

Lupus Foundation of Colorado

**Financial Statements and Report
of
Independent Certified Public Accountants**

September 30, 2014 and 2013

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Certified Public Accountants (a professional corporation)

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Report of Independent Certified Public Accountants

Board of Directors
Lupus Foundation of Colorado

We have audited the accompanying consolidated financial statements of Lupus Foundation of Colorado (a nonprofit organization) which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities, cash flows and functional expenses 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 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 Colorado as of September 30, 2014 and 2013, 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.

Littleton, Colorado
March 17, 2015

Lupus Foundation of Colorado
Statements of Financial Position
September 30, 2014 and 2013

	2014	2013
Assets		
Cash & cash equivalents	\$ -	\$ 22,965
Cash & cash equivalents - temporarily restricted (Note 3)	1,521	1,521
Accounts receivable	-	9,458
Prepaid expenses	2,323	3,668
Investments	276,918	283,137
Property and equipment, net	1,018	1,340
Security deposit	1,605	1,605
Total Assets	<u>\$ 283,385</u>	<u>\$ 323,694</u>
Liabilities and Net Assets		
Accounts payable	\$ 3,080	\$ -
Accrued payroll and payroll taxes	1,073	919
Total liabilities	4,153	919
Net Assets		
Unrestricted net assets	277,711	321,254
Temporarily restricted net assets	1,521	1,521
Total Net Assets	279,232	322,775
Total Liabilities and Net Assets	<u>\$ 283,385</u>	<u>\$ 323,694</u>

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

Lupus Foundation of Colorado
Statements of Activities
For the Years Ended September 30, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support						
Special events	\$ 3,214	\$ -	\$ 3,214	\$ 8,142	\$ -	\$ 8,142
Donations	34,319	-	34,319	63,713	-	63,713
Household pick-up service	58,549	-	58,549	61,910	-	61,910
Investment gains	28,783	-	28,783	36,505	-	36,505
Health agencies of Colorado	13,133	-	13,133	19,253	-	19,253
Grant revenues	1,050	15,000	16,050	650	13,000	13,650
Other revenue	3,043	-	3,043	3,003	-	3,003
Net assets released from restrictions	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>	<u>18,231</u>	<u>(18,231)</u>	<u>-</u>
Total revenues and other support	<u>157,091</u>	<u>-</u>	<u>157,091</u>	<u>211,407</u>	<u>(5,231)</u>	<u>206,176</u>
Expenses						
Program services:						
Education and support	124,273	-	124,273	125,896	-	125,896
Public awareness	<u>47,662</u>	<u>-</u>	<u>47,662</u>	<u>36,657</u>	<u>-</u>	<u>36,657</u>
Total program services	<u>171,935</u>	<u>-</u>	<u>171,935</u>	<u>162,553</u>	<u>-</u>	<u>162,553</u>
Supporting services:						
Management and general	21,086	-	21,086	21,091	-	21,091
Fundraising	<u>7,613</u>	<u>-</u>	<u>7,613</u>	<u>33,529</u>	<u>-</u>	<u>33,529</u>
Total supporting services	<u>28,699</u>	<u>-</u>	<u>28,699</u>	<u>54,620</u>	<u>-</u>	<u>54,620</u>
Total expenses	<u>200,634</u>	<u>-</u>	<u>200,634</u>	<u>217,173</u>	<u>-</u>	<u>217,173</u>
Increase (Decrease) in net assets	(43,543)	-	(43,543)	(5,766)	(5,231)	(10,997)
Net assets at beginning of year	<u>321,254</u>	<u>1,521</u>	<u>322,775</u>	<u>327,020</u>	<u>6,752</u>	<u>333,772</u>
Net assets at end of year	<u>\$ 277,711</u>	<u>\$ 1,521</u>	<u>\$ 279,232</u>	<u>\$ 321,254</u>	<u>\$ 1,521</u>	<u>\$ 322,775</u>

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

Lupus Foundation of Colorado
Statements of Cash Flows
For the Years Ended September 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ (43,543)	\$ (10,997)
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	322	299
Unrealized (gains) on investments	(6,219)	(27,453)
Changes in operating assets and liabilities:		
(Increase) Decrease in prepaid expenses	1,345	-
(Increase) Decrease in accounts receivable	9,458	(9,458)
Increase (Decrease) in accounts payable	3,080	(402)
Increase (Decrease) in accrued payroll and taxes	154	(2,216)
Net cash used by operating activities	(35,403)	(50,227)
Cash Flows from Investing Activities:		
(Purchase) of fixed assets	-	(882)
Sales of investments	12,438	43,957
Net cash provided by investing activities	12,438	43,075
Net Change in Cash and Cash Equivalents	(22,965)	(7,152)
Cash and Cash Equivalents at Beginning of Year	24,486	31,638
Cash and Cash Equivalents at End of Year	\$ 1,521	\$ 24,486
Presented on Balance Sheet as:		
Cash and cash equivalents	\$ -	\$ 22,965
Cash & cash equivalents—temporarily restricted	\$ 1,521	\$ 1,521

Supplementary Cash Flow Information

There were no non-cash investing and financing activities during the years ending September 30, 2014 and 2013.

There was no interest or income tax paid during the years ending September 30, 2014 and 2013.

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

Lupus Foundation of Colorado
Statements of Functional Expenses
For the Years Ended September 30, 2014 and 2013

	2014						2013					
	Program Services		Total Program Services	Supporting Services		Total	Program Services		Total Program Services	Supporting Services		Total
	Education and Support	Public Awareness		Management and General	Fundraising		Education and Support	Public Awareness		Management and General	Fundraising	
Salaries	\$ 28,397	\$ 11,043	\$ 39,440	\$ 7,395	\$ 2,465	\$ 49,300	\$ 22,738	\$ 8,842	\$ 31,580	\$ 5,921	\$ 1,974	\$ 39,475
Payroll taxes	2,977	1,158	4,135	775	258	5,168	2,230	867	3,097	581	194	3,872
Board and volunteer expenses	3,552	1,381	4,933	925	308	6,166	1,918	746	2,664	499	166	3,329
Bank fees	933	363	1,296	243	81	1,620	1,097	426	1,523	286	95	1,904
Special event expense	-	-	-	-	522	522	-	-	-	-	26,169	26,169
Depreciation	183	71	254	68	-	322	170	66	236	63	-	299
Loss on sale of asset	-	-	-	-	-	-	203	79	282	75	-	357
Dues and subscriptions	2,019	785	2,804	526	175	3,505	3,046	1,185	4,231	793	264	5,288
Educational programs	15,613	16,251	31,864	-	-	31,864	4,551	4,736	9,287	-	-	9,287
Emergency assistance	23,243	-	23,243	-	-	23,243	29,982	-	29,982	-	-	29,982
Insurance	1,661	646	2,307	613	-	2,920	1,622	631	2,253	599	-	2,852
Office supplies	597	232	829	156	52	1,037	1,123	437	1,560	293	98	1,951
Other expenses	2,130	-	2,130	399	136	2,665	3,755	-	3,755	704	180	4,639
Advertising	399	155	554	104	35	693	1,100	427	1,527	286	95	1,908
Travel	598	-	598	112	37	747	944	-	944	177	59	1,180
Website maintenance	4,095	1,755	5,850	1,097	366	7,313	5,407	2,317	7,724	1,448	483	9,655
Postage and shipping	628	244	872	164	55	1,091	463	180	643	121	40	804
Printing and publications	4,570	871	5,441	-	286	5,727	10,047	1,914	11,961	-	630	12,591
Professional and contracted services	15,692	6,102	21,794	4,086	1,362	27,242	15,732	6,118	21,850	4,097	1,366	27,313
Rent	11,094	4,314	15,408	2,889	963	19,260	11,094	4,314	15,408	2,889	963	19,260
Repair and maintenance	2,397	932	3,329	624	208	4,161	4,791	1,863	6,654	1,248	416	8,318
Telephone	2,290	890	3,180	596	199	3,975	2,642	1,027	3,669	688	229	4,586
Utilities	1,205	469	1,674	314	105	2,093	1,241	482	1,723	323	108	2,154
Total expenses	<u>124,273</u>	<u>47,662</u>	<u>171,935</u>	<u>21,086</u>	<u>7,613</u>	<u>200,634</u>	<u>125,896</u>	<u>36,657</u>	<u>162,553</u>	<u>21,091</u>	<u>33,529</u>	<u>217,173</u>
Total Functional Expenses	<u>\$ 124,273</u>	<u>\$ 47,662</u>	<u>\$ 171,935</u>	<u>\$ 21,086</u>	<u>\$ 7,613</u>	<u>\$ 200,634</u>	<u>\$ 125,896</u>	<u>\$ 36,657</u>	<u>\$ 162,553</u>	<u>\$ 21,091</u>	<u>\$ 33,529</u>	<u>\$ 217,173</u>

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

Lupus Foundation of Colorado, Inc.

Notes to Financial Statements

September 30, 2014 and 2013

1. Organization

Lupus Foundation of Colorado, Inc. (the Foundation) is a Colorado non-profit organization organized in 1972 to promote awareness and understanding by the general public, to educate and support people with lupus and their families, and to encourage research to discover the causes and care of systemic lupus erythematosus. The Foundation is supported primarily through household pick-up services and donations.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The Foundation has unrestricted and temporarily restricted net assets as of September 30, 2014 and 2013.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Concentrations of Credit Risk

Financial instruments that are exposed to concentrations of credit risk consist of cash and investments. The Foundation maintains its cash balances in two financial institutions in Denver, Colorado. The balances at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances at September 30, 2014 and 2013 did not exceed federally insured limits.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Lupus Foundation of Colorado, Inc.

Notes to Financial Statements

September 30, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. The fair value of investments in marketable equity and debt securities is based on quoted market prices. In the absence of donor specification, income and gains on donated funds are not restricted, such income and gains are reported as unrestricted income. The Foundation utilizes the specific identification method for determining cost in computing realized gain or loss on the sale of investments, which is included in investment income. Contributions of investments are recorded at fair value on the date of the gift.

Property and Equipment

The Foundation follows the practice of capitalizing all expenditures for land, buildings and equipment of \$500 or more. Contributed property is recorded at fair value on the date of receipt. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, ranging from five to seven years. The Foundation determines whether an asset is capitalized based upon whether the useful life exceeds one year.

Income Taxes

Lupus Foundation of Colorado is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. During 2014, the Foundation had no unrelated business activities and believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation's federal tax return (Form 990) for 2014 is subject to examination by the IRS, generally for three years after it was filed.

Contributions

Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Contributions to the Foundation that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire within the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Lupus Foundation of Colorado, Inc.
Notes to Financial Statements
September 30, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted, based upon a reasonable basis of allocation.

Subsequent Events

Management has evaluated subsequent events through March 17, 2015, the date which the financial statements were available to be issued. During this period, Management was not aware of any material recognizable subsequent events.

3. Restrictions on Net Assets

Temporarily restricted net assets of \$1,521 and \$1,521 for the years ended September 30, 2014 and 2013, respectively were restricted for the following purposes:

	<u>2014</u>	<u>2013</u>
Utility assistance	\$ <u>1,521</u>	\$ <u>1,521</u>

4. Investments and Fair Value Measurements

Investments at September 30, 2014 and 2013, are as follows:

Carried at Fair Value:	<u>2014</u>	<u>2013</u>
Corporate bonds and bond funds	\$ 68,222	\$ 66,238
Money market funds	5,687	22,388
Equities and equity mutual funds	<u>202,109</u>	<u>210,326</u>
Total	<u>\$ 276,918</u>	<u>\$ 283,137</u>

Lupus Foundation of Colorado, Inc.
Notes to Financial Statements
September 30, 2014 and 2013

4. Investments and Fair Value Measurements (continued)

The composition of investment return for the years ended September 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Interest, dividends and net realized gains (losses)	\$ 7,196	\$ 9,052
Net unrealized gains	<u>21,587</u>	<u>27,453</u>
Total	<u>\$ 28,783</u>	<u>\$ 36,505</u>

The Foundation applies the accounting provisions in FASB ASC 820-10 for financial assets and liabilities and items measured or disclosed at fair value on a recurring basis. Items carried at fair value on a recurring basis consist primarily of non-cash contributions of materials, equipment and services received and investments, which are primarily based on other observable inputs.

The Foundation also uses fair value concepts to test various long-lived assets for impairment.

Accounting standards for investments provide a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Lupus Foundation of Colorado, Inc.
Notes to Financial Statements
September 30, 2014 and 2013

4. Investments and Fair Value Measurements (continued)

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Investments are carried at fair value as of September 30, 2014 as follows:

Level 1

Investments in equities, bonds and money markets	<u>\$ 276,918</u>
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Total Investments	<u>\$ 276,918</u>
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Investments are carried at fair value as of September 30, 2013 as follows:

Level 1

Investments in equities, bonds and money markets	<u>\$ 283,137</u>
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Total Investments	<u>\$ 283,137</u>
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There were no assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

5. Property and Equipment

The following is a breakdown of property and equipment during the years ended September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 9,491	\$ 9,491
Computers	<u>1,238</u>	<u>1,238</u>
	10,729	10,729
Accumulated depreciation	<u>(9,711)</u>	<u>(9,389)</u>
Total	<u>\$ 1,018</u>	<u>\$ 1,340</u>

Depreciation expense for the years ended September 30, 2014 and 2013 was \$322 and \$298, respectively.

Lupus Foundation of Colorado, Inc.
Notes to Financial Statements
September 30, 2014 and 2013

6. Joint Costs

The Foundation produces a newsletter that is used to educate the public, request public participation in programs, and to inform donors about the Foundation's activities. The cost of the newsletters totaled \$5,727 and \$12,591 during the years ended September 30, 2014 and 2013, respectively, and was included in the printing and publications expense in the Statement of Functional Expenses. Costs were allocated as follows:

	2014		2013	
	<u>Amount</u>	<u>% Allocation</u>	<u>Amount</u>	<u>% Allocation</u>
Education and support	\$ 4,570	80%	\$ 10,047	80%
Public awareness	871	15%	1,914	15%
Fundraising	286	5%	630	5%
Total	\$ 5,727	100%	\$ 12,591	100%

7. Concentration of Revenue

The Foundation recognized revenue of \$58,549 and \$61,910, respectively, from household pick-up services which were facilitated by Apogee Retail, LLC, which represented 37% and 30% of total revenues, respectively. The agreement with this company calls for proceeds to be received by the Foundation of \$40 per 100 cubic foot of soft goods collected regardless of their condition. The agreement terminates on December 31, 2013, and is subject to a 60-day cancellation notice at any time by either party.

8. Lease Commitments

The Foundation had a lease agreement with Creekside Highline, LLC. The lease calls for monthly rental payments of \$1,605 until the lease termination date of December 31, 2014. Beginning January 1, 2015, the Foundation signed a 36 month lease with Arapahoe Plaza East, LLC.

Lupus Foundation of Colorado, Inc.
Notes to Financial Statements
September 30, 2014 and 2013

8. Lease Commitments (continued)

Future minimum lease payments are as follows:

Year ending September 30,	
2015	13,537
2016	12,027
2017	12,558
2018	<u>3,173</u>
	<u>\$ 41,295</u>

Rent expense for the years ended September 30, 2014 and 2013 was \$19,260 and \$19,260, respectively.

9. Other Commitments and Contingencies

The Foundation receives grants from various sources which are eligible for final review and approval, depending on the allowability of corresponding expenses charged to those programs. Any expenses not allowed by the granting authority would be reimbursable by the Foundation.