

Help Us Solve
The Cruel Mystery

LUPUSTM

FOUNDATION OF AMERICA

Financial Statements

For the Years Ended September 30, 2022 and 2021



**and
Report Thereon**



LUPUS FOUNDATION OF AMERICA, INC.

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For the Years Ended September 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lupus Foundation of America, Inc.

Opinion

We have audited the financial statements of Lupus Foundation of America, Inc. (the Foundation), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the Foundation's ability to continue as a going concern within 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.

Marcum LLP

Washington, DC
June 28, 2023

LUPUS FOUNDATION OF AMERICA, INC.

STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 6,063,668	\$ 4,883,806
Restricted cash	201,008	95,717
Accounts receivable, net of allowance for doubtful accounts of \$72,243 and \$138,847, respectively	134,606	229,875
Pledges receivable, net of allowance for doubtful pledges of \$20,000	2,137,950	1,839,342
Prepaid expenses and other assets	392,076	566,756
Investments	32,746	32,746
Beneficial interest in a perpetual trust	292,575	352,809
Property and equipment, net of accumulated depreciation and amortization of \$1,422,054 and \$1,258,224, respectively	574,804	732,415
Restricted investments	-	105,291
	<u>\$ 9,829,433</u>	<u>\$ 8,838,757</u>
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,084,499	\$ 976,092
Grants payable	1,423,601	1,094,672
Deferred revenue	308,941	406,995
Note payable – PPP loan	-	1,008,591
Capital lease obligations	-	5,339
Deferred rent	715,293	747,034
Deferred lease incentive	546,493	623,643
	<u>4,078,827</u>	<u>4,862,366</u>
TOTAL LIABILITIES		
Net Assets		
Without donor restrictions	3,639,066	2,094,401
With donor restrictions	2,111,540	1,881,990
	<u>5,750,606</u>	<u>3,976,391</u>
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS		
	<u>\$ 9,829,433</u>	<u>\$ 8,838,757</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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Grants and contributions	\$ 7,727,092	\$ 2,228,943	\$ 9,956,035	\$ 6,687,221	\$ 2,165,518	\$ 8,852,739
Special events, net of direct benefit costs of \$124,570 and \$0, respectively	2,563,921	77,133	2,641,054	1,794,180	11,121	1,805,301
Wills and bequests	2,226,659	137	2,226,796	549,403	174,595	723,998
Contributed nonfinancial assets and services	1,122,342	-	1,122,342	174,000	-	174,000
Program service revenue	1,029,483	-	1,029,483	2,377,192	-	2,377,192
Forgiveness of debt – PPP loan	1,008,591	-	1,008,591	975,100	-	975,100
Membership dues	182,206	-	182,206	212,016	-	212,016
Royalty income	54,399	-	54,399	32,486	-	32,486
Donated goods program	22,373	-	22,373	36,333	-	36,333
Investment income, net	3,380	3,815	7,195	1,042	3,135	4,177
Other income	154	-	154	4,744	-	4,744
Change in value of a perpetual trust held by a trustee	-	(60,234)	(60,234)	-	53,801	53,801
Net assets released from restrictions:						
Satisfaction of program restrictions	2,020,244	(2,020,244)	-	2,442,886	(2,442,886)	-
Satisfaction of time restrictions	-	-	-	28,100	(28,100)	-
TOTAL REVENUE AND SUPPORT	17,960,844	229,550	18,190,394	15,314,703	(62,816)	15,251,887
EXPENSES						
Program Services:						
Public information and education	6,545,776	-	6,545,776	7,192,024	-	7,192,024
Network support and services	3,320,867	-	3,320,867	2,155,782	-	2,155,782
Research	3,292,132	-	3,292,132	2,825,773	-	2,825,773
Patient education and support	471,771	-	471,771	480,841	-	480,841
Professional relations and education	18,699	-	18,699	7,173	-	7,173
Total Program Services	13,649,245	-	13,649,245	12,661,593	-	12,661,593
Supporting Services:						
Management and general	1,500,212	-	1,500,212	1,217,951	-	1,217,951
Fundraising	1,266,722	-	1,266,722	1,021,624	-	1,021,624
Total Supporting Services	2,766,934	-	2,766,934	2,239,575	-	2,239,575
TOTAL EXPENSES	16,416,179	-	16,416,179	14,901,168	-	14,901,168
CHANGE IN NET ASSETS	1,544,665	229,550	1,774,215	413,535	(62,816)	350,719
NET ASSETS, BEGINNING OF YEAR	2,094,401	1,881,990	3,976,391	1,680,866	1,944,806	3,625,672
NET ASSETS, END OF YEAR	\$ 3,639,066	\$ 2,111,540	\$ 5,750,606	\$ 2,094,401	\$ 1,881,990	\$ 3,976,391

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, 2022

	Program Services					Supporting Services			Total Expenses	
	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
Salaries and benefits	\$ 2,498,642	\$ 2,304,597	\$ 748,233	\$ 354,194	\$ 12,609	\$ 5,918,275	\$ 875,687	\$ 476,284	\$ 1,351,971	\$ 7,270,246
Professional services	1,543,177	189,872	725,794	42,580	414	2,501,837	217,651	227,733	445,384	2,947,221
Printing, publications and promotions	1,717,691	39,348	4,201	1,836	111	1,763,187	6,261	28,438	34,699	1,797,886
Grants and awards	-	72,500	1,662,650	-	-	1,735,150	-	-	-	1,735,150
Conferences, meetings and travel	256,489	362,030	56,568	4,319	274	679,680	14,338	178,141	192,479	872,159
Occupancy, maintenance and insurance	215,430	241,863	69,245	50,652	641	577,831	60,910	39,782	100,692	678,523
Postage, mailing and shipping	169,490	24,649	1,725	1,472	16	197,352	127,678	302,770	430,448	627,800
Other expenses	7,459	10,287	2,395	1,752	22	21,915	173,021	1,934	174,955	196,870
Supplies, telecommunications and internet	36,801	45,342	11,036	7,443	4,517	105,139	15,619	5,736	21,355	126,494
Total Expenses Before Depreciation and Amortization	6,445,179	3,290,488	3,281,847	464,248	18,604	13,500,366	1,491,165	1,260,818	2,751,983	16,252,349
Depreciation and amortization	100,597	30,379	10,285	7,523	95	148,879	9,047	5,904	14,951	163,830
TOTAL EXPENSES	\$ 6,545,776	\$ 3,320,867	\$ 3,292,132	\$ 471,771	\$ 18,699	\$ 13,649,245	\$ 1,500,212	\$ 1,266,722	\$ 2,766,934	\$ 16,416,179

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, 2021

	Program Services					Supporting Services			Total Expenses	
	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
Salaries and benefits	\$ 3,076,028	\$ 1,589,906	\$ 468,520	\$ 375,110	\$ 1,392	\$ 5,510,956	\$ 697,208	\$ 406,411	\$ 1,103,619	\$ 6,614,575
Professional services	1,269,399	143,742	708,854	22,059	279	2,144,333	235,301	142,190	377,491	2,521,824
Printing, publications and promotions	2,314,067	15,051	5,069	3,353	42	2,337,582	11,289	54,618	65,907	2,403,489
Grants and awards	-	24,924	1,503,660	-	-	1,528,584	-	-	-	1,528,584
Conferences, meetings and travel	30,262	23,951	35,091	869	1,748	91,921	9,316	59,732	69,048	160,969
Occupancy, maintenance and insurance	219,318	236,874	71,032	51,557	653	579,434	62,710	40,475	103,185	682,619
Postage, mailing and shipping	110,390	12,534	932	1,212	32	125,100	111,241	300,881	412,122	537,222
Other expenses	14,716	30,350	6,741	3,447	44	55,298	66,067	2,714	68,781	124,079
Supplies, telecommunications and internet	41,545	28,153	8,846	10,778	2,825	92,147	9,840	4,827	14,667	106,814
Total Expenses Before Depreciation and Amortization	7,075,725	2,105,485	2,808,745	468,385	7,015	12,465,355	1,202,972	1,011,848	2,214,820	14,680,175
Depreciation and amortization	116,299	50,297	17,028	12,456	158	196,238	14,979	9,776	24,755	220,993
TOTAL EXPENSES	\$ 7,192,024	\$ 2,155,782	\$ 2,825,773	\$ 480,841	\$ 7,173	\$ 12,661,593	\$ 1,217,951	\$ 1,021,624	\$ 2,239,575	\$ 14,901,168

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,774,215	\$ 350,719
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Forgiveness of note payable – PPP loan	(1,008,591)	(975,100)
Depreciation and amortization	163,830	220,993
Amortization of deferred lease incentive	(77,150)	(77,152)
Bad debt expense	64,757	-
Net unrealized losses	-	543
Change in value of perpetual trust held by trustee	60,234	(53,801)
Changes in assets and liabilities:		
Accounts receivable	30,512	(174,022)
Pledges receivable	(298,608)	(92,123)
Prepaid expenses and other assets	174,680	(283,761)
Accounts payable and accrued expenses	108,407	(175,284)
Grants payable	328,929	73,454
Deferred revenue	(98,054)	406,995
Deferred rent	(31,741)	(17,166)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,191,420</u>	<u>(795,705)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	105,291	-
Purchases of property and equipment	(6,219)	(37,201)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>99,072</u>	<u>(37,201)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable – PPP loan	-	1,008,591
Payments on loan payable	-	(11,078)
Payments on capital lease obligations	(5,339)	(4,849)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(5,339)</u>	<u>992,664</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,285,153	159,758
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,979,523</u>	<u>4,819,765</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,264,676</u>	<u>\$ 4,979,523</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash financing activities:		
PPP loan forgiveness	<u>\$ 1,008,591</u>	<u>\$ 975,100</u>
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 6,063,668	\$ 4,883,806
Cash – restricted	201,008	95,717
	<u>\$ 6,264,676</u>	<u>\$ 4,979,523</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, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies

Organization

Lupus Foundation of America, Inc. (the Foundation) is the only 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 a free e-newsletter, and through its websites, *lupus.org* and its National Resource Center on Lupus, which combined, attract more than seven million visits per 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.

Research. The Foundation's research is anchored in what matters: Transforming Lives. The Foundation's peer-reviewed initiatives 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. 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 with leading medical organizations that are on the front lines of lupus research to put lupus patients first. The Foundation not only brings leading researchers together, the Foundation connects them to the funding they need. The Foundation has 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 make certain lupus patients' voices are heard, bringing their perspective into drug development.

Network Support and Services. The Foundation's national network is composed of chapters, regional offices, community ambassadors 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.

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

LUPUS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2022 and 2021

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

Organization (continued)

partnered with the American College of Rheumatology to launch a new online awareness campaign, “Be Fierce,” to reach minority women between the ages of 18-24 who are living with lupus.

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.

Professional Relations and Education. 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, develops a more robust educational curriculum for nurses and works with lupus investigators and industry leaders to train clinical investigators on instruments to measure lupus disease activity that are used in clinical practice and lupus clinical trials.

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.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and money market funds. Restricted cash includes a reserve for collateral in compliance with the line of credit agreement.

Investments

Investments consist of certificates of deposit with maturities greater than 90 days and a private equity fund bequeathed to the Foundation. The Foundation carries its investments at fair value, with any related gain or loss reported in the accompanying statements of activities. 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.

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

LUPUS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2022 and 2021

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

Beneficial Interest in a Perpetual Trust Held by a Trustee (continued)

value information received from the trustee. The trust assets consist of mutual funds, certificates of deposit, U.S. government bonds 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.

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.

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, 2022 and 2021.
- 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

LUPUS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2022 and 2021

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

Revenue and Support Recognition (continued)

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 Foundation recognizes all unconditional contributed support in the period in which the unconditional commitment is made, including the portion of gala donations that exceed the value given by the donor. Gala donations to the extent of the benefits received by the donor, are recognized at the point in time that the event occurs. 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.

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 based on the payment terms established in the contracts and at the point in time when the deliverables (the performance obligation) associated with the payment terms have been met. 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 are recognized as revenue on a quarterly basis. The 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, 2022 are reported as accounts receivable in the accompanying statement 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.

LUPUS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

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

Contributed Nonfinancial Assets and Services (continued)

The Foundation received the following contributions of nonfinancial assets for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Advertising	\$ 1,095,529	\$ -
Professional services	<u>26,813</u>	<u>174,000</u>
Total Contributed Nonfinancial Assets and Services	<u>\$ 1,122,342</u>	<u>\$ 174,000</u>

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. Contributed professional services are recognized at their estimated fair value if they create or enhance a nonfinancial asset or they require specialized skills that would need to be purchased if they were not donated. 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 and services. 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.

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.

LUPUS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

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

New Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. ASU 2020-07 requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. The Organization adopted ASU 2020-07 retrospectively on October 1, 2020. The adoption of the standard did not result in a material change to the financial statements.

2. Pledges Receivable

Pledges receivable consisted of the following as of September 30, 2022 and 2021:

	2022	2021
Individuals, foundations and corporations	\$ 1,643,589	\$ 1,031,102
Federal grants	514,361	556,240
Wills and bequests	-	272,000
Gross Pledges Receivable	2,157,950	1,859,342
Less: Allowance for Doubtful Pledges	(20,000)	(20,000)
Pledges Receivable, Net	\$ 2,137,950	\$ 1,839,342

Amounts were expected to be paid as follows:

	2021	2020
Due in less than one year	\$ 2,007,950	\$ 1,857,342
Due in one to five years	150,000	2,000
Gross Pledges Receivable	\$ 2,157,950	\$ 1,859,342

As of September 30, 2022 and 2021 the Foundation received conditional cost-reimbursable grants from the U.S. Department of Health and Human Services totaling approximately \$9,200,000 and \$9,100,000, of which approximately \$8,900,000 and \$7,100,000 had been recognized, respectively. As of September 30, 2022 and 2021, the Foundation had approximately \$300,000 and \$2,000,000 that had yet to be recognized because the performance requirements and qualifying expenditures had not yet been incurred.

LUPUS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

3. Contract Receivables and Liabilities

The Foundation's contract receivables consisted of the following:

	September 30, 2022	September 30, 2021	October 1, 2020
Membership dues	\$ 166,226	\$ 331,968	\$ 278,827
Program service revenue	40,623	36,754	26,899
Allowance for doubtful accounts	(72,243)	(138,847)	(138,847)
Total Contract Receivables	\$ 134,606	\$ 229,875	\$ 166,879

The Association's contract liabilities related to program service revenue amounted to \$308,941 and \$406,995 as of September 30, 2022 and 2021, respectively. There were no contract liabilities as of October 1, 2020.

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, 2022 and 2021, the value of the beneficial interest in a perpetual trust was \$292,575 and \$352,809, 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, 2022 and 2021 was a loss of \$60,234 and a gain of \$53,801, respectively, and is included as change in value of a perpetual trust held by a trustee in the accompanying statements of activities.

5. Investments

As of September 30, 2021, restricted investments of \$105,291 were invested in certificates of deposit. This represents the principal amount of an endowment fund. These certificates of deposit were sold during the year ended September 30, 2022 and were not reinvested. The Foundation also had a private equity fund of \$32,746 as of September 30, 2022 and 2021.

6. Property and Equipment

Property and equipment consisted of the following as of September 30, 2022 and 2021:

	2022	2021
Leasehold improvements	\$ 1,061,513	\$ 1,061,513
Furniture and office equipment	443,045	436,826
Computer software and website design	464,221	464,221
Capital leases	28,079	28,079
Total Property and Equipment at Cost	1,996,858	1,990,639

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

6. Property and Equipment (continued)

(continued)

Less: Accumulated Depreciation and Amortization	<u>\$ (1,422,054)</u>	<u>\$ (1,258,224)</u>
Property and Equipment, Net	<u>\$ 574,804</u>	<u>\$ 732,415</u>

Depreciation and amortization expense was \$163,830 and \$220,993 for the years ended September 30, 2022 and 2021, respectively.

7. Research Grants

During the years ended September 30, 2022 and 2021, the Foundation awarded unconditional research grants totaling \$1,662,650 and \$1,503,660, respectively. Unconditional research grants, which had not been paid out during the years ended September 30, 2022 and 2021, totaled \$1,423,601 and \$1,094,672, respectively. These research grants are payable over one to five years and were expected to be paid as follows as of September 30, 2022 and 2021:

	2022	2021
Amounts payable within one year	\$ 1,093,601	\$ 814,672
Amounts payable in one to five years	<u>330,000</u>	<u>280,000</u>
Total Research Grants Payable	<u>\$ 1,423,601</u>	<u>\$ 1,094,672</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, 2022 and 2021, for which expense is recognized as conditions are met. Amounts yet to be recognized as expense as of September 30, 2022 and 2021, are as follows:

	2022	2021
Conditional awards	\$ 4,030,000	\$ 4,030,000
Previously recognized	(3,124,000)	(2,268,000)
Recognized in current year	<u>(856,000)</u>	<u>(856,000)</u>
Conditional Grants Yet to be Recognized	<u>\$ 50,000</u>	<u>\$ 906,000</u>

8. Operating Lease

In February 2016, the Foundation entered into a lease agreement for new office space in Washington, DC. The lease commencement date was September 1, 2016. The lease has an initial lease term of 158 months from the lease commencement date, with a 10-year renewal option. Annual base rent is \$573,648, with a fixed annual escalation of 2.5%. The Foundation received an abatement of the base rent during the first 14 months of the lease term. Further, the lease included a tenant improvement allowance of \$1,015,835. The lease also required a security deposit of \$95,608, which is secured by a letter of credit issued by Wells Fargo Bank, N.A.

LUPUS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

8. Operating Lease (continued)

Under GAAP, all rental payments, including fixed rent increases, less any rental abatements and other incentives, are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent in the accompanying statements of financial position. The tenant improvement allowance is reflected as deferred lease incentive in the accompanying statements of financial position and is being amortized ratably over the term of the lease.

Occupancy expense was \$587,518 and \$582,701 for the years ended September 30, 2022 and 2021, respectively, and is included in occupancy, maintenance and insurance expense in the accompanying statements of functional expenses.

Future minimum lease payments under the lease are as follows:

<u>For the Year Ending</u> <u>September 30,</u>	
2023	\$ 666,642
2024	683,308
2025	700,390
2026	717,900
2027	735,848
Thereafter	<u>1,593,242</u>
Total	<u>\$ 5,097,330</u>

9. 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, 2022 and 2021, the Foundation exceeded the maximum limit insured by FDIC by approximately \$3,861,000 and \$2,838,000, 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

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, 2022 and 2021

10. Line of Credit

The Foundation had a \$500,000 line of credit with a financial institution that matured in May 2019. The line of credit was renewed on May 5, 2019 with a limit of \$300,000. 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, 2022 and 2021, nor was there a balance due on the line of credit as of September 30, 2022 and 2021.

11. Note Payable

On April 22, 2020, the Foundation entered into a Small Business Administration (SBA) loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$975,100. The loan was set to mature in April 2022 with a fixed interest rate at 1% per annum. Interest and principal payments were due starting in November 2021, as such, no interest or principal payments were made during the year ended September 30, 2021. On September 20, 2021, the Foundation received notification that the loan was forgiven and paid off by the Small Business Administration.

On March 16, 2021, the Foundation entered into a second SBA loan with its financial institution under the PPP for the amount of \$1,008,591. The loan was set to mature in March 2026 with a fixed interest rate at 1% per annum. Interest and principal payments were due starting in October 2022, as such, no interest or principal payments were made during the year ended September 30, 2022. On September 28, 2022, the Foundation received notification that the loan was forgiven and paid off by the Small Business Administration.

12. 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, 2022 and 2021, the Foundation's net assets without donor restrictions were as follows:

	<u>2022</u>	<u>2021</u>
Undesignated – operating	\$ 1,249,066	\$ (295,599)
Board-designated – reserve fund	<u>2,390,000</u>	<u>2,390,000</u>
Total Net Assets Without Donor Restrictions	<u>\$ 3,639,066</u>	<u>\$ 2,094,401</u>

LUPUS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

12. Net Assets (continued)

Net Assets With Donor Restrictions

As of September 30, 2022 and 2021, net assets with donor restrictions were restricted for the following purposes or periods:

	2022	2021
Subject to purpose restriction:		
MAPRx Coalition	\$ 723,181	\$ 489,040
LRAN	370,000	270,000
NCRL	150,000	150,000
Ambassador's Program	100,000	134,843
World Lupus Federation	94,017	82,987
MAWG	73,673	5,503
Registry	69,350	-
ALPHA	65,651	54,886
Pregnancy and Childhood	50,000	-
CLASI	15,793	16,093
Research	-	140,020
Health Disparities Study	-	50,000
Adios Lupus	-	30,518
Total Subject to Purpose Restriction	1,711,665	1,423,890
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Underwater balances	399,875	460,109
	-	(2,009)
Total Net Assets With Donor Restrictions	\$ 2,111,540	\$ 1,881,990

13. 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.

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.

LUPUS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

13. Fair Value Measurement (continued)

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

The following table summarizes the Foundation’s assets measured at fair value on a recurring basis as of September 30, 2022:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Investments:				
Private equity fund	\$ 32,746	\$ -	\$ -	\$ 32,746
Beneficial interest in a perpetual trust	<u>292,575</u>	<u>-</u>	<u>-</u>	<u>292,575</u>
Total Assets	<u>\$ 325,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,321</u>

The following table summarizes the Foundation’s assets measured at fair value on a recurring basis as of September 30, 2021:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Investments:				
Private equity fund	\$ 32,746	\$ -	\$ -	\$ 32,746
Restricted investments: Certificates of deposit	105,291	-	105,291	-
Beneficial interest in a perpetual trust	<u>352,809</u>	<u>-</u>	<u>-</u>	<u>352,809</u>
Total Assets	<u>\$ 490,846</u>	<u>\$ -</u>	<u>\$ 105,291</u>	<u>\$ 385,555</u>

As of September 30, 2022 and 2021, the Foundation used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

Private equity fund – This investment is subject to certain restrictions and generally has no established trading market. Fair value is determined based on the value as provided by the investee fund management or the general partner of the respective entity.

LUPUS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

13. Fair Value Measurement (continued)

Certificates of deposit – Certificates of deposit are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations while considering the creditworthiness of the issuer.

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).

14. 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.

LUPUS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

14. Endowment Funds (continued)

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, 2022 and 2021, the endowment had an original gift value of \$107,300. As of September 30, 2021, the endowment fund had a fair value of \$105,291 and a cumulative deficiency of \$2,009 in the endowment fund was recorded as a component of net assets with donor restrictions. There was no deficiency in the endowment fund as of September 30, 2022.

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.

For the years ended September 30, 2022 and 2021, the donor-restricted endowment fund had the following activity:

Endowment net assets, September 30, 2020	\$ 404,842
Change in value of perpetual trust	53,801
Investment income	3,135
Amount appropriated for expenditure	<u>(3,678)</u>
Endowment net assets, September 30, 2021	458,100
Change in value of perpetual trust	(60,234)
Investment income	3,815
Amount appropriated for expenditure	<u>(1,806)</u>
Endowment net assets, September 30, 2022	<u>\$ 399,875</u>

LUPUS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

15. 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, 2022 and 2021, were as follows:

	2022	2021
Cash and cash equivalents – not restricted	\$ 6,063,668	\$ 4,883,806
Accounts receivable due in one year	134,606	229,875
Pledges receivable due in one year, net	2,007,950	1,837,342
Beneficial interest in perpetual trust	292,575	352,809
Restricted investments	-	105,291
Total Financial Assets	8,498,799	7,409,123
Less:		
Amounts unavailable for general expenditures within one year due to donor's restriction	(2,111,540)	(1,881,990)
Amounts unavailable for general expenditures within one year without Board approval	(2,390,000)	(2,390,000)
Financial Assets Available to Meet General Expenditures Within One Year	\$ 3,997,259	\$ 3,137,133

The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, receivables and investments, 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. As part of its liquidity plan, excess cash is invested in certificates of deposit and/or corporate bonds when available. To help manage unanticipated liquidity needs, the Foundation has a committed line of credit of \$500,000, 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.

16. 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 5% to 9%. Total pension expense was \$314,291 and \$268,214 for the years ended September 30, 2022 and 2021, respectively, and is included in salaries and benefits in the accompanying statements of functional expenses.

LUPUS FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

17. 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>2022</u>	<u>2021</u>
Program	\$ 1,085,782	\$ 667,115
Fundraising	603,773	434,479
Management and general	<u>126,674</u>	<u>112,359</u>
Total Allocation of Joint Costs	<u>\$ 1,816,229</u>	<u>\$ 1,213,953</u>

18. Acquisition of Florida Chapter

Effective December 6, 2021, the Florida Chapter of LFA (Florida Chapter) elected to relinquish its 501(c)(3) status and its activities were consolidated with the Foundation. The Florida Chapter granted all of its assets to the Foundation and the Foundation agreed to assume the Florida Chapter's liabilities and continue its programs. There were no other considerations exchanged. The Foundation recognized contribution revenue of \$713,703 from the Florida Chapter as a result of the transaction. As of September 30, 2022, the Florida Chapter had not been formally dissolved as certain assets in the name of the Florida Chapter were in the process of being transferred to the Foundation.

19. 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, the Foundation had no accruals for interest and/or penalties.

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NOTES TO FINANCIAL STATEMENTS
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20. Reclassification

Certain 2021 amounts have been reclassified to conform to 2022 financial statement presentation.

21. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 28, 2023, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.