

Lupus Foundation of Colorado

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

September 30, 2017

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**Haynie &
Company**

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, 2017, and the related statements of activities, cash flows and functional expenses 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 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, 2017, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Littleton, Colorado
August 16, 2018



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Lupus Foundation of Colorado
Statements of Financial Position
September 30, 2017

Assets

| | |
|---|-------------------|
| Cash & cash equivalents | \$ 36,423 |
| Cash & cash equivalents - temporarily restricted (Note 2) | - |
| Prepaid expenses | 1,130 |
| Investments | 313,741 |
| Property and equipment, net | 162 |
| Security deposit | <u>900</u> |
| Total Assets | <u>\$ 352,356</u> |

Liabilities and Net Assets

| | |
|-------------------|-----------------|
| Accounts payable | <u>\$ 6,626</u> |
| Total liabilities | <u>6,626</u> |

Net Assets

| | |
|---|--------------------------|
| Unrestricted net assets | 345,730 |
| Temporarily restricted net assets | <u>-</u> |
| Total Net Assets | <u>345,730</u> |
| Total Liabilities and Net Assets | <u>\$ 352,356</u> |

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

Lupus Foundation of Colorado
Statements of Activities
For the Year Ended September 30, 2017

| | <u>2017</u> | | |
|--|---------------------|-----------------------------------|-------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
| Revenues and Other Support | | | |
| Special events | \$ 58,819 | \$ - | \$ 58,819 |
| Donations | 19,943 | - | 19,943 |
| Household pick-up service | 72,064 | - | 72,064 |
| Interest and dividends | 13,763 | - | 13,763 |
| Investment gain (loss) | 29,414 | - | 29,414 |
| Health agencies of Colorado | 5,585 | - | 5,585 |
| Grant revenues | 1,000 | 12,725 | 13,725 |
| Other revenue | 105 | - | 105 |
| Net assets released from restrictions | <u>12,725</u> | <u>(12,725)</u> | <u>-</u> |
| Total revenues and other support | <u>213,418</u> | <u>-</u> | <u>213,418</u> |
| Expenses | | | |
| Program services: | | | |
| Education and support | 152,679 | - | 152,679 |
| Public awareness | <u>58,441</u> | <u>-</u> | <u>58,441</u> |
| Total program services | <u>211,120</u> | <u>-</u> | <u>211,120</u> |
| Supporting services: | | | |
| Management and general | 16,031 | - | 16,031 |
| Fundraising | <u>11,159</u> | <u>-</u> | <u>11,159</u> |
| Total supporting services | <u>27,190</u> | <u>-</u> | <u>27,190</u> |
| Total expenses | <u>238,310</u> | <u>-</u> | <u>238,310</u> |
| Increase (Decrease) in net assets | (24,892) | - | (24,892) |
| Net assets at beginning of year | <u>370,622</u> | <u>-</u> | <u>370,622</u> |
| Net assets at end of year | <u>\$ 345,730</u> | <u>\$ -</u> | <u>\$ 345,730</u> |

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

Lupus Foundation of Colorado
Statements of Cash Flows
For the Year Ended September 30, 2017

| | |
|---|------------------|
| Cash Flows From Operating Activities | |
| Change in net assets | \$ (24,892) |
| Reconciliation of Change in Net Assets to | |
| Net Cash From Operating Activities: | |
| Depreciation | 248 |
| Unrealized loss (gains) on investments | (29,414) |
| Changes in operating assets and liabilities: | |
| (Increase) Decrease in prepaid expenses | (428) |
| Increase (Decrease) in accounts payable | <u>(7,262)</u> |
| Net cash from operating activities | <u>(61,748)</u> |
| Cash Flows from Investing Activities: | |
| Purchase of investments | <u>(16,376)</u> |
| Net cash from investing activities | <u>(16,376)</u> |
| Net Change in Cash and Cash Equivalents | (78,124) |
| Cash and Cash Equivalents at Beginning of Year | <u>114,547</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 36,423</u> |
| Presented on Balance Sheet as: | |
| Cash and cash equivalents | <u>\$ 36,423</u> |
| Cash & cash equivalents—temporarily restricted | <u>\$ -</u> |

Supplementary Cash Flow Information

There were no non-cash investing and financing activities during the year ending September 30, 2017.

There was no interest or income tax paid during the year ending September 30, 2017.

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

Lupus Foundation of Colorado
Statements of Functional Expenses
For the Year Ended September 30, 2017

| | 2017 | | | | | Total |
|--------------------------------------|--------------------------|---------------------|------------------------------|---------------------------|------------------|-------------------|
| | Program Services | | Total Program Services | Supporting Services | | |
| | Education and Support | Public Awareness | | Management and General | Fundraising | |
| Salaries | \$ 65,602 | \$ 25,512 | \$ 91,114 | \$ 7,087 | \$ 3,037 | \$ 101,238 |
| Payroll taxes | 4,815 | 1,872 | 6,687 | 520 | 223 | 7,430 |
| Board and volunteer expenses | 3,758 | 1,462 | 5,220 | 406 | 174 | 5,800 |
| Bank fees | 974 | 379 | 1,353 | 105 | 45 | 1,503 |
| Special event expense | 12,370 | 6,372 | 18,742 | - | 6,247 | 24,989 |
| Depreciation | 141 | 55 | 196 | 52 | - | 248 |
| Dues and subscriptions | 196 | 76 | 272 | 21 | 9 | 302 |
| Educational programs | 12,623 | 13,138 | 25,761 | - | - | 25,761 |
| Emergency assistance | 21,417 | - | 21,417 | - | - | 21,417 |
| Insurance | 1,931 | 751 | 2,682 | 713 | - | 3,395 |
| Office expenses | 2,684 | 1,043 | 3,727 | 290 | 124 | 4,141 |
| Other expenses | 1,815 | - | 1,815 | 141 | 61 | 2,017 |
| Website maintenance | 1,093 | 468 | 1,561 | 121 | 52 | 1,734 |
| Advertising | 72 | 28 | 100 | 8 | 3 | 111 |
| Travel | 699 | - | 699 | 54 | 23 | 776 |
| Postage and shipping | 4,674 | 1,818 | 6,492 | 505 | 216 | 7,213 |
| Printing and publications | 7,362 | 1,402 | 8,764 | - | 461 | 9,225 |
| Professional and contracted services | - | - | - | 4,880 | - | 4,880 |
| Rent | 8,251 | 3,209 | 11,460 | 891 | 382 | 12,733 |
| Repair and maintenance | 273 | 106 | 379 | 29 | 13 | 421 |
| Telephone | 1,929 | 750 | 2,679 | 208 | 89 | 2,976 |
| Total expenses | <u>152,679</u> | <u>58,441</u> | <u>211,120</u> | <u>16,031</u> | <u>11,159</u> | <u>238,310</u> |
| Total Functional Expenses | <u>\$ 152,679</u> | <u>\$ 58,441</u> | <u>\$ 211,120</u> | <u>\$ 16,031</u> | <u>\$ 11,159</u> | <u>\$ 238,310</u> |

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

Lupus Foundation of Colorado, Inc.

Notes to Financial Statements

September 30, 2017

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 net assets as of September 30, 2017.

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, 2017 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, 2017

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 2017, 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 2017 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, 2017

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 August 16, 2018, 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. Investments and Fair Value Measurements

Investments at September 30, 2017, are as follows:

| | |
|----------------------------------|--------------------|
| Carried at Fair Value: | <u>2017</u> |
| Corporate bonds and bond funds | \$ 74,367 |
| Money market funds | 2,421 |
| Equities and equity mutual funds | <u>236,953</u> |
| Total | <u>\$ 313,741</u> |

The composition of investment return for the years ended September 30, 2017 is as follows:

| | |
|--|--------------------|
| | <u>2017</u> |
| Interest, dividends and net realized gains | \$ 13,763 |
| Net unrealized gains | <u>29,414</u> |
| Total | <u>\$ 43,177</u> |

Lupus Foundation of Colorado, Inc.
Notes to Financial Statements
September 30, 2017

3. Investments and Fair Value Measurements (continued)

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.

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, 2017 as follows:

Level 1

| | |
|---|-------------------|
| Investments in equities, bonds and money markets | <u>\$ 313,741</u> |
| Total Investments | <u>\$ 313,741</u> |

There were no assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

Lupus Foundation of Colorado, Inc.
Notes to Financial Statements
September 30, 2017

4. Property and Equipment

The following is a breakdown of property and equipment during the years ended September 30, 2017 and 2016:

| | 2017 |
|--------------------------|-------------|
| Furniture and equipment | \$ 9,491 |
| Computers | 1,238 |
| | 10,729 |
| Accumulated depreciation | (10,567) |
| Total | \$ 162 |

Depreciation expense for the year ended September 30, 2017 was \$248.

5. 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 \$9,225 during the year ended September 30, 2017 and was included in the printing and publications expense in the Statement of Functional Expenses. Costs were allocated as follows:

| | 2017 | |
|-----------------------|---------------|----------|
| | <u>Amount</u> | <u>%</u> |
| Education and support | \$ 7,362 | 80% |
| Public awareness | 1,402 | 15% |
| Fundraising | 461 | 5% |
| Total | \$ 9,225 | 100% |

Lupus Foundation of Colorado, Inc.
Notes to Financial Statements
September 30, 2017

6. Concentration of Revenue

The Foundation recognized revenue of \$72,064 from household pick-up services which were facilitated by Apogee Retail, LLC, which represented 34% of total revenues. The agreement with this company calls for proceeds to be received by the Foundation of \$0.049 per pound of soft goods collected regardless of their condition. The agreement terminated on December 31, 2016.

7. Lease Commitments

The Foundation has a lease agreement with Arapahoe Plaza East, LLC. The lease calls for monthly rental payments of \$1,058-\$1,195 until the lease termination date of December 31, 2019.

Future minimum lease payments are as follows:

| Year ending September 30, | |
|----------------------------------|------------------|
| 2018 | 13,527 |
| 2019 | 14,204 |
| 2020 | <u>3,584</u> |
| | <u>\$ 31,315</u> |

Rent expense for the years ended September 30, 2017 was \$12,733.

8. 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.