

**EISNERAMPER**

**ALEX'S LEMONADE  
STAND FOUNDATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**



# ALEX'S LEMONADE STAND FOUNDATION

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Alex's Lemonade Stand Foundation

### Report on the Financial Statements

We have audited the accompanying financial statements of Alex's Lemonade Stand Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for each of 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 audits 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 Foundation'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 Foundation'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 on the previous page present fairly, in all material respects, the financial position of Alex's Lemonade Stand Foundation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Effect of Adopting New Accounting Standards**

As discussed in Note B[15], the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standard Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of ASU 2016-14 have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

*EisnerAmper LLP*

EISNERAMPER LLP  
Philadelphia, Pennsylvania  
May 2, 2019

EISNERAMPER  
LLP

# ALEX'S LEMONADE STAND FOUNDATION

## Statements of Financial Position

|  | December 31          |                      |
|--|----------------------|----------------------|
| ASSETS   | 2018                 | 2017                 |
| Cash and cash equivalents                                  | \$ 10,274,766        | \$ 9,297,061         |
| Investments  | 4,104,726            | 3,814,199            |
| Contributions and other receivables                        | 347,989              | 318,450              |
| Inventories  | 57,476               | 112,038              |
| Cash and cash equivalents held for endowment               | 286,666              | 8,110                |
| Investments held for endowment                             | 1,733,289            | 1,895,291            |
| Property and equipment, net                                | 416,385              | 341,472              |
| Other assets   | 109,670              | 96,236               |
|  | <u>\$ 17,330,967</u> | <u>\$ 15,882,857</u> |
| <br>   |                      |                      |
| LIABILITIES  |                      |                      |
| Accounts payable and accrued expenses                      | \$ 358,160           | \$ 732,140           |
| Deferred revenue   | 479,007              | 390,450              |
| Grants payable   | 3,518,575            | 2,097,830            |
| Deferred rent  | 53,549               | 61,875               |
|  | <u>4,409,291</u>     | <u>3,282,295</u>     |
| <br>   |                      |                      |
| Commitments  |                      |                      |
| <br>   |                      |                      |
| NET ASSETS   |                      |                      |
| Without donor restrictions:                                |                      |                      |
| Designated by the Board of Directors for specific purposes | 1,158,857            | 1,169,769            |
| Undesignated   | 8,511,297            | 7,869,524            |
|  | <u>9,670,154</u>     | <u>9,039,293</u>     |
| <br>   |                      |                      |
| With donor restrictions                                    | 3,251,522            | 3,561,269            |
|  | <u>12,921,676</u>    | <u>12,600,562</u>    |
|  | <u>\$ 17,330,967</u> | <u>\$ 15,882,857</u> |

# ALEX'S LEMONADE STAND FOUNDATION

## Statements of Activities and Changes in Net Assets

|   | Year Ended December 31                      |  |                      |   |  |                      |
|---|---|--|----------------------|---|--|----------------------|
|   | 2018  |  |                      | 2017  |  |                      |
|   | Net Assets<br>Without Donor<br>Restrictions | Net Assets<br>With Donor<br>Restrictions | Total                | Net Assets<br>Without Donor<br>Restrictions | Net Assets<br>With Donor<br>Restrictions | Total                |
| <b>Support and revenue:</b>                                   |   |  |                      |   |  |                      |
| Contributions:  |   |  |                      |   |  |                      |
| Lemonade stands and other events                              | \$ 13,383,865                               | \$ -                                     | \$ 13,383,865        | \$ 11,104,932                               | \$ -                                     | \$ 11,104,932        |
| Grants and other  | 5,897,252                                   | 1,161,300                                | 7,058,552            | 3,680,025                                   | 1,559,485                                | 5,239,510            |
| Gala and other special events                                 | 4,406,025                                   | -  | 4,406,025            | 4,037,735                                   | -  | 4,037,735            |
| Licenses and royalties  | 879,585                                     | -  | 879,585              | 667,930                                     | -  | 667,930              |
| Merchandise sales   | 132,683                                     | -  | 132,683              | 190,393                                     | -  | 190,393              |
| Contributed services  | 122,238                                     | -  | 122,238              | 80,082                                      | -  | 80,082               |
| Interest and dividend income                                  | 200,798                                     | 65,532                                   | 266,330              | 147,036                                     | 43,992                                   | 191,028              |
| Realized and unrealized gains (losses)<br>on investments, net | (417,459)                                   | (165,006)                                | (582,465)            | 345,995                                     | 137,629                                  | 483,624              |
| Net assets released from restrictions                         | 1,371,573                                   | (1,371,573)                              | -                    | 1,357,006                                   | (1,357,006)                              | -                    |
|   | <u>25,976,560</u>                           | <u>(309,747)</u>                         | <u>25,666,813</u>    | <u>21,611,134</u>                           | <u>384,100</u>                           | <u>21,995,234</u>    |
| <b>Expenses:</b>  |   |  |                      |   |  |                      |
| Program services:   |   |  |                      |   |  |                      |
| Pediatric cancer research                                     | 16,917,139                                  | -  | 16,917,139           | 16,416,386                                  | -  | 16,416,386           |
| Public awareness and education                                | 2,248,267                                   | -  | 2,248,267            | 2,061,194                                   | -  | 2,061,194            |
| Family services   | 1,038,083                                   | -  | 1,038,083            | 584,317                                     | -  | 584,317              |
| Data lab  | 868,417                                     | -  | 868,417              | 411,013                                     | -  | 411,013              |
| <b>Total program services</b>                                 | <u>21,071,906</u>                           | <u>-</u>                                 | <u>21,071,906</u>    | <u>19,472,910</u>                           | <u>-</u>                                 | <u>19,472,910</u>    |
| Supporting services:  |   |  |                      |   |  |                      |
| General and administrative                                    | 1,514,967                                   | -  | 1,514,967            | 1,381,875                                   | -  | 1,381,875            |
| Fundraising   | 2,758,826                                   | -  | 2,758,826            | 2,364,525                                   | -  | 2,364,525            |
| <b>Total supporting services</b>                              | <u>4,273,793</u>                            | <u>-</u>                                 | <u>4,273,793</u>     | <u>3,746,400</u>                            | <u>-</u>                                 | <u>3,746,400</u>     |
|   | <u>25,345,699</u>                           | <u>-</u>                                 | <u>25,345,699</u>    | <u>23,219,310</u>                           | <u>-</u>                                 | <u>23,219,310</u>    |
| <b>Change in net assets</b>                                   | <b>630,861</b>                              | <b>(309,747)</b>                         | <b>321,114</b>       | <b>(1,608,176)</b>                          | <b>384,100</b>                           | <b>(1,224,076)</b>   |
| <b>Net assets at beginning of year, as reclassified</b>       | <u>9,039,293</u>                            | <u>3,561,269</u>                         | <u>12,600,562</u>    | <u>10,647,469</u>                           | <u>3,177,169</u>                         | <u>13,824,638</u>    |
| <b>Net assets at end of year, as reclassified</b>             | <u>\$ 9,670,154</u>                         | <u>\$ 3,251,522</u>                      | <u>\$ 12,921,676</u> | <u>\$ 9,039,293</u>                         | <u>\$ 3,561,269</u>                      | <u>\$ 12,600,562</u> |

See notes to financial statements

**ALEX'S LEMONADE STAND FOUNDATION**

**Statement of Functional Expenses**

Year Ended December 31, 2018

|  | Program Services          |                                |                     |                   | Supporting Services  |                            |                     | Total               |                      |
|--|---------------------------|--------------------------------|---------------------|-------------------|----------------------|----------------------------|---------------------|---------------------|----------------------|
|  | Pediatric Cancer Research | Public Awareness and Education | Family Services     | Data Lab          | Subtotal             | General and Administrative | Fundraising         |                     | Subtotal             |
| Grants to others                         | \$ 16,453,792             | \$ -                           | \$ -                | \$ 363,351        | \$ 16,817,143        | \$ -                       | \$ -                | \$ -                | \$ 16,817,143        |
| Longitudinal database services           | 132,301                   | -                              | 15,308              | -                 | 147,609              | -                          | -                   | -                   | 147,609              |
| Salaries                                 | 256,792                   | 811,932                        | 179,725             | 300,269           | 1,548,718            | 738,142                    | 804,634             | 1,542,776           | 3,091,494            |
| Payroll taxes and benefits               | 56,124                    | 177,874                        | 39,280              | 65,626            | 338,904              | 170,776                    | 176,279             | 347,055             | 685,959              |
| Consulting                               | -                         | 10,457                         | 6,971               | -                 | 17,428               | 113,557                    | 1,743               | 115,300             | 132,728              |
| Legal and accounting                     | -                         | -                              | -                   | -                 | -                    | 154,428                    | -                   | 154,428             | 154,428              |
| Computer/software expense                | -                         | 83,605                         | -                   | 6,584             | 90,189               | 41,354                     | 49,454              | 90,808              | 180,997              |
| Licenses and fees                        | 1,394                     | 4,889                          | 975                 | 1,630             | 8,888                | 27,270                     | 185,497             | 212,767             | 221,655              |
| Office supplies                          | 2,010                     | 3,191                          | 2,010               | 12,572            | 19,783               | 9,493                      | 10,287              | 19,780              | 39,563               |
| Travel                                   | 6,824                     | 58,037                         | 5,740               | 2,983             | 73,584               | 18,731                     | 48,531              | 67,262              | 140,846              |
| Patient and family travel                | -                         | -                              | 754,160             | -                 | 754,160              | -                          | -                   | -                   | 754,160              |
| Symposiums                               | -                         | 357,681                        | -                   | 8,643             | 366,324              | -                          | -                   | -                   | 366,324              |
| Student leadership academy               | -                         | 34,052                         | -                   | -                 | 34,052               | -                          | -                   | -                   | 34,052               |
| Subscriptions                            | -                         | -                              | -                   | -                 | -                    | 24,269                     | -                   | 24,269              | 24,269               |
| Postage and shipping                     | 48                        | 31,528                         | 25,206              | 8                 | 56,790               | 24,111                     | 39,377              | 63,488              | 120,278              |
| Printing                                 | -                         | 104,974                        | 3,212               | -                 | 108,186              | 15,235                     | 53,803              | 69,038              | 177,224              |
| Miscellaneous                            | -                         | 31,967                         | -                   | -                 | 31,967               | 10,761                     | 212                 | 10,973              | 42,940               |
| Promotional materials                    | -                         | 157,355                        | -                   | -                 | 157,355              | 10,215                     | 35,427              | 45,642              | 202,997              |
| Other special events                     | -                         | -                              | -                   | -                 | -                    | -                          | 182,172             | 182,172             | 182,172              |
| Gala special event                       | -                         | -                              | -                   | -                 | -                    | -                          | 768,534             | 768,534             | 768,534              |
| Cost of direct benefit to donors         | -                         | -                              | -                   | -                 | -                    | -                          | 164,423             | 164,423             | 164,423              |
| Professional services - public relations | -                         | 50                             | -                   | -                 | 50                   | -                          | -                   | -                   | 50                   |
| Office rent                              | 1,169                     | 157,960                        | 818                 | 50,082            | 210,029              | 100,789                    | 109,211             | 210,000             | 420,029              |
| Office repairs and maintenance           | 339                       | 1,071                          | 237                 | 396               | 2,043                | 973                        | 1,061               | 2,034               | 4,077                |
| Office utilities                         | 2,232                     | 7,056                          | 1,562               | 2,609             | 13,459               | 6,415                      | 6,992               | 13,407              | 26,866               |
| Insurance                                | 2,441                     | 7,718                          | 1,708               | 2,854             | 14,721               | 7,017                      | 7,649               | 14,666              | 29,387               |
| Telephone                                | 1,673                     | 5,289                          | 1,171               | 1,956             | 10,089               | 4,809                      | 5,242               | 10,051              | 20,140               |
| Website services                         | -                         | 69,523                         | -                   | 48,854            | 118,377              | -                          | 69,523              | 69,523              | 187,900              |
| Cost of merchandise sold                 | -                         | 57,427                         | -                   | -                 | 57,427               | -                          | -                   | -                   | 57,427               |
| Depreciation                             | -                         | 20,822                         | -                   | -                 | 20,822               | 9,924                      | 10,818              | 20,742              | 41,564               |
| Amortization                             | -                         | 53,809                         | -                   | -                 | 53,809               | 26,698                     | 27,957              | 54,655              | 108,464              |
|  | <u>\$ 16,917,139</u>      | <u>\$ 2,248,267</u>            | <u>\$ 1,038,083</u> | <u>\$ 868,417</u> | <u>\$ 21,071,906</u> | <u>\$ 1,514,967</u>        | <u>\$ 2,758,826</u> | <u>\$ 4,273,793</u> | <u>\$ 25,345,699</u> |

See notes to financial statements

**ALEX'S LEMONADE STAND FOUNDATION**

**Statement of Functional Expenses  
Year Ended December 31, 2017**

|  | Program Services          |                                |                   |                   | Supporting Services  |                            |                     | Total               |                      |
|--|---------------------------|--------------------------------|-------------------|-------------------|----------------------|----------------------------|---------------------|---------------------|----------------------|
|  | Pediatric Cancer Research | Public Awareness and Education | Family Services   | Data Lab          | Subtotal             | General and Administrative | Fundraising         |                     | Subtotal             |
| Grants to others                         | \$ 15,791,731             | \$ -                           | \$ -              | \$ 386,183        | \$ 16,177,914        | \$ -                       | \$ -                | \$ -                | \$ 16,177,914        |
| Longitudinal database services           | 235,266                   | -                              | -                 | -                 | 235,266              | -                          | -                   | -                   | 235,266              |
| Salaries                                 | 256,005                   | 775,782                        | 110,474           | 17,699            | 1,159,960            | 709,840                    | 708,392             | 1,418,232           | 2,578,192            |
| Payroll taxes and benefits               | 55,523                    | 169,094                        | 23,960            | 3,839             | 252,416              | 159,734                    | 154,479             | 314,213             | 566,629              |
| Consulting                               | 7,546                     | 6,708                          | -                 | -                 | 14,254               | 68,940                     | 838                 | 69,778              | 84,032               |
| Legal and accounting                     | -                         | -                              | -                 | -                 | -                    | 114,422                    | -                   | 114,422             | 114,422              |
| Computer/software expense                | 158                       | 18,469                         | 68.00             | 11.00             | 18,706               | 12,408                     | 15,269              | 27,677              | 46,383               |
| Licenses and fees                        | 874                       | 2,900                          | 377               | 60                | 4,211                | 24,813                     | 159,062             | 183,875             | 188,086              |
| Office supplies                          | 2,978                     | 13,009                         | 1,285             | 206               | 17,478               | 10,694                     | 10,673              | 21,367              | 38,845               |
| Travel                                   | 9,997                     | 38,601                         | 5,677             | -                 | 54,275               | 22,993                     | 53,353              | 76,346              | 130,621              |
| Patient and family travel                | -                         | -                              | 397,617           | -                 | 397,617              | -                          | -                   | -                   | 397,617              |
| Symposiums                               | -                         | 309,228                        | -                 | -                 | 309,228              | -                          | -                   | -                   | 309,228              |
| Student leadership academy               | -                         | 44,740                         | -                 | -                 | 44,740               | -                          | -                   | -                   | 44,740               |
| Subscriptions                            | -                         | -                              | -                 | -                 | -                    | 19,834                     | -                   | 19,834              | 19,834               |
| Postage and shipping                     | 1,358                     | 43,033                         | 21,081            | -                 | 65,472               | 22,033                     | 25,366              | 47,399              | 112,871              |
| Printing                                 | -                         | 90,024                         | 4,957             | -                 | 94,981               | 12,497                     | 61,024              | 73,521              | 168,502              |
| Miscellaneous                            | -                         | 50,069                         | -                 | -                 | 50,069               | 29,067                     | -                   | 29,067              | 79,136               |
| Promotional materials                    | 7                         | 168,779                        | -                 | -                 | 168,786              | 14,323                     | 38,934              | 53,257              | 222,043              |
| Other special events                     | -                         | -                              | -                 | -                 | -                    | -                          | 176,720             | 176,720             | 176,720              |
| Gala special event                       | -                         | -                              | -                 | -                 | -                    | -                          | 600,272             | 600,272             | 600,272              |
| Cost of direct benefit to donors         | -                         | -                              | -                 | -                 | -                    | -                          | 141,262             | 141,262             | 141,262              |
| Professional services - public relations | -                         | 1,509                          | -                 | -                 | 1,509                | -                          | -                   | -                   | 1,509                |
| Office rent                              | 35,484                    | 107,527                        | 15,312            | 2,453             | 160,776              | 98,388                     | 98,187              | 196,575             | 357,351              |
| Office repairs and maintenance           | 401                       | 1,216                          | 173               | 28                | 1,818                | 1,114                      | 1,111               | 2,225               | 4,043                |
| Office utilities                         | 2,861                     | 8,670                          | 1,235             | 198               | 12,964               | 7,933                      | 7,917               | 15,850              | 28,814               |
| Insurance                                | 2,853                     | 8,645                          | 1,231             | 197               | 12,926               | 7,910                      | 7,894               | 15,804              | 28,730               |
| Telephone                                | 2,016                     | 6,108                          | 870               | 139               | 9,133                | 5,589                      | 5,578               | 11,167              | 20,300               |
| Website services                         | -                         | 59,966                         | -                 | -                 | 59,966               | -                          | 59,966              | 59,966              | 119,932              |
| Cost of merchandise sold                 | -                         | 69,855                         | -                 | -                 | 69,855               | -                          | -                   | -                   | 69,855               |
| Depreciation                             | -                         | 18,001                         | -                 | -                 | 18,001               | 11,015                     | 10,993              | 22,008              | 40,009               |
| Amortization                             | 11,328                    | 49,261                         | -                 | -                 | 60,589               | 28,328                     | 27,235              | 55,563              | 116,152              |
|  | <u>\$ 16,416,386</u>      | <u>\$ 2,061,194</u>            | <u>\$ 584,317</u> | <u>\$ 411,013</u> | <u>\$ 19,472,910</u> | <u>\$ 1,381,875</u>        | <u>\$ 2,364,525</u> | <u>\$ 3,746,400</u> | <u>\$ 23,219,310</u> |

See notes to financial statements

# ALEX'S LEMONADE STAND FOUNDATION

## Statements of Cash Flows

|  | <b>Year Ended December 31</b>      |                                   |
|--|------------------------------------|-----------------------------------|
|  | <b>2018</b>                        | <b>2017</b>                       |
| <b>Cash flows from operating activities:</b>   |                                    |                                   |
| Change in net assets   | \$ 321,114                         | \$ (1,224,076)                    |
| Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities: |                                    |                                   |
| Depreciation   | 41,564                             | 40,009                            |
| Amortization   | 108,464                            | 116,152                           |
| Realized and unrealized gains on investments   | 582,465                            | (483,624)                         |
| Contribution restricted for endowment  | (266,455)                          | (277,974)                         |
| (Increase) decrease in assets:   |                                    |                                   |
| Contributions and other receivables  | (29,539)                           | 11,879                            |
| Inventories  | 54,562                             | 21,371                            |
| Other assets   | (13,434)                           | 11,802                            |
| Increase (decrease) in liabilities:  |                                    |                                   |
| Accounts payable and accrued expenses  | (373,980)                          | 551,223                           |
| Deferred revenue   | 88,557                             | 39,070                            |
| Grants payable   | 1,420,745                          | 1,091,229                         |
| Deferred rent  | (8,326)                            | (8,569)                           |
| Net cash provided by (used in) operating activities  | <u>1,925,737</u>                   | <u>(111,508)</u>                  |
| <b>Cash flows from investing activities:</b>   |                                    |                                   |
| Purchase of property and equipment   | (224,941)                          | (91,228)                          |
| Purchase of investments  | (2,243,119)                        | (2,550,017)                       |
| Proceeds from sales of investments   | 1,532,129                          | 2,023,586                         |
| Increase (decrease) in cash and cash equivalents held for endowment  | (278,556)                          | 5,987                             |
| Net cash used in investing activities  | <u>(1,214,487)</u>                 | <u>(611,672)</u>                  |
| <b>Cash flows from financing activities:</b>   |                                    |                                   |
| Proceeds from contribution restricted for endowment  | <u>266,455</u>                     | <u>277,974</u>                    |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | <b>977,705</b>                     | <b>(445,206)</b>                  |
| <b>Cash and cash equivalents at beginning of year</b>  | <u><b>9,297,061</b></u>            | <u><b>9,742,267</b></u>           |
| <b>Cash and cash equivalents at end of year</b>  | <u><u><b>\$ 10,274,766</b></u></u> | <u><u><b>\$ 9,297,061</b></u></u> |

## ALEX'S LEMONADE STAND FOUNDATION

### Notes to Financial Statements December 31, 2018 and 2017

#### NOTE A - NATURE OF ACTIVITIES

Alex's Lemonade Stand Foundation (the "Foundation") was established as a Pennsylvania nonprofit organization on January 17, 2005 for the following purposes:

- To raise funds for pediatric cancer care, treatment and research, including impactful research focused on new cures and treatments.
- To raise public awareness about pediatric cancer.
- To encourage and educate others, especially children, to raise funds for such purposes.
- To provide families with services via support programs to care and ease financial burden of families while their children are undergoing treatment for cancer. The Foundation's Travel for Care program helps to offset travel expenses for families who must travel to receive potentially lifesaving treatment for a child. In addition, the Foundation's SuperSibs program is dedicated to comforting, encouraging, and empowering siblings as their brother or sister fights cancer.
- To accelerate the pace of finding cures for childhood cancer by empowering scientists and doctors to harness the power of big data through the data lab. The Foundation's Childhood Cancer Data Lab is dedicated to childhood cancer by translating research data into one consistent format so that all researchers can access and understand.

The Foundation is supported through a mix of community and corporate fundraising events, corporate sponsorships and grants, grants from philanthropic sources and license and merchandising arrangements. Funds are used primarily to support grants to leading research institutions in the United States for pediatric cancer research and clinical trials. Smaller amounts support education and public awareness activities undertaken directly by the Foundation's staff.

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Foundation have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") as applicable to not-for-profit organizations.

##### [1] Classification of net assets:

The Foundation reports information regarding its financial position and activities according to the following classes of net assets:

- ***Net assets without donor restrictions***

Net assets without donor restrictions represent funds over which the Board of Directors has discretionary control. The Board of Directors has established three board designated funds, which include the Spinal Cord Research Fund, Pediatric Oncology Student Training Award Fund, and Fund for the Future.

The Spinal Cord Research fund is designed for spinal cord research. The Pediatric Oncology Student Training Award Fund and the Fund for the Future are endowment funds and designated for grants to pediatric oncology students and pediatric oncology students, respectively (see Note I).

# ALEX'S LEMONADE STAND FOUNDATION

## Notes to Financial Statements December 31, 2018 and 2017

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [1] Classification of net assets (continued):

- **Net assets without donor restrictions (continued)**

Board designated net assets as of December 31, 2018 and 2017 consist of the following:

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| Spinal cord research                           | \$ 1,000,000        | \$ 1,000,000        |
| Pediatric Oncology Student Training Award Fund | 62,052              | 65,781              |
| Fund for the future                            | <u>96,805</u>       | <u>103,988</u>      |
|  | <u>\$ 1,158,857</u> | <u>\$ 1,169,769</u> |

- **Net assets with donor restrictions**

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### [2] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

#### [3] Cash and cash equivalents:

Cash and cash equivalents consist of cash accounts at financial institutions and nonbank money market funds. The Foundation considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. For purposes of the statements of cash flows, cash and cash equivalents held in the endowment are excluded from cash and cash equivalents.

#### [4] Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statements of activities and changes in net assets. Invested cash and investments in money markets are valued at cost which approximates fair value. Dividend and interest income is recorded as earned. Gains and losses on sales of investments are determined using the average cost method. Restricted investment income from investments whose restrictions are satisfied in the same period as the income is recognized is classified as unrestricted. Investments received as gifts are initially recorded at fair value at the date of receipt.

The Foundation invests in a professionally-managed portfolio that contains various types of securities (see Note F). Such investments are exposed to market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the values of such investments, it is at least reasonably possible that the amounts reported in the financial statements could change materially in the near term.

# ALEX'S LEMONADE STAND FOUNDATION

## Notes to Financial Statements December 31, 2018 and 2017

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [5] Contributions and other receivables:

Contributions and other receivables are periodically reviewed by management for collectability. Bad debts are provided for on the allowance method based on historical experience and management's evaluation of outstanding contributions and other receivables. Accounts are written off when they are deemed uncollectible. Management has determined that an allowance is not deemed necessary as of December 31, 2018 or 2017. All contributions and other receivables as of December 31, 2018 and 2017 are due within one year of the respective statements of financial position dates.

#### [6] Inventories:

Inventories consisting of merchandise held for sale are stated at the lower of cost and net realizable value as determined by the average cost method. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.

#### [7] Property and equipment and depreciation and amortization:

Property and equipment are stated at cost less accumulated depreciation. Equipment and other fixed assets in excess of \$5,000 are capitalized and recognized in the statements of financial position. Contributed property and equipment are recorded at fair value at the date of donation. Depreciation and amortization are calculated using the straight-line method over assets' estimated useful lives of three to seven years. Maintenance and repairs are charged to operations when incurred.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2018 and 2017, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

#### [8] Revenue recognition:

Special event revenue is recognized when the event takes place. Deferred revenue consists of amounts received in advance for events to be held in the next fiscal year. Amounts will be recognized as revenue when such event occurs.

Contributions from lemonade stands, events and fundraising pages conducted by others (grassroots fundraising) are recognized as revenue when such amounts are received by the Foundation. Other contributions and grants, including unconditional promises to give, are recognized as revenue in the period received. Contributions receivable represent unconditional promises to give by donors and are recorded at net realizable value. Conditional contributions are not recognized until the conditions are satisfied.

Contributions received are recorded as without donor restrictions or with donor restrictions support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is recognized.

## ALEX'S LEMONADE STAND FOUNDATION

### Notes to Financial Statements December 31, 2018 and 2017

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [8] Revenue recognition (continued):

License fees and royalty revenue generated by the use of the Foundation's name and logo by third parties are recognized as increases in net assets without donor restrictions in accordance with the terms of the license and royalty agreements and when the Foundation is notified by the third parties that a sale and/or usage occurred of the licensed and royalty merchandise.

Merchandise sales are recognized as increases in net assets without donor restrictions when merchandise is shipped to the customer.

##### [9] Contributed services:

The Foundation recognizes contributions of services received if such services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

During 2018, the Foundation received contributed services of \$122,238, which consists of \$28,229 for investment advisory services, \$78,548 for legal services, and \$15,461 for postage, which are included in general and administrative expenses in the accompanying statements of activities and changes in net assets.

During 2017, the Foundation received contributed services of \$80,082, which consists of \$26,510 for investment advisory services and \$53,572 for legal services, which are included in general and administrative expenses in the accompanying statements of activities and changes in net assets.

In addition, the Foundation receives services from a large number of volunteers who give significant amounts of their time to the Foundation's administration and management, fundraising, and education and public awareness program services. No amounts have been included for these types of donated services, as they do not meet the criteria outlined above.

##### [10] Grants payable:

The Foundation's grant spending is approved by the Foundation's Board of Directors. The Foundation has established scientific advisory and review boards to review grant applications based on the Foundation grant guidelines. The scientific boards makes grant recommendations, based upon review of the Foundation guidelines and criteria, to the Foundation's Executive Directors who have final authority over grant-making decisions. Unconditional grants to be awarded to others are recorded as an expense and liability when approved and communicated, promised, to the grantee. All grant liabilities as of December 31, 2018 and 2017 are payable within one year of the respective statements of financial position dates.

Conditional commitments and intentions to award grants to others that are not promises to give are not recorded as an expense and liability unless they become unconditional promises.

## ALEX'S LEMONADE STAND FOUNDATION

### Notes to Financial Statements December 31, 2018 and 2017

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [11] Functional allocation of expenses:

Directly identifiable expenses are charged to program services, general and administrative, and fundraising. Salaries, payroll taxes, and benefits are charged to the different functions based on the employees actual functions performed. Expenses related to more than one function are allocated among the functions benefited, as follows: computer/software expense, licenses and fees, office supplies, travel, office rent, office repairs and maintenance, office utilities, insurance, telephone, depreciation, and amortization - based on employee gross salaries or estimates of time and effort depending on the employee's function.

##### [12] Costs of direct benefit to donors:

The Foundation conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct costs of the benefits received by the participant at the event. The direct costs of the special events which ultimately benefit the donor are included in the statements of functional expenses.

##### [13] Income taxes:

The Internal Revenue Service has classified the Foundation as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code"); as an organization, contributions to which are deductible under Section 170(c) of the Code; and as an organization that is not a private foundation as defined in Section 509(a) of the Code.

U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability, if the Foundation has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Foundation and has concluded that as of December 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Foundation recognizes accrued interest and penalties associated with uncertain tax positions, if any. There were no income tax related interest and penalties recorded for either of the years ended December 31, 2018 or 2017.

##### [14] Advertising and promotional costs:

Advertising and promotional costs are expensed in the year incurred. Advertising expense for the years ended December 31, 2018 and 2017 was \$202,997 and \$222,043, respectively.

##### [15] New accounting pronouncements:

In August 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources, and e) presentation of operating cash flows. The Foundation has adopted the ASU as of and for the year ended December 31, 2018 and has retroactively applied its provisions to all periods presented. The adoption of ASU 2016-14 required reclassification of net asset classes and additional disclosures related to liquidity and availability of resources.

## ALEX'S LEMONADE STAND FOUNDATION

### Notes to Financial Statements December 31, 2018 and 2017

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [15] New accounting pronouncements (continued):

A summary of the net assets reclassifications as a result of the adoption of ASU 2016-14 as of January 1, 2017 is as follows:

|   | <b>ASU 2016-14 Classifications</b>        |  |                             |
|---|---|--|-----------------------------|
|   | <u>Without<br/>Donor<br/>Restrictions</u> | <u>With<br/>Donor<br/>Restrictions</u> | <u>Total Net<br/>Assets</u> |
| <b>Net assets classifications:</b>              |   |  |                             |
| As previously reported:                         |   |  |                             |
| Unrestricted                                    | \$ 10,647,469                             | \$ -                                   | \$ 10,647,469               |
| Temporarily restricted                          | -   | 1,896,117                              | 1,896,117                   |
| Permanently restricted                          | -   | <u>1,281,052</u>                       | <u>1,281,052</u>            |
| Net assets, as reclassified, at January 1, 2017 | <u>\$ 10,647,469</u>                      | <u>\$ 3,177,169</u>                    | <u>\$ 13,824,638</u>        |

##### [16] Upcoming accounting pronouncements:

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard's core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the statement of financial position and disclosing key information. ASU 2016-02 will be effective for nonpublic entities for fiscal years beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the effect that this new guidance will have on its financial statements and related disclosures.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will also result in enhanced revenue related disclosures. The new standard is effective for fiscal years beginning after December 15, 2018 (which is the year beginning on January 1, 2019 for the Foundation). The standard permits the use of either the retrospective or cumulative effect transition method. The adoption of ASU 2014-19 is not expected to have a material effect on the financial statements but will require enhanced disclosures.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*, which affects all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 will be effective for nonpublic entities for fiscal years beginning after December 15, 2018. The Foundation has evaluated the effect that this guidance will have on its financial statements and related disclosures and determined it will change the presentation of the statement of cash flows to include the total change in cash and restricted cash.

## ALEX'S LEMONADE STAND FOUNDATION

### Notes to Financial Statements December 31, 2018 and 2017

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [16] Upcoming accounting pronouncements (continued):

In June 2018, FASB issued ASU 2018-08, *Clarifying The Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 985)*. ASU 2018-08 clarifies and improves guidance concerning, 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) determining whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers, with early adoption permitted. ASU 2018-08 should be applied on a modified prospective basis. The adoption of ASU 2018-08 is not expected to have a material effect on the financial statements but will require enhanced disclosures.

##### [17] Reclassification:

Certain amounts in the 2017 financial statements have been reclassified to conform to the current year's presentation.

#### NOTE C - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of December 31, 2018:

|  |                      |
|--|----------------------|
| Financial assets:  |                      |
| Cash and cash equivalents  | \$ 10,274,766        |
| Investments  | 4,104,726            |
| Contributions and other receivables  | 347,989              |
| Cash and cash equivalents held for endowment   | 286,666              |
| Investments held for endowment   | <u>1,733,289</u>     |
| Total financial assets   | <u>16,747,436</u>    |
| Less amounts not available to be used within one year:   |                      |
| Net assets with donor restrictions subject to expenditures for specified purposes                | 496,654              |
| Net assets with donor restrictions subject to the Foundation's spending policy and appropriation | 1,859,901            |
| Board designated for specific purpose  | <u>158,857</u>       |
|  | <u>2,515,412</u>     |
| Financial assets available to meet cash needs for general expenditures within one year           | <u>\$ 14,232,024</u> |

General expenditures include program services expenses, general and administrative expenses, and fundraising expenses expected to be paid in the subsequent year.

The Foundation's total investments consist of operating investments, donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds of \$1,859,901 are not available for general expenditure.

## ALEX'S LEMONADE STAND FOUNDATION

### Notes to Financial Statements December 31, 2018 and 2017

#### NOTE C - LIQUIDITY AND AVAILABILITY (CONTINUED)

The Foundation will evaluate its 2019 endowment spending policy after the second quarter results of 2019. In the third quarter of 2019, the Board of Directors will determine its election on the 2019 endowment spending policy.

With the exception of the net assets with donor restrictions relating to spinal cord research of \$496,654, net assets with donor restrictions subject to expenditures for specified purposes are expected to be released in 2019.

As part of the Foundation's liquidity management plan, the Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in money market funds and other short-term investments.

#### NOTE D - CONCENTRATION OF CREDIT RISK

The Foundation maintains cash in various financial institutions with insurance provided by the Federal Deposit Insurance Corporation up to \$250,000. The Foundation also maintains cash and cash equivalents in various nonbank money market funds that are uninsured. As of December 31, 2018 and 2017, the Foundation has uninsured balances of approximately \$9,160,000 and \$6,980,000, respectively.

#### NOTE E - INVESTMENTS

Investments consist of the following as of December 31, 2018 and 2017:

|                                       | <u>2018</u>         | <u>2017</u>         |
|---------------------------------------|---------------------|---------------------|
| Investments:                          |                     |                     |
| Mutual funds:                         |                     |                     |
| Equity funds                          | \$ 1,593,527        | \$ 1,700,184        |
| Bond funds                            | 1,385,568           | 1,365,132           |
| Exchange-traded funds                 | <u>1,125,631</u>    | <u>748,883</u>      |
|                                       | <u>4,104,726</u>    | <u>3,814,199</u>    |
| Investments restricted for endowment: |                     |                     |
| Mutual funds:                         |                     |                     |
| Equity funds                          | 622,316             | 732,673             |
| Bond funds                            | 609,954             | 680,920             |
| Exchange-traded funds                 | <u>501,019</u>      | <u>481,698</u>      |
|                                       | <u>1,733,289</u>    | <u>1,895,291</u>    |
|                                       | <u>\$ 5,838,015</u> | <u>\$ 5,709,490</u> |

#### NOTE F - FAIR VALUE MEASUREMENTS

The fair value of each investment is determined at the statement of financial position date in accordance with FASB Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures*. Accordingly, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants in the market in which the reporting entity transacts, and fair value measurements are separately disclosed by level within the fair value hierarchy.

## ALEX'S LEMONADE STAND FOUNDATION

### Notes to Financial Statements December 31, 2018 and 2017

#### NOTE F - FAIR VALUE MEASUREMENTS (CONTINUED)

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The financial instruments within the fair value hierarchy are based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

The following is a description of the valuation methodology used for instruments measured at fair value. This valuation methodology was applied to all of the Foundation's assets and liabilities that are carried at fair value as of December 31, 2018 and 2017.

*Mutual funds* - the fair value of securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers (Level 1).

The following tables set forth, by level, the Foundation's investments at fair value, within the aforementioned fair value hierarchy, as of December 31, 2018 and 2017:

|                                       | <b>Investment Assets at Fair Value as of<br/>December 31, 2018</b> |                     |                |                |
|---------------------------------------|--|---------------------|----------------|----------------|
|                                       | <u>Total</u>   | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u> |
| Mutual funds:                         |  |                     |                |                |
| Equity funds                          | \$ 2,215,843   | \$ 2,215,843        | \$ -           | \$ -           |
| Bond funds                            | 1,995,522  | 1,995,522           | -              | -              |
| Exchange-traded funds                 | <u>1,626,650</u>   | <u>1,626,650</u>    | -              | -              |
| Total investment assets at fair value | <u>\$ 5,838,015</u>  | <u>\$ 5,838,015</u> | <u>\$ -</u>    | <u>\$ -</u>    |

|                                       | <b>Investment Assets at Fair Value as of<br/>December 31, 2017</b> |                     |                |                |
|---------------------------------------|--|---------------------|----------------|----------------|
|                                       | <u>Total</u>   | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u> |
| Mutual funds:                         |  |                     |                |                |
| Equity funds                          | \$ 2,432,857   | \$ 2,432,857        | \$ -           | \$ -           |
| Bond funds                            | 2,046,052  | 2,046,052           | -              | -              |
| Exchange-traded funds                 | <u>1,230,581</u>   | <u>1,230,581</u>    | -              | -              |
| Total investment assets at fair value | <u>\$ 5,709,490</u>  | <u>\$ 5,709,490</u> | <u>\$ -</u>    | <u>\$ -</u>    |

## ALEX'S LEMONADE STAND FOUNDATION

### Notes to Financial Statements December 31, 2018 and 2017

#### NOTE F - FAIR VALUE MEASUREMENTS (CONTINUED)

##### Changes in fair value levels:

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended December 31, 2018 and 2017, there were no transfers into or out of Levels 1, 2 or 3.

#### NOTE G - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2018 and 2017 consist of the following:

|  | <u>2018</u>       | <u>2017</u>       |
|--|-------------------|-------------------|
| Equipment and vehicle                          | \$ 246,618        | \$ 219,582        |
| Software and website development               | <u>1,101,112</u>  | <u>903,205</u>    |
|  | 1,347,730         | 1,122,787         |
| Less accumulated depreciation and amortization | <u>931,345</u>    | <u>781,315</u>    |
|  | <u>\$ 416,385</u> | <u>\$ 341,472</u> |

Depreciation for the years ended December 31, 2018 and 2017 was \$41,564 and \$40,009, respectively. Amortization for the years ended December 31, 2018 and 2017 was \$108,464 and \$116,152, respectively.

# ALEX'S LEMONADE STAND FOUNDATION

## Notes to Financial Statements December 31, 2018 and 2017

### NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or period as of December 31, 2018 and 2017:

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| <b>Subject to expenditures for specified purpose:</b>                          |                     |                     |
| BioTherapeutic   | \$ 25,000           | \$ 200,000          |
| Crazy 8 research initiative  | 101,400             | -                   |
| Spinal cord research   | 496,654             | 435,725             |
| Target research grants   | 550,083             | 701,143             |
| Travel for care program  | -                   | 203,920             |
| Other cancer research  | 218,484             | 285,842             |
|  | <u>1,391,621</u>    | <u>1,826,630</u>    |
| <b>Endowments:</b>   |                     |                     |
| <b>Subject to appropriation and expenditure when a specified event occurs:</b> |                     |                     |
| Restricted by donors for:  |                     |                     |
| Pediatric oncology student training grant                                      | 11,829              | 30,010              |
| Travel for care program  | 22,591              | 145,603             |
|  | <u>34,420</u>       | <u>175,613</u>      |
| <b>Subject to the Foundation's spending policy and appropriation:</b>          |                     |                     |
| Investments in perpetuity:   |                     |                     |
| Pediatric oncology student training grant                                      | 173,061             | 173,061             |
| Travel for care program  | 1,652,420           | 1,385,965           |
|  | <u>1,825,481</u>    | <u>1,559,026</u>    |
| <b>Total endowments</b>  | <u>1,859,901</u>    | <u>1,734,639</u>    |
|  | <u>\$ 3,251,522</u> | <u>\$ 3,561,269</u> |

Net assets were released from donor restriction by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended December 31, 2018 and 2017:

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| <b>Satisfaction of purpose restrictions:</b> |                     |                     |
| BioTherapeutic                               | \$ 200,000          | \$ 25,000           |
| Pediatric oncology student training grant    | 6,800               | 9,360               |
| Spinal cord research                         | -                   | 282,124             |
| Target research grants                       | 699,961             | 756,809             |
| Travel for care program                      | 238,920             | 152,323             |
| Other cancer research                        | 225,892             | 131,390             |
|  | <u>\$ 1,371,573</u> | <u>\$ 1,357,006</u> |

# ALEX'S LEMONADE STAND FOUNDATION

## Notes to Financial Statements December 31, 2018 and 2017

### NOTE I - BOARD DESIGNATED AND DONOR-RESTRICTED ENDOWMENTS

The Foundation has a board designated endowment consisting of three basic funds: Spinal Cord Research Fund, Pediatric Oncology Student Training Award Fund, and Fund for the Future. The Foundation also has donor-restricted endowment funds are included in nets assets with donor restrictions.

The Foundation's donor-designated endowments consist of four funds: Rita's Fund for Hope, Shirley Stein POST Award Fund, David Cohn Fund for the Future, and Bellin Travel Fund. These endowments were established to support the Foundation's cancer research grant programs and travel for care program. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors for endowment, are classified based on the existence or absence of donor-imposed restrictions.

#### [1] Interpretation of relevant law:

The Commonwealth of Pennsylvania has not adopted Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). State law allows nonprofit organizations to make an election to adopt a total return investment policy as provided by Act 141 (1988) of Pennsylvania legislature, 15 Pa. C.S.A. Section 5548 ("total return election"). The Foundation did not make a total return election; therefore, the Foundation is permitted to spend interest and dividends.

#### [2] Return objectives and risk parameters:

Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as Board designated funds. Accordingly, the investment objective is the preservation of capital as well as providing a predictable stream of funding to the program supported by its endowments without bearing risk of market fluctuation.

#### [3] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Foundation relies on a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). As a result, the Foundation has elected to adopt an asset allocation consisting of equity and fixed-income securities. The Foundation's current asset allocation for endowment funds targets a composition of approximately 60% in equity mutual funds and 40% in fixed-income mutual funds.

#### [4] Spending policy:

In accordance with donor instructions, earnings on the donor restricted endowment are considered restricted; as such, earnings may only be used for the program purpose specified by the donors. Interest and dividend income on the funds' investments is appropriated as determined by the Board of Directors. The Foundation has adopted a formal spending policy. During the year ended December 31, 2017, it was elected by the Board to appropriate \$52,000 of dividends and interest only be made. During the year ended December 31, 2018, it was elected by the Board to appropriate 4%, based on a four-year moving average market value of the endowments based on June 30 point valuations (subject to annual review).

# ALEX'S LEMONADE STAND FOUNDATION

## Notes to Financial Statements December 31, 2018 and 2017

### NOTE I - BOARD DESIGNATED AND DONOR-RESTRICTED ENDOWMENTS (CONTINUED)

#### [5] Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift (underwater endowments). Such deficiencies are recorded as net assets with donor restrictions. In the event that an endowment fund is underwater, all income and distributions will be reinvested into the endowment fund until the market value of the endowment fund has recovered. As of December 31, 2018 and 2017, there were no deficiencies of this nature.

Endowment funds as of December 31, 2018 and 2017 comprise the following:

|                                  | <b>2018</b>  |   |                     |
|----------------------------------|--|---|---------------------|
|                                  | <b>Net Assets<br/>Without Donor<br/>Restrictions</b> | <b>Net Assets<br/>With Donor<br/>Restrictions</b> | <b>Total</b>        |
| Board designated endowment funds | \$ 158,857   | \$ -  | \$ 158,857          |
| Donor-restricted endowment funds | <u>-</u>   | <u>1,859,901</u>                                  | <u>1,859,901</u>    |
|                                  | <u>\$ 158,857</u>                                    | <u>\$ 1,859,901</u>                               | <u>\$ 2,018,758</u> |
|                                  | <b>2017</b>  |   |                     |
|                                  | <b>Net Assets<br/>Without Donor<br/>Restrictions</b> | <b>Net Assets<br/>With Donor<br/>Restrictions</b> | <b>Total</b>        |
| Board designated endowment funds | \$ 169,769   | \$ -  | \$ 169,769          |
| Donor-restricted endowment funds | <u>-</u>   | <u>1,734,639</u>                                  | <u>1,734,639</u>    |
|                                  | <u>\$ 169,769</u>                                    | <u>\$ 1,734,639</u>                               | <u>\$ 1,904,408</u> |

## ALEX'S LEMONADE STAND FOUNDATION

### Notes to Financial Statements December 31, 2018 and 2017

#### NOTE I - BOARD DESIGNATED AND DONOR-RESTRICTED ENDOWMENTS (CONTINUED)

The Foundation's endowment had the following activity for the years December 31, 2018 and 2017:

|  | <u>Net Assets<br/>Without<br/>Donor<br/>Restrictions</u> | <u>Net Assets<br/>With<br/>Donor<br/>Restrictions</u> | <u>Total</u>        |
|--|--|---|---------------------|
| Endowment net assets at beginning of year          | \$ 169,769   | \$ 1,734,639  | \$ 1,904,408        |
| Investment loss                                    | (9,712)  | (99,393)  | (109,105)           |
| Contributions and other additions                  | -  | 266,455   | 266,455             |
| Appropriation of endowment assets for expenditures | (1,200)  | (41,800)  | (43,000)            |
| Change in net assets                               | (10,912)   | 125,262   | 114,350             |
| Endowment net assets at end of year                | <u>\$ 158,857</u>  | <u>\$ 1,859,901</u>                                   | <u>\$ 2,018,758</u> |
|  | <u>Net Assets<br/>Without<br/>Donor<br/>Restrictions</u> | <u>Net Assets<br/>With<br/>Donor<br/>Restrictions</u> | <u>Total</u>        |
| Endowment net assets at beginning of year          | \$ 151,197   | \$ 1,327,044  | \$ 1,478,241        |
| Investment income                                  | 18,572   | 181,621   | 200,193             |
| Contributions and other additions                  | -  | 277,974   | 277,974             |
| Appropriation of endowment assets for expenditures | -  | (52,000)  | (52,000)            |
| Change in net assets                               | 18,572   | 407,595   | 426,167             |
| Endowment net assets at end of year                | <u>\$ 169,769</u>  | <u>\$ 1,734,639</u>                                   | <u>\$ 1,904,408</u> |

#### NOTE J - RETIREMENT PLAN

The Foundation offers eligible employees the opportunity to participate in a Simple IRA plan whereby employees may elect to contribute up to 100% of their income on a pre-tax basis, subject to limitations specified by the Internal Revenue Code. The Foundation matches each employee's contribution on a one-to-one basis, up to 3% of compensation. The Foundation made matching contributions into the plan of \$67,995 and \$59,430 during the years ended December 31, 2018 and 2017, respectively.

## ALEX'S LEMONADE STAND FOUNDATION

### Notes to Financial Statements December 31, 2018 and 2017

#### NOTE K - OPERATING LEASE

On December 31, 2013, the Foundation entered into an operating lease agreement for office and storage space. The lease term is for 85 months, beginning on April 28, 2014, with the option to renew for one additional three-year period. The Foundation has a one-time right to terminate the lease upon the expiration of the 65<sup>th</sup> full month of the term in accordance with terms and conditions set forth in the agreement. On May 4, 2015, the Foundation amended the operating lease agreement for the office and storage space for additional office space.

On January 23, 2018, the Foundation entered into an operating lease for office space. The term is for 12 months, beginning on January 1, 2018, with the option to renew month-to-month thereafter. The Foundation did not renew this operating lease on December 31, 2018.

On November 2, 2018, the Foundation entered into an operating lease for office space. The term is for 38 months, beginning on January 1, 2019.

Scheduled future minimum lease payments as of December 31, 2018 are as follows:

| <u>Year Ending December 31</u> |                   |
|--------------------------------|-------------------|
| 2019                           | \$ 297,538        |
| 2020                           | 311,777           |
| 2021                           | 250,530           |
| 2022                           | <u>9,010</u>      |
|                                | <u>\$ 868,855</u> |

Rent expense for the years ended December 31, 2018 and 2017 was \$420,028 and \$357,351, respectively. Rent expense includes the allocation of rent based on a straight-line amortization of the total rent payments due under the lease over the term of the lease. The cumulative difference between the rent expense on a straight-line basis and actual rent payments made is recorded as deferred rent on the statements of financial position.

#### NOTE L - CONDITIONAL COMMITMENTS

The Foundation has conditional commitments to fund various medical research grants. The future funding of the grants is conditional upon a noncompetitive review and demonstration of satisfactory completion of proposed research objectives and appropriate budget expenditures, and therefore the conditional future payments are not recorded in the financial statements. Conditional commitments for future grant payments as of December 31, 2018 are as follows:

| <u>Year Ending December 31</u> |                      |
|--------------------------------|----------------------|
| 2019                           | \$ 11,117,418        |
| 2020                           | 5,793,366            |
| 2021                           | 2,368,891            |
| 2022                           | 1,437,500            |
| 2023                           | <u>775,000</u>       |
|                                | <u>\$ 21,492,175</u> |

#### NOTE M - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through May 2, 2019, which is the date the financial statements were available to be issued.