



## **Financial Statements**

*For the Years Ended September 30, 2024 and 2023*



**and  
Report Thereon**



**LUPUS FOUNDATION OF AMERICA, INC.**

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**For the Years Ended September 30, 2024 and 2023**

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## **Independent Auditors' Report**

The Board of Directors  
**Lupus Foundation of America, Inc.**  
**Washington, DC**

### ***Opinion***

We have audited the financial statements of Lupus Foundation of America, Inc. (the "Foundation"), which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of September 30, 2024, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Prior Period Financial Statements***

The financial statements of the Foundation as of and for the year ended September 30, 2023, were audited by Marcum LLP, whose report dated June 14, 2024, expressed an unmodified opinion on those statements.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*CBIZ CPAs P.C.*

Washington, DC  
March 31, 2025

**LUPUS FOUNDATION OF AMERICA, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,701,696	\$ 8,953,375
Restricted cash	203,017	203,017
Accounts receivable, net of allowance for credit loss of \$72,243	166,266	97,460
Pledges receivable, net	1,862,019	2,223,950
Prepaid expenses and other assets	360,663	263,197
Beneficial interest in a perpetual trust	377,868	315,480
Property and equipment, net	496,770	568,188
Right-of-use assets - operating	2,481,251	2,882,595
Right-of-use asset - finance	<u>4,087</u>	<u>6,812</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 13,653,637</u></u>	<u><u>\$ 15,514,074</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,662,755	\$ 1,576,336
Grants payable	1,720,656	1,573,956
Deferred revenue	358,628	346,000
Lease liabilities - operating	3,475,909	4,019,214
Lease liability - finance	<u>4,557</u>	<u>7,580</u>
<b>TOTAL LIABILITIES</b>	<u>7,222,505</u>	<u>7,523,086</u>
<b>Net Assets</b>		
Without donor restrictions	3,229,878	5,372,934
With donor restrictions	<u>3,201,254</u>	<u>2,618,054</u>
<b>TOTAL NET ASSETS</b>	<u>6,431,132</u>	<u>7,990,988</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 13,653,637</u></u>	<u><u>\$ 15,514,074</u></u>

The accompanying notes are an integral part of these financial statements.

**LUPUS FOUNDATION OF AMERICA, INC.**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended September 30, 2024 and 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Grants and contributions	\$ 7,352,676	\$ 2,230,766	\$ 9,583,442	\$ 7,394,486	\$ 1,859,161	\$ 9,253,647
Special events	3,067,778	-	3,067,778	3,090,970	-	3,090,970
Contributed nonfinancial assets	1,148,951	-	1,148,951	701,789	-	701,789
Program service revenue	1,789,551	-	1,789,551	1,158,820	-	1,158,820
Wills and bequests	501,215	-	501,215	2,685,892	-	2,685,892
Investment income, net	321,380	-	321,380	44,214	-	44,214
Membership dues	135,384	-	135,384	189,565	-	189,565
Donated goods program	25,600	-	25,600	17,432	-	17,432
Royalty and other income	6,379	-	6,379	75,028	-	75,028
Change in value of a perpetual trust held by a trustee	-	62,388	62,388	-	22,905	22,905
Employee retention tax credit	-	-	-	732,859	-	732,859
Net assets released from restrictions:						
Satisfaction of program restrictions	1,709,954	(1,709,954)	-	1,375,552	(1,375,552)	-
TOTAL REVENUE AND SUPPORT	16,058,868	583,200	16,642,068	17,466,607	506,514	17,973,121
EXPENSES						
Program Services:						
Public information and education	6,525,485	-	6,525,485	5,826,811	-	5,826,811
Network support and services	4,296,251	-	4,296,251	3,740,847	-	3,740,847
Research	2,835,184	-	2,835,184	2,540,043	-	2,540,043
Patient education and support	350,368	-	350,368	337,351	-	337,351
Professional relations and education	215,092	-	215,092	181,023	-	181,023
Total Program Services	14,222,380	-	14,222,380	12,626,075	-	12,626,075
Supporting Services:						
Management and general	1,698,148	-	1,698,148	1,491,110	-	1,491,110
Fundraising	2,281,396	-	2,281,396	1,615,554	-	1,615,554
Total Supporting Services	3,979,544	-	3,979,544	3,106,664	-	3,106,664
TOTAL EXPENSES	18,201,924	-	18,201,924	15,732,739	-	15,732,739
CHANGE IN NET ASSETS	(2,143,056)	583,200	(1,559,856)	1,733,868	506,514	2,240,382
NET ASSETS, BEGINNING OF YEAR	5,372,934	2,618,054	7,990,988	3,639,066	2,111,540	5,750,606
NET ASSETS, END OF YEAR	\$ 3,229,878	\$ 3,201,254	\$ 6,431,132	\$ 5,372,934	\$ 2,618,054	\$ 7,990,988

The accompanying notes are an integral part of these financial statements.

**LUPUS FOUNDATION OF AMERICA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended September 30, 2024**

	Program Services						Supporting Services			
	Public Information and Education	Network Support and Services	Research	Patient Education and Support	Professional Relations and Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 2,261,850	\$ 2,840,808	\$ 913,761	\$ 266,908	\$ 114,741	\$ 6,398,068	\$ 649,883	\$ 1,091,683	\$ 1,741,566	\$ 8,139,634
Professional services	1,532,016	242,079	523,651	25,421	18,724	2,341,891	602,473	506,990	1,109,463	3,451,354
Printing, publications and promotions	1,961,738	49,471	6,826	7,700	919	2,026,654	11,792	38,194	49,986	2,076,640
Conferences, meetings and travel	329,522	686,123	88,255	14,703	64,145	1,182,748	105,471	261,828	367,299	1,550,047
Grants and awards	-	-	1,177,869	-	-	1,177,869	-	-	-	1,177,869
Occupancy, maintenance and insurance	189,010	304,238	77,618	23,055	9,866	603,787	51,730	82,786	134,516	738,303
Postage, mailing and shipping	126,920	17,494	837	243	116	145,610	179,135	253,625	432,760	578,370
Other expenses	45,369	50,479	14,414	4,217	1,815	116,294	77,926	16,486	94,412	210,706
Supplies, telecommunications and internet	43,596	57,144	17,433	3,839	2,923	124,935	10,032	14,271	24,303	149,238
Total Expenses Before Depreciation and Amortization	6,490,021	4,247,836	2,820,664	346,086	213,249	14,117,856	1,688,442	2,265,863	3,954,305	18,072,161
Depreciation and amortization	35,464	48,415	14,520	4,282	1,843	104,524	9,706	15,533	25,239	129,763
TOTAL EXPENSES	<u>\$ 6,525,485</u>	<u>\$ 4,296,251</u>	<u>\$ 2,835,184</u>	<u>\$ 350,368</u>	<u>\$ 215,092</u>	<u>\$ 14,222,380</u>	<u>\$ 1,698,148</u>	<u>\$ 2,281,396</u>	<u>\$ 3,979,544</u>	<u>\$ 18,201,924</u>

The accompanying notes are an integral part of these financial statements.

**LUPUS FOUNDATION OF AMERICA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended September 30, 2023**

	Program Services						Supporting Services			
	Public Information and Education	Network Support and Services	Research	Patient Education and Support	Professional Relations and Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 2,191,722	\$ 2,519,789	\$ 856,902	\$ 285,285	\$ 78,786	\$ 5,932,484	\$ 872,608	\$ 573,792	\$ 1,446,400	\$ 7,378,884
Professional services	1,315,847	158,661	684,502	10,490	14,896	2,184,396	294,392	379,073	673,465	2,857,861
Printing, publications and promotions	1,513,795	29,954	13,474	348	1,280	1,558,851	6,817	52,388	59,205	1,618,056
Conferences, meetings and travel	297,789	514,917	100,534	607	74,689	988,536	58,135	189,777	247,912	1,236,448
Grants and awards	-	62,000	760,356	-	-	822,356	-	-	-	822,356
Occupancy, maintenance and insurance	215,143	282,894	81,419	27,507	7,497	614,460	71,311	46,995	118,306	732,766
Postage, mailing and shipping	187,873	19,136	624	211	108	207,952	146,013	347,543	493,556	701,508
Other expenses	42,481	73,132	15,389	5,199	1,313	137,514	21,418	11,944	33,362	170,876
Supplies, telecommunications and internet	32,567	46,508	15,452	3,856	1,482	99,865	10,439	7,472	17,911	117,776
Total Expenses Before Depreciation and Amortization	5,797,217	3,706,991	2,528,652	333,503	180,051	12,546,414	1,481,133	1,608,984	3,090,117	15,636,531
Depreciation and amortization	29,594	33,856	11,391	3,848	972	79,661	9,977	6,570	16,547	96,208
TOTAL EXPENSES	<u>\$ 5,826,811</u>	<u>\$ 3,740,847</u>	<u>\$ 2,540,043</u>	<u>\$ 337,351</u>	<u>\$ 181,023</u>	<u>\$ 12,626,075</u>	<u>\$ 1,491,110</u>	<u>\$ 1,615,554</u>	<u>\$ 3,106,664</u>	<u>\$ 15,732,739</u>

The accompanying notes are an integral part of these financial statements.



**LUPUS FOUNDATION OF AMERICA, INC.**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended September 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,559,856)	\$ 2,240,382
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	129,763	96,208
Amortization of right-of-use assets	431,251	391,704
Bad debt expense	50,000	62,372
Change in value of perpetual trust held by trustee	(62,388)	(22,905)
Changes in assets and liabilities:		
Accounts receivable	(68,806)	(25,226)
Pledges receivable	311,931	(86,000)
Prepaid expenses and other assets	(97,466)	161,625
Accounts payable and accrued expenses	86,419	491,837
Grants payable	146,700	150,355
Deferred revenue	12,628	37,059
Lease liabilities	<u>(570,462)</u>	<u>(513,055)</u>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(1,190,286)</u>	<u>2,984,356</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(58,345)</u>	<u>(89,592)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(58,345)</u>	<u>(89,592)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on finance lease obligations	<u>(3,048)</u>	<u>(3,048)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(3,048)</u>	<u>(3,048)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(1,251,679)	2,891,716
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>9,156,392</u>	<u>6,264,676</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 7,904,713</u></u>	<u><u>\$ 9,156,392</u></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Noncash investing activities:		
Right-of-use assets obtained in exchange for operating liabilities	<u><u>\$ 27,182</u></u>	<u><u>\$ 3,281,111</u></u>
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 7,701,696	\$ 8,953,375
Cash – restricted	<u>203,017</u>	<u>203,017</u>
	<u><u>\$ 7,904,713</u></u>	<u><u>\$ 9,156,392</u></u>

The accompanying notes are an integral part of these financial statements.

## LUPUS FOUNDATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2024 and 2023

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#### 1. Organization and Summary of Significant Accounting Policies

##### **Organization**

Lupus Foundation of America, Inc. (the Foundation) is the national force devoted to solving the mystery of lupus, while giving caring support to those who suffer from its brutal impact. The Foundation's mission is to improve the quality of life for all people affected by lupus through programs of research, education, support and advocacy. These activities are funded primarily through grants, contributions and contracts. The Foundation's major program services are as follows:

*Public Information and Education.* The Foundation provides comprehensive information about lupus, created in consultation with top lupus medical experts who offer insight on how to manage the challenges of lupus. The Foundation distributes information through e-communications, a free e-newsletter, social media channels, events, online programming, media relations and through its website, lupus.org, which also hosts its National Resource Center on Lupus. Lupus.org sees more than seven million views each year. The Foundation also develops and distributes national public awareness campaigns to improve the early diagnosis and treatment of the disease and help people living with lupus improve their quality of life.

*Network Support and Services.* The Foundation's national network is composed of regional offices, chapters, community ambassadors, advocates and local support groups located across the United States. As a united force, the national network supports a nationwide movement to solve the cruel mystery of lupus and improve the quality of life for all people who suffer from its impact.

As separate legal entities, chapters elect their own board of directors and maintain separate sets of financial accounts; therefore, the accompanying financial statements do not include the accounts of the chapters.

*Research.* The Foundation's research is anchored in what matters: Transforming Lives. The Foundation's peer-reviewed grant opportunities stimulate and sponsor basic, clinical, behavioral, translational and epidemiological research on lupus. The Foundation also leads scientific initiatives, directly funds lupus researchers and advocates for increased government funding of lupus research studies and educational programs. The Foundation is the only organization that tackles lupus from every direction to identify the causes, treatments, and means to prevent and cure this life-threatening disease. The Foundation's patient-first research approach delivers better results to improve quality of life. The Foundation convenes experts and partners from leading medical organizations that are on the front lines of lupus research to put the needs of lupus patients first. The Foundation not only brings leading researchers together, the Foundation connects them to the funding they need. This past year, the Foundation once again stimulated more than \$100 million in federal funding for lupus research and education. The Foundation spearheads efforts to advance lupus drug development at every step in the process, including identifying improvements in clinical trial design so new treatments can get into the hands of people who need them faster. The Foundation also works directly with the U.S. Food and Drug Administration to ensure lupus patients' voices are heard, bringing their perspective into drug development.

## **LUPUS FOUNDATION OF AMERICA, INC.**

### **NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2024 and 2023**

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#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### **Organization (continued)**

*Professional Relations and Patient Education and Support.* The Foundation conducts professional education programs that are designed to translate the latest research findings into public health recommendations for physicians and other healthcare professionals and their respective organizations. The Foundation sponsors continuing medical education (CME) programs and seminars for physicians and other health professionals, and develops tools and platforms for industry leaders to train clinical investigators on instruments to measure disease activity that are used in clinical practice and lupus clinical trials.

In collaboration with the Foundation's national network, direct services to help people affected by lupus are provided through the Foundation's health educators, live and online educational programs, and in-person and online-based support groups.

The Foundation is also committed to working with the United States Congress, federal government agencies and state legislatures and agencies to improve the lives of those affected by lupus, including efforts to improve the regulatory structure that guides the process of developing, testing and approving new therapies for lupus in order to ensure a full arsenal of new, effective and tolerable treatments.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

##### **Basis of Accounting**

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

##### **Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits and money market funds. Money market funds amounted to \$3,137,073 and \$2,920,353 as of September 30, 2024 and 2023, respectively. Restricted cash includes a reserve for collateral in compliance with the line of credit agreement and cash held related to an endowment fund.

##### **Accounts Receivable**

Accounts receivable consist primarily of amounts due for program service revenue and membership. Allowance for credit losses is determined based on historical loss rate and assessment of the current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant. The Foundation believes historical loss

## **LUPUS FOUNDATION OF AMERICA, INC.**

### **NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2024 and 2023**

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#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### **Accounts Receivable (continued)**

information is a reasonable starting point in which to calculate the expected allowance for credit losses as the customers portfolio have remained constant since the Foundation's inception. The Foundation writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized as income.

##### **Pledges Receivable**

Unconditional pledges that are expected to be collected within one year are recorded at net realizable value and recognized in the period they are pledged. Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Foundation determines the allowance for uncollectible pledges receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Pledges receivable are written off when deemed uncollectible.

##### **Beneficial Interest in a Perpetual Trust Held by a Trustee**

The Foundation is a beneficiary of a perpetual irrevocable trust held by an independent trustee. Under the terms of the trust, the Foundation has the irrevocable right to receive the income earned, after administration expenses, on the trust assets in perpetuity to be used for lupus research. The fair value of the beneficial interest in a perpetual trust is recognized as an asset and as a contribution with perpetual donor restrictions at the date the trust is established. The Foundation's estimate of fair value at each reporting date is based on fair value information received from the trustee. The trust assets consist of mutual funds, certificates of deposit, corporate bonds, exchange-traded funds and money market funds. These assets are not subject to control or direction by the Foundation. Gains and losses, which are not distributed by the trustee, are reflected as the change in value of a perpetual trust held by a trustee in the accompanying statements of activities.

##### **Fair Value Measurement**

Accounting standards define fair value and establish a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the fair value measurement standards, the Foundation has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

**LUPUS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2024 and 2023**

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1. Organization and Summary of Significant Accounting Policies (continued)

**Fair Value Measurement (continued)**

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs based on quoted prices (unadjusted) in an active market for identical assets or liabilities accessible at the measurement date.

*Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

*Level 3* – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

**Property and Equipment and Depreciation and Amortization**

The Foundation capitalizes property and equipment with unit values in excess of \$5,000 and an economic life in excess of one year. Furniture, equipment, computers and software are recorded at cost and are depreciated on a straight-line basis over estimated useful lives of three to five years. Leasehold improvements are amortized over the lease period or the estimated useful life of the improvements, whichever is shorter. Costs related to developing internal-use software are capitalized in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350-40 *Internal-Use Software*, while costs incurred during the preliminary and post-implementation operation stages are expensed. Expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss, if any, is included in support and revenue or expenses in the accompanying statements of activities.

**Right-of-Use Assets and Lease Liabilities**

The Foundation determines if an arrangement is or contains a lease at inception. Leases are included in operating and finance right-of-use (ROU) assets and lease liabilities in the statements of financial position. The ROU assets and lease liabilities are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using the Foundation's estimated risk free rate, and is adjusted for lease incentives. The ROU asset is amortized on a straight-line basis over the lease term and is reflected as occupancy expense in the accompanying financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Interest is charged to lease expense for the difference. Short-term leases, which have an initial term of 12 months or less, are not recorded on the statements of financial position. Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

## **LUPUS FOUNDATION OF AMERICA, INC.**

### **NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2024 and 2023**

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#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### **Classification of Net Assets**

The Foundation's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Foundation at the discretion of the Foundation's management and the Board of Directors (the Board). From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. The Board has designated \$2,390,000 of net assets without donor restrictions to serve as a reserve to secure the Foundation's long-term financial viability as of September 30, 2024 and 2023.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

##### **Revenue and Support Recognition**

The Foundation receives contributions from its affiliated chapters and the general public. The Foundation reports unconditional gifts of cash and other assets as revenue and support without donor restrictions and as restricted revenue and support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires – that is, when a stipulated time restriction ends or purpose restriction is met – net assets with donor restrictions are reported as a release from net assets with donor restrictions in the accompanying statements of activities. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right to return, are not recognized until the conditions on which they depend have been substantially met. Amounts earned and released in the same year under conditional awards are reported as support without donor restrictions in the accompanying statements of activities.

The Employee Retention Tax Credit (ERTC) is considered a conditional contribution and was recognized as revenue when the Foundation met the conditions for receiving the credit set by the federal government and had applied for the credit.

The Foundation recognizes all unconditional contributed support in the period in which the unconditional commitment is made. Unconditional contributed support for walk events are recorded in the period that the event occurs.

The Foundation has cost-reimbursable grants with U.S. government agencies, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue and support when the Foundation has incurred expenditures in compliance with the specific contract or grant provisions. Amounts recognized under the agreements but not yet received are included in pledges receivable in the accompanying statements of financial position.

**LUPUS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2024 and 2023**

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1. Organization and Summary of Significant Accounting Policies (continued)

**Revenue and Support Recognition (continued)**

The Foundation recognizes wills and bequests in the year the Foundation is notified of the bequest, the promise to give becomes unconditional and the proceeds are measurable. Amounts that have not been collected as of year-end are included in pledges receivable in the accompanying statements of financial position.

Program service revenue represents revenue earned on contracts in which the Foundation is hired to perform a specific service. Program service revenue is recognized at the point in time when the services (the performance obligation) are provided to the customers. Any amounts received in advance of completing the performance obligation is shown as deferred revenue in the accompanying statements of financial position.

Membership dues are based on the same fiscal year as the Foundation and recognition occurs ratably over the membership period since there are no distinct performance obligations and the member benefits are considered a bundled group of performance obligations that are delivered to members throughout the membership period, inclusive of the use of the Foundation's name. Amounts due from members as of September 30, 2024 and 2023 are reported as accounts receivable in the accompanying statements of financial position.

Royalties and other income are recognized as revenue in the period earned.

**Contributed Nonfinancial Assets and Services**

Revenue from the donated goods program represents the Foundation's proceeds from the sale of donated vehicles. Revenue is recognized when the donated goods are sold by the third party. There were no donor restrictions related to the donated goods program.

The Foundation received donated advertising and media for the years ended September 30, 2024 and 2023 totaling \$1,148,951 and \$701,789, respectively. Donated advertising and media are recorded at estimated fair value based on the prices the Foundation would have paid if the donated advertising and media had been purchased. The contributed nonfinancial assets and services are not sold and are used for the Foundation's programs. There were no donor restrictions related to the contributed nonfinancial assets.

Other volunteers have also donated significant time to the Foundation's services. No amounts have been reflected in the financial statements for these donated services, because such donated services do not meet the necessary criteria for recognition under GAAP.

# **LUPUS FOUNDATION OF AMERICA, INC.**

## **NOTES TO FINANCIAL STATEMENTS** **For the Years Ended September 30, 2024 and 2023**

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### 1. Organization and Summary of Significant Accounting Policies (continued)

#### **Grant Expense Recognition**

Unconditional research grants are expensed in the year in which the grant commitment is made to the grantee. Grant amounts not transferred in the year in which the grant commitments are made are recorded as grants payable in the accompanying statements of financial position. Conditional grants, that is, those with a measureable performance or other barrier, and a right of return, are not included as expenses until such time as the conditions on which they depend are substantially met.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Expenses directly attributed to a specific functional area of the Foundation are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas, such as occupancy, maintenance and insurance, professional services and depreciation and amortization, have been allocated among the various functional areas based on direct salaries allocated to the specific area. Salary expenses are allocated based on time and effort tracked by time sheets. Costs related to the direct mail campaigns, walks and the household goods solicitation program that qualify under accounting standards as joint costs are allocated based on the portion of the direct mail pieces or activity that is programmatic or fundraising.

#### **Adopted Accounting Pronouncement**

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13 *Financial Instruments – Credit Losses* – (Topic 326), which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through change in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Foundation that are subject to the guidance in FASB ASC 326 were accounts receivable. The Foundation adopted the standard effective October 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.



**LUPUS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2024 and 2023**

2. Pledges Receivable

Pledges receivable consisted of the following as of September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Individuals, foundations and corporations	\$ 968,793	\$ 1,315,875
Federal grants	902,226	195,216
Employee retention tax credit (ERTC)	<u>-</u>	<u>732,859</u>
Gross Pledges Receivable	1,871,019	2,243,950
Less: Allowance for Doubtful Pledges	<u>(9,000)</u>	<u>(20,000)</u>
Pledges Receivable, Net	<u>\$ 1,862,019</u>	<u>\$ 2,223,950</u>

Pledges receivable were expected to be paid as follows:

	<u>2024</u>	<u>2023</u>
Due in less than one year	\$ 1,862,019	\$ 2,193,950
Due in one to five years	<u>-</u>	<u>50,000</u>
Gross Pledges Receivable	<u>\$ 1,862,019</u>	<u>\$ 2,243,950</u>

As of September 30, 2024 and 2023 the Foundation received conditional cost-reimbursable grants from the U.S. Department of Health and Human Services totaling approximately \$9,800,000 and \$7,600,000, of which approximately \$7,700,000 and \$5,500,000 had been recognized, respectively. As of September 30, 2024 and 2023, the Foundation had approximately \$2,100,000 that had yet to be recognized because the performance requirements and qualifying expenditures had not yet been incurred.

The Foundation determined that it qualified for the 2021 ERTC, and applied for the credit during the year ended September 30, 2023, and therefore, the Foundation recognized \$732,859 as part of revenue and support during the year ended September 30, 2023. During the year ended September 30, 2024, the Foundation received the ERTC.

3. Accounts Receivable and Liabilities

The Foundation's accounts receivable consisted of the following:

	<u>September 30, 2024</u>	<u>September 30, 2023</u>	<u>October 1, 2022</u>
Membership dues	\$ 212,693	\$ 150,236	\$ 166,226
Program service revenue	25,816	19,467	40,623
Allowance for doubtful accounts	<u>(72,243)</u>	<u>(72,243)</u>	<u>(72,243)</u>
Total Accounts Receivable	<u>\$ 166,266</u>	<u>\$ 97,460</u>	<u>\$ 134,606</u>

The Association's contract liabilities related to program service revenue amounted to \$358,628, \$346,000 and \$308,941 as of September 30, 2024, 2023, and 2022 respectively.

**LUPUS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2024 and 2023**

**4. Beneficial Interest in a Perpetual Trust**

During the year ended September 30, 2014, the Foundation was named the beneficiary of 25% of the trust assets that a donor's estate left to a trustee bank to hold, manage and invest in perpetuity for the benefit of the Foundation. Each year, the Foundation receives the investment income, net of administration expenses, which is to be used for lupus research. As of September 30, 2024 and 2023, the value of the beneficial interest in a perpetual trust was \$377,868 and \$315,480, respectively. This is included in the accompanying statements of financial position as beneficial interest in a perpetual trust. The change in value of the trust assets during the years ended September 30, 2024 and 2023 was a gain of \$62,388 and \$22,905, respectively, and is included as change in value of a perpetual trust held by a trustee in the accompanying statements of activities.

**5. Fair Value Measurement**

The following table summarizes the Foundation's assets measured at fair value on a recurring basis as of September 30, 2024:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalent:				
Money market fund	\$ 3,137,073	\$ 3,137,073	\$ -	\$ -
Beneficial interest in a perpetual trust	<u>377,868</u>	<u>-</u>	<u>-</u>	<u>377,868</u>
Total Assets	<u>\$ 3,514,941</u>	<u>\$ 3,137,073</u>	<u>\$ -</u>	<u>\$ 377,868</u>

The following table summarizes the Foundation's assets measured at fair value on a recurring basis as of September 30, 2023:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalent:				
Money market fund	\$ 2,920,353	\$ 2,920,353	\$ -	\$ -
Beneficial interest in a perpetual trust	<u>315,480</u>	<u>-</u>	<u>-</u>	<u>315,480</u>
Total Assets	<u>\$ 3,235,833</u>	<u>\$ 2,920,353</u>	<u>\$ -</u>	<u>\$ 315,480</u>

# LUPUS FOUNDATION OF AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2024 and 2023

### 5. Fair Value Measurement (continued)

As of September 30, 2024 and 2023, the Foundation used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

*Money market fund* – This investment is valued and transacted at a stable NAV of \$1 per unit, which approximates fair value of the underlying assets within the fund.

*Beneficial interest in a perpetual trust* – The fair value of the beneficial interest in a perpetual trust is measured using the fair value of the assets contributed to the trust (see Note 4).

### 6. Property and Equipment

Property and equipment consisted of the following as of September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Leasehold improvements	\$ 1,061,513	\$ 1,061,513
Furniture and office equipment	428,522	396,857
Computer software and website design	<u>556,780</u>	<u>532,970</u>
Total Property and Equipment at Cost	2,046,815	1,991,340
Less: Accumulated Depreciation and Amortization	<u>(1,550,045)</u>	<u>(1,423,152)</u>
Property and Equipment, Net	<u>\$ 496,770</u>	<u>\$ 568,188</u>

Depreciation and amortization expense was \$129,763 and \$96,208 for the years ended September 30, 2024 and 2023, respectively.

### 7. Leases

The Foundation leases office space in Washington DC which has an initial lease term of 158 months from the lease commencement date of September 1, 2016, and has a 10-year renewal option which management is currently not reasonably certain to exercise. In addition, the office space provides for annual rent escalation of 2.5% and required a security deposit of \$95,608, which is secured by a letter of credit issued by Wells Fargo Bank, N.A. The Foundation received an abatement of the base rent during the first 14 months of the lease term and received a tenant improvement allowance of \$1,015,835.

The Foundation also leases certain office spaces and office equipment under long-term noncancellable operating and finance leases, which expire at various dates through 2028.

The Foundation recorded right-of-use assets, net of prepaid lease payments and direct lease incentives, and lease liabilities equal to the present value of the future lease payments due under the terms of the leases, discounted at the risk-free rate.

**LUPUS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2024 and 2023**

7. Leases (continued)

As of September 30, 2024 and 2023, the Foundation had recognized the following:

	<u>2024</u>	<u>2023</u>
Operating right-of-use assets	\$ 2,481,251	\$ 2,882,595
Finance right-of-use asset	<u>4,087</u>	<u>6,812</u>
Total Right-of-Use Assets	<u>\$ 2,485,338</u>	<u>\$ 2,889,407</u>
Operating right-of-use liabilities	\$ 3,475,909	\$ 4,019,214
Finance right-of-use asset	<u>4,557</u>	<u>7,580</u>
Total Right-of-Use Assets	<u>\$ 3,480,466</u>	<u>\$ 4,026,794</u>

Occupancy expense was \$636,568 and \$624,664 for the years ended September 30, 2024 and 2023, respectively, and is included in occupancy, maintenance and insurance expense in the accompanying statements of functional expenses. Cash paid for amounts included in the measurement of lease liabilities totaled \$711,095 and \$670,557 for the years ended September 30, 2024 and 2023, respectively.

The weighted average lease term and discount rate as of September 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term:		
Operating leases	5.05 years	6.07 years
Finance lease	1.50 years	2.50 years
Weighted average discount rate		
Operating leases	3.36 %	3.37%
Finance lease	0.41%	0.41%

Future minimum lease payments under noncancelable operating and finance leases are as follows:

<u>For the Year Ending</u> <u>September 30</u>	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2025	\$ 724,232	\$ 3,048	\$ 727,280
2026	726,057	1,524	727,581
2027	743,444	-	743,444
2028	757,711	-	757,711
2029	<u>839,505</u>	<u>-</u>	<u>839,505</u>
Total Lease Payments	3,790,949	4,572	3,795,521
Less: Present Value Discount	<u>(315,040)</u>	<u>(15)</u>	<u>(315,055)</u>
Lease Liabilities	<u>\$ 3,475,909</u>	<u>\$ 4,557</u>	<u>\$ 3,480,466</u>

**LUPUS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2024 and 2023**

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**8. Research Grants**

During the years ended September 30, 2024 and 2023, the Foundation awarded unconditional research grants totaling \$1,177,869 and \$760,356, respectively. Unconditional research grants, which had not been paid out during the years ended September 30, 2024 and 2023, totaled \$1,720,656 and \$1,573,956, respectively. These research grants are payable over one to five years and were expected to be paid as follows as of September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Amounts payable within one year	\$ 1,380,656	\$ 1,450,655
Amounts payable in one to five years	<u>340,000</u>	<u>123,301</u>
Total Research Grants Payable	<u>\$ 1,720,656</u>	<u>\$ 1,573,956</u>

No discount to present value was recorded for multi-year grants payable as the amount was insignificant to the financial statements.

The Foundation has awarded various conditional grants as of September 30, 2024 and 2023, for which expense is recognized as conditions are met. Amounts yet to be recognized as expense as of September 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Conditional awards	\$ 300,000	\$ 550,000
Previously recognized	(150,000)	(200,000)
Recognized in current year	<u>(150,000)</u>	<u>(200,000)</u>
Conditional Grants Yet to be Recognized	<u>\$ -</u>	<u>\$ 150,000</u>

**9. Line of Credit**

The Foundation has a \$300,000 unsecured, revolving line of credit with a financial institution. The line of credit does not have an expiration date. Amounts drawn on this line accrue interest at the bank's prime rate plus 1.75% up to 9.75%, and are payable on demand. There were no borrowings during the years ended September 30, 2024 and 2023, nor was there a balance due on the line of credit as of September 30, 2024 and 2023.

**LUPUS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2024 and 2023**

10. Net Assets

**Net Assets Without Donor Restrictions**

The Foundation's net assets without donor restrictions are composed of undesignated amounts and board-designated amounts for a working capital reserve. As of September 30, 2024 and 2023, the Foundation's net assets without donor restrictions were as follows:

	<u>2024</u>	<u>2023</u>
Undesignated – operating	\$ 839,878	\$ 2,982,934
Board-designated – reserve fund	<u>2,390,000</u>	<u>2,390,000</u>
Total Net Assets Without Donor Restrictions	<u>\$ 3,229,878</u>	<u>\$ 5,372,934</u>

**Net Assets With Donor Restrictions**

As of September 30, 2024 and 2023, net assets with donor restrictions were restricted for the following purposes or periods:

	<u>2024</u>	<u>2023</u>
Subject to purpose restriction:		
MAPRx Coalition	\$ 1,215,334	\$ 934,304
LRAN	445,147	469,943
World Lupus Federation	126,817	201,110
Corporate Advisory Council	374,184	-
Steve Gibson Memorial Fund	156,220	199,226
Ambassador's Program	126,523	143,085
MAWG	55,739	91,798
Registry	26,003	78,014
ALPHA	41,965	52,909
CLASI	-	15,793
Health Disparities Study	80,514	9,092
340b Program	20,000	-
Car-T	46,000	-
Stem Cell Research	<u>1,640</u>	<u>-</u>
Total Subject to Purpose Restriction	<u>2,716,086</u>	<u>2,195,274</u>
Subject to spending policy and appropriation:		
Original donor-restricted gifts required to be maintained in perpetuity	107,300	107,300
Beneficial interest in a perpetual trust	<u>377,868</u>	<u>315,480</u>
Total Net Assets With Donor Restrictions	<u>\$ 3,201,254</u>	<u>\$ 2,618,054</u>

## **LUPUS FOUNDATION OF AMERICA, INC.**

### **NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2024 and 2023**

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#### **11. Endowment Funds**

##### **Interpretation of Relevant Law**

The Board of Directors of the Foundation has interpreted the District of Columbia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The earnings from the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The fund's duration and preservation;
- The Foundation's purpose and the donor-restricted endowment fund;
- General economic conditions;
- The possible effects of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- The Foundation's other resources; and
- The Foundation's investment policies.

##### **Return Objectives and Spending Policy**

The Foundation strives to provide a predictable stream of investment return while seeking to maintain the purchasing power of the endowment assets. The earnings on the donor-restricted endowments are for general operations and research. The Foundation's Board of Directors approves the spending of the earnings on the endowment fund on an annual basis when it approves the annual budget.

##### **Endowment Funds of the Foundation**

The Foundation's endowment net assets are composed of donor-restricted funds and the beneficial interest in a perpetual trust.

## LUPUS FOUNDATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2024 and 2023

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#### 11. Endowment Funds (continued)

##### **Endowment Funds of the Foundation (continued)**

For the years ended September 30, 2024 and 2023, the donor-restricted endowment fund had the following activity:

Endowment net assets, September 30, 2022	\$ 399,875
Change in value of perpetual trust	<u>22,905</u>
Endowment net assets, September 30, 2023	422,780
Change in value of perpetual trust	<u>62,388</u>
Endowment net assets, September 30, 2024	<u>\$ 485,168</u>

##### **Funds with Deficiencies**

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of permanent duration. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under the law. As of September 30, 2024 and 2023, the endowment had an original gift value of \$107,300. There was no deficiency in the endowment fund as of September 30, 2024 and 2023.

#### 12. Risks and Uncertainties

##### **Financial Instruments and Credit Risks**

The Foundation maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of September 30, 2024 and 2023, the Foundation exceeded the maximum limit insured by FDIC by approximately \$3,451,000 and \$5,606,000, respectively. From time to time, in order to maintain a level that fulfills the Foundation's monthly cash requirements, the Foundation's cash and cash equivalents may exceed the maximum limit insured by FDIC. The Foundation monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

##### **Compliance Audit and Government Funding**

The Foundation has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures, which may be disallowed by the federal agencies, cannot be determined at this time, although the Foundation expects such an amount, if any, to be insignificant.



**LUPUS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2024 and 2023**

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12. Risks and Uncertainties (continued)

**Compliance Audit and Government Funding (continued)**

In addition, due to federal government's review and potential restructuring of federal funding priorities, there is uncertainty regarding the continuation and amount of future funding from federal sources. The Foundation is monitoring policy developments and may need to explore alternative funding sources to mitigate potential impacts.

13. Availability of Resources and Liquidity

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The Foundation's financial assets available within one year of the statement of financial position date for general expenditures at September 30, 2024 and 2023, were as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents – not restricted	\$ 7,701,696	\$ 8,953,375
Accounts receivable due in one year	166,266	97,460
Pledges receivable due in one year, net	1,862,019	2,193,950
Beneficial interest in perpetual trust	<u>377,868</u>	<u>315,480</u>
Total Financial Assets	10,107,849	11,560,265
Less:		
Amounts unavailable for general expenditures within one year due to donor's restriction	(3,201,254)	(2,618,054)
Amounts unavailable for general expenditures within one year without Board approval	<u>(2,390,000)</u>	<u>(2,390,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 4,516,595</u>	<u>\$ 6,552,211</u>

The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and receivables, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Foundation throughout the year. This is done through monitoring and reviewing the Foundation's cash flow needs on a regular basis. As a result, management is aware of the cyclical nature of the Foundation's cash flow related to the Foundation's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, the Foundation has a committed line of credit of \$300,000, which is available to draw upon as needed. Additionally, the Foundation has board-designated net assets that could be available for current operations with Board approval.

**LUPUS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2024 and 2023**

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14. Pension Plan

The Foundation has a contributory defined contribution pension plan (the Plan), which operates under Section 403(b) of the Internal Revenue Code (the IRC). The Plan covers all employees who have completed at least one year of service and worked at least 1,000 hours in a plan year. The Foundation's contributions to the Plan are discretionary. The Plan allows for a three-tiered employer contribution rate schedule based on years of service with a percentage rate determined by the Board of Directors annually, ranging from 3% to 9%. Total pension expense was \$309,949 and \$338,014 for the years ended September 30, 2024 and 2023, respectively, and is included in salaries and benefits in the accompanying statements of functional expenses.

15. Allocation of Joint Costs

The Foundation conducts activities that include appeals for contributions, as well as program and management and general components. Those activities include direct mail campaigns and walks. These joint costs were allocated in the accompanying statements of functional expenses as follows:

	<u>2024</u>	<u>2023</u>
Program	\$ 1,264,082	\$ 1,272,288
Fundraising	630,432	689,983
Management and general	<u>175,911</u>	<u>140,717</u>
Total Allocation of Joint Costs	<u>\$ 2,070,425</u>	<u>\$ 2,102,988</u>

16. Acquisition of Chapters

In December 2023, The Lupus Foundation of America Philadelphia Tri-State Chapter (Philadelphia Chapter) elected to relinquish its 501(c)(3) status and its activities were consolidated with the Foundation. The Philadelphia Chapter granted all of its assets to the Foundation and the Foundation agreed to assume the Philadelphia Chapter's liabilities and continue its programs. There were no other considerations exchanged. The Foundation recognized contribution revenue of \$714,981 from the Philadelphia Chapter as a result of the transaction during the year ended September 30, 2024.

In June 2024, The Lupus Foundation of America Heartland Chapter (Heartland Chapter) elected to relinquish its 501(c)(3) status and its activities were consolidated with the Foundation. The Heartland Chapter granted all of its assets to the Foundation and the Foundation agreed to assume the Heartland Chapter's liabilities and continue its programs. There were no other considerations exchanged. There were no other considerations exchanged. The Foundation recognized contribution revenue of \$351,757 from the Heartland Chapter as a result of the transaction during the year ended September 30, 2024.

**LUPUS FOUNDATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2024 and 2023**

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16. Acquisition of Chapters (continued)

Effective December 1, 2022, the New Jersey Chapter of LFA (New Jersey Chapter) elected to relinquish its 501(c)(3) status and its activities were consolidated with the Foundation. The New Jersey Chapter granted all of its assets to the Foundation and the Foundation agreed to assume the New Jersey Chapter's liabilities and continue its programs. There were no other considerations exchanged. The Foundation recognized contribution revenue of \$65,496 from the New Jersey Chapter as a result of the transaction during the year ended September 30, 2023.

17. Income Taxes

The Foundation is exempt from federal taxes on income other than net unrelated business income under Section 501(c)(3) of the IRC. For the years ended September 30, 2024 and 2023, no provision for income taxes was required, as the Foundation had no significant net unrelated business income.

The Foundation follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Foundation performed an evaluation of uncertainty in taxes for the years ended September 30, 2024 and 2023, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of September 30, 2024, the statute of limitations remained open with the U.S. federal jurisdiction or the various state and local jurisdictions in which the Foundation files tax returns, however, there are currently no audits for any tax periods pending or in progress. It is the Foundation's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of September 30, 2024 and 2023, the Foundation had no accruals for interest and/or penalties.

18. Reclassification

Certain 2023 amounts have been reclassified to conform to 2024 financial statement presentation.

19. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 31, 2025, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.