

Lupus Foundation of Colorado

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

September 30, 2012 and 2011

Table of Contents

	Page
Report of Independent Certified Public Accountants	1
 Financial Statements	
Statements of Financial Position	2
Statements of Activities.....	3
Statements of Cash Flows.....	4
Statements of Functional Expenses	5
Notes to Financial Statements	6



**Haynie &
Company**

Certified Public Accountants (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

Report of Independent Certified Public Accountants

Board of Directors
Lupus Foundation of Colorado

We have audited the accompanying statements of financial position of Lupus Foundation of Colorado, a Colorado nonprofit corporation, as of September 30, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Haynie & Co.

Littleton, Colorado
January 21, 2013

Lupus Foundation of Colorado
Statements of Financial Position
September 30, 2012 and 2011

	2012	2011
Assets		
Cash & cash equivalents	\$ 24,886	\$ 102,560
Cash & cash equivalents - temporarily restricted (Note 3)	6,752	3,033
Prepaid expenses	3,668	3,675
Investments	299,641	254,525
Property and equipment, net	757	1,047
Security deposit	1,605	1,605
Total Assets	\$ 337,309	\$ 366,445
Liabilities and Net Assets		
Accounts payable	\$ 402	\$ 2,703
Accrued payroll and payroll taxes	3,135	3,109
Total liabilities	3,537	5,812
Commitments and Contingencies		
	-	-
Net Assets		
Unrestricted net assets:	327,020	357,600
Temporarily restricted net assets	6,752	3,033
Total Net Assets	333,772	360,633
Total Liabilities and Net Assets	\$ 337,309	\$ 366,445

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

Lupus Foundation of Colorado
Statements of Activities
For the Years Ended September 30, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support						
Special events	\$ 250	\$ -	\$ 250	\$ 2,230	\$ -	\$ 2,230
Less: costs of direct benefits to donors	-	-	-	-	-	-
	250	-	250	2,230	-	2,230
Donations	42,485	-	42,485	132,948	3,000	135,948
Household pick-up service	71,758	-	71,758	91,897	-	91,897
Investment gains (losses)	45,218	-	45,218	(6,449)	-	(6,449)
Health agencies of Colorado	8,864	-	8,864	13,845	-	13,845
Grant revenues	6,875	17,500	24,375	15,717	33	15,750
Other revenue	328	-	328	455	-	455
Net assets released from restrictions	13,781	(13,781)	-	3,033	(3,033)	-
Total revenues and other support	<u>189,559</u>	<u>3,719</u>	<u>193,278</u>	<u>253,676</u>	<u>-</u>	<u>253,676</u>
Expenses						
Program services:						
Education and support	137,552	-	137,552	147,546	-	147,546
Public awareness	47,663	-	47,663	57,399	-	57,399
Total program services	<u>185,215</u>	<u>-</u>	<u>185,215</u>	<u>204,945</u>	<u>-</u>	<u>204,945</u>
Supporting services:						
Management and general	21,278	-	21,278	29,543	-	29,543
Fundraising	13,646	-	13,646	11,475	-	11,475
Total supporting services	<u>34,924</u>	<u>-</u>	<u>34,924</u>	<u>41,018</u>	<u>-</u>	<u>41,018</u>
Total expenses	<u>220,139</u>	<u>-</u>	<u>220,139</u>	<u>245,963</u>	<u>-</u>	<u>245,963</u>
Increase (Decrease) in net assets	(30,580)	3,719	(26,861)	7,713	-	7,713
Net assets at beginning of year	<u>357,600</u>	<u>3,033</u>	<u>360,633</u>	<u>349,887</u>	<u>3,033</u>	<u>352,920</u>
Net assets at end of year	<u>\$ 327,020</u>	<u>\$ 6,752</u>	<u>\$ 333,772</u>	<u>\$ 357,600</u>	<u>\$ 3,033</u>	<u>\$ 360,633</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, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	\$ (26,861)	\$ 7,713
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	290	1,632
Unrealized (gains) losses on investments	(49,862)	13,890
Changes in operating assets and liabilities:		
Prepaid expenses	7	-
Accounts payable	(2,301)	2,304
Accrued payroll and payroll taxes	26	339
Net cash provided by (used by) operating activities	(78,701)	25,878
Cash Flows from Investing Activities:		
Purchase of fixed assets	-	(769)
Purchase of investments	-	(53,530)
Proceeds from sales of investments	4,746	96,920
Net cash provided by investing activities	4,746	42,621
Net (Decrease) Increase in Cash and Cash Equivalents	(73,955)	68,499
Cash and Cash Equivalents at Beginning of Year	105,593	37,094
Cash and Cash Equivalents at End of Year	\$ 31,638	\$ 105,593
Presented on Balance Sheet as:		
Cash and Cash Equivalents	\$ 24,886	\$ 102,560
Cash & cash equivalents—temporarily restricted	\$ 6,752	\$ 3,033

Supplementary Cash Flow Information

There were no non-cash investing and financing activities during the years ending September 30, 2012, and 2011.

There was no interest or income tax paid during the years ending September 30, 2012 and 2011.

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, 2012 and 2011

	2012						2011					
	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	\$ 55,935	\$ 21,753	\$ 77,688	\$ 11,771	\$ 4,708	\$ 94,167	\$ 59,375	\$ 22,917	\$ 82,292	\$ 16,667	\$ 5,208	\$ 104,167
Payroll taxes	5,576	2,169	7,745	1,174	469	9,388	5,635	2,175	7,810	1,582	494	9,886
Board and volunteer expenses	2,584	1,005	3,589	544	218	4,351	1,651	637	2,288	464	145	2,897
Bank fees	843	328	1,171	177	71	1,419	878	339	1,217	246	77	1,540
Events expense	-	-	-	-	4,944	4,944	-	-	-	-	2,031	2,031
Depreciation	165	64	229	61	-	290	930	359	1,289	343	-	1,632
Dues and subscriptions	1,479	575	2,054	311	125	2,490	1,546	597	2,143	434	136	2,713
Educational programs	7,218	7,512	14,730	-	-	14,730	14,998	15,611	30,609	-	-	30,609
Emergency assistance	23,767	-	23,767	-	-	23,767	20,300	-	20,300	-	-	20,300
Insurance	1,344	522	1,866	496	-	2,362	1,433	553	1,986	528	-	2,514
Office supplies	1,008	392	1,400	212	85	1,697	431	167	598	121	38	757
Other expenses	529	230	759	118	45	922	963	372	1,335	270	84	1,689
Postage and shipping	671	261	932	141	56	1,129	551	213	764	155	48	967
Printing and publications	6,635	1,264	7,899	-	416	8,315	7,749	1,453	9,202	-	484	9,686
Professional and contracted services	11,650	4,531	16,181	2,452	981	19,614	12,335	4,761	17,096	3,463	1,082	21,641
Rent	11,440	4,449	15,889	2,408	963	19,260	11,626	4,487	16,113	3,264	1,020	20,397
Repair and maintenance	2,098	816	2,914	442	177	3,533	3,005	1,160	4,165	844	264	5,273
Telephone	3,367	1,309	4,676	709	283	5,668	3,028	1,169	4,197	850	266	5,313
Utilities	1,243	483	1,726	262	105	2,093	1,112	429	1,541	312	98	1,951
Total expenses	137,552	47,663	185,215	21,278	13,646	220,139	147,546	57,399	204,945	29,543	11,475	245,963
Total Functional Expenses	\$ 137,552	\$ 47,663	\$ 185,215	\$ 21,278	\$ 13,646	\$ 220,139	\$ 147,546	\$ 57,399	\$ 204,945	\$ 29,543	\$ 11,475	\$ 245,963

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

Lupus Foundation of Colorado, Inc.

Notes to Financial Statements

September 30, 2012 and 2011

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, 2012 and 2011.

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, 2012 and 2011 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, 2012 and 2011

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 2011, 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 2011 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, 2012 and 2011

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 January 21, 2013, 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 \$6,752 and \$3,033 for the years ended September 30, 2012 and 2011, respectively were restricted for the following purposes:

	<u>2012</u>	<u>2011</u>
Utility assistance	\$ 6,752	\$ 33
Giving guide	<u>-</u>	<u>3,000</u>
Total	<u>\$ 6,752</u>	<u>\$ 3,033</u>

4. Investments and Fair Value Measurements

Investments at September 30, 2012 and 2011, are as follows:

Carried at Fair Value:	<u>2012</u>	<u>2011</u>
Corporate bonds and bond funds	\$ 66,927	\$ 75,252
Money market funds	22,388	6,444
Equities and equity mutual funds	<u>210,326</u>	<u>172,829</u>
Total	<u>\$ 299,641</u>	<u>\$ 254,525</u>

Lupus Foundation of Colorado, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

4. Investments and Fair Value Measurements (continued)

The composition of investment return (deficit) for the years ended September 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Interest, dividends and net realized gains (losses)	\$ (4,644)	\$ 7,441
Net unrealized gains (losses)	<u>49,862</u>	<u>(13,890)</u>
Total	<u>\$ 45,218</u>	<u>\$ (6,449)</u>

The Foundation has adopted 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 as of the beginning of its fiscal year ending September 30, 2009, and has adopted the balance of FASB ASC 820-10 provisions as of the beginning of its fiscal year ending September 30, 2010. 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. The Foundation is continuing to evaluate the impact the standard will have on the determination of fair value related to non-financial assets and non-financial liabilities in post-September 30, 2010 years.

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, 2012 and 2011

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, 2012 as follows:

Level 1

Investments in marketable securities	<u>\$ 299,641</u>
Total Investments	<u>\$ 299,641</u>

Investments are carried at fair value as of September 30, 2011 as follows:

Level 1

Investments in marketable securities	<u>\$ 254,525</u>
Total Investments	<u>\$ 254,525</u>

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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Furniture and equipment	\$ 9,491	\$ 9,491
Computers	<u>16,262</u>	<u>16,262</u>
	25,753	25,753
Accumulated depreciation	<u>(24,996)</u>	<u>(24,706)</u>
Total	<u>\$ 757</u>	<u>\$ 1,047</u>

Depreciation expense for the years ended September 30, 2012 and 2011 was \$290 and \$1,632, respectively.

Lupus Foundation of Colorado, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

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 \$8,315 and \$9,686 during the years ended September 30, 2012 and 2011, respectively, and was included in the printing and publications expense in the Statement of Functional Expenses. Costs were allocated as follows:

	2012		2011	
	<u>Amount</u>	<u>% Allocation</u>	<u>Amount</u>	<u>% Allocation</u>
Education and support	\$ 6,635	80%	\$ 7,749	80%
Public awareness	1,264	15%	1,453	15%
Fundraising	416	5%	484	5%
Total	\$ 8,315	100%	\$ 9,686	100%

7. Concentration of Revenue

The Foundation recognized revenue of \$71,758 and \$91,897, respectively, from household pick-up services which were facilitated by Apogee Retail, LLC, which represented 37% and 36% 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. The lease terms and monthly payments remain the same.

Future minimum lease payments are as follows:

Year ending September 30,	
2013	\$ 19,260
2014	19,260
2015	4,815
	\$ 43,335

Lupus Foundation of Colorado, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

8. Lease Commitments (continued)

Rent expense for the years ended September 30, 2012 and 2011 was \$19,260 and \$20,397, 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.