

EISNERAMPER

**ALEX'S LEMONADE
STAND FOUNDATION**

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



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, 2019 and 2018, 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, 2019 and 2018, 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.

EisnerAmper LLP

EISNERAMPER LLP
Philadelphia, Pennsylvania
May 1, 2020

EISNERAMPER
LLP

ALEX'S LEMONADE STAND FOUNDATION

Statements of Financial Position

	December 31,	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 10,702,790	\$ 10,274,766
Investments	5,051,476	4,105,923
Contributions and other receivables	712,575	347,989
Inventories	132,016	57,476
Cash and cash equivalents held for endowment	209,784	286,666
Investments held for endowment	2,326,352	1,732,092
Property and equipment, net	364,529	416,385
Intangible asset, net	206,250	-
Other assets	134,862	109,670
	<u>\$ 19,840,634</u>	<u>\$ 17,330,967</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 315,880	\$ 358,160
Deferred revenue	592,150	479,007
Grants payable	4,281,153	3,518,575
Deferred rent	45,021	53,549
	<u>5,234,204</u>	<u>4,409,291</u>
Commitments		
NET ASSETS		
Without donor restrictions:		
Designated by the Board of Directors for specific purposes	1,181,704	1,158,857
Undesignated	9,367,859	8,511,297
	<u>10,549,563</u>	<u>9,670,154</u>
With donor restrictions	4,056,867	3,251,522
	<u>14,606,430</u>	<u>12,921,676</u>
	<u>\$ 19,840,634</u>	<u>\$ 17,330,967</u>

ALEX'S LEMONADE STAND FOUNDATION

Statements of Activities and Changes in Net Assets

	Year Ended December 31,					
	2019			2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenue:						
Contributions:						
Lemonade stands and other events	\$ 15,673,459	\$ -	\$ 15,673,459	\$ 14,316,069	\$ -	\$ 14,316,069
Grants and other	4,794,075	1,646,008	6,440,083	4,965,048	1,161,300	6,126,348
Gala and other special events, net cost of direct benefits to donors of \$345,558 in 2019 and \$278,249 in 2018	3,905,846	-	3,905,846	4,127,776	-	4,127,776
Licenses and royalties	859,401	-	859,401	879,585	-	879,585
Merchandise sales, net cost of merchandise sold of \$97,710 in 2019 and \$57,427 in 2018	58,396	-	58,396	75,256	-	75,256
Contributed services	253,828	-	253,828	122,238	-	122,238
Interest and dividend income	203,979	58,010	261,989	200,798	65,532	266,330
Realized and unrealized gains (losses) on investments, net	650,618	283,482	934,100	(417,459)	(165,006)	(582,465)
Net assets released from restrictions	1,182,155	(1,182,155)	-	1,371,573	(1,371,573)	-
	<u>27,581,757</u>	<u>805,345</u>	<u>28,387,102</u>	<u>25,640,884</u>	<u>(309,747)</u>	<u>25,331,137</u>
Expenses:						
Program services:						
Pediatric cancer research	19,028,375	-	19,028,375	17,274,820	-	17,274,820
Public awareness and education	1,680,747	-	1,680,747	1,833,159	-	1,833,159
Family services	1,050,782	-	1,050,782	1,038,083	-	1,038,083
Data lab	1,107,840	-	1,107,840	868,417	-	868,417
Total program services	<u>22,867,744</u>	<u>-</u>	<u>22,867,744</u>	<u>21,014,479</u>	<u>-</u>	<u>21,014,479</u>
Supporting services:						
General and administrative	1,489,935	-	1,489,935	1,514,967	-	1,514,967
Fundraising	2,344,669	-	2,344,669	2,480,577	-	2,480,577
Total supporting services	<u>3,834,604</u>	<u>-</u>	<u>3,834,604</u>	<u>3,995,544</u>	<u>-</u>	<u>3,995,544</u>
	<u>26,702,348</u>	<u>-</u>	<u>26,702,348</u>	<u>25,010,023</u>	<u>-</u>	<u>25,010,023</u>
Change in net assets	879,409	805,345	1,684,754	630,861	(309,747)	321,114
Net assets at beginning of year	9,670,154	3,251,522	12,921,676	9,039,293	3,561,269	12,600,562
Net assets at end of year	<u>\$ 10,549,563</u>	<u>\$ 4,056,867</u>	<u>\$ 14,606,430</u>	<u>\$ 9,670,154</u>	<u>\$ 3,251,522</u>	<u>\$ 12,921,676</u>

See notes to financial statements

ALEX'S LEMONADE STAND FOUNDATION

**Statement of Functional Expenses
Year Ended December 31, 2019**

	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	\$ 18,171,270	\$ -	\$ 76,000	\$ 181,015	\$ 18,428,285	\$ -	\$ -	\$ -	\$ 18,428,285
Longitudinal database services	89,667	-	-	-	89,667	-	-	-	89,667
Salaries	309,659	849,402	200,002	489,059	1,848,122	739,410	788,997	1,528,407	3,376,529
Payroll taxes and benefits	65,172	180,014	42,560	107,876	395,622	195,540	168,015	363,555	759,177
Consulting	-	2,743	3,870	945	7,558	94,767	2,377	97,144	104,702
Legal and accounting	-	-	-	-	-	181,015	-	181,015	181,015
Computer/software expense	15,831	44,559	4	3,576	63,970	24,147	25,412	49,559	113,529
Licenses and fees	1,724	4,724	1,109	2,705	10,262	27,319	194,227	221,546	231,808
Office supplies	2,457	6,731	1,807	27,927	38,922	12,033	7,132	19,165	58,087
Travel	12,924	13,093	4,348	39,698	70,063	33,604	226,675	260,279	330,342
Patient and family travel	-	-	662,961	-	662,961	-	-	-	662,961
Symposiums	317,164	-	-	25,543	342,707	-	-	-	342,707
Student leadership academy	-	32,708	-	-	32,708	-	-	-	32,708
Subscriptions	3,125	35,355	-	518	38,998	5,501	423	5,924	44,922
Postage and shipping	1,308	93,584	19,706	184	114,782	24,738	61,583	86,321	201,103
Printing	-	88,695	13,989	525	103,209	9,614	59,361	68,975	172,184
Miscellaneous	-	1,837	-	1,115	2,952	13,574	828	14,402	17,354
Promotional materials	936	124,110	450	983	126,479	4,515	15,244	19,759	146,238
Lemonade stands and other event fundraising support	-	-	-	-	-	-	94,178	94,178	94,178
Rent and facility costs	-	-	-	-	-	-	407,086	407,086	407,086
Professional services - public relations	-	3,031	-	-	3,031	-	75,315	75,315	78,346
Office rent	27,335	75,273	17,587	56,642	176,837	66,425	69,956	136,381	313,218
Office repairs and maintenance	196	536	121	4,731	5,584	621	457	1,078	6,662
Office utilities	2,010	5,534	1,294	5,561	14,399	4,840	5,146	9,986	24,385
Other direct fundraising expense	-	-	-	-	-	-	38,566	38,566	38,566
Insurance	2,247	6,271	1,513	3,755	13,786	9,588	5,899	15,487	29,273
Telephone	2,088	5,742	1,352	3,297	12,479	4,994	5,322	10,316	22,795
Website services	-	29,668	-	143,055	172,723	-	36,925	36,925	209,648
Depreciation	3,262	8,829	2,109	9,130	23,330	11,754	8,168	19,922	43,252
Amortization	-	68,308	-	-	68,308	25,936	47,377	73,313	141,621
Total expense included in expense section on the statement of activities and changes in net assets	<u>\$ 19,028,375</u>	<u>\$ 1,680,747</u>	<u>\$ 1,050,782</u>	<u>\$ 1,107,840</u>	<u>\$ 22,867,744</u>	<u>\$ 1,489,935</u>	<u>\$ 2,344,669</u>	<u>\$ 3,834,604</u>	<u>\$ 26,702,348</u>
Plus expenses included with revenue on the statement of activities and changes in net assets									
Special events-cost of direct benefit to donors:									
Food and beverages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 306,878	\$ 306,878	\$ 306,878
Entertainment	-	-	-	-	-	-	3,349	3,349	3,349
Non-cash prizes	-	-	-	-	-	-	35,331	35,331	35,331
Total special events-cost of direct benefit to donors:	-	-	-	-	-	-	345,558	345,558	345,558
Cost of merchandise sold	-	97,710	-	-	97,710	-	-	-	97,710
Total expense	<u>\$ 19,028,375</u>	<u>\$ 1,778,457</u>	<u>\$ 1,050,782</u>	<u>\$ 1,107,840</u>	<u>\$ 22,965,454</u>	<u>\$ 1,489,935</u>	<u>\$ 2,690,227</u>	<u>\$ 4,180,162</u>	<u>\$ 27,145,616</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	205,942	224,673	298,257
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
Lemonade stands and other event fundraising support	-	-	-	-	-	-	182,172	182,172	182,172
Rent and facility costs	-	-	-	-	-	-	402,988	402,988	402,988
Professional services - public relations	-	50	-	-	50	-	65,260	65,260	65,310
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
Other direct fundraising expenses	-	-	-	-	-	-	29,049	29,049	29,049
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
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
Total expense included in expense section on the statement of activities and changes in net assets	\$ 17,274,820	\$ 1,833,159	\$ 1,038,083	\$ 868,417	\$ 21,014,479	\$ 1,514,967	\$ 2,480,577	\$ 3,995,544	\$ 25,010,023
Plus expenses included with revenue on the statement of activities and changes in net assets									
Special events-cost of direct benefit to donors:									
Food and beverages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 235,191	\$ 235,191	\$ 235,191
Entertainment	-	-	-	-	-	-	2,169	2,169	2,169
Non-cash prizes	-	-	-	-	-	-	40,889	40,889	40,889
Total special events-cost of direct benefit to donors:	-	-	-	-	-	-	278,249	278,249	278,249
Cost of merchandise sold	-	57,427	-	-	57,427	-	-	-	57,427
Total expense	\$ 17,274,820	\$ 1,890,586	\$ 1,038,083	\$ 868,417	\$ 21,071,906	\$ 1,514,967	\$ 2,758,826	\$ 4,273,793	\$ 25,345,699

See notes to financial statements

ALEX'S LEMONADE STAND FOUNDATION

Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,684,754	\$ 321,114
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,252	41,564
Amortization	141,621	108,464
Realized and unrealized gains on investments	(934,100)	582,465
Contributions restricted for endowment	(200,943)	(266,455)
(Increase) decrease in assets:		
Contributions and other receivables	(364,586)	(29,539)
Inventories	(74,540)	54,562
Other assets	(25,192)	(13,434)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(42,280)	(373,980)
Deferred revenue	113,143	88,557
Grants payable	762,578	1,420,745
Deferred rent	(8,528)	(8,326)
Net cash provided by operating activities	<u>1,095,179</u>	<u>1,925,737</u>
Cash flows from investing activities:		
Purchase of property and equipment	(114,267)	(224,941)
Purchase of intangible asset	(225,000)	-
Purchase of investments	(1,903,708)	(2,243,119)
Proceeds from sales of investments	<u>1,297,995</u>	<u>1,532,129</u>
Net cash used in investing activities	<u>(944,980)</u>	<u>(935,931)</u>
Cash flows from financing activities:		
Proceeds from contribution restricted for endowment	<u>200,943</u>	<u>266,455</u>
Net increase in cash and cash equivalents and restricted cash	351,142	1,256,261
Cash and cash equivalents and restricted cash at beginning of year	<u>10,561,432</u>	<u>9,305,171</u>
Cash and cash equivalents and restricted cash at end of year	<u><u>\$ 10,912,574</u></u>	<u><u>\$ 10,561,432</u></u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

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 based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

Net assets without donor restrictions represent net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. 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 that are designated for grants to pediatric oncology students (see Note I).

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

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, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Spinal cord research	\$ 1,000,000	\$ 1,000,000
Pediatric Oncology Student Training Award Fund	70,948	62,052
Fund for the future	<u>110,756</u>	<u>96,805</u>
	<u>\$ 1,181,704</u>	<u>\$ 1,158,857</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, and cash and cash equivalents held for endowment:

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. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The following table provides a reconciliation of cash, cash equivalents, and such amounts considered to be restricted as to use which include cash and cash equivalents held for endowment that are reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 10,702,790	\$ 10,274,766
Cash and cash equivalents held for endowment	<u>209,784</u>	<u>286,666</u>
Total cash and cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$ 10,912,574</u>	<u>\$ 10,561,432</u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[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.

[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, 2019 or 2018. All contributions and other receivables as of December 31, 2019 and 2018 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 and amortization. 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, 2019 and 2018, 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.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[8] Intangible assets:

Intangible assets were obtained through the acquisition of a not-for-profit organization on March 1, 2019 (see Note M). Intangible assets consist of copyrights, book files, marketing materials, trademarks, domain and social media accounts, customer list and contracts with author of books. Intangible assets are being amortized on the straight-line method over the remaining useful life. Intangible assets are being amortized over ten years in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350.

Intangible assets consisted of the following as of December 31, 2019:

Gross cost	\$225,000
Accumulated amortization	<u>(18,750)</u>
Net intangible assets	<u>\$206,250</u>

Total amortization of intangible assets was approximately \$18,750 for the year ended December 31, 2019.

Scheduled amortization of deferred leasing costs as of December 31, 2019 is as follows:

<u>Year Ending December 31,</u>	
2020	\$ 22,500
2021	22,500
2022	22,500
2023	22,500
2024	22,500
Thereafter	<u>93,750</u>
	<u>\$206,250</u>

[9] Revenue recognition - contributions:

Funding for the Foundation's activities is achieved almost entirely through contributions made through lemonade stands and other events, and grants, including unconditional promises to give. These donations provide funding to be used to support the mission of the Foundation. As the donors are not receiving a benefit as a result of these transactions, the donations are considered to be contributions to the Foundation. Some contributions require that funds be expended for a specific purpose, and are considered to be net assets with donor restrictions.

The Foundation recognizes contributions as revenue when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Revenue recognition – contributions (continued):

The Foundation records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference, which is included in gala and special events on the statement of activity. The recognition of revenue is conditional on the event taking place, as this is the point in time when the performance obligation of hosting the event occurs, and attendees can no longer request a refund for their tickets purchased. As of December 31, 2019 and 2018, there were conditional contributions associated with special events of \$592,150 and \$479,007, respectively that were included in deferred revenue. Amounts will be recognized as revenue when such events occur.

[10] Revenue recognition - services:

Licenses and royalties:

Licenses and royalties revenue reflects royalties generated by the use of the Foundation's name and logo by third parties. Revenue is reported based on license and royalty agreements between the Foundation and third parties. Revenue is recognized when the Foundation is notified by the third parties that a sale and/or usage occurred of the licensed merchandise.

Merchandise sales:

Merchandise sales consist of items sold on the Foundation's website such as apparel, and accessories. Merchandise revenue is recognized at a point in time when the merchandise is shipped to the customer, as this is when the performance obligation transfers control of the goods or services to the customer. The amount recognized is the amount that reflects the consideration expected to be received in exchange for providing the merchandise. Customers are charged upon placing the order.

[11] 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 2019, the Foundation received contributed services of \$253,828, which consists of \$30,450 for investment advisory services, \$98,307 for legal services, and \$125,071 for shipping services, which are included in the accompanying statement of activities and changes in net assets.

During 2018, the Foundation received contributed services of \$122,238, which consists of \$28,229 for investment advisory services and \$15,461 for legal services, which are included in general and administrative expenses in the accompanying statement 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.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] 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. The scientific boards makes grant recommendations, based upon the Foundation's 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 or promised, to the grantee. All grant liabilities as of December 31, 2019 and 2018 are payable within one year of the respective statements of financial position dates.

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

[13] 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.

[14] 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 is netted with gala and other special events on the statement of activities and changes in net assets.

[15] 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, 2019 and 2018, 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, 2019 or 2018.

[16] Advertising and promotional costs:

Advertising and promotional costs are expensed in the year incurred. Advertising expense for the years ended December 31, 2019 and 2018 was \$146,238 and \$202,997, respectively.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[17] Adoption of new accounting pronouncements:

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statements of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. The Foundation has adopted these provisions in the accompanying financial statements. Adoption of the ASU changed the presentation of the statements of cash flows to include restricted cash as a component of total cash.

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. This standard is effective for fiscal years beginning after December 15, 2018. The Foundation has adopted the FASB Accounting Standards Codification ("ASC") Topic 606 as of and for the year ended December 31, 2019. The amendments have been applied retrospectively to all periods presented using the full-retrospective method, with no effect on net assets. The adoption of ASU 2014-09 also resulted in additional disclosures related to contributions and services revenue.

A portion of revenue consists of licenses and royalties and is recognized as revenue when the paid to the Foundation. In addition, a portion of revenue consists of merchandise sales, which is recognized as revenue when merchandise is shipped to the customer.

The adoption of ASC 606 did not have a significant impact on the Foundation's financial position, activities and changes in net assets, or cash flows. No changes were required to previously reported revenues as a result of the adoption.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. 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. ASU 2018-08 should be applied on a modified prospective basis. The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. There was no effect on net assets in connection with the implementation of ASU 2018-08.

[18] Upcoming accounting pronouncement:

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, 2020, with early adoption permitted. Management is currently evaluating the effect that this new guidance will have on its financial statements and related disclosures.

[19] Reclassification:

Certain amounts in the 2018 financial statements have been reclassified to conform to the current year presentation.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

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 statement of financial position date, comprise the following as of December 31, 2019 and 2018:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 10,702,790	\$ 10,274,766
Investments	5,051,476	4,105,923
Contributions and other receivables	712,575	347,989
Cash and cash equivalents held for endowment	209,784	286,666
Investments held for endowment	<u>2,326,352</u>	<u>1,732,092</u>
 Total financial assets	 <u>19,002,977</u>	 <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	458,769	496,654
Net assets with donor restrictions subject to the Foundation's spending policy and appropriation	2,354,432	1,859,901
Board-designated for specific purpose	<u>70,948</u>	<u>158,857</u>
	<u>2,884,149</u>	<u>2,515,412</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 16,118,828</u>	 <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 \$2,354,432 and \$1,859,901 as of December 31, 2019 and 2018, respectively, are not available for general expenditure.

The Foundation will evaluate its 2020 endowment spending policy after the second quarter results of 2020. In the third quarter of 2020, the Board of Directors will determine its election on the 2020 endowment spending policy.

With the exception of the net assets with donor restrictions relating to spinal cord research of \$458,769 and \$496,654 as of December 31, 2019 and 2018, respectively, net assets with donor restrictions subject to expenditures for specified purposes are expected to be released in 2020.

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.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

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, 2019 and 2018, the Foundation has uninsured balances of approximately \$9,545,000 and \$9,160,000, respectively.

NOTE E - INVESTMENTS

Investments consist of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Investments:		
Mutual funds:		
Equity funds	\$ 1,602,981	\$ 1,594,724
Bond funds	2,105,592	1,385,568
Exchange-traded funds	<u>1,342,903</u>	<u>1,125,631</u>
	<u>5,051,476</u>	<u>4,105,923</u>
Investments restricted for endowment:		
Mutual funds:		
Equity funds	658,723	621,119
Bond funds	931,876	609,954
Exchange-traded funds	<u>735,753</u>	<u>501,019</u>
	<u>2,326,352</u>	<u>1,732,092</u>
	<u>\$ 7,377,828</u>	<u>\$ 5,838,015</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 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.

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.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

NOTE F - FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2019 and 2018.

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, 2019 and 2018:

	Investment Assets at Fair Value as of December 31, 2019			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds:				
Equity funds	\$ 2,261,704	\$ 2,261,704	\$ -	\$ -
Bond funds	3,037,468	3,037,468	-	-
Exchange-traded funds	<u>2,078,656</u>	<u>2,078,656</u>	-	-
Total investment assets at fair value	<u>\$ 7,377,828</u>	<u>\$ 7,377,828</u>	<u>\$ -</u>	<u>\$ -</u>
	Investment Assets at Fair Value as of December 31, 2018			
	<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>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Equipment and vehicle	\$ 284,558	\$ 246,618
Software and website development	<u>1,177,439</u>	<u>1,101,112</u>
	1,461,997	1,347,730
Less accumulated depreciation and amortization	<u>1,097,468</u>	<u>931,345</u>
	<u>\$ 364,529</u>	<u>\$ 416,385</u>

Depreciation for the years ended December 31, 2019 and 2018 was \$43,252 and \$41,564, respectively. Amortization of software and website development for the years ended December 31, 2019 and 2018 was \$122,871 and \$108,464, respectively.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or period as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditures for specified purpose:		
BioTherapeutic	\$ -	\$ 25,000
Crazy 8 research initiative	-	101,400
Spinal cord research	458,769	496,654
Target research grants	511,673	550,083
Travel for care program	498,965	-
Other cancer research	233,028	218,484
	<u>1,702,435</u>	<u>1,391,621</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Pediatric oncology student training grant	40,958	11,829
Travel for care program	287,050	22,591
	<u>328,008</u>	<u>34,420</u>
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Investments in perpetuity:		
Pediatric oncology student training grant	173,061	173,061
Travel for care program	1,853,363	1,652,420
	<u>2,026,424</u>	<u>1,825,481</u>
Total endowments	<u>2,354,432</u>	<u>1,859,901</u>
	<u>\$ 4,056,867</u>	<u>\$ 3,251,522</u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
BioTherapeutic	\$ 25,000	\$ 200,000
Crazy 8 research initiative	101,400	-
Spinal cord research	194,795	-
Target research grants	599,509	699,961
Travel for care program	-	203,920
Other cancer research	213,451	225,892
	<u>1,134,155</u>	<u>1,329,773</u>
Restricted purpose spending-rate distributions and appropriations:		
Pediatric oncology student training grant	7,000	6,800
Travel for care program	41,000	35,000
	<u>48,000</u>	<u>41,800</u>
	<u>\$ 1,182,155</u>	<u>\$ 1,371,573</u>

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 that are included in nets assets with donor restrictions.

The Foundation's donor-restricted 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.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

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

[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 endowments 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 each of the years ended December 31, 2019 and 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).

[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, 2019 and 2018, there were no deficiencies of this nature.

Endowment funds as of December 31, 2019 and 2018 comprise the following:

	2019		
	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds:			
Pediatric Oncology Student Training Award Fund	\$ 70,948	\$ -	\$ 70,948
Fund for the Future	110,756	-	110,756
Donor-restricted endowment funds:			
Original donor-restricted gift amount	-	2,026,424	2,026,424
Accumulated investment gains	-	328,008	328,008
	<u>\$ 181,704</u>	<u>\$ 2,354,432</u>	<u>\$ 2,536,136</u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

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

	2018		
	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds:			
Pediatric Oncology Student Training Award Fund	\$ 62,052	\$ -	\$ 62,052
Fund for the Future	96,805		96,805
Donor-restricted endowment funds:			
Original donor-restricted gift amount	-	1,825,481	1,825,481
Accumulated investment gains	-	34,420	34,420
	<u>\$ 158,857</u>	<u>\$ 1,859,901</u>	<u>\$ 2,018,758</u>

The Foundation's endowments had the following activity for the years December 31, 2019 and 2018:

	2019				
	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>			<u>Total</u>
	<u>Board - Designated</u>	<u>Subject to Appropriation</u>	<u>Perpetual in Nature</u>	<u>Subtotal</u>	
Endowment net assets at beginning of year	<u>\$ 158,857</u>	<u>\$ 34,420</u>	<u>\$ 1,825,481</u>	<u>\$ 1,859,901</u>	<u>\$ 2,018,758</u>
Investment return, net	22,847	341,588	-	341,588	364,435
Contributions and other additions	-	-	200,943	200,943	200,943
Distribution from Board-designated endowment pursuant to distribution policy	-	-	-	-	-
Appropriation of endowment assets pursuant to spending-rate policy	-	(48,000)	-	(48,000)	(48,000)
Change in net assets	<u>22,847</u>	<u>293,588</u>	<u>200,943</u>	<u>494,531</u>	<u>517,378</u>
Endowment net assets at end of year	<u>\$ 181,704</u>	<u>\$ 328,008</u>	<u>\$ 2,026,424</u>	<u>\$ 2,354,432</u>	<u>\$ 2,536,136</u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

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

	2018				
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions			Total
	Board - Designated	Subject to Appropriation	Perpetual in Nature	Subtotal	
Endowment net assets at beginning of year	\$ 169,769	\$ 174,813	\$ 1,559,026	\$ 1,733,839	\$ 1,903,608
Investment loss, net	(9,712)	(99,393)	-	(99,393)	(109,105)
Contributions and other additions	-	-	266,455	266,455	266,455
Distribution from Board-designated endowment pursuant to distribution policy	(1,200)	-	-	-	(1,200)
Appropriation of endowment assets pursuant to spending-rate policy	-	(41,000)	-	(41,000)	(41,000)
Change in net assets	(10,912)	(140,393)	266,455	126,062	115,150
Endowment net assets at end of year	<u>\$ 158,857</u>	<u>\$ 34,420</u>	<u>\$ 1,825,481</u>	<u>\$ 1,859,901</u>	<u>\$ 2,018,758</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 \$79,131 and \$67,995 during the years ended December 31, 2019 and 2018, respectively.

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. 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.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

NOTE K - OPERATING LEASE (CONTINUED)

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, 2019 are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 311,777
2021	250,530
2022	<u>9,010</u>
	<u>\$ 571,317</u>

Rent expense for the years ended December 31, 2019 and 2018 was \$313,218 and \$420,028, 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, 2019 are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 10,716,182
2021	6,283,992
2022	2,371,418
2023	1,550,000
2024	<u>175,000</u>
	<u>\$ 21,096,592</u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2019 and 2018

NOTE M - BUSINESS ACQUISITIONS

On March 1, 2019, the Foundation acquired Childhood Cancer Guides, a Virginia based not-for-profit corporation for \$258,427, the purpose of which was to obtain the copyright and trademark for a series of childhood cancer books to be a resource for families. The acquisition was recorded in accordance with FASB ASC 805, *Business Combinations*. The following table summarizes the allocation of the fair values of the assets acquired on March 1, 2019.

Purchase price	<u>\$ 258,427</u>
Inventory	\$ 33,427
Intangible assets	<u>225,000</u>
Total assets acquired	<u>\$ 258,427</u>

NOTE N - CONTINGENCIES AND OTHER UNCERTAINTIES

The extent of the impact and effects of the recent outbreak of the coronavirus (COVID-19) on the operation and financial performance of the Foundation will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions, the recovery time of the disrupted economy, and the consequential staff shortages, or the uncertainty with respect to philanthropic giving, all of which are highly uncertain and cannot be predicted. If the Foundation's charitable contributions are impacted by this outbreak for an extended period, our results of operations or liquidity may be materially adversely affected.

NOTE O - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through May 1, 2020, which is the date the financial statements were available to be issued.

On April 20, 2020 the Foundation was approved for a \$615,000 term loan pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") Paycheck Protection Program. For a six-month deferral period starting when the first loan proceeds are received, neither principle nor interest is due. Any outstanding principle of the loan that is not forgiven under the Paycheck Protection Program at the end of this six-month deferral period will convert to a term loan with an interest rate of 1% payable in equal installments over the next eighteen months. Any accrued interest is payable on the fifteenth day of the month following the deferral period.