

LUPUS AMERICA COMMUNITIES

Financial Statements

For the Year Ended September 30, 2018



and Independent Accountants' Review Report



LUPUS AMERICA COMMUNITIES

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of the
Lupus America Communities

We have reviewed the accompanying financial statements of Lupus America Communities (LAC, a non-profit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

Washington, DC
July 2, 2019

LUPUS AMERICA COMMUNITIES
STATEMENT OF FINANCIAL POSITION
September 30, 2018

ASSETS	
Cash	\$ 88,520
Receivables	8,682
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TOTAL ASSETS	<u>\$ 97,202</u>
LIABILITIES AND NET ASSETS	
Accounts payable and accrued expenses	\$ 68,142
Deposit	7,542
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TOTAL LIABILITIES	<u>75,684</u>
Net Assets	
Unrestricted	<u>21,518</u>
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TOTAL NET ASSETS	<u>21,518</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 97,202</u>

See accompanying notes and independent accountants' review report.

LUPUS AMERICA COMMUNITIES
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

CHANGE IN UNRESTRICTED NET ASSETS:

REVENUE

Donated goods program	<u>\$ 363,851</u>
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EXPENSES

Educational program	153,116
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Management and general	4,871
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Fundraising	<u>196,728</u>
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TOTAL EXPENSES	<u>354,715</u>
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CHANGE IN NET ASSETS	9,136
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NET ASSETS, BEGINNING OF YEAR	<u>12,382</u>
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NET ASSETS, END OF YEAR	<u><u>\$ 21,518</u></u>
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See accompanying notes and independent accountants' review report.

LUPUS AMERICA COMMUNITIES

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2018

	<u>Educational Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Postage and mailing	\$ 101,344	\$ -	\$ 196,728	\$ 298,072
Contributions	51,772	-	-	51,772
Insurance and other	-	4,871	-	4,871
	<u>\$ 153,116</u>	<u>\$ 4,871</u>	<u>\$ 196,728</u>	<u>\$ 354,715</u>

See accompanying notes and independent accountants' review report.

LUPUS AMERICA COMMUNITIES
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 9,136
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Receivables	(3,008)
Accounts payable and accrued expenses	<u>31,235</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>37,363</u>
NET INCREASE IN CASH	37,363
CASH, BEGINNING OF YEAR	<u>51,157</u>
CASH, END OF YEAR	<u><u>\$ 88,520</u></u>

See accompanying notes and independent accountants' review report.

LUPUS AMERICA COMMUNITIES

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2018

1. Nature of the Organization

Lupus America Communities (LAC) was formed as a supporting organization of the Lupus Foundation of America (LFA). LAC conducts a household goods solicitation program and makes quarterly distributions, at a minimum, of its net income to LFA, in support of LFA's mission to improve the quality of life for all people affected by lupus through programs of research, education, and advocacy.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of LAC have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Revenue Recognition

Revenue from the donated goods program is recognized as revenue when the donated goods are collected by the third party based on the per price pound agreed to in the contract between LAC and the third party who has agreed to purchase the goods. Amounts that have not been paid by the third party as of year-end are included in receivables in the accompanying statement of financial position. LAC reviews all outstanding receivables and determines collectability of its receivables based on past experience with the third party buyer of donated goods. LAC believes that receivables at September 30, 2018 will be fully collected. Accordingly, no allowance for doubtful accounts is required.

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Unrestricted net assets are not subject to donor-imposed stipulations and are available for support of LAC's operations.
- Temporarily restricted net assets are restricted by donors for program activities and/or future periods. LAC does not have temporarily restricted net assets as of September 30, 2018.
- Permanently restricted net assets are subject to donor-imposed stipulations that the principal must be invested in perpetuity and only the earned investment income can be used for general operating purposes. LAC does not have permanently restricted net assets as of September 30, 2018.

Functional Allocation of Expenses

The costs of providing the program have been summarized by program and supporting services in the accompanying statement of activities. Expenses that are not directly charged to a program or supporting service are allocated among the program and supporting services according to an appropriate basis determined by management.

LUPUS AMERICA COMMUNITIES

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2018

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Allocation of Joint Costs

LAC conducts a household goods solicitation program that includes appeals for contributions of household goods as well as a program component that includes a call to action to educate the general public about lupus. These joint costs consist entirely of postage and mailing and were allocated in the accompanying statement of functional expenses as \$101,344 for educational program activities and \$196,728 as fundraising.

4. Related Party Transactions

During the year ended September 30, 2018, LAC made cash contributions to LFA of \$51,772, \$17,718 of which was not paid as of September 30, 2018, and is reported as part of accounts payable and accrued expenses in the accompanying statement of financial position. LFA provides other management and administrative services on pro-bono basis.

5. Concentration of Revenue

During the year ended September 30, 2018, 100% of LAC's revenue was derived from its agreement with a third party to purchase the donated goods that LAC solicited. Because of LAC's dependence on this agreement, any circumstances that could affect the third party, could also affect LAC.

6. Income Taxes

LAC operates exclusively for charitable, educational, scientific, and literary purposes, within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986, as amended (or corresponding provisions of any subsequent federal tax laws); and within such limits, to support the educational and scientific mission of LFA. For the year ended September 30, 2018, no provision for income taxes was required, as LAC had no unrelated business income.

LUPUS AMERICA COMMUNITIES

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2018

6. Income Taxes (continued)

LAC follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standards Codification 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. LAC performed an evaluation of uncertainty in taxes for the year ended September 30, 2018, 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, 2018, the statute of limitations for the tax years ended September 30, 2015 through September 30, 2017 remained open with the U.S. federal jurisdiction or the various state and local jurisdictions in which LAC files tax returns, however, there are currently no audits for any tax periods in progress. It is LAC'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, 2018, LAC had no accruals for interest and/or penalties.

7. Subsequent Events

In preparing these financial statements, LAC has evaluated events and transactions for potential recognition or disclosure through July 2, 2019, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in these financial statements.