

LUPUS FOUNDATION OF AMERICA,  
GEORGIA CHAPTER, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED  
SEPTEMBER 30, 2020 AND 2019

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

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# Reed, Quinn & McClure, LLC

CERTIFIED PUBLIC ACCOUNTANTS

2055 North Brown Road, Suite 150  
Lawrenceville, Georgia 30043  
(770) 449-9144 Fax (770) 449-9201

Larry N. Reed, CPA  
Daniel T. McClure, CPA  
Pauline E. Shannon, CPA  
www.rqmcpa.com

## 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, 2020, and 2019, 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, 2020, and 2019, and the changes in its net 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  
August 6, 2021

LUPUS FOUNDATION OF AMERICA, GEORGIA CHAPTER, INC.  
STATEMENTS OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current assets		
Cash	\$ 268,875	\$ 235,764
Grants and other receivables	1,150	16,348
Prepaid expenses	950	22,623
Total current assets	<u>270,975</u>	<u>274,735</u>
Furniture, computers and other equipment	24,268	24,268
Accumulated depreciation	<u>(22,422)</u>	<u>(21,825)</u>
Net furniture, computers and other equipment	<u>1,846</u>	<u>2,443</u>
Total assets	<u>\$ 272,821</u>	<u>\$ 277,178</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Loan payable-Lupus Foundation of America, due in one year	\$ 21,276	\$ 9,000
Loan payable-Payroll Protection Program	44,855	-
Accounts payable	39,568	15,024
Deposits for future events	-	31,702
Deferred compensation	-	32,500
Total current liabilities	<u>105,699</u>	<u>88,226</u>
Other liabilities		
Loan payable-Lupus Foundation of America, due after one year	<u>33,528</u>	<u>50,304</u>
Total liabilities	<u>139,227</u>	<u>138,530</u>
Net assets		
Without donor restrictions	100,815	89,671
With donor restrictions	<u>32,779</u>	<u>48,977</u>
Total net assets	<u>133,594</u>	<u>138,648</u>
Total liabilities and net assets	<u>\$ 272,821</u>	<u>\$ 277,178</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, 2020 AND 2019

	2020	2019
<i>NET ASSETS WITHOUT RESTRICTIONS</i>		
<b>REVENUE AND SUPPORT</b>		
Special events	\$ 235,503	\$ 521,388
Less: Cost of donor benefits	(61,917)	(179,314)
Net from Special events	173,586	342,074
Contributions	200,593	217,384
Other income	1,148	42
Total revenue and support	375,327	559,500
Net assets released from restrictions	86,268	16,340
Total revenue, support and release of restrictions	461,595	575,840
 <b>EXPENSES</b>		
Program services	364,447	428,744
Supporting expenses	32,575	36,821
Fundraising expenses	54,429	58,575
Total expenses	451,451	524,140
 Increase (decrease) in net assets without restrictions	 10,144	 51,700
 <i>CHANGES IN NET ASSETS WITH RESTRICTIONS</i>		
Contributions	71,070	21,875
Net assets released from restrictions	(86,268)	(16,340)
Increase (decrease) in net assets with restrictions	(15,198)	5,535
 Increase (Decrease) in net assets	 (5,054)	 57,235
 Net assets - beginning of fiscal year	 138,648	 81,413
 Net assets - end of the fiscal year	 \$ 133,594	 \$ 138,648

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, 2020

	Education and Assistance Program	Management & General	Fundraising	Total Functional Expenses	Cost of Donor Benefits	Total Expenses
Salaries and wages	\$ 155,812	\$ 20,775	\$ 31,162	\$ 207,749	\$ -	\$ 207,749
Payroll taxes	11,913	1,588	2,382	15,883	-	15,883
Employee benefits	6,047	806	1,210	8,063	-	8,063
Total personnel expense	<u>173,772</u>	<u>23,169</u>	<u>34,754</u>	<u>231,695</u>	<u>-</u>	<u>231,695</u>
Advocacy	1,689	-	-	1,689	-	1,689
Annual appeal	-	-	5,571	5,571	-	5,571
Blackbaud fees	-	-	-	-	276	276
Communications	3,924	523	785	5,232	-	5,232
Emergency financial assistance	3,104	-	-	3,104	-	3,104
Equipment rental	4,916	656	983	6,555	-	6,555
Food, beverage, and entertainment	-	-	-	-	23,629	23,629
GOAL	33,869	-	-	33,869	-	33,869
Incentives, awards, and prizes	-	-	-	-	550	550
Insurance	3,954	527	791	5,272	-	5,272
IT Consulting	7,222	963	1,444	9,629	-	9,629
Occupancy expense	22,731	3,031	4,546	30,308	-	30,308
Office expense	15,327	2,044	3,065	20,436	-	20,436
Other expense	1,833	60	89	1,982	22,331	24,313
Postage and shipping	2,127	284	425	2,836	-	2,836
Printing and duplicating	3,095	-	-	3,095	421	3,516
Professional fees	9,883	1,318	1,976	13,177	-	13,177
Programming	27,937	-	-	27,937	-	27,937
Research - National revenue sharing	12,853	-	-	12,853	-	12,853
Summit	28,827	-	-	28,827	-	28,827
Supplies	1,282	-	-	1,282	559	1,841
Support groups	5,316	-	-	5,316	-	5,316
Transportation and parking	786	-	-	786	2,243	3,029
Venues	-	-	-	-	1,425	1,425
Video, media and photography	-	-	-	-	10,483	10,483
	<u>\$ 364,447</u>	<u>\$ 32,575</u>	<u>\$ 54,429</u>	<u>\$ 451,451</u>	<u>\$ 61,917</u>	<u>513,368</u>
Less: Cost of donor benefits, reflected as reduction of revenue on statement of activities						61,917
Total functional expenses						<u>\$ 451,451</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

	<u>Programs</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total Functional Expenses</u>	<u>Cost of Donor Benefits</u>	<u>Total</u>
Salaries and wages	\$ 174,659	\$ 23,388	\$ 34,832	\$ 232,879	\$ -	\$ 232,879
Payroll taxes	13,361	1,785	2,669	250,694	-	250,694
Employee benefits	5,894	786	1,178	25,673	-	25,673
Total personnel expense	<u>193,914</u>	<u>25,959</u>	<u>38,679</u>	<u>258,552</u>	<u>-</u>	<u>258,552</u>
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	5,045	8,228
Support groups	6,508	-	-	6,508	-	6,508
Transportation and parking	-	-	-	-	3,322	3,322
Venues	-	-	-	-	24,404	24,404
Video and media	-	-	-	-	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.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019  
Increase (Decrease) in Cash

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (5,054)	\$ 57,235
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	598	1,434
Change in receivables	15,198	(16,348)
Change in prepaid expense	21,673	649
Change in accounts payable	24,544	12,492
Change in deposit for future events	(31,703)	2,577
Change in deferred compensation	(32,500)	(7,500)
Cash provided (used) by operations	(7,244)	50,539
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payroll Protection Program loan proceeds	44,855	-
Payment on loan to Lupus Foundation	(4,500)	(6,000)
Cash provided (used) by financing	40,355	(6,000)
Net increase (decrease) in cash	33,111	44,539
Cash - beginning of year	235,764	191,225
Cash - end of year	\$ 268,875	\$ 235,764

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

LUPUS FOUNDATION OF AMERICA, GEORGIA CHAPTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2020 and 2019

**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, 2020 and 2019, no allowance for doubtful accounts was required.

LUPUS FOUNDATION OF AMERICA, GEORGIA CHAPTER, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
September 30, 2020 and 2019

**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 \$598 and \$1,434 for the years ended September 30, 2020 and 2019, 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 is 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, accounts receivable 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, 2020 and 2019

**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 the fiscal year ended September 30, 2019.

*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 events and transactions for possible recognition or disclosure through August 6, 2021, which is the date the financial statements were available to be issued. Please see Notes 3 and 8 regarding significant events that occurred after September 30, 2020.

**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, 2020 and 2019, revenue sharing amounted to \$21,853 and \$51,411, respectively stated.

The Chapter was granted an interest-free loan from National at September 30, 2019 to cover its revenue sharing contribution requirement for that fiscal year. The Chapter can elect to repay the entire loan balance at any time without penalty and based on its safe borrowing rate, imputed interest was not material. The loan maturity follows:

Fiscal Years	Ending in	Amount
2021	\$	21,276
2022		16,764
2023		16,764
	\$	<u>54,804</u>

LUPUS FOUNDATION OF AMERICA, GEORGIA CHAPTER, INC.  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 September 30, 2020 and 2019

**3. PAYROLL PROTECTION LOAN**

The Chapter received a Payroll Protection Loan (PPP) of \$44,855 during the fiscal year ended September 30, 2020. Under the terms of the PPP loan, no interest is due if the loan meets the debt forgiveness criteria. In January 2021 the Chapter received verification that this loan had been forgiven.

**4. RETIREMENT PLAN AND DEFERRED COMPENSATION**

The Chapter has a retirement plan that covers substantially all full-time employees meeting 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, 2020 and 2019, was \$7,858 and \$12,706, respectively.

Deferred compensation of \$40,000 was due to the Chapter's prior Executive Director on September 30, 2018. The former Executive Director made a charitable pledge of \$7,500 during 2019 and requested it be offset against the deferred compensation. At September 30, 2019, the remaining amount deferred was \$32,500. On or before September 30, 2020, the former Executive Director advised the Board of Directors that he was donating the remainder of the deferred compensation to the Chapter.

**5. TEMPORARILY RESTRICTED NET ASSETS**

At September 30, 2020 and 2019, temporarily restricted net assets consisted of the following:

	2020	2019
GOAL - purpose restricted	\$ 32,629	\$ 32,629
Receivables - time restricted	1,150	16,348
	\$ 32,779	\$ 48,977

**6. OPERATING LEASE COMMITMENTS**

Rental expenses for the years ended September 30, 2020 and 2019, were \$30,308 and \$32,038, respectively. Beginning January 1, 2020, the Chapter signed a new lease agreement that terminates on February 28, 2022 (26 months). The incentives provided in the lease did not result in a material difference between actual monthly payments and recognition of rent expense on the straight-line basis, so no rental accrual was recorded. At September 30, 2020, the remaining lease commitment follows:

Fiscal Years Ending in	Amount
2021	\$ 39,182
2022	16,673
	\$ 55,855

LUPUS FOUNDATION OF AMERICA, GEORGIA CHAPTER, INC.  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 September 30, 2020 and 2019

**7. 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, 2020 and 2019 the Chapter’s liquidity consisted of the following:

		2020		2019
Cash	\$	266,359	\$	235,764
Grants and other receivables		150		16,348
Total		266,509		252,112
Net assets with donor restrictions		(32,779)		(48,977)
	\$	233,730	\$	203,135

**8. COVID-19 FINANCIAL IMPACT**

During the fiscal year ended September 30, 2020 and prior to the issuance of the financial statements, a global pandemic occurred due to the COVID-19 virus. The initial financial impact of the pandemic on the Chapter’s contributions and programs are reflected in these financial statements, as major fund-raising events were curtailed or changed to virtual events due to shelter-in-place and other safety measures. The Chapter has obtained new revenue sources to sustain ongoing programs and believes it will be able to resume the fund-raising events that provide substantial support. Plans are currently in place to hold the Annual Walk event in April 2022.