

***LUPUS FOUNDATION OF AMERICA TEXAS
GULF COAST CHAPTER, INC.***

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

September 30, 2023

***LUPUS FOUNDATION OF AMERICA TEXAS
GULF COAST CHAPTER, INC.***

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Independent Auditor's Report

Board of Directors
Lupus Foundation of America Texas Gulf Coast Chapter, Inc.
Tomball, Texas

Opinion

We have audited the financial statements of Lupus Foundation of America Texas Gulf Coast Chapter, Inc., which comprise the statement of financial position as of September 30, 2023, and the related statement of activities, statement of functional expenses and statement of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lupus Foundation of America Texas Gulf Coast Chapter, Inc. as of September 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lupus Foundation of America Texas Gulf Coast Chapter, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt that Lupus Foundation of America Texas Gulf Coast Chapter, Inc. ability to continue as a going concern for reasonable period.

Independent Auditor's Report (continued)

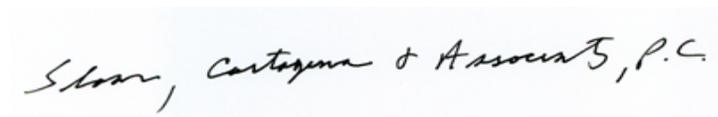
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit, 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 Lupus Foundation of America Texas Gulf Coast Chapter, Inc. internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lupus Foundation of America Texas Gulf Coast Chapter, Inc.' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Sloan, Cartagena & Associates, P.C.

February 28, 2024
Houston, Texas

LUPUS FOUNDATION OF AMERICA TEXAS GULF COAST CHAPTER, INC.

STATEMENT OF FINANCIAL POSITION

September 30, 2023

	<u>2023</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 4,182
Pledges Receivable - net of allowance	4,700
Prepaid Expenses	<u>3,199</u>
TOTAL CURRENT ASSETS	<u>12,081</u>
PROPERTY AND EQUIPMENT	
Computers and Equipment	21,841
Less: Accumulated Depreciation	<u>(21,841)</u>
Property and Equipment, Net	<u>-</u>
TOTAL ASSETS	<u><u>\$ 12,081</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 24,832
Accrued Payroll	3,732
Other Liabilities	<u>5,000</u>
TOTAL CURRENT LIABILITIES	<u>33,564</u>
TOTAL LIABILITIES	<u>33,564</u>
NET ASSETS	
With Donor Restrictions	-
Without Donor Restrictions Deficit	<u>(21,483)</u>
TOTAL NET ASSETS	<u>(21,483)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 12,081</u></u>

See independent auditor's report and notes to financial statements

LUPUS FOUNDATION OF AMERICA TEXAS GULF COAST CHAPTER, INC.

STATEMENT OF ACTIVITIES

For the year ended September 30, 2023

	<u>2023</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	
REVENUES AND GAINS:	
Contributions	214,460
Fundraising	82,758
Grants	6,665
Other Income	474
Interest	<u>82</u>
TOTAL REVENUE AND GAINS WITHOUT DONOR RESTRICTIONS	304,439
NET ASSETS RELEASED FROM RESTRICTIONS	
Satisfaction of program restrictions	187,300
EXPENSES AND LOSSES:	
Program Expenses	293,954
General & Administrative	128,315
Fundraising Expense	<u>102,934</u>
TOTAL EXPENSES AND LOSSES	<u>525,203</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(33,464)
Changes in Net Assets with Donor Restrictions	
Contributions	182,300
Net assets released from restrictions	<u>(187,300)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(5,000)</u>
Increase (Decrease) in Total Net Assets	(38,464)
Net Assets, Beginning of Year	<u>11,981</u>
Net Assets, End of Year	<u><u>\$ (21,483)</u></u>

See independent auditor's report and notes to financial statements

See independent auditor's report and notes to financial statements

LUPUS FOUNDATION OF AMERICA TEXAS GULF COAST CHAPTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2023

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Accounting and Auditing Fees	\$ -	\$ 13,010	\$ -	\$ 13,010
Bank/Credit Card/Payroll Fees	1,708	5,353	1,021	8,082
Business Insurance	-	2,147	-	2,147
Business Meetings	1,626	8,923	6,003	16,552
Conference and Meetings	59	235	59	353
Contractors	9,669	19,338	13,339	42,346
Cost of Direct Benefit to Donors	52,541	-	-	52,541
Dues/Memberships	-	1,500	35	1,535
Fees and Licenses	-	129	567	696
Food and Entertainment	495	375	170	1,040
Fundraising Event Expense	92	64	9,363	9,519
Grants to Patients	15,818	-	-	15,818
Interest	-	307	-	307
LFA National Dues	20,973	-	-	20,973
Marketing Expense	397	9,135	457	9,989
Payroll Expense - Insurance	1,621	-	-	1,621
Payroll Expense - Taxes	8,089	3,139	5,034	16,262
Payroll Expense	97,277	41,043	60,152	198,472
Postage and Delivery	966	2,865	155	3,986
Printing and Publications	2,531	-	-	2,531
Professional Fees	-	7,200	1,015	8,215
Program Expense	30,990	-	-	30,990
Rent	30,339	1,685	1,685	33,709
Scholarship Grants	10,250	-	-	10,250
Software	400	5,928	402	6,730
Supplies	3,403	5,597	1,192	10,192
Technology Equipment and Supplies	4,004	222	222	4,448
Telephone and ISP	50	-	450	500
Training	-	120	-	120
Travel and Milage	656	-	1,613	2,269
	<u>\$ 293,954</u>	<u>\$ 128,315</u>	<u>\$ 102,934</u>	<u>\$ 525,203</u>

See independent auditor's report and notes to financial statements

LUPUS FOUNDATION OF AMERICA TEXAS GULF COAST CHAPTER, INC.

STATEMENT OF CASH FLOWS

For the year ended September 30, 2023

	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (38,464)
Adjustments to Reconcile Change in Net Assets to Net Cash used by Operating Activities	
Increase (Decrease) in Pledges Receivable	300
Increase (Decrease) in Accounts Payable	5,357
Increase (Decrease) in Accrued Payroll	(1,027)
Increase (Decrease) in Other Liabilities	<u>4,910</u>
NET CASH FROM OPERATING ACTIVITIES	(28,924)
Cash, Beginning of Year	<u>33,106</u>
Cash, End of Year	<u><u>\$ 4,182</u></u>

See independent auditor's report and notes to financial statements

LUPUS FOUNDATION OF AMERICA TEXAS GULF COAST CHAPTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 1 – Organization

Lupus Foundation of America Texas Gulf Coast Chapter, Inc. (the Foundation) is a nonprofit corporation organized in 1984 to improve diagnosis and treatment of lupus, support individuals and families affected by the disease, increase awareness of lupus among health professionals and the public, encourage research to discover 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 public contributions and special event revenues.

Note 2 – Summary of Significant Accounting Policies

Federal Income Taxes

Lupus Foundation of America Texas Gulf Coast Chapter, Inc. is a nonprofit corporation as defined by section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes. Lupus Foundation of America Texas Gulf Coast Chapter, Inc. is up to date with all of its tax filings. Tax years ended September 30, 2020, 2021, 2022 and 2023 are open to examination by the Internal Revenue Service.

Financial Statement Presentation

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board in *Accounting Standards Codification 958: Not-for-Profit Entities*. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets:

1. Net assets without donor restrictions include those 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.
2. 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., those assets that donors have restricted in perpetuity.

See Note 4 for discussion of the Foundation's net assets with donor restrictions.

LUPUS FOUNDATION OF AMERICA TEXAS GULF COAST CHAPTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 2 – Summary of Significant Accounting Policies - continued

Cash and Cash Equivalents

The Foundation considers cash and cash equivalents to consist of cash held in checking and money market accounts and other short-term investments of a liquid nature with maturities of less than 90 days. The balances at a financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At September 30, 2023, the Foundation's cash balances did not exceed the FDIC limit of \$250,000.

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 year ended September 30, 2023, pledges outstanding were \$4,700.

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, 2023. There was no uncollectible pledge expense for the year ended September 30, 2023.

Property and Equipment

The Foundation's policy is to capitalize property and equipment over \$5,000. Lesser amounts 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.

Property and equipment are depreciated using the straight-line method. Computers and equipment are depreciated over useful lives of three to seven years.

LUPUS FOUNDATION OF AMERICA TEXAS GULF COAST CHAPTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 2 – Summary of Significant Accounting Policies - continued

Investments

Investments are recorded at fair value, with changes in fair value reflected in current period earnings.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. EGM reports gifts of goods and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, The Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Statement of Cash Flows

For the purposes of supplemental disclosures of cash paid for interest and income tax, the Foundation paid interest of \$307 for the year ended September 30, 2023.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

LUPUS FOUNDATION OF AMERICA TEXAS GULF COAST CHAPTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 2 – Summary of Significant Accounting Policies - continued

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among our program, general and administrative, and fundraising expenses.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions on the existence or nature of any donor restrictions.

Contributed Services, Goods, and Facilities

Contributed professional services and or property and equipment, if any, are reflected in the statement of activities at their fair value. Materials and other assets received as contributions are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt. For the year ended September 30, 2023, The Foundation recognized contributed materials or services of \$0.

Concentration

In the current year, a significant amount of contributions were provided by a few major contributors. Approximately 42% of the Foundation's contributions were provided by one donor.

It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term. The Foundation's primary sources of revenues are derived from the Houston, Texas geographical area.

Note 3 – Special Events Income & Expenses

Lupus Foundation holds various special events during the year, such as the annual Gala, Lupus Walks, etc. Income includes amounts paid by participants of the events as well as amounts donated by sponsors to offset costs incurred by these events. Expenses reflect the total costs incurred for these events and are not reduced by the donations described above.

LUPUS FOUNDATION OF AMERICA TEXAS GULF COAST CHAPTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 4 - Liquidity and availability of Financial Assets

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

	<u>2023</u>
Financial assets at year end	
Cash and cash equivalents	\$ 4,182
Less financial assets unavailable for general expenditures within one year due to:	
Net assets with donor restrictions - See note 4	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,182</u>

Note 5 – Net Assets with Donor Restrictions

During the year ended September 30, 2023, the Foundation received several contributions and grants that were to be used consistent with the Foundation's mission and objectives. During the year the Foundation incurred expenses relating to its mission and objectives and is presented as restricted satisfied by payments on the Statement of Activities.

A summary of net assets with donor restrictions for the year ended September 30, 2023 is as follows:

	<u>2023</u>
Net assets with donor restrictions at October 1, 2022	\$ 5,000
Restricted contributions and grants	182,300
Restrictions satisfied by payments	<u>187,300</u>
Net assets with donor restrictions at September 30, 2023	<u>\$ -</u>

LUPUS FOUNDATION OF AMERICA TEXAS GULF COAST CHAPTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 5 – New Accounting Pronouncements

The effects of accounting pronouncements that have been issued but have not yet taken effect are not believed to be material to the financial statements.

Note 6 – Leases

The Foundation leases office space under non-cancellable operating lease that expires in March 2024. Total lease expense under this agreement was approximately \$29,146 for the year ended September 30, 2023.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Minimum Lease Payments</u>
2024	\$ 8,097
2025 & thereafter	<u>-</u>
Total	<u><u>\$ 8,097</u></u>

Note 7 – Related Party Transactions

During the year ended September 30, 2023 Lupus Foundation of America Texas Gulf Coast Chapter, Inc. received contributions in the amount of \$41,309 from it's Board members and Executive Director. These contributions are reported as revenues without donor restrictions.

Note 8 – Subsequent Events

Subsequent events have been evaluated through February 28, 2024, which is the date the financial statements were issued.