>\$ 324,778</u></u>

See Notes to Financial Statements.

**LUPUS FOUNDATION OF AMERICA -
PHILADELPHIA TRI-STATE CHAPTER, INC.**
Statements of Activities
Years Ended September 30, 2009 and 2008

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and Support				
Contributions	\$ 167,896	\$ 2,721	\$ 0	\$ 170,617
Grants	0	95,548	0	95,548
Membership Dues	8,355	0	0	8,355
Special Events (net of direct benefit to donor expenses of \$34,258 in 2009 and \$34,904 in 2008)	267,614	0	0	267,614
Meetings	4,742	0	0	4,742
Investment Income	1,557	567	0	2,124
Gain/Loss on Disposal of Fixed Assets	33,408	0	0	33,408
Net Assets Released From Restrictions	105,337	(105,337)	0	0
Total Revenues, Support, and Net Assets Released from Restrictions	588,909	(6,501)	0	582,408
Expenses				
Program Services				
Patient and Community Services	360,575	0	0	360,575
Research	24,053	0	0	24,053
Total Program Services	384,628	0	0	384,628
Support Services				
Administration	53,302	0	0	53,302
Fundraising	88,092	0	0	88,092
National Organization Revenue Sharing Expense	39,499	0	0	39,499
Total Support Services	180,893	0	0	180,893
Total Expenses	565,521	0	0	565,521
Change in Net Assets	23,388	(6,501)	0	16,887
Net Assets				
Beginning of Year	136,469	43,712	42,500	222,681
End of Year	<u>\$ 159,857</u>	<u>\$ 37,211</u>	<u>\$ 42,500</u>	<u>\$ 239,568</u>

See Notes to Financial Statements.

2008

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 118,504	\$ 10,010	\$ 0	\$ 128,514
0	101,253	0	101,253
12,300	0	0	12,300
287,886	0	0	287,886
9,992	0	0	9,992
4,062	1,599	0	5,661
(103)	0	0	(103)
83,542	(83,542)	0	0
<u>516,183</u>	<u>29,320</u>	<u>0</u>	<u>545,503</u>
354,895	0	0	354,895
29,036	0	0	29,036
<u>383,931</u>	<u>0</u>	<u>0</u>	<u>383,931</u>
50,521	0	0	50,521
70,449	0	0	70,449
37,468	0	0	37,468
<u>158,438</u>	<u>0</u>	<u>0</u>	<u>158,438</u>
<u>542,369</u>	<u>0</u>	<u>0</u>	<u>542,369</u>
(26,186)	29,320	0	3,134
<u>162,655</u>	<u>14,392</u>	<u>42,500</u>	<u>219,547</u>
<u>\$ 136,469</u>	<u>\$ 43,712</u>	<u>\$ 42,500</u>	<u>\$ 222,681</u>

**LUPUS FOUNDATION OF AMERICA -
PHILADELPHIA TRI-STATE CHAPTER, INC.**
Statements of Functional Expenses
Years Ended September 30, 2009 and 2008

	2009				Total	
	Program Services		Support Services			
	Patient and Community Services	Research	Administration	Fundraising	National	
Salaries and Payroll Taxes	\$ 164,959	\$ 8,232	\$ 32,923	\$ 21,623	\$ 0	\$ 227,737
Employee Benefits	23,622	1,096	3,835	2,466	0	31,019
Grants						
Research	0	10,000	0	0	0	10,000
Other	6,963	0	0	0	0	6,963
Credit Card Fees	9,460	518	1,814	1,166	0	12,958
Depreciation	4,458	244	855	550	0	6,107
Insurance	3,586	196	688	1,527	0	5,997
Marketing	40,951	5	16	6,429	0	47,401
Meetings and Conference Expense	21,748	122	427	12,484	0	34,781
National Organization Revenue Sharing Expense	0	0	0	0	39,499	39,499
Postage	14,261	781	2,735	1,758	0	19,535
Printing	20,413	478	1,672	22,295	0	44,858
Professional Fees	17,209	828	2,900	8,653	0	29,590
Rent	13,710	751	2,629	1,690	0	18,780
Supplies	5,808	291	1,020	3,438	0	10,557
Telephone	7,242	397	1,389	893	0	9,921
Travel	4,626	29	100	2,928	0	7,683
Miscellaneous	1,559	85	299	192	0	2,135
Total Expenses	\$ 360,575	\$ 24,053	\$ 53,302	\$ 88,092	\$ 39,499	\$ 565,521

See Notes to Financial Statements.

**LUPUS FOUNDATION OF AMERICA -
PHILADELPHIA TRI-STATE CHAPTER, INC.**
Statements of Functional Expenses
Years Ended September 30, 2009 and 2008

	2008					
	Program Services		Support Services			
	Patient and Community Services	Research	Administration	Fundraising	National	Total
Salaries and Payroll Taxes	\$ 154,023	\$ 11,105	\$ 31,118	\$ 18,885	\$ 0	\$ 215,131
Employee Benefits	24,523	1,703	4,768	3,066	0	34,060
Grants						
Research	0	11,000	0	0	0	11,000
Other	9,345	0	0	0	0	9,345
Credit Card Fees	8,224	571	1,599	1,028	0	11,422
Depreciation	5,029	350	976	629	0	6,984
Insurance	1,545	108	300	737	0	2,690
Marketing	41,156	17	48	3,378	0	44,599
Meetings and Conference Expense	31,959	389	1,090	12,949	0	46,387
National Organization Revenue Sharing Expense	0	0	0	0	37,468	37,468
Postage	11,824	821	2,299	1,478	0	16,422
Printing	23,436	813	2,277	19,502	0	46,028
Professional Fees	15,396	670	1,875	3,611	0	21,552
Rent	11,591	805	2,254	1,449	0	16,099
Supplies	5,869	197	552	842	0	7,460
Telephone	4,930	342	959	616	0	6,847
Travel	4,881	64	180	2,133	0	7,258
Miscellaneous	1,164	81	226	146	0	1,617
Total Expenses	\$ 354,895	\$ 29,036	\$ 50,521	\$ 70,449	\$ 37,468	\$ 542,369

See Notes to Financial Statements.

**LUPUS FOUNDATION OF AMERICA -
PHILADELPHIA TRI-STATE CHAPTER, INC.
Statements of Cash Flows
Years Ended September 30, 2009 and 2008**

	2009	2008
Cash Flows from Operating Activities		
Change in Net Assets	\$ 16,887	\$ 3,134
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	6,107	6,984
Loss (Gain) on Disposal of Fixed Assets	(33,408)	103
Change in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	(9,504)	(17,224)
Prepaid Expenses	(396)	(12,843)
Increase (Decrease) in:		
Accounts Payable and Accrued Other Expenses	3,107	(1,483)
Deferred Revenue	(35,520)	52,195
Net Cash Provided by (Used in) Operating Activities	(52,727)	30,866
Cash Flows from Investing Activities		
Purchase of Equipment and Leasehold Improvements	(32,478)	(8,301)
Proceeds from Insurance	41,129	0
Net Cash Provided by (Used in) Investing Activities	8,651	(8,301)
Net Increase (Decrease) in Cash	(44,076)	22,565
Cash		
Beginning of Year	253,309	230,744
End of Year	\$ 209,233	\$ 253,309

See Notes to Financial Statements.

**LUPUS FOUNDATION OF AMERICA –
PHILADELPHIA TRI-STATE CHAPTER, INC.
Notes to Financial Statements
September 30, 2009 and 2008**

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Lupus Foundation of America – Philadelphia Tri-State Chapter, Inc. (the Foundation) is a nonprofit organization, the purposes of which are (1) to improve the quality of life of people afflicted with lupus and their families and friends in the Southeastern Pennsylvania, Southern New Jersey and Delaware area through education, detection of the disease, and alleviation of suffering; (2) to eradicate the disease by providing research grants to qualified institutions and individuals; and (3) to support the programs and activities of Lupus Foundation of America, Inc. (the National Organization). In July 2008, the Foundation changed its name from Lupus Foundation of America – Southeastern Pennsylvania Chapter, Inc., to Lupus Foundation of America – Philadelphia Tri-State Chapter, Inc. to reflect an expansion of the Foundation’s service area.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Financial Statement Presentation

The financial statements have been prepared in accordance with the *Accounting for Contributions Received and Contributions Made*, and *Financial Statements of Not-for-Profit Organizations* topics of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). The first topic establishes accounting standards for contributions received. Generally, the FASB ASC prescribes that all contributions received, including unconditional promises to give, are recognized as revenue in the period received at their fair values. The FASB ASC also requires that contributions received be distinguished between those that increase permanently restricted, temporarily restricted, and unrestricted net assets.

The second topic prescribes display standards for general-purpose financial statements for all not-for-profit organizations. The FASB ASC requires the classification of an organization’s net assets, its revenue and expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. It requires that amounts for each of three classes of net assets (permanently restricted, temporarily restricted, and unrestricted) be displayed in a statement of financial position and that the amounts of the change in each of the three classes of net assets be displayed in a statement of activities.

**LUPUS FOUNDATION OF AMERICA –
PHILADELPHIA TRI-STATE CHAPTER, INC.
Notes to Financial Statements
September 30, 2009 and 2008**

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time, and market gains from invested permanently restricted net assets which have not been expended. Use of realized gains is limited annually under state law.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Contributions

Contributions, including unconditional promises to give, are recorded as revenue when received. Investments, property, and other non-cash contributions are recorded at fair value at the date of gift or bequest. Contributions are considered to be available for unrestricted use unless they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted or permanently restricted net assets and reported in the statement of activities as net assets released from temporary restrictions.

Grants

Grants are recorded as revenue as the services are performed. Grants receivable are stated at the amount at the amount management expects to collect from balances outstanding at year end. There were no grants receivable at September 30, 2009 and 2008.

Special Events

Revenue and expenses from special events are recognized during the period the event is held. Receipts received prior to the period when the event is held are recognized as deferred revenue. Expenses incurred prior to the period the event is held are recognized as prepaid expenses.

**LUPUS FOUNDATION OF AMERICA –
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Notes to Financial Statements
September 30, 2009 and 2008

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Donated Materials and Services

Many individuals volunteer their time and perform a variety of tasks that assist the Foundation in carrying out its programs. The value of that portion of these services which meets the requirements for recognition in the financial statements is recorded as both contributions and expenses in the accompanying statement of activities at its estimated value at the date of receipt. Donated materials and services of \$5,620 and \$7,833 were recorded for the years ending September 30, 2009 and 2008, respectively.

Cash

The Foundation maintains its cash accounts in a commercial bank. The amount on deposit may exceed the federally insured limit. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Accounts receivable at September 30, 2009, consist of contributions and special event revenue, all of which is expected to be collected in 2010.

Furniture and Equipment

Furniture and equipment are stated at cost. Major replacements and betterments greater than \$500 are capitalized while maintenance and repairs are expensed as incurred.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. If the donor does not stipulate how long those donated assets must be maintained, then the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives of depreciable assets are:

<u>Classifications</u>	<u>Years</u>
Computer Software and Equipment	3-5
Furniture and Fixtures	5

**LUPUS FOUNDATION OF AMERICA –
PHILADELPHIA TRI-STATE CHAPTER, INC.
Notes to Financial Statements
September 30, 2009 and 2008**

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Foundation is a qualified, not-for-profit educational organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Foundation is exempt from federal and state income taxes.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. Cash

Cash at September 30 consisted of the following:

	2009	2008
Firstrust Checking	\$ 42,474	\$ 23,798
Firstrust Savings	45,896	78,841
Firstrust Money Market	0	6,455
Vanguard Money Market	120,863	144,215
	\$ 209,233	\$ 253,309

3. Furniture and Equipment

A summary of furniture and equipment at September 30 is as follows:

	2009	2008
Computer Software and Equipment	\$ 24,929	\$ 26,970
Furniture and Fixtures	21,154	13,054
	46,083	40,024
Less Accumulated Depreciation	(15,788)	(28,379)
	\$ 30,295	\$ 11,645

Depreciation expense was \$6,107 and \$6,984 for the years ended September 30, 2009 and 2008, respectively.

**LUPUS FOUNDATION OF AMERICA –
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Notes to Financial Statements
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4. Deferred Revenue

Deferred revenue at September 30 consisted of the following:

	<u>2009</u>	<u>2008</u>
Deferred Special Event Revenue	\$ 52,915	\$ 53,435
Deferred Grants and Contributions	<u>0</u>	<u>35,000</u>
	<u>\$ 52,915</u>	<u>\$ 88,435</u>

Special event revenues received in the period before the event is held are deferred and recognized in the period in which the event is held. Deferred grants are recognized as the conditions for spending the funds are met.

5. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets held at September 30, 2009 and 2008, are available for the following purposes or future periods:

	<u>2009</u>	<u>2008</u>
Contributions, Grants, and Other Unexpended Revenues Available for:		
Research Grants	\$ 0	\$ 7,618
Capacity Building Grant	17,978	0
Delaware Expansion	12,388	29,399
Other	<u>6,845</u>	<u>6,695</u>
	<u>\$ 37,211</u>	<u>\$ 43,712</u>

**LUPUS FOUNDATION OF AMERICA –
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5. Temporarily and Permanently Restricted Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2009</u>	<u>2008</u>
Purposes Restrictions Accomplished:		
Outreach and Education	\$ 60,548	\$ 70,205
Financial Assistance	2,920	4,476
Capacity Building Grant	17,022	0
Delaware Expansion	17,011	1,649
Other	<u>7,836</u>	<u>7,212</u>
	<u>\$ 105,337</u>	<u>\$ 83,542</u>

Permanently restricted net assets of \$42,500 consisted solely of endowment funds at September 30, 2009 and 2008, the income from which is to be used to provide financial assistance to individuals afflicted with lupus.

6. Endowment Funds

The Foundation's endowment consists of one fund – the Guggenheim Endowment established to provide financial assistance to individuals afflicted with lupus who are unable to pay for medications and other lupus related expenses. The endowment includes donor-restricted endowment funds only. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation follows Pennsylvania Act 141 required by the Commonwealth of Pennsylvania. Act 141 requires the historical dollar amount of a donor-restricted endowment fund to be preserved. The Foundation's donors have requested that the original amount of the endowment, \$42,500, remain intact, and that the income and any appreciated value be used for the purposes stated above. As a result of this, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment (if any). The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation.

**LUPUS FOUNDATION OF AMERICA –
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Notes to Financial Statements
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6. Endowment Funds (Continued)

Investment Return Objectives, Risk Parameters and Strategies

The Foundation follows investment policies, approved by the Board of Directors, to preserve and protect its assets by earning a total return for the fund appropriate for the fund's time horizon, distribution techniques, and risk tolerance. Furthermore, the investments must provide a predictable stream of funding to programs supported by its endowment fund while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in a Vanguard money market fund.

Spending Policies

As required by the donors, the Foundation can distribute the income of the fund.

During the year ended September 30, 2009, the Foundation had the following endowment-related activities:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment Net Assets:		
Beginning of Year	\$ 0	\$ 42,500
Contributions	2,356	0
Investment Income	0	564
Amounts Appropriated	564	(564)
Financial Assistance	<u>(2,920)</u>	<u>0</u>
End of Year	<u>\$ 0</u>	<u>\$ 42,500</u>

**LUPUS FOUNDATION OF AMERICA –
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Notes to Financial Statements
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7. Special Events

During the years ended September 30, 2009 and 2008, the Foundation conducted special events designed to inform supporters about current operations and activities, and to raise funds for the Foundation. The table below summarizes support received from these events, less costs for the direct benefits provided.

	Support	Expenses	2009 Net Proceeds	2008 Net Proceeds
Lupus Loop and Walk for Lupus Now	\$ 215,898	\$ 14,414	\$ 201,484	\$ 195,534
Lupus Links	42,482	11,444	31,038	47,135
Movie Mania	16,040	0	16,040	16,630
Bridge Tournament	13,310	5,098	8,212	8,508
Other	14,142	3,302	10,840	20,079
	<u>\$ 301,872</u>	<u>\$ 34,258</u>	<u>\$ 267,614</u>	<u>\$ 287,886</u>

8. National Organization Revenue Sharing Expense

In accordance with the revenue sharing policy of the National Organization, the Foundation is required to remit a portion of its revenue to the National Organization. The revenue sharing expense is generally equal to 10% of the Foundation's total revenue as reported on its prior year IRS Form 990. The Foundation's revenue sharing expense for the years ended September 30, 2009 and 2008, was \$39,499 and \$37,468, respectively.

9. Research Grants

Research grants were made to the following organizations for the years ended September 30, 2009 and 2008 as follows:

	2009	2008
University of Pennsylvania	\$ 6,500	\$ 5,500
Wistar Institute	1,000	0
Philadelphia Veteran's Affairs	0	2,000
Children's Hospital of Pennsylvania	0	1,500
Lupus Foundation of America National Organization	0	1,000
Thomas Jefferson University	2,500	1,000
	<u>\$ 10,000</u>	<u>\$ 11,000</u>

**LUPUS FOUNDATION OF AMERICA –
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Notes to Financial Statements
September 30, 2009 and 2008**

10. Operating Lease

The Foundation leases its office facilities in Jenkintown, Pennsylvania, pursuant to a non-cancelable lease that expires March 31, 2014. The rent expense for this office was \$7,035 for the year ended September 30, 2009. The Foundation leased its former offices through March 2009 and the rent expense for that office was \$4,992 and \$14,976 for the years ended September 30, 2009 and 2008, respectively.

Additionally, in 2008 the Foundation entered into a non-cancelable lease for office space in Wilmington, Delaware. The lease term is July 1, 2008 through June 30, 2013, and the rent expense was \$4,493 and \$1,123 for the years ended September 30, 2009 and 2008, respectively. The minimum annual lease commitments for these leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2010	\$ 23,789
2011	29,417
2012	31,025
2013	31,509
2014	<u>14,472</u>
	<u>\$ 130,212</u>

11. Subsequent Events

Management has evaluated subsequent events through February 10, 2010, the date which the financial statements were available to be issued.