

**LUPUS FOUNDATION OF AMERICA,
TEXAS GULF COAST CHAPTER, INC.
AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 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, 2019, 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, 2019, and the changes in their net assets and their cash flows for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

Reimer, McGuinness & Associates, P.C.

Houston, Texas
May 15, 2020

FINANCIAL STATEMENTS

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

	<u>September 30, 2019</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 65,839
Investments	146,081
Pledges receivable, net of allowance	-
Prepaid expenses	9,644
Total Current Assets	<u>221,564</u>
PROPERTY AND EQUIPMENT	
Computer and equipment	21,841
Less: Accumulated depreciation	(21,841)
Property and Equipment, Net	<u>-</u>
TOTAL ASSETS	<u><u>\$ 221,564</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 86
Accrued payroll	8,000
Deferred revenue	97,050
Total Current Liabilities	<u>105,136</u>
TOTAL LIABILITIES	105,136
NET ASSETS	
Without donor restrictions	116,428
With donor restrictions	-
Total Net Assets	<u>116,428</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 221,564</u></u>

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

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

	September 30, 2019
NET ASSETS WITHOUT DONOR RESTRICTIONS:	
REVENUES	
Special events	
Gala	\$ 184,449
Less: Direct expenses	(106,355)
Net proceeds	78,095
Lupus Walk	172,963
Less: Direct expenses	(47,995)
Net proceeds	124,968
Total Special events net proceeds	203,062
Other events	12,660
Contributions	86,715
Investment return, net	6,514
Total revenues and gains without donor restrictions	308,951
Net assets released from restrictions	
Restrictions satisfied by payments	21,374
	330,325
Total revenues and gains and other support without donor restrictions	
EXPENSES	
Program expenses	316,008
Fundraising expenses	30,607
General and administrative	54,837
Total expenses	401,452
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(71,127)
NET ASSETS WITH DONOR RESTRICTIONS:	
REVENUES	
Restricted grant	5,000
Total revenues and gains with donor restrictions	5,000
Net assets released from restrictions	
Restrictions satisfied by payments	(21,374)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(16,374)
DECREASE IN NET ASSETS	(87,501)
NET ASSETS, BEGINNING OF YEAR	203,929
NET ASSETS AT END OF YEAR	\$ 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 ENDED SEPTEMBER 30, 2019**

	<u>PROGRAM SERVICES</u>	<u>FUNDRAISING</u>	<u>GENERAL & ADMINISTRATIVE</u>	<u>TOTAL</u>
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	208,957
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 YEAR ENDED ENDED SEPTEMBER 30, 2019**

	September 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (87,501)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Unrealized gain (loss) on investments	(2,576)
Decrease (increase) in operating assets	
Pledges receivable	525
Prepaid expenses	5,957
Increase (decrease) in operating liabilities	
Accounts payable	(8,345)
Accrued payroll	-
Deferred revenue	63,230
NET CASH USED BY OPERATING ACTIVITIES	(28,710)
DECREASE IN CASH AND CASH EQUIVALENTS	(28,710)
BEGINNING CASH AND CASH EQUIVALENTS	94,549
ENDING CASH AND CASH EQUIVALENTS	\$ 65,839

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, 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, 2016 through 2019 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.

Lupus Foundation of America, Texas Gulf Coast Chapter, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 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 nine months ended September 30, 2019, there was \$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 for the year ended September 30, 2019. There was no uncollectible pledge expense for the year ended September 30, 2018.

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, 2019

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Contributions

Contributions are recorded as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted revenue. Conditional contributions are recognized in the same manner when the conditions are substantially met.

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 year ended ended September 30, 2019, the Foundation recognized contributed materials of \$63,299. 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 year ended September 30, 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.

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.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

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 May 15, 2020, 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, 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>September 30, 2019</u>
Financial Assets, at year-end:	
Cash and cash equivalents	\$ 65,839
Investments	146,081
	<hr/>
Financial assets available to meet cash needs for general expenditure within one year	<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, 2019

NOTE 3 - INVESTMENTS

Investments for the year ended September 30, 2019 consist of the following:

	<u>2019</u>
Mutual Funds	\$ 146,081
Total Investments	<u>\$ 146,081</u>
Investment return consists of the following:	
Dividends and interest	\$ 3,938
Unrealized gain on investments	<u>2,576</u>
Investment return, net	<u>\$ 6,514</u>

During the year ended September 30, 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, 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 nine months ended September 30, 2019.

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 nine months 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 year ended September 30, 2019.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

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.

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

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS - continued

The Foundation had received a grant during the year ended September 30, 2018 for the funding of the Breakfast with the Experts Series. This event was held on November 10, 2018. During the year ended September 30, 2019, the Foundation incurred additional 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 year ended September 30, 2019 is as follows:

	September 30, 2019
	<hr/>
Net assets with donor restrictions at October 1, 2019	\$ 16,374
Grant: Lupus Gala	5,000
Restictions satisfied by payments	(21,374)
	<hr/>
Net assets with donor restrictions at September 30, 2019	<u><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 \$37,730 for the year ended September 30, 2019. From this, rental expense amounted to \$25,680 for the year ended September 30, 2019. Future minimum lease payments are as follows:

<u>Year</u>	<u>Minimum Lease Payments</u>
2020	\$ 31,285
2021	9,055
2022	4,800
2023	<hr/> 2,800
Total	<u><u>\$ 47,939</u></u>

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

NOTE 7 - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, Lupus Foundation had applied for a loan in the amount of approximately \$42,000 and was conditionally approved on May 1, 2020, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

As of May 1, 2020, the Foundation has not received these funds. Accordingly, no amounts have been recorded in the financial statements as of September 30, 2019. The Foundation intends to use 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.

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