

**LUPUS FOUNDATION OF AMERICA,
TEXAS GULF COAST CHAPTER, INC.
AUDITED FINANCIAL STATEMENTS
December 31, 2017 and 2016**

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

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Reimer, McGuinness & Associates, PC

CPAs & Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lupus Foundation of America,
Texas Gulf Coast Chapter, Inc.
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Lupus Foundation Of America-Gulf Coast Chapter which comprise the statements of financial position as of December 31, 2017 and 2016, 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 audits. We conducted our audits 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 America, Gulf Coast Chapter as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Reiner, McGinnis + Associates, P.C.

Houston, Texas
May 2, 2018

FINANCIAL STATEMENTS

**LUPUS FOUNDATION OF AMERICA,
TEXAS GULF COAST CHAPTER, INC.
STATEMENTS OF ACTIVITIES
FOR YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
UNRESTRICTED NET ASSETS		
REVENUES		
Special events		
Gala	\$ 148,845	\$ 113,801
Less: Direct expenses	(53,224)	(39,238)
Net proceeds	<u>95,621</u>	<u>74,563</u>
Lupus Walk	223,744	242,484
Less: Direct expenses	(67,048)	(48,610)
Net proceeds	<u>156,696</u>	<u>193,874</u>
Total Special events net proceeds	252,317	268,437
Other events	38,770	100,697
Contributions	66,010	63,709
Investment return, net	<u>2,859</u>	<u>3,961</u>
TOTAL REVENUES AND GAINS	<u>359,956</u>	<u>436,804</u>
 EXPENSES		
Program expenses	325,318	325,063
Fundraising expenses	30,252	13,371
General and administrative	<u>51,582</u>	<u>63,432</u>
TOTAL EXPENSES	<u>407,152</u>	<u>401,866</u>
 INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	 (47,196)	 34,938
 INCREASE (DECREASE) IN NET ASSETS	 (47,196)	 34,938
NET ASSETS, BEGINNING OF YEAR	<u>335,968</u>	<u>301,031</u>
NET ASSETS AT END OF YEAR	<u>\$ 288,772</u>	<u>\$ 335,968</u>

See independent auditors' report and notes to the financial statements.

**LUPUS FOUNDATION OF AMERICA
TEXAS GULF COAST CHAPTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	PROGRAM SERVICES	FUNDRAISING	GENERAL & ADMINISTRATIVE	TOTAL
Accounting Fees			15,500	15,500
Awareness Campaign	24,658			24,658
Bank/Credit Card/Payroll Fees			18,876	18,876
Business Insurance	1,299		1,564	2,863
Conference and Meetings	1,824			1,824
Dues/Memberships	53			53
Equipment Rental and Maintenance	7,572	195	630	8,397
Fees and Licenses	696			696
Fundraising Expenses		2,740		2,740
Grants to Patients	42,412			42,412
LFA National Dues	38,122			38,122
Lupus Research	10,020			10,020
Miscellaneous Expenses	(33)			(33)
Postage and Delivery	5,217	307	614	6,138
Printing and Publications	3,823			3,823
Rent	20,332	1,130	1,130	22,592
Salaries and Related Expenses	155,597	8,531	24,651	188,779
Supplies	2,043	139	139	2,322
Technology Equipment/Supplies	1,040	58	58	1,155
Telephone and ISP	4,877	270	271	5,418
Travel and Mileage	1,310			1,310
Volunteer Recognition	4,202			4,202
Total	325,063	13,371	63,432	401,866

See independent auditors' report and notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Lupus Foundation of America, Texas Gulf Coast Chapter, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES –
continued**

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. At December 31, 2017, there was \$14,034 in pledges outstanding. As of December 31, 2016 there was \$14,825 in pledges outstanding.

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 at both December 31, 2017 and 2016. There was no uncollectible pledge expense for the years ended December 31, 2017 and 2016.

Property and equipment

It is the Foundation's policy to capitalize property and equipment over \$5,000. Lesser amounts are 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 temporarily restricted net assets to unrestricted net assets at that time.

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

Investments

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

Lupus Foundation of America, Texas Gulf Coast Chapter, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Subsequent events

Subsequent events have been evaluated through May 2, 2018, which is the date the financial statements were issued.

Reclassification adjustments

Certain prior year balances have been reclassified to conform to the current year presentation.

NOTE 2 - INVESTMENTS

Investments at December 31, 2017 and 2016 consist of the following:

	2017	2016
Mutual Funds	\$ 145,171	\$ 145,446
Total Investments	<u>\$ 145,171</u>	<u>\$ 145,446</u>
Investment return consists of the following:		
Dividends and interest	\$ 3,162	\$ 3,634
Unrealized (loss) on investments	<u>(303)</u>	<u>327</u>
Investment return, net	<u>\$ 2,859</u>	<u>\$ 3,961</u>

During the year ended December 31, 2017 and 2016 the Foundation did not sell securities.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Foundation follows *Accounting Standards Codification (ASC) 820: Fair Value Measurements and Disclosures*, which among other things, requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. ASC 820 establishes a hierarchal disclosure framework which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchal disclosure framework which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy established under ASC 820 gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to observable inputs (Level 3 measurements).

Lupus Foundation of America, Texas Gulf Coast Chapter, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 3 – FAIR VALUE MEASUREMENTS – continued

The following table sets forth by level, within the fair value hierarchy, the Foundation’s assets at fair value as of December 31, 2016:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual Funds	\$ 145,446	\$	\$
Total Assets at Fair Value	<u>\$ 145,446</u>	<u>\$</u>	<u>\$</u>

All of the Foundation’s investments are widely traded mutual funds, and are categorized as Level 1 at both December 31, 2017 and 2016.

NOTE 4 – OPERATING LEASES

The Foundation leases office space and equipment under noncancellable operating leases that expire in 2021. Lease expense under these agreements was approximately \$33,796 and \$30,989 for the years ended December 31, 2017 and 2016, respectively. Future minimum lease payments are as follows:

2018	31,157
2019	32,042
2020	26,485
2021	<u>4,428</u>
Total	<u>\$ 94,111</u>