

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lupus Research Alliance, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Lupus Research Alliance, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lupus Research Alliance, Inc. and Subsidiaries as of December 31, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lupus Research Alliance, Inc. and Subsidiaries 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 the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lupus Research Alliance, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Research Alliance, Inc. and Subsidiary's 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lupus Research Alliance, Inc. and Subsidiary's 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.

Lotz + Carr, LLP

New York, New York
June 10, 2026

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	\$ 2,008,286	\$ 3,293,032
Investments	77,534,786	73,653,520
Unconditional promises to give	3,699,420	13,309,587
Accounts receivable	601,662	281,210
Prepaid expenses and other assets	836,617	635,827
Accrued rental income	69,510	104,238
Operating lease right-of-use assets	2,786,843	1,372,789
Property and equipment, at cost, net of accumulated depreciation	301,017	182,047
Security deposit	480,015	422,166
	<u>480,015</u>	<u>422,166</u>
Total Assets	<u><u>\$88,318,156</u></u>	<u><u>\$93,254,416</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and other liabilities	\$ 1,981,020	\$ 2,313,310
Research grants payable	34,129,830	32,647,877
Operating lease liabilities	3,529,179	2,580,654
Total Liabilities	<u>39,640,029</u>	<u>37,541,841</u>
Commitments (Notes 13 and 14)		
Net Assets		
Without donor restrictions	38,380,621	34,833,646
With donor restrictions	10,297,506	20,878,929
Total Net Assets	<u>48,678,127</u>	<u>55,712,575</u>
Total Liabilities and Net Assets	<u><u>\$88,318,156</u></u>	<u><u>\$93,254,416</u></u>

See notes to consolidated financial statements.

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets						
Revenue and Other Support						
Contributions	\$ 6,365,392	\$ 1,852,271	\$ 8,217,663	\$ 5,159,647	\$ 2,224,807	\$ 7,384,454
Special events income	3,928,958	-	3,928,958	3,487,331	-	3,487,331
Less: Expenses directly benefiting contributors	(781,150)	-	(781,150)	(653,326)	-	(653,326)
Walkathon income	783,025	-	783,025	993,237	-	993,237
Less: Expenses directly benefiting contributors	(101,674)	-	(101,674)	(39,092)	-	(39,092)
LuCIN consulting revenue	2,057,382	-	2,057,382	1,874,491	-	1,874,491
Net investment income for operations	7,523,572	-	7,523,572	1,785,490	-	1,785,490
Board designated endowment spending policy withdrawals	5,354,071	-	5,354,071	4,009,849	-	4,009,849
	<u>25,129,576</u>	<u>1,852,271</u>	<u>26,981,847</u>	<u>16,617,627</u>	<u>2,224,807</u>	<u>18,842,434</u>
Net assets released from restrictions						
Satisfaction of time and program restrictions	12,433,694	(12,433,694)	-	8,723,266	(8,723,266)	-
	<u>37,563,270</u>	<u>(10,581,423)</u>	<u>26,981,847</u>	<u>25,340,893</u>	<u>(6,498,459)</u>	<u>18,842,434</u>
Expenses						
Program Services						
Research	15,426,770	-	15,426,770	14,619,194	-	14,619,194
Scientific programs	17,084,288	-	17,084,288	14,814,000	-	14,814,000
Public policy	645,427	-	645,427	571,134	-	571,134
Total Program Services	<u>33,156,485</u>	<u>-</u>	<u>33,156,485</u>	<u>30,004,328</u>	<u>-</u>	<u>30,004,328</u>
Supporting Services						
Administration	3,479,359	-	3,479,359	3,274,283	-	3,274,283
Fundraising	4,884,285	-	4,884,285	4,204,298	-	4,204,298
Total Supporting Services	<u>8,363,644</u>	<u>-</u>	<u>8,363,644</u>	<u>7,478,581</u>	<u>-</u>	<u>7,478,581</u>
Total Expenses	<u>41,520,129</u>	<u>-</u>	<u>41,520,129</u>	<u>37,482,909</u>	<u>-</u>	<u>37,482,909</u>
Decrease in Net Assets Before Non-Operating Activities	(3,956,859)	(10,581,423)	(14,538,282)	(12,142,016)	(6,498,459)	(18,640,475)
Non-Operating Activities						
Net investment income	12,218,791	-	12,218,791	2,690,242	-	2,690,242
Board designated endowment spending policy withdrawals	(5,354,071)	-	(5,354,071)	(4,009,849)	-	(4,009,849)
Grants cancelled	582,603	-	582,603	308,341	-	308,341
Sublease income	575,904	-	575,904	570,065	-	570,065
Sublease lease expense	(519,393)	-	(519,393)	(519,393)	-	(519,393)
Increase (decrease) in net assets	3,546,975	(10,581,423)	(7,034,448)	(13,102,610)	(6,498,459)	(19,601,069)
Net assets, beginning of year	<u>34,833,646</u>	<u>20,878,929</u>	<u>55,712,575</u>	<u>47,936,256</u>	<u>27,377,388</u>	<u>75,313,644</u>
Net Assets, End of Year	<u>\$38,380,621</u>	<u>\$10,297,506</u>	<u>\$48,678,127</u>	<u>\$34,833,646</u>	<u>\$20,878,929</u>	<u>\$55,712,575</u>

See notes to financial statements.

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2025 WITH COMPARATIVE TOTALS FOR 2024

	2025							2024	
	Program Services				Supporting Services			Total	Total
	Research	Scientific Programs	Public Policy	Total	Administration	Fundraising	Total	Expenses	Expenses
Salaries	\$ 1,408,755	\$ 4,078,530	\$209,620	\$ 5,696,905	\$ 1,590,442	\$ 2,324,244	\$3,914,686	\$ 9,611,591	\$ 8,305,236
Payroll taxes and fringe benefits	655,210	1,386,121	75,919	2,117,250	582,622	851,210	1,433,832	3,551,082	2,981,994
Total Personnel Expenses	2,063,965	5,464,651	285,539	7,814,155	2,173,064	3,175,454	5,348,518	13,162,673	11,287,230
Peer reviewed research awards	12,958,702	-	-	12,958,702	-	-	-	12,958,702	12,856,659
LuCIN Grants	-	3,052,329	-	3,052,329	-	-	-	3,052,329	2,634,443
Clinical studies	-	2,445,430	-	2,445,430	-	-	-	2,445,430	1,242,977
Lupus emergency grant	-	-	40,305	40,305	-	-	-	40,305	-
Professional fees and contract services	35,766	1,721,922	197,631	1,955,319	472,257	628,752	1,101,009	3,056,328	3,161,555
Occupancy	56,142	162,540	8,354	227,036	63,383	92,627	156,010	383,046	329,016
Printing and publications	46,391	22,017	68	68,476	65,294	294,707	360,001	428,477	387,425
Staff and volunteer travel	21,983	324,004	3,463	349,450	160,820	120,239	281,059	630,509	692,907
Meetings and conferences	75,465	1,361,161	40,161	1,476,787	98,274	26,279	124,553	1,601,340	1,535,283
Walkathon promotional events and location expenses	-	-	-	-	-	54,498	54,498	54,498	115,287
Postage, shipping and delivery	45	36,971	742	37,758	20,248	182,149	202,397	240,155	188,690
Management information systems	105,560	2,234,826	55,386	2,395,772	242,466	130,227	372,693	2,768,465	2,267,826
Supplies	132	14,564	2,475	17,171	17,107	7,377	24,484	41,655	70,670
Data processing and accounting services	17,603	13,272	910	31,785	73,895	77,431	151,326	183,111	195,661
Telephone	11,328	64,506	1,886	77,720	12,789	18,690	31,479	109,199	104,807
Insurance	10,459	34,030	1,556	46,045	11,808	17,255	29,063	75,108	87,160
Licenses	2,537	7,345	378	10,260	2,864	4,186	7,050	17,310	24,994
Equipment lease	1,822	5,276	271	7,369	2,058	3,007	5,065	12,434	10,386
Professional development	-	28,644	-	28,644	14,618	9,943	24,561	53,205	120,458
Dues and subscriptions and other expenses	-	34,788	3,200	37,988	26,627	9,901	36,528	74,516	54,393
Total expenses before depreciation	15,407,900	17,028,276	642,325	33,078,501	3,457,572	4,852,722	8,310,294	41,388,795	37,367,827
Depreciation	18,870	56,012	3,102	77,984	21,787	31,563	53,350	131,334	115,082
Total Expenses, 2025	<u>\$15,426,770</u>	<u>\$17,084,288</u>	<u>\$645,427</u>	<u>\$33,156,485</u>	<u>\$ 3,479,359</u>	<u>\$ 4,884,285</u>	<u>\$8,363,644</u>	<u>\$41,520,129</u>	
Total Expenses, 2024	<u>\$14,619,194</u>	<u>\$14,814,000</u>	<u>\$571,134</u>	<u>\$30,004,328</u>	<u>\$ 3,274,283</u>	<u>\$ 4,204,298</u>	<u>\$7,478,581</u>		<u>\$37,482,909</u>

See notes to consolidated financial statements.

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program Services				Supporting Services			Total Expenses
	Research	Scientific Programs	Public Policy	Total	Administration	Fundraising	Total	
Salaries	\$ 986,529	\$ 3,986,584	\$181,174	\$ 5,154,287	\$ 1,438,381	\$ 1,712,568	\$3,150,949	\$ 8,305,236
Payroll taxes and fringe benefits	338,915	1,492,045	82,806	1,913,766	471,556	596,672	1,068,228	2,981,994
Total Personnel Expenses	<u>1,325,444</u>	<u>5,478,629</u>	<u>263,980</u>	<u>7,068,053</u>	<u>1,909,937</u>	<u>2,309,240</u>	<u>4,219,177</u>	<u>11,287,230</u>
Peer reviewed research awards	12,856,659	-	-	12,856,659	-	-	-	12,856,659
LuCIN Grants	-	2,634,443	-	2,634,443	-	-	-	2,634,443
Clinical studies	-	1,242,977	-	1,242,977	-	-	-	1,242,977
Professional fees and contract services	71,329	1,557,982	180,399	1,809,710	481,381	870,464	1,351,845	3,161,555
Occupancy	39,082	157,930	7,177	204,189	56,983	67,844	124,827	329,016
Printing and publications	38,500	30,659	50	69,209	58,664	259,552	318,216	387,425
Staff and volunteer travel	43,154	392,762	1,058	436,974	163,243	92,690	255,933	692,907
Meetings and conferences	35,707	1,290,666	47,025	1,373,398	136,533	25,352	161,885	1,535,283
Walkathon promotional events and location expenses	-	-	-	-	-	115,287	115,287	115,287
Postage, shipping and delivery	1,973	9,299	1,000	12,272	10,744	165,674	176,418	188,690
Management information systems	151,629	1,727,112	54,578	1,933,319	188,519	145,988	334,507	2,267,826
Supplies	341	37,163	-	37,504	28,640	4,526	33,166	70,670
Data processing and accounting services	19,983	12,187	260	32,430	87,418	75,813	163,231	195,661
Telephone	8,547	67,091	1,870	77,508	12,462	14,837	27,299	104,807
Insurance	9,352	46,221	1,717	57,290	13,636	16,234	29,870	87,160
Licenses	2,969	11,998	545	15,512	4,328	5,154	9,482	24,994
Equipment lease	1,234	4,986	227	6,447	1,797	2,142	3,939	10,386
Professional development	-	30,149	4,500	34,649	84,833	976	85,809	120,458
Dues and subscriptions and other expenses	-	26,224	4,000	30,224	15,178	8,991	24,169	54,393
Total expenses before depreciation	<u>14,605,903</u>	<u>14,758,478</u>	<u>568,386</u>	<u>29,932,767</u>	<u>3,254,296</u>	<u>4,180,764</u>	<u>7,435,060</u>	<u>37,367,827</u>
Depreciation	<u>13,291</u>	<u>55,522</u>	<u>2,748</u>	<u>71,561</u>	<u>19,987</u>	<u>23,534</u>	<u>43,521</u>	<u>115,082</u>
Total Expenses	<u><u>\$14,619,194</u></u>	<u><u>\$14,814,000</u></u>	<u><u>\$571,134</u></u>	<u><u>\$30,004,328</u></u>	<u><u>\$ 3,274,283</u></u>	<u><u>\$ 4,204,298</u></u>	<u><u>\$7,478,581</u></u>	<u><u>\$37,482,909</u></u>

See notes to consolidated financial statements.

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Decrease in net assets	\$ (7,034,448)	\$(19,601,069)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Non-cash operating lease expense	710,595	668,446
Depreciation	131,334	115,082
Realized gain on sale of investments	(7,176,007)	(3,070,525)
Unrealized (gain) loss on investments	(10,831,430)	288,960
Donated securities	(201,920)	(164,139)
Grants cancelled	(582,603)	(308,341)
(Increase) decrease in:		
Unconditional promises to give	9,610,167	8,279,697
Accounts receivable	(320,452)	55,179
Prepaid expenses and other assets	(200,790)	191,025
Accrued rental income	34,728	21,212
Security deposit	(57,849)	-
Increase (decrease) in:		
Accounts payable and other liabilities	(332,290)	950,941
Research grants payable	2,064,556	1,418,913
Operating lease liabilities	(1,176,124)	(1,153,158)
Net Cash Used By Operating Activities	<u>(15,362,533)</u>	<u>(12,307,777)</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(250,304)	(34,384)
Purchase of investments	(11,241,014)	(4,215,453)
Proceeds from sale of investments	25,569,105	15,276,526
Net Cash Provided By Investing Activities	<u>14,077,787</u>	<u>11,026,689</u>
Net decrease in cash and cash equivalents	(1,284,746)	(1,281,088)
Cash and cash equivalents, beginning of year	<u>3,293,032</u>	<u>4,574,120</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,008,286</u></u>	<u><u>\$ 3,293,032</u></u>
Supplemental disclosure of non-cash investing activities:		
Operating lease right-of-use asset obtained in exchange for lease liability	<u><u>\$ 2,124,649</u></u>	<u><u>\$ -</u></u>

See notes to consolidated financial statements.

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2025 AND 2024****Note 1 - Organization**

Lupus Research Alliance, Inc. (the "Alliance") is a national voluntary 501(c)(3) health organization based in New York City. The Alliance is a Delaware nonprofit corporation. The mission of the Alliance is to find better treatments and ultimately prevent and cure systemic lupus erythematosus (SLE or lupus), a debilitating autoimmune disease, by supporting medical research. Lupus is a chronic autoimmune disease that causes inflammation and tissue damage to any organ system in the body. The health effects of lupus include heart attacks, strokes, seizures, organ failure, and possible death. More information can be found at lupusresearch.org. Since its founding, the Alliance has committed approximately \$285 million to fund lupus research projects. All of the Alliance's supporting services are funded by contributions from the Board of Directors and its Board designated endowment fund. One hundred percent (100%) of all other donations to the Alliance are available to support lupus research programs.

Lupus Therapeutics, LLC ("LT"), a single member limited liability company, was formed with the Alliance as its sole member. LT was formed to conduct clinical trial studies.

Lupus Ventures, LLC ("LV"), a single member limited liability company, was formed with the Alliance as its sole member. LV was formed to make investments to materially accelerate the research and development of new products for the diagnosis, cure, prevention and treatment of lupus.

During the year ended December 31, 2025, the Alliance received approximately 33% of its contributions from one corporation and one foundation, and during the year ended December 31, 2024, approximately 10% of its contributions from one individual.

Note 2 - Summary of Significant Accounting Policies**a - Principles of Consolidation**

The consolidated financial statements include the accounts of the Alliance and its subsidiaries, LT and LV. All significant intercompany transactions and accounts have been eliminated in consolidation.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Alliance considers all short-term investments to be cash equivalents, except for those short-term investments managed by the Alliance's investment managers as part of their long-term investment strategies.

At December 31, 2025 and 2024, included in cash and cash equivalents is approximately \$104,000 and \$258,000, respectively, being held in interest-bearing accounts.

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2025 AND 2024****Note 2 - Summary of Significant Accounting Policies (continued)****c - Investments**

The Alliance reflects investments at fair value in the statement of financial position. Investment income, including unrealized gains and losses on investments, is reflected in the consolidated statements of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Alternative investments, which do not have readily determinable fair values, are reported based upon the underlying net asset value per share or its equivalent as a practical expedient. Net asset value per share is estimated at fair value by the fund manager or general partner in a manner consistent with accounting principles generally accepted in the United States for investment companies. The Alliance reviews and evaluates the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the net asset values of these investments. These estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

d - Fair Value Measurements

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. Fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels.

Unadjusted quoted prices in active markets for identical assets and liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Alliance. Unobservable inputs reflect the assumptions that the Alliance develops based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3 inputs.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors.

e - Unconditional Promises to Give and Contributions

Contributions are recognized when the donor makes a promise to give to the Alliance, that is, in substance, unconditional. Conditional promises to give, that have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2025 AND 2024****Note 2 - Summary of Significant Accounting Policies (continued)****e - Unconditional Promises to Give and Contributions (continued)**

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Alliance uses the allowance method to determine uncollectible promises to give. Such allowance, when necessary, is based on prior years' experience and management's analysis of specific promises made.

f - Property and Equipment

Property, equipment, and leasehold improvements are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets.

g - Revenue Recognition

The Alliance provides consulting services to various pharmaceutical companies. These services are accounted for as exchange transactions and are recognized as revenue as the Alliance completes each milestone as defined by the contracts.

Accounts receivable are presented net of an allowance for credit losses, if any, which is an estimate of amounts that may not be collectible. The Alliance separates accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of the statement of financial position date, the Alliance develops a loss rate for each risk pool. The loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

h - Financial Statement Presentation

The consolidated financial statements of the have been prepared in accordance with accounting principles, generally accepted in the United States of America ("U.S. GAAP") which require the Alliance to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Alliance. These net assets may be used at the discretion of the Alliance's management and the Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Alliance or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2025 AND 2024****Note 2 - Summary of Significant Accounting Policies (continued)****i - Grants Awarded**

Unconditional grants awarded are recognized as expenses in the period the award is made. Grants payable later than one year from the end of a fiscal year are discounted to present value using a discount rate of 3.48%.

Conditional grants awarded are recognized as expenses in the period the condition is met.

j - Operating Lease Right-of-Use Assets and Operating Lease Liabilities

For leases with an initial term greater than twelve months, the Alliance's operating lease liabilities are initially recorded at the present value of the unpaid lease payments as of lease commencement date. The Alliance's operating lease right-of-use assets are initially recorded at the carrying amount of the lease liabilities adjusted for initial direct costs, accruals, lease incentives and impairment loss, if any. Operating lease cost is recognized on a straight-line basis over the lease term.

k - Sublease Income

The Alliance recognizes sublease income from its operating subleases on a straight-line basis over the lease term. The difference between the straight-line amount and the amount actually received during the year is recorded as accrued rental income.

l - Functional Allocation of Expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statements of activities. The Alliance's primary programming areas are categorized as Research, Scientific Programs and Public Policy. Accordingly, certain costs have been allocated among the programs and the supporting services benefited. Expenses are allocated directly to programs, where applicable, on a reasonable and consistent basis. A substantial portion of the Alliance's expenses are directly related to program activities. Certain other expenses are attributable to more than one program or supporting function and require allocation. The expenses that are allocated include salaries, payroll taxes and benefits, which are allocated on the basis of estimates of employee time and effort, while occupancy, telephone, insurance, licenses, equipment lease, and depreciation are allocated on overall salary percentages.

m - Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

n - Tax Status

Lupus Research Alliance, Inc. is a not-for-profit corporation that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 2 - Summary of Significant Accounting Policies (continued)

o - Subsequent Events

The Alliance has evaluated subsequent events through June 10, 2026, the date that the consolidated financial statements are considered available to be issued.

Note 3 - Information Regarding Liquidity and Availability

The Alliance operates with a balanced budget for each fiscal year based on the revenue expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the current year. The Alliance considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to administrative and fundraising activities undertaken to support those services.

The Alliance regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover ninety days of general expenditures.

The Alliance's financial assets as of December 31, 2025 and 2024 that are available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2025</u>	<u>2024</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 2,008,286	\$ 3,293,032
Investments	77,534,786	73,653,520
Unconditional promises to give	3,699,420	13,309,587
Accounts receivable	<u>601,662</u>	<u>281,210</u>
Total Financial Assets	83,844,154	90,537,349
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(10,297,506)	(20,878,929)
Plus: Net assets with donor restrictions expected to be met within one year	9,022,231	12,232,582
Net assets restricted by Board, subject to spending policy and appropriation	(57,470,191)	(50,605,471)
Plus: Amount appropriated in the budget for use within one year	<u>3,778,928</u>	<u>3,757,124</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$28,877,616</u>	<u>\$35,042,655</u>

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 3 - Information Regarding Liquidity and Availability (continued)

In addition to these financial assets available within one year at December 31, 2025, the Alliance has board designated endowment funds not appropriated for use within one year of approximately \$53,691,263, which are invested for long-term appreciation and current income. However, these funds could be made available at any time to meet cash needs for general expenditures at the discretion of the Board.

Note 4 - Net Assets

a - Net Assets Without Donor Restrictions

Net assets without donor restrictions at December 31, 2025 and 2024 consist of the following:

	<u>2025</u>	<u>2024</u>
Board designated endowment	\$57,470,191	\$50,605,471
Accumulated net loss	<u>(19,089,570)</u>	<u>(15,771,825)</u>
Total Net Assets Without Donor Restrictions	<u>\$38,380,621</u>	<u>\$34,833,646</u>

The Board of Directors established a board designated endowment for lupus research (Note 7). The Board has authorized usage of the spending policy withdrawal towards cost of operations. Investment return, net of spending policy withdrawals, are added to the board designated endowment.

The accumulated net loss represents the net spending on research and operations since inception.

b - Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2025 and 2024 are restricted for the following future programs and periods:

	<u>2025</u>	<u>2024</u>
Future periods	\$ 1,984,360	\$ 1,951,590
Grants	5,566,010	11,030,989
Lupus nexus	-	3,622,887
Meetings and evaluations	47,500	27,500
Patient advocacy fund	65,344	75,963
Patient advocates for Lupus	-	100,000
Clinical trials outreach	2,500,691	4,000,000
Fundraising events	<u>133,601</u>	<u>70,000</u>
Total Net Assets With Donor Restrictions	<u>\$10,297,506</u>	<u>\$20,878,929</u>

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 5 - Concentration of Credit Risk

The Alliance maintains its cash balances in a number of financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at December 31, 2025. At times throughout the year, the balances may exceed these limits.

Note 6 - Investments

Investments consist of the following at December 31, 2025 and 2024.

	<u>2025</u>		<u>2024</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common Stock:				
Domestic	\$21,365,913	\$48,413,666	\$23,647,339	\$39,410,697
Foreign	48,603	53,078	44,835	72,867
Mutual Funds:				
Domestic equities	14,934,121	19,951,829	16,476,530	22,203,158
Foreign equities	249,949	252,705	82,826	94,381
Foreign fixed income	24,447	24,555	69,241	71,917
Fixed Income:				
Corporate bonds	3,359,569	3,313,245	4,083,017	3,905,713
Government obligations	3,557,313	3,547,441	5,347,935	5,197,542
Mortgage backed securities	571,628	548,867	735,956	693,817
Cash and short-term investments	791,674	791,674	1,405,297	1,405,297
Alternative Investments:				
Capital appreciation	<u>637,726</u>	<u>637,726</u>	<u>598,131</u>	<u>598,131</u>
	<u>\$45,540,943</u>	<u>\$77,534,786</u>	<u>\$52,491,107</u>	<u>\$73,653,520</u>

At December 31, 2025 and 2024, approximately 59% and 47%, respectively, of total investments was invested in one Fortune 500 company.

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 6 - Investments (continued)

The following summarizes the fair value of the investments that are measured on a recurring basis at December 31, 2025 and 2024.

	2025		2024	
	Total	Level 1	Total	Level 1
Common stock:				
Domestic	\$48,413,666	\$48,413,666	\$39,410,697	\$39,410,697
Foreign	53,078	53,078	72,867	72,867
Mutual Funds:				
Domestic equities	19,951,829	19,951,829	22,203,158	22,203,158
Foreign equities	252,705	252,705	94,381	94,381
Foreign fixed income	24,555	24,555	71,917	71,917
Fixed income:				
Corporate bonds	3,313,245	3,313,245	3,905,713	3,905,713
Government obligations	3,547,441	3,547,441	5,197,542	5,197,542
Mortgage backed securities	548,867	548,867	693,817	693,817
Cash and short-term investments	<u>791,674</u>	<u>791,674</u>	<u>1,405,297</u>	<u>1,405,297</u>
Total Assets in Fair Value Hierarchy	76,897,060	<u>\$76,897,060</u>	73,055,389	<u>\$73,055,389</u>
Investments measured at net asset value	<u>637,726</u>		<u>598,131</u>	
	<u>\$77,534,786</u>		<u>\$73,653,520</u>	

Net investment income for the years ended December 31, 2025 and 2024 is summarized as follows:

	2025		
	Without Donor Restrictions		
	Operating	Board Designated Endowment	Total
Interest and dividends	\$ 700,093	\$ 1,145,241	\$ 1,845,334
Realized gain on sale of investments	2,664,575	4,511,432	7,176,007
Unrealized gain on investments	<u>4,199,201</u>	<u>6,632,229</u>	<u>10,831,430</u>
	7,563,869	12,288,902	19,852,771
Less: Investment fees	<u>(40,297)</u>	<u>(70,111)</u>	<u>(110,408)</u>
Net Investment Income	<u>\$7,523,572</u>	<u>\$12,218,791</u>	<u>\$19,742,363</u>

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 6 - Investments (continued)

	<u>2024</u>		
	<u>Without Donor Restrictions</u>		
		<u>Board</u>	
	<u>Operating</u>	<u>Designated</u>	<u>Total</u>
		<u>Endowment</u>	
Interest and dividends	\$ 598,472	\$1,268,825	\$1,867,297
Realized gain on sale of investments	1,152,585	1,917,940	3,070,525
Unrealized gain (loss) on investments	<u>97,622</u>	<u>(386,582)</u>	<u>(288,960)</u>
	1,848,679	2,800,183	4,648,862
Less: Investment fees	<u>(63,189)</u>	<u>(109,941)</u>	<u>(173,130)</u>
Net Investment Income	<u>\$1,785,490</u>	<u>\$2,690,242</u>	<u>\$4,475,732</u>

The alternative investments included in the Alliance's investment portfolio at December 31, 2025 and 2024 are redeemable at the end of ten years' term.

The alternative investments apply a capital appreciation strategy, and include investments in long/short equity, event driven/distressed credit, asset-backed securities, global macro, relative value and portfolios of controlling private equity investments in companies in the United States and Canada.

Note 7 - Endowment Funds

The Alliance's endowment consists of a board designated endowment which was established to fund research projects and consists solely of funds designated by the Board of Directors to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 7 - Endowment Funds (continued)

Changes in the Alliance's board designated endowment funds for the years ended December 31, 2025 and 2024 are summarized as follows:

	<u>2025</u>	<u>2024</u>
Endowment funds, beginning of year	\$50,605,471	\$51,925,078
Investment Return:		
Interest and dividends	1,145,241	1,268,825
Net realized and unrealized gains	11,143,661	1,531,358
Investment fees	(70,111)	(109,941)
Total Investment Return	<u>12,218,791</u>	<u>2,690,242</u>
Spending policy withdrawals	<u>(5,354,071)</u>	<u>(4,009,849)</u>
Endowment Funds, End of Year	<u>\$57,470,191</u>	<u>\$50,605,471</u>

The Board of Directors has established a spending policy of up to 5% per year of the three-year moving average of the market value of the portfolio to support research projects. Additional funds may be used for special research projects at the Board's discretion. During 2025 and 2024, the Board authorized usage of the spending policy withdrawal towards cost of supporting operations.

The Alliance has adopted an investment policy. To satisfy long-term rate-of-return objectives, the investment policy relies on a total return strategy in which investment returns are achieved through asset appreciation (realized and unrealized) and current yield (interest and dividends). The policy targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives. The asset allocation includes equities, mutual funds, cash, real estate investment trusts, short-term investments and alternative investments.

Note 8 - Unconditional Promises to Give

Unconditional promises to give at December 31, 2025 and 2024 are due as follows:

	<u>2025</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due in less than one year	\$ 941,857	\$1,413,765	\$2,355,622
Due in one to five years	<u>64,500</u>	<u>1,511,777</u>	<u>1,576,277</u>
	1,006,357	2,925,542	3,931,899
Less: Discount to present value	<u>-</u>	<u>(232,479)</u>	<u>(232,479)</u>
	<u>\$1,006,357</u>	<u>\$2,693,063</u>	<u>\$3,699,420</u>

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

Note 8 - Unconditional Promises to Give (continued)

	2024		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due in less than one year	\$1,260,080	\$10,540,044	\$11,800,124
Due in one to five years	<u>60,000</u>	<u>1,647,429</u>	<u>1,707,429</u>
	1,320,080	12,187,473	13,507,553
Less: Discount to present value	<u>-</u>	<u>(197,966)</u>	<u>(197,966)</u>
	<u>\$1,320,080</u>	<u>\$11,989,507</u>	<u>\$13,309,587</u>

Uncollectible promises are expected to be insignificant. Unconditional promises to give due after one year are discounted to net present value using various discount rates between 3.55% and 4.18%.

At December 31, 2025, approximately 62% of unconditional promises to give was from three donors. At December 31, 2024, approximately 74% of unconditional promises to give was from one donor.

Note 9 - Property and Equipment

Property and equipment at December 31, 2025 and 2024 consist of the following:

	<u>Life</u>	<u>2025</u>	<u>2024</u>
Furniture, fixtures and equipment	3-5 years	\$ 389,349	\$ 296,704
Computer equipment	3-5 years	386,971	323,851
Leasehold improvements	Life of lease	<u>548,216</u>	<u>453,677</u>
		1,324,536	1,074,232
Less: Accumulated depreciation		<u>(1,023,519)</u>	<u>(892,185)</u>
		<u>\$ 301,017</u>	<u>\$ 182,047</u>

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 10 - Grants Payable

Grants payable at December 31, 2025 and 2024 are due as follows:

	<u>2025</u>	<u>2024</u>
Due within one year	\$23,392,060	\$23,630,769
Due within one to three years	<u>11,477,954</u>	<u>9,604,969</u>
	34,870,014	33,235,738
Less: Discount to present value	<u>(740,184)</u>	<u>(587,861)</u>
	<u>\$34,129,830</u>	<u>\$32,647,877</u>

Research grants payable for periods due after one year are discounted to net present value using a discount rate of 3.55%.

During 2025 and 2024, grants totaling \$582,603 and \$308,341 that were awarded in prior years were cancelled by the Alliance due to either the grantees' breach of their grant agreements, grantees relinquishing their grant or due to expired grant terms.

Note 11 - Operating Lease Liabilities

The Alliance leases office space in New York, NY for its main office under an operating lease agreement expiring April 30, 2027. The lease requires annual rent of \$997,000, paid monthly. The rental rate increases annually on May 1 at the rate of 2.25%. The lease also requires the Alliance to pay its proportionate share of the expenses of the premises. The Alliance is subleasing this entire space to another organization (Note 12).

During the year ended December 31, 2022, the Alliance recognized an impairment loss on the operating lease right-of-use asset related to this lease.

In January 2022, the Alliance entered into another lease agreement for its office space under an operating lease agreement that expired on November 29, 2025. The lease required annual rent of \$180,000, paid monthly. The rental rate increased annually on January 1 at the rate of 2%. The lease also required the Alliance to pay its proportionate share of the expenses of the premises.

In April 2025, the Alliance entered into a lease agreement for its new office space under an operating lease agreement which commenced on October 1, 2025 and expiring on May 31, 2036. The lease requires annual rent of \$231,396, paid monthly. The rental rate increases annually on October 1 at the rate of 2.5%.

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

Note 11 - Operating Lease Liabilities (continued)

Operating lease expense for the years ended December 31, 2025 and 2024 was \$761,685 and \$712,411, respectively. There were no variable lease costs incurred. As of December 31, 2025, the weighted average remaining term of the Alliance's operating leases is 82 months and the weighted average discount rate is 3.18%.

Maturities of the Alliance's operating lease liabilities as of December 31, 2025 are as follows:

<u>Year Ending December 31</u>	
2026	\$1,252,088
2027	553,677
2028	203,098
2029	250,746
2030	260,958
Thereafter, through May 30, 2036	<u>1,599,030</u>
	4,119,597
Less: Amount attributable to interest	<u>(590,418)</u>
	<u>\$3,529,179</u>

Note 12 - Subleases

The Alliance entered into an operating sublease agreement with another organization which expires on April 29, 2027.

Minimum annual sublease income is as follows:

Year ending December 31, 2026	\$567,976
Thereafter, through April 30, 2027	<u>194,058</u>
	<u>\$762,034</u>

Sublease income for the years ended December 31, 2025 and 2024 was \$575,904 and \$570,065, respectively.

LUPUS RESEARCH ALLIANCE, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2025 AND 2024****Note 13 - Commitment**

As of December 31, 2025, the Alliance has commitments of approximately \$10,963,718 for consulting services through October 31, 2031. Approximately \$10,572,924 of the total commitments are related to the Alliance's Lupus Nexus Project.

Note 14 - Employee Benefit Plan - Defined Contribution Plan

The Alliance maintains a defined contribution retirement plan (the "Plan"). The Alliance contributes up to 4% of each employee's eligible compensation and at the Alliance's discretion, makes an additional contribution between 4% and 7% the employee's eligible compensation depending on years of service. The contributions are subject to limitations as stated in relevant provisions of the Internal Revenue Code. Total contributions to the plan for the years ended December 31, 2025 and 2024 was \$760,202 and \$621,745, respectively.