

**LUPUS FOUNDATION OF AMERICA,
TEXAS GULF COAST CHAPTER, INC.
AUDITED FINANCIAL STATEMENTS**

For the Years Ended September 30, 2020 and 2019

**LUPUS FOUNDATION OF AMERICA,
TEXAS GULF COAST CHAPTER, INC.**

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Reimer, McGuinness & Associates, PC
CPAs & Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lupus Foundation of America,
Texas Gulf Coast Chapter, Inc.
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Lupus Foundation Of America-Gulf Coast Chapter which comprise the statement of financial position for the year ended September 30, 2020, and the related statement of activity, functional expense, and cash flow for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lupus Foundation Of America-Gulf Coast Chapter for the year ended September 30, 2020, and the changes in their net assets and their cash flows for the then ended in accordance with accounting principles generally accepted in the United States of America.

Reimer, McGuinness & Associates, P.C

Houston, Texas
June 10, 2021

FINANCIAL STATEMENTS

**LUPUS FOUNDATION OF AMERICA,
TEXAS GULF COAST CHAPTER, INC.
STATEMENT OF FINANCIAL POSITION
YEARS ENDED SEPTEMBER 30, 2020 and 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 78,892	\$ 65,839
Investments	147,141	146,081
Pledges receivable, net of allowance	-	-
Prepaid expenses	2,214	9,644
Total Current Assets	228,247	221,564
 PROPERTY AND EQUIPMENT		
Computer and equipment	21,841	21,841
Less: Accumulated depreciation	(21,841)	(21,841)
Property and Equipment, Net	-	-
TOTAL ASSETS	\$ 228,247	\$ 221,564
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,600	\$ 86
Accrued payroll	8,000	8,000
Deferred revenue	-	97,050
Total Current Liabilities	13,600	105,136
TOTAL LIABILITIES	13,600	105,136
 NET ASSETS		
Without donor restrictions	203,197	116,428
With donor restrictions	11,450	-
Total Net Assets	214,647	116,428
TOTAL LIABILITIES AND NET ASSETS	\$ 228,247	\$ 221,564

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

**LUPUS FOUNDATION OF AMERICA,
TEXAS GULF COAST CHAPTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019**

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES		
Special events		
Gala	\$ 231,094	\$ 184,449
Less: Direct expenses	(92,563)	(106,355)
Net proceeds	138,531	78,094
Lupus Walk	72,190	172,963
Less: Direct expenses	(6,217)	(47,995)
Net proceeds	65,973	124,968
Total Special events net proceeds	204,504	203,062
Other events	55,887	12,660
Contributions	73,944	86,715
Investment return, net	4,374	6,514
Gain on extinguishment	38,347	-
Total revenues and gains without donor restrictions	377,056	308,951
Net assets released from restrictions		
Restrictions satisfied by payments	21,250	21,374
	398,306	330,325
Total revenues and gains and other support without donor restrictions		
EXPENSES		
Program expenses	236,416	316,008
Fundraising expenses	30,456	30,607
General and administrative	44,665	54,837
Total expenses	311,537	401,452
INCREASE (DECREASE)\ IN NET ASSETS WITHOUT DONOR RESTRICTIONS	86,769	(71,127)
NET ASSETS WITH DONOR RESTRICTIONS:		
REVENUES		
Restricted grant	32,700	5,000
Total revenues and gains with donor restrictions	32,700	5,000
Net assets released from restrictions		
Restrictions satisfied by payments	(21,250)	(21,374)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	11,450	(16,374)
INCREASE (DECREASE) IN NET ASSETS	98,219	(87,501)
NET ASSETS, BEGINNING OF YEAR	116,428	203,929
NET ASSETS AT END OF YEAR	\$ 214,647	\$ 116,428

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

**LUPUS FOUNDATION OF AMERICA
TEXAS GULF COAST CHAPTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	PROGRAM SERVICES	FUNDRAISING	GENERAL & ADMINISTRATIVE	TOTAL
Accounting Fees	\$	\$	\$ 16,308	\$ 16,308
Awareness Campaign	644	72		715
Bank/Credit Card/Payroll Fees			9,388	9,388
Business Insurance	660		876	1,536
Conference and Meetings	122			122
Dues/Memberships	95			95
Equipment Rental and Maintenance	6,989	155	621	7,766
Fees and Licenses	-			-
Fundraising Expenses		17,938		17,938
Grants to Patients	25,824			25,824
LFA National Dues	23,995			23,995
Miscellaneous Expenses	150			150
Postage and Delivery	1,821	107	214	2,142
Printing and Publications	13			13
Rent	23,728	1,318	1,318	26,364
Salaries and Related Expenses	145,759	10,534	15,608	171,901
Supplies	474	32	32	539
Technology Equipment/Supplies	2,115	118	118	2,350
Telephone and ISP	3,277	182	182	3,641
Travel and Mileage	207			207
Volunteer Recognition	543			543
Total	\$ 236,416	\$ 30,456	\$ 44,665	\$ 311,537

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

**LUPUS FOUNDATION OF AMERICA
TEXAS GULF COAST CHAPTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	PROGRAM SERVICES	FUNDRAISING	GENERAL & ADMINISTRATIVE	TOTAL
Accounting Fees	\$	\$	\$ 17,075	\$ 17,075
Awareness Campaign	12,500	1,389		13,889
Bank/Credit Card/Payroll Fees			13,488	13,488
Business Insurance	1,570		2,081	3,651
Conference and Meetings	1,067			1,067
Dues/Memberships	303			303
Equipment Rental and Maintenance	10,846	241	964	12,051
Fees and Licenses	15			15
Fundraising Expenses		14,122		14,122
Grants to Patients	44,180			44,180
LFA National Dues	21,350			21,350
Miscellaneous Expenses	5,034			5,034
Postage and Delivery	3,513	207	413	4,133
Printing and Publications	150			150
Rent	23,112	1,284	1,284	25,680
Salaries and Related Expenses	177,180	12,805	18,973	208,958
Supplies	2,842	194	194	3,229
Technology Equipment/Supplies	2,543	141	141	2,825
Telephone and ISP	4,034	224	224	4,482
Travel and Mileage	2,702			2,702
Volunteer Recognition	3,068			3,068
Total	<u>\$ 316,008</u>	<u>\$ 30,607</u>	<u>\$ 54,837</u>	<u>\$ 401,452</u>

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

**LUPUS FOUNDATION OF AMERICA
TEXAS GULF COAST CHAPTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 98,219	\$ (87,501)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized gain (loss) on investments	(1,061)	(2,576)
Decrease (increase) in operating assets		
Pledges receivable	-	525
Prepaid expenses	7,430	5,957
Increase (decrease) in operating liabilities		
Accounts payable	5,515	(8,345)
Accrued payroll	-	-
Deferred revenue	(97,050)	63,230
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>13,053</u>	<u>(28,710)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,053	(28,710)
BEGINNING CASH AND CASH EQUIVALENTS	<u>65,839</u>	<u>94,549</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 78,892</u>	<u>\$ 65,839</u>

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

NOTES TO FINANCIAL STATEMENTS

Lupus Foundation of America, Texas Gulf Coast Chapter, Inc.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2020 and 2019

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Lupus Foundation of America, Texas Gulf Coast Chapter, Inc. (the Foundation) is a nonprofit corporation organized in 1984 to improve the diagnosis and treatment of lupus, support individuals and families affected by the disease, increase awareness of lupus among health professionals and the public, and encourage research to discover the causes and cure of lupus. The Foundation is affiliated with The Lupus Foundation of America. The service area consists of 49 counties in the Texas Gulf Coast and El Paso areas. The services provided include an information and referral line, brochures, educational programs, support groups, physician referral, quarterly newsletters, and public awareness and community outreach. The Foundation is supported through membership and public contributions.

Federal income tax status

The Foundation is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §170(b)(1)(A)(vi). The Foundation files an annual Form 990 information report with the Internal Revenue Service. Currently, reports for tax years December 31, 2017 through 2020 are open to examination by the Internal Revenue Service. The Foundation is current with all filings.

Net asset classification

Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Net assets with donor restrictions* include contributions by the donor for specific purposes or future time periods. When a purpose restriction is accomplished or a time restriction ends, these net assets with donor restrictions are released to net assets without donor restrictions. Other donor restrictions can be permanent in nature, i.e. resources subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise be removed by actions of the Foundation.

Cash and cash equivalents

The Foundation considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. At September 30, 2020 and 2019, the Foundation's cash balances did not exceed the FDIC limits of \$250,000.

Lupus Foundation of America, Texas Gulf Coast Chapter, Inc.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2020 and 2019

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Pledges receivable

Pledges that are expected to be collected within one year are recorded at net realizable value, which approximates fair value. Amounts expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows. For the years ended September 30, 2020 and 2019, there was \$0 and \$0 in pledges outstanding.

Management monitors pledges receivable for collectability. When pledges are likely to not be received, it becomes necessary to adjust the allowance for doubtful receivables and associated uncollectible pledge expense. The allowance was zero and zero for the years ended September 30, 2020 and 2019. There was no uncollectible pledge expense for the years ended September 30, 2020 and 2019.

Property and equipment

It is the Foundation's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method. Computers and equipment are depreciated over useful lives of three to seven years.

Investments

Investments are recorded at fair value, with changes in fair value reflected in current period earnings.

Lupus Foundation of America, Texas Gulf Coast Chapter, Inc.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2020 and 2019

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES –
continued**

Contributions and Expenses

Contributions are recognized as revenue at their fair values when an unconditional commitment is received from the donor. Contributions received with donor restrictions that limit their use are classified as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated purpose or time restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Expenses are recorded at the time they are incurred in accordance with the accrual basis of accounting.

Special events revenue recognition

Lupus Foundation holds various special events during the year, such as the annual Gala, Lupus Walks, etc. Revenue from these activities are recognized at a point in time, once the performance obligation is satisfied, i.e., after a particular event has been held.

Contributed materials and services

Contributed materials and services are recorded as revenue at fair value when an unconditional commitment is received from the donor. The related expense is recorded as the item is used or when the service is provided. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended September 30, 2020 and 2019, the Foundation recognized contributed materials of \$63,299 and \$42,750, respectively. These amounts are included in Special Events revenue in the Statements of Activities.

Statement of cash flows

For purposes of supplemental disclosures of cash paid for interest and income taxes, the Foundation paid none for the years ended September 30, 2020 and 2019.

Estimates

Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenues and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Lupus Foundation of America, Texas Gulf Coast Chapter, Inc.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2020 and 2019

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Risks and uncertainties

The Foundation’s investments are held in a brokerage account that is insured by the Securities Investor Protection Corporation. Securities in this account are subject to market risk in the form of decline in value, potentially up to the total value of the investments. Management does not believe that current holdings are likely to undergo significant decline in value and monitors the investments to ensure that the Foundation does not experience significant losses.

Functional Allocation of Expenses

Expenses for the Foundation have been disaggregated in the Statement of Functional Expenses by both, natural and functional expense classifications. Expenses that directly relate to a particular program or supporting service, have been allocated to that said category on the Statement of Functional Expense. Other expenses have been allocated based on management’s estimate, time devoted by the Foundation’s staff, or square footage allocated to a specific program or supporting service.

Subsequent events

Subsequent events have been evaluated through June 10, 2021, which is the date the financial statements were issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation’s financial assets of September 30, 2020 and 2019, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date:

	<u>2020</u>	<u>2019</u>
Financial Assets, at year-end:		
Cash and cash equivalents	\$ 78,892	\$ 65,839
Investments	147,141	146,081
Less: Donor imposed-restrictions:		
Donor restrictions for specific purposes	(11,450)	-
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 214,583</u>	<u>\$ 211,920</u>

As part of the Foundation’s liquidity management, it holds cash in different bank accounts at two different banks. The Foundation also holds investments in mutual funds with a well-known financial institution.

Lupus Foundation of America, Texas Gulf Coast Chapter, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2020 and 2019

NOTE 3 - INVESTMENTS

Investments for the years ended September 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Mutual Funds	\$ 147,141	\$ 146,081
Total Investments	<u>\$ 147,141</u>	<u>\$ 146,081</u>
Investment return consists of the following:		
Dividends and interest	\$ 3,313	3,938
Unrealized gain on investments	1,061	2,576
Investment fees	<u>(150)</u>	<u>(150)</u>
Investment return, net	<u>\$ 4,224</u>	<u>\$ 6,364</u>

During the years ended September 30, 2020 and 2019, the Foundation did not sell securities.

NOTE 4 – FAIR VALUE MEASUREMENTS

The Foundation follows *Accounting Standards Codification (ASC) 820: Fair Value Measurements and Disclosures*, which among other things, requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. ASC 820 establishes a hierarchal disclosure framework which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchal disclosure framework which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy established under ASC 820 gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to observable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted, quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs, excluding those included in Level 1, are either observable prices for identical assets or liabilities in active markets, observable prices for similar assets and liabilities, or other inputs derived principally from, or corroborated by, observable market data at the measurement date.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Lupus Foundation of America, Texas Gulf Coast Chapter, Inc.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2020 and 2019

NOTE 4 – FAIR VALUE MEASUREMENTS – continued

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year-ended September 30, 2020. Mutual funds are valued at net asset value (NAV) of shares held by the Foundation at year end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value for the year ended September 30, 2020:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual Funds	\$ 147,141	\$	\$
Total Assets at Fair Value	\$ 147,141	\$	\$

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value for the year ended September 30, 2019:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual Funds	\$ 146,081	\$	\$
Total Assets at Fair Value	\$ 146,081	\$	\$

All of the Foundation's investments are widely traded mutual funds, and are categorized as Level-1 for the years ended September 30, 2020 and 2019.

Lupus Foundation of America, Texas Gulf Coast Chapter, Inc.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2020 and 2019

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

During the year ended September 30, 2020, the Foundation received a grant from a donor that was to be used consistent with the Foundation’s missions and objectives only. During the year, the Foundation incurred expenses relating to its missions and objectives and is presented as restricted satisfied by payments on the Statement of Activities.

During the year ended September 30, 2019, the Foundation received a grant from a donor that was to be used for funding of the 17th Annual Lupus Gala. This event was held on November 3, 2018. During the year, the Foundation incurred expenses relating to this activity, and is presented as restrictions satisfied by payments on the Statement of Activities.

A summary of net assets with donor restrictions for the years ended September 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Net assets with donor restrictions at October 1	\$ -	\$ 16,374
Restricted Grants	32,700	5,000
Restictions satisfied by payments	<u>(21,250)</u>	<u>(21,374)</u>
Net assets with donor restrictions at September 30	<u>\$ 11,450</u>	<u>\$ -</u>

NOTE 6 – OPERATING LEASES

The Foundation leases office space and equipment under non-cancellable operating leases that expire in 2021 and 2023, respectively. Total lease expense under these agreements was approximately \$34,130 and \$37,730 for the years ended September 30, 2020 and 2019. From this, rental expense amounted to \$26,364 and \$25,680 for the years ended September 30, 2020 and 2019. Future minimum lease payments are as follows:

<u>Year</u>	<u>Minimum Lease Payments</u>
2021	9,055
2022	4,800
2023	<u>2,800</u>
Total	<u>\$ 16,655</u>

Subsequent to year-end, the Foundation’s office lease expired in 2021. The Foundation has since entered into a new non-cancellable operating lease for its office space. The lease term is one-year, and monthly payments amount to \$404.

Lupus Foundation of America, Texas Gulf Coast Chapter, Inc.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2020 and 2019

NOTE 8 – COVID-19 RISKS AND PAYCHECK PROTECTION PROGRAM

The impact of COVID-19 has been an evolving situation since early 2020. The spread of COVID-19 has impacted the country's economy. Accordingly, the Foundation has experienced some of these impacts subsequent to September 30, 2020, with events such as the Gala getting cancelled, and the Lupus Walks going virtual. This has affected the Foundation's revenues. However, to mitigate this effect, the Foundation has reduced certain expenses and also received PPP loans. The Foundation also has certain investments in mutual funds that could be liquidated if such need arises. The Foundation is evaluating alternatives and looking at ways to hold events in the foreseeable future as the COVID-19 regulations start to ease in the country.

The Foundation received a loan of approximately \$38,000 on May 8, 2020, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Foundation has used the entire loan for qualifying expenses. Under the terms of the PPP, certain amounts may be forgiven if they are used for qualifying expenses as described in the CARES act.

Upon receipt of these funds, the Foundation accounted for the PPP loan in accordance with FASB Accounting Standard Codification 470: *Debt* and has accordingly recorded the loan as a financial liability. For purposes of derecognition of the liability, FASB ASC 470-50-15-4 refers to the guidance in FASB ASC 405-20: *Extinguishments of Liabilities*. Based on the guidance in FASB 405-20-40-1, the proceeds from the loan would remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the debtor has been "legally released" or (2) the debtor pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, the Foundation would then reduce the liability by the amount forgiven and record a gain on extinguishment.

As of March 31, 2021, the Foundation was granted forgiveness of the entire loan amount and related interest payments. Accordingly, as of September 30, 2020, this loan has been recorded as a gain on extinguishment. This gain on extinguishment is included in revenues from net assets without donor restrictions on the statement of activities. The proceeds of this loan have been presented as cash flows from operating activities on the statement of cash flows.

Subsequent to year-end, the Foundation applied for and received the second round of PPP loans in the amount of \$27,000 on February 24, 2021. The Foundation intends to use the entire loan towards qualifying expenses. The Foundation has determined that this event is a non-adjusting subsequent event. Accordingly, as of September 30, 2020, the financial statements have not been adjusted to include this loan amount.

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