

LUPUS FOUNDATION OF AMERICA WISCONSIN CHAPTER, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Summarized Totals for the Year Ended September 30, 2019)

LUPUS FOUNDATION OF AMERICA WISCONSIN CHAPTER, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1 - 2
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 14

Independent Auditor's Report

Board of Directors
Lupus Foundation of America Wisconsin Chapter, Inc.

We have audited the accompanying financial statements of Lupus Foundation of America Wisconsin Chapter, Inc. which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Organization'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 purposes 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 Wisconsin Chapter, Inc. as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Board of Directors
Lupus Foundation of America Wisconsin Chapter, Inc.

Report on Summarized Comparative Information

We have previously audited Lupus Foundation of America Wisconsin Chapter, Inc.'s September 30, 2019, financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.


RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
March 4, 2021

LUPUS FOUNDATION OF AMERICA WISCONSIN CHAPTER, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020
(With Summarized Totals for the Year Ended September 30, 2019)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 388,708	\$ 392,403
Prepaid Expenses	2,543	2,478
Total Current Assets	\$ 391,251	\$ 394,881
FIXED ASSETS		
Office Furniture and Equipment	\$ 4,030	\$ 4,030
Accumulated Depreciation	(3,899)	(3,729)
Net Fixed Assets	\$ 131	\$ 301
OTHER ASSETS		
Investments	\$ 209,844	\$ 221,827
Total Other Assets	\$ 209,844	\$ 221,827
TOTAL ASSETS	\$ 601,226	\$ 617,009
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 698	\$ 3,037
Accrued Payroll	13,031	10,654
Deferred Revenue	5,000	5,000
Current Portion of PPP Loan	12,668	---
Total Current Liabilities	\$ 31,397	\$ 18,691
LONG-TERM LIABILITIES		
PPP Loan	\$ 22,763	\$ ---
Less: Current Portion of Loan Payable	(12,668)	---
Total Long-Term Liabilities	\$ 10,095	\$ ---
Total Liabilities	\$ 41,492	\$ 18,691
NET ASSETS		
Without Donor Restrictions	\$ 559,734	\$ 598,318
TOTAL LIABILITIES AND NET ASSETS	\$ 601,226	\$ 617,009

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

LUPUS FOUNDATION OF AMERICA WISCONSIN CHAPTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Summarized Totals for the Year Ended September 30, 2019)

	Without Donor Restrictions	
	2020	2019
REVENUE		
Contributions	\$ 52,249	\$ 56,629
Special Event Revenue	117,308	161,272
Special Event - In-Kind Revenue	5,149	9,286
Special Event Expense	(17,875)	(39,542)
Special Event - In-Kind Expense	(5,149)	(9,286)
Investment Income	(10,182)	(1,994)
Total Revenue	\$ 141,500	\$ 176,365
 EXPENSES		
Program Services	\$ 141,821	\$ 143,232
Management and General	20,231	18,152
Fundraising	18,032	15,804
Total Expenses	\$ 180,084	\$ 177,188
 CHANGE IN NET ASSETS	\$ (38,584)	\$ (823)
 Net Assets, Beginning of Year	\$ 598,318	\$ 599,141
 NET ASSETS, END OF YEAR	\$ 559,734	\$ 598,318

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

LUPUS FOUNDATION OF AMERICA WISCONSIN CHAPTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Summarized Totals for the Year Ended September 30, 2019)

	Program Services	Management and General	Fundraising	2020 Total	2019 Total
Salaries and Wages	\$ 92,895	\$ 6,633	\$ 12,326	\$ 111,854	\$ 98,967
Payroll Taxes	8,130	581	1,079	9,790	8,355
Professional Fees	---	10,507	---	10,507	9,627
Supplies	805	58	107	970	773
Telephone and Internet	2,124	152	282	2,558	3,126
Postage	1,969	141	261	2,371	2,498
Printing	807	58	107	972	438
Technology and Software	5,878	420	780	7,078	4,754
Occupancy	16,180	1,155	2,147	19,482	17,477
Depreciation	141	10	19	170	212
Travel	329	24	44	397	590
Conferences, Conventions, Meetings	2,076	148	275	2,499	407
Outreach Programs	957	---	---	957	4,229
Revenue Sharing	4,973	---	---	4,973	19,894
Insurance	1,708	122	227	2,057	2,857
Membership Dues	---	---	---	---	437
Subscriptions	11	1	1	13	---
Bank Charges	2,784	199	370	3,353	2,439
Permits and Licenses	54	4	7	65	87
Taxes	---	18	---	18	21
TOTALS	\$ 141,821	\$ 20,231	\$ 18,032	\$ 180,084	\$ 177,188

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

LUPUS FOUNDATION OF AMERICA WISCONSIN CHAPTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Summarized Totals for the Year Ended September 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (38,584)	\$ (823)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	170	212
Unrealized/Realized (Gain) Loss on Investments	19,658	10,334
(Increase) Decrease in Pledges Receivable	---	27,036
(Increase) Decrease in Prepaid Expenses	(65)	1,974
Increase (Decrease) in Accounts Payable	(2,339)	261
Increase (Decrease) in Accrued Payroll	2,377	1,711
Increase (Decrease) in Deferred Revenue	---	5,000
Net Cash (Used) Provided by Operating Activities	\$ (18,783)	\$ 45,705
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	\$ (7,675)	\$ (8,486)
Net Cash Used by Investing Activities	\$ (7,675)	\$ (8,486)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of Debt	\$ 22,763	\$ ---
Net Cash Provided by Investing Activities	\$ 22,763	\$ ---
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (3,695)	\$ 37,219
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	392,403	355,184
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 388,708	\$ 392,403

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

LUPUS FOUNDATION OF AMERICA WISCONSIN CHAPTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

LUPUS FOUNDATION OF AMERICA WISCONSIN CHAPTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE A - Summary of Significant Accounting Policies

Organization

Lupus Foundation of America Wisconsin Chapter, Inc. (the "Organization") is dedicated to improving the quality of life for all people affected by lupus through programs of research, education, support and advocacy. With the help of informed volunteers, lupus medical experts, and committed and caring supporters, the Organization:

- Supports research and conducts education programs so everyone affected by lupus can have an improved quality of life.
- Provides information to ensure people with lupus and their families get answers and health professionals know about new means to diagnose and manage the disease.
- Conducts activities to increase awareness of lupus, rally public support for those who are affected by lupus, and advocate on their behalf.

Accounting Method

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with maturities of three months or less when purchased.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The Organization capitalizes all fixed assets greater than \$500.

Contributions and Grant Revenue

Contributions received and unconditional promises to give are measured at fair value and are reported as increases in net assets. Contributions are considered available for the Organization's general operations and included in net assets without donor restrictions unless specifically restricted by a donor. A restricted contribution is reported in revenue and net assets without donor restrictions when the restriction is met within the same reporting period as the contribution is received. Contributions received restricted for a purpose not yet met or to support a future period are included in net assets with donor restrictions. When a donor restriction from a prior year expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional contributions are not recognized as revenue until they become unconditional. A conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated if the barrier is not overcome.

LUPUS FOUNDATION OF AMERICA WISCONSIN CHAPTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE A - Summary of Significant Accounting Policies (continued)

Contributions and Grant Revenue (continued)

Net assets restricted for acquisition of building or equipment are reported as net assets with donor restrictions until the specified asset is placed in service when the net assets are released to net assets without donor restrictions.

When a donor requires the investment of a contribution and restricts the use of investment income, the investment income is reported as net assets with donor restrictions until appropriated for the designated time or use when the net assets are released to net assets without donor restrictions.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Donated services are recognized as contributions if the services create or enhance nonfinancial assets or the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Accordingly, the value of contributed time that does not meet these requirements has not been determined and is not reflected in the accompanying financial statements.

Functional Expenses

The Organization allocates costs that are attributable to program or supporting functions of the organization. Those expenses include salaries, depreciation and facilities overhead. Salaries and related personnel costs are allocated based on estimated time and effort and other allocated costs are allocated based on the percentage of allocated salaries to total salaries.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

NOTE B - Accounting Changes

The Organization's financial statements have changed to adopt the *Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued accounting updates issued to clarify the standards. The updates are effective for the year ended September 30, 2020. The updates are required and establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the guidance is that an organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled.

LUPUS FOUNDATION OF AMERICA WISCONSIN CHAPTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE B - Accounting Changes (continued)

The Organization's financial statements have changed to adopt the *Accounting Standards Update 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* effective for the year ended September 30, 2020. This update is required. The goal of this update is to help organizations determine reciprocal and nonreciprocal transactions. The guidance clarifies that an exchange transaction is when the resource provider receives equal value in return for what the resource provider pays. When the general public is the recipient of the service or goods, the transaction is not considered a reciprocal transaction, it is considered a contribution. The guidance also clarifies that a conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated if the barrier is not overcome.

The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of October 1, 2019. Results for reporting periods beginning after October 1, 2019 are presented under Topic 606 while prior period amounts are not adjusted and continue to be reported in accordance with legacy generally accepted accounting principles.

The adoption of this new standard did not result in a material impact to the Organization's financial statements. The adoption of the new standard is the new footnote disclosure regarding fundraising event revenue. There was no significant effect on the financial statements related to the adoption of this new standard which would require cumulative effect adjustment to net assets at the date of adoption under the modified retrospective method.

Future Accounting Pronouncements

Accounting Standards Update 2016-02, Leases (Topic 842) will be effective for fiscal years beginning after December 15, 2021. This update requires the recognition of lease assets and lease liabilities on the statement of financial position measured at the present value of lease payments and requires disclosure of key information about the leasing arrangements.

Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326) will be effective for fiscal years beginning after December 15, 2023. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, including exploring more forward-looking alternatives.

LUPUS FOUNDATION OF AMERICA WISCONSIN CHAPTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE C - Comparative Financial Information

The financial information shown for 2019 in the accompanying financial statements is included to provide a basis for comparison with 2020 and presents summarized totals only. The comparative information is summarized by total only, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

NOTE D - Liquidity

The Organization has financial assets available to meet cash needs for general expenditures and to pay obligations as they come due within one year of the statement of financial position date consisting solely of cash and cash equivalents of \$388,708. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures. The Organization currently maintains liquid funds of approximately two years of operating expenses. However, the Organization is in the process of evaluating strategic initiatives related to programming which may change the policy related to the amount of financial assets to be on hand.

In addition to the above liquid financial assets, the Organization maintains an investment fund of \$209,844 which could be drawn upon in the event of a liquidity need. The Organization also has a credit card account with a \$21,000 credit limit.

NOTE E - Fair Value Measurements

The Organization has adopted the Financial Accounting Standards Board guidance on fair value measurements. A three-tier hierarchy is used to maximize the use of observable market data inputs and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using level 3 inputs are based primarily on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

LUPUS FOUNDATION OF AMERICA WISCONSIN CHAPTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE E - Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2020:

<u>Investment Category</u>	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Investments	\$ 12,135	\$ 12,135	\$ ---	\$ ---
Fixed Income	155,903	155,903	---	---
Equities	40,306	40,306	---	---
Alternatives	<u>1,500</u>	<u>1,500</u>	---	---
Total	<u>\$209,844</u>	<u>\$209,844</u>	<u>\$ ---</u>	<u>\$ ---</u>

NOTE F - Paycheck Protection Program Loan Payable

The Organization received a loan through the Paycheck Protection Program of \$22,763 on May 6, 2020. The Organization may be eligible for full or partial loan forgiveness based on if the proceeds are spent on eligible expenditures in the allotted loan coverage period and if the Organization maintains levels of employment as required in the CARES Act. If not forgiven, the loan would be payable over 2 years with a 1% interest rate. Payments are deferred for 6-months after the loan is received, however interest accrues over this period.

NOTE G - Operating Lease

The Organization leases office space under a non-cancellable operating lease that expires on January 31, 2026. Rent expense totaled \$19,482 for the year ended September 30, 2020. Future lease payments as of September 30, 2020 are as follows:

2021	\$ 20,067
2022	20,669
2023	21,289
2024	21,927
2025	22,585
Thereafter	<u>9,526</u>
Total	<u>\$116,063</u>

LUPUS FOUNDATION OF AMERICA WISCONSIN CHAPTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE H - Donated Goods and Services

The Organization received in-kind donations for special events. The Organization received \$5,149 of certificates, tickets and other assorted items for the year ended September 30, 2020. All donated goods were recorded at fair value. Donated goods and services were recorded as revenue and offset by like amounts in the accompanying special events in-kind accounts on the statement of activities.

NOTE I - Revenue From Contracts with Customers

The Organization holds fundraising events throughout the year. Registration fees for these events are billed to participants at the time of registration. The event revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the registrants' access to the events and event activities. Revenue from these events are recognized at the point in time the event is held and the Organization's performance obligation to hold the event is completed. The Organization also provides the opportunity to sponsor events. Registration and sponsorships for the Organization's events opens months before the events are scheduled to be held. Cash receipts and sponsorships collected in advance of the special events are deferred as contract liabilities until earned when the event is held at which point the revenue is recognized.

For the year ended September 30, 2020, special event revenue was \$122,456.

Beginning Deferred Revenue	\$ 5,000
Revenue Recognized From Prior Year Deferred	(5,000)
New Special Event Collections	122,456
Revenue Recognized	<u>(117,456)</u>
Ending Deferred Revenue	<u>\$ 5,000</u>

NOTE J - Related Parties

Lupus Foundation of America Wisconsin Chapter, Inc. is an affiliate of the Lupus Foundation of America, Inc. The Organization pays an annual affiliation fee to the Lupus Foundation of America, Inc. An affiliation fee of \$4,973 was charged to operations for the year ended September 30, 2020. This payment is based on the revenue reported in the prior year Form 990, payable in four quarterly installments. For 2020, the Lupus Foundation of America, Inc. forgave three of the installments to provide COVID-19 relief to the local chapters.

NOTE K - Concentration of Risk

The Organization received approximately 33% of revenue from two donors. One donor contributed 14% during a special event and one donor contributed 19% for sponsorship of the 2020 Walk to End Lupus Now.

LUPUS FOUNDATION OF AMERICA WISCONSIN CHAPTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE L - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of Internal Revenue Code and is classified as other than a private foundation. Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of September 30, 2020, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

NOTE M - Subsequent Events

The Organization has evaluated events and transactions occurring after September 30, 2020, through March 4, 2021, the date the financial statements are available to be issued, for possible adjustments to the financial statements or disclosures. The Organization has determined that one subsequent event needs to be disclosed. The Organization applied for a second Paycheck Protection loan in 2021 of \$22,763.

The COVID-19 outbreak in the United States has caused business disruption to many businesses and nonprofit organizations. While the disruption is expected to be temporary, there is uncertainty around the duration of the pandemic, and it is unknown at this time if there may be any economic impact to the Organization's subsequent financial statement.