

LUPUS FOUNDATION OF AMERICA,
GEORGIA CHAPTER, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED
SEPTEMBER 30, 2019 AND 2018

LUPUS FOUNDATION OF AMERICA, GEORGIA CHAPTER, INC.
FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Lupus Foundation of America, Georgia Chapter, Inc.

We have audited the accompanying financial statements of the Lupus Foundation of America, Georgia Chapter. ("the Chapter") which comprise the statements of financial position as of September 30, 2019, and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 of 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 risk 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 the Chapter as of September 30, 2019, and 2018, and the changes in its nets assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Reed, Quinn & McClure, LLC
Lawrenceville, Georgia
February 25, 2020

LUPUS FOUNDATION OF AMERICA, GEORGIA CHAPTER, INC.
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2019 AND 2018

ASSETS	2019	2018
Current assets		
Cash	\$ 235,764	\$ 191,225
Grants and other receivables	16,348	-
Prepaid expenses	22,623	23,272
Total current assets	<u>274,735</u>	<u>214,497</u>
Furniture, computers and other equipment	24,268	24,268
Accumulated depreciation	<u>(21,825)</u>	<u>(20,391)</u>
Net furniture, computers and other equipment	<u>2,443</u>	<u>3,877</u>
Total assets	<u>\$ 277,178</u>	<u>\$ 218,374</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Loan payable to National Lupus Foundation, due in one year	\$ 9,000	\$ 6,000
Accounts payable	15,024	2,532
Deposits for future events	31,702	29,125
Deferred compensation	32,500	40,000
Total current liabilities	<u>88,226</u>	<u>77,657</u>
Other liabilities		
Loan payable to National Lupus Foundation, due after one year	<u>50,304</u>	<u>59,304</u>
Total liabilities	<u>138,530</u>	<u>136,961</u>
Net assets		
Without donor restrictions	89,671	65,124
With donor restrictions	48,977	16,289
Total net assets	<u>138,648</u>	<u>81,413</u>
Total liabilities and net assets	<u>\$ 277,178</u>	<u>\$ 218,374</u>

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

LUPUS FOUNDATION OF AMERICA, GEORGIA CHAPTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<i>NET ASSETS WITHOUT RESTRICTIONS</i>		
REVENUE AND SUPPORT		
Special events	\$ 521,388	\$ 544,694
Less: Cost of donor benefits	<u>(179,314)</u>	<u>(147,864)</u>
Net from Special events	342,074	396,830
Contributions	217,384	123,851
Other income	<u>42</u>	<u>291</u>
Total revenue and support	559,500	520,972
Net assets released from restrictions	<u>-</u>	<u>16,070</u>
Total revenue, support and release of restrictions	<u>559,500</u>	<u>537,042</u>
 EXPENSES		
Program services	428,744	569,959
Supporting expenses	36,821	48,592
Fundraising expenses	<u>58,575</u>	<u>79,731</u>
Total expenses	<u>524,140</u>	<u>698,282</u>
 Increase (decrease) in net assets without restrictions	<u>35,360</u>	<u>(161,240)</u>
 <i>CHANGES IN NET ASSETS WITH RESTRICTIONS</i>		
Contributions	21,875	-
Net assets released from restrictions	<u>-</u>	<u>(16,070)</u>
Increase (decrease) in net assets with restrictions	<u>21,875</u>	<u>(16,070)</u>
 Increase (Decrease) in net assets	57,235	(177,310)
 Net assets - beginning of fiscal year	<u>81,413</u>	<u>258,723</u>
 Net assets - end of the fiscal year	<u>\$ 138,648</u>	<u>\$ 81,413</u>

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

LUPUS FOUNDATION OF AMERICA, GEORGIA CHAPTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Education and Assistance Program	Management & General	Fundraising	Total Functional Expenses	Cost of Donor Benefits	Total Expenses
Salaries and wages	\$ 174,659	\$ 23,388	\$ 34,832	\$ 232,879	\$ -	\$ 232,879
Payroll taxes	13,361	1,785	2,669	17,815	-	17,815
Employee benefits	5,894	786	1,178	7,858	-	7,858
Total personnel expense	193,914	25,959	38,679	258,552	-	258,552
Advocacy	4,778	-	-	4,778	-	4,778
Annual appeal	-	-	3,603	3,603	-	3,603
Blackbaud fees	-	-	-	-	16,641	16,641
Communications	5,702	760	1,141	7,603	-	7,603
Depreciation	1,076	143	215	1,434	-	1,434
Emergency financial assistance	8,231	-	-	8,231	-	8,231
Equipment rental	5,665	755	1,134	7,554	16,737	24,291
Food, beverage, and entertainment	-	-	-	-	36,851	36,851
GOAL	26,490	-	-	26,490	-	26,490
Incentives, awards, and prizes	-	-	-	-	17,687	17,687
Insurance	4,267	569	853	5,689	-	5,689
IT Consulting	11,168	1,489	2,233	14,890	-	14,890
Occupancy expense	24,029	3,204	4,805	32,038	-	32,038
Office expense	17,136	2,285	3,427	22,848	-	22,848
Other expense	7,734	-	-	7,734	33,651	41,385
Postage and shipping	4,285	571	858	5,714	5,662	11,376
Printing and duplicating	687	92	137	916	-	916
Professional fees	7,453	994	1,490	9,937	-	9,937
Programming	12,344	-	-	12,344	-	12,344
Research - National revenue sharing	51,411	-	-	51,411	-	51,411
Security	-	-	-	-	6,399	6,399
Summit	32,683	-	-	32,683	-	32,683
Supplies	3,183	-	-	3,183	5045	8,228
Support groups	6,508	-	-	6,508	-	6,508
Transportation and parking	-	-	-	-	3,322	3,322
Venues	-	-	-	-	24,404	24,404
Video, media and photography	-	-	-	-	12,915	12,915
	<u>\$ 428,744</u>	<u>\$ 36,821</u>	<u>\$ 58,575</u>	<u>\$ 524,140</u>	<u>\$ 179,314</u>	<u>703,454</u>
Less: Cost of donor benefits, reflected as reduction of revenue on statement of activities						179,314
Total functional expenses						<u>\$ 524,140</u>

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

LUPUS FOUNDATION OF AMERICA, GEORGIA CHAPTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Programs	Management & General	Fundraising	Cost of Donor Benefits	Total
Salaries and wages	\$ 291,238	\$ 29,870	\$ 52,273	\$ -	\$ 373,381
Payroll taxes	18,812	1,929	3,377	-	24,118
Employee benefits	9,911	1,016	1,779	-	12,706
Total personnel expense	319,961	32,815	57,429	-	410,205
Accounting-outsourced	1,898	1,955	1,898	-	5,751
Advocacy	4,882	-	-	-	4,882
Annual appeal	-	-	3,351	-	3,351
Communications	7,679	1,024	1,536	-	10,239
Depreciation	1,076	143	215	-	1,434
Education	45,900	-	-	-	45,900
Emergency financial assistance	8,240	-	-	-	8,240
Equipment rental	5,142	686	1,028	16,937	23,793
Food, beverage, and entertainment	-	-	-	27,518	27,518
GOAL	16,070	-	-	-	16,070
Incentives, awards, and prizes	-	-	-	11,655	11,655
Insurance	4,971	663	993	-	6,627
Licenses and permits	-	-	-	2,356	2,356
Occupancy expense	21,904	2,921	4,380	-	29,205
Office expense	22,752	3,033	4,551	-	30,336
Other expense	-	-	-	73,723	73,723
Postage and shipping	3,893	893	1,819	-	6,605
Printing and duplicating	1,085	145	217	-	1,447
Professional fees	6,314	4,314	2,314	-	12,942
Programming	32,888	-	-	-	32,888
Research - National revenue sharing	65,304	-	-	-	65,304
Supplies	-	-	-	2,738	2,738
Transportation and parking	-	-	-	7,206	7,206
Video and media	-	-	-	5,731	5,731
	<u>\$ 569,959</u>	<u>\$ 48,592</u>	<u>\$ 79,731</u>	<u>\$ 147,864</u>	<u>846,146</u>
Less: Cost of donor benefits, reflected as reduction of revenue on statement of activities					147,864
Total functional expenses					<u>\$ 698,282</u>

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

LUPUS FOUNDATION OF AMERICA, GEORGIA CHAPTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
Increase (Decrease) in Cash

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 57,235	\$ (177,310)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	1,434	1,434
Research - National revenue sharing	-	65,304
Change in receivables	(16,348)	14,302
Change in prepaid expense	649	(5,481)
Change in accounts payable	12,492	(15,739)
Change in deposit for future events	2,577	22,835
Change in deferred compensation	(7,500)	40,000
Cash provided (used) by operations	<u>50,539</u>	<u>(54,655)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on loan to Lupus Foundation	<u>(6,000)</u>	<u>-</u>
Net increase (decrease) in cash	44,539	(54,655)
Cash - beginning of year	<u>191,225</u>	<u>245,880</u>
Cash - end of year	\$ <u><u>235,764</u></u>	\$ <u><u>191,225</u></u>
Supplemental information:		
Non-cash loan transaction:		
Loan from National Lupus Foundation of America	\$ <u><u>-</u></u>	\$ <u><u>65,304</u></u>
Non-cash expense transaction:		
Research - National Revenue Sharing	\$ <u><u>-</u></u>	\$ <u><u>65,304</u></u>

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

LUPUS FOUNDATION OF AMERICA, GEORGIA CHAPTER, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lupus Foundation of America, Georgia Chapter, Inc. (“the Chapter”) was founded by lupus patients, their families, physicians, and the concerned public to dedicate resources to determining the causes and cure for lupus and to provide programs and support for persons affected by lupus. The Chapter annually provides thousands of lupus patients and their families with information, referrals, literature, educational seminars and support groups.

Net Asset Classifications

All contributions and unconditional promises to give are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to without restrictions upon satisfaction of the time or purpose restriction and reported on the statement of activities as net assets released from restrictions. When the donor restrictions are satisfied within the same reporting period as the restricted contribution is made, the restricted contribution is reported as restricted and as assets released from restriction.

Revenue Recognition and Deferred Revenues

Contributions are recorded as revenue when received or promised unconditionally, at their fair value. The Chapter recognizes income from legacies and bequests when an unassailable right to the gift has been established by the court and the proceeds are measurable in amount. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. All revenue received in advance for special events that are held subsequent to the year end is deferred; as is revenue related to grants, where work required as a grant condition has not been accomplished. Contributions received with donor restrictions and the restrictions are not completely met within the reporting period are reflected as net assets with donor restriction on the Statement of Financial Position.

Expense Allocations

Functional expenses which are not specifically attributable to program services or supporting services are allocated by management based on various allocation factors. Costs incurred in carrying out special events that provide a benefit to the donors (participants) are reflected as a reduction of special event revenue on the statement of activities.

Cash and Cash Equivalents

The Chapter considers highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Grants and receivables

The Chapter management determines its allowance for doubtful accounts based on the aging of accounts due from donors and others. At September 30, 2019 and 2018, no allowance for doubtful accounts was required. The entire receivable at September 30, 2019, was a grant from the Lupus Foundation of America, National Office (See Note 2).

LUPUS FOUNDATION OF AMERICA, GEORGIA CHAPTER, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Furniture and equipment are recorded at cost or at their market value, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the furniture and equipment. Repairs and maintenance are expensed as incurred, and any improvements that extend the useful lives are capitalized. Depreciation expense amounted to \$1,434 and \$1,901 for the years ended September 30, 2019 and 2018, stated respectively.

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, liabilities and disclosures 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.

Fair Value of Financial Instruments

Current accounting standards have established a fair value hierarchy for the inputs used to measure fair value based on the nature of the data input. The level of fair value of a financial asset or liability is based on the lower significant input level within this fair value hierarchy described as follows:

Fair value measurements based on Level 1 inputs: Measurements that are most observable are based on quoted prices of identical instruments obtained from the principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with enough frequency and volume to ensure liquidity.

Fair value measurements based on Level 2 inputs: Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid are considered Level 2. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks, and others.

Fair value measurements based on Level 3 inputs: Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations.

Cash and cash equivalents, receivables and accounts payable, are stated at cost, which approximates fair value due to their short-term maturity. The fair value of the amount due to the National Office is considered a Level 3 fair value as it is based on the total amount due with no interest rate calculations. Level 3 fair values have the lowest degree of certainty regarding the underlying value of the financial instrument.

LUPUS FOUNDATION OF AMERICA, GEORGIA CHAPTER, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Donated Capital Assets, Goods and Services

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Donated services are recognized when the services either enhance non-monetary assets or are services that would otherwise be purchased from individuals with specialized skills. No donated services met the criteria for fiscal years ended September 30, 2019 and 2018.

Income Taxes

The Chapter is a not-for-profit voluntary health agency exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. Accordingly, the Chapter is not required to pay income taxes. Contributions to the Chapter qualify for the charitable contributions deduction to the extent provided by the Internal Revenue Code. The Chapter has not had income subject to the unrelated business income tax. Accordingly, it has taken no uncertain tax positions.

Subsequent Events

The Chapter has evaluated its subsequent events, events occurring after September 30, 2019 through February 25, 2020, which represents the date the financial statements were available.

2. RELATED PARTY TRANSACTIONS

Lupus Foundation of America, Inc., Georgia Chapter is an affiliate of Lupus Foundation of America, Inc. ("National"). Each year, the Chapter provides a portion of its revenue to National, which is used exclusively for research related to Lupus. The amount of revenue sharing is based on the previous year's revenue and is payable quarterly. For the years ended September 30, 2019 and 2018, revenue sharing amounted to \$51,411 and \$65,304, respectively stated.

The Chapter was granted a loan from National at September 30, 2019 to cover its revenue sharing contribution requirement for the fiscal year then ended. The loan maturity follows:

Fiscal Years Ending in	Amount
2020	\$ 9,000
2021	16,768
2022	16,768
2023	16,768
	<u>\$ 59,304</u>

The Chapter can elect to repay the entire loan balance at any time without penalty for early payment. The Chapter determined, based on its safe borrowing rate, imputed interest was not material.

LUPUS FOUNDATION OF AMERICA, GEORGIA CHAPTER, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2019 and 2018

3. RETIREMENT PLAN AND DEFERRED COMPENSATION

The Chapter had a retirement plan that covers substantially all full-time employees meeting certain eligibility requirements. The Chapter makes annual contributions to the plan at the discretion of the Board of Directors. The Chapter's contributions to the plan for the years ended September 30, 2019 and 2018, was \$7,858 and \$12,706, respectively.

Compensation due the Chapter's prior Executive Director for the fiscal year ended September 30, 2018 in the amount of \$40,000 was deferred for a period exceeding one year. He also made a charitable pledge of \$7,500 during 2019 which offset the deferred compensation, so balance due at September 30, 2019 is \$32,500.

4. TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2019 and 2018, temporarily restricted net assets consisted of the following:

	2019	2018
GOAL - purpose restricted	\$ 32,629	\$ 16,289
Receivables - time restricted	16,348	-
	<u>\$ 48,977</u>	<u>\$ 16,289</u>

5. OPERATING LEASES

Rental expenses which are included in occupancy expense, for the years ended September 30, 2019 and 2018, were \$32,038 and \$29,205, respectively. The Chapter's lease specifically required the same monthly rent over the lease term with no increase to be implemented during the lease term. At September 30, 2019 the remaining commitment on the lease was \$7,332.

6. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of its liquidity management, the Chapter must structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At September 30, 2019 the Organization's liquidity and availability of resources consisted of the following:

Cash	\$ 235,764
Grants and other receivables	16,348
Prepaid expenses	22,623
Total	<u>274,735</u>
Net assets with donor restrictions	<u>(48,977)</u>
	<u>\$ 225,758</u>