

EISNERAMPER

**ALEX'S LEMONADE
STAND FOUNDATION**

FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020



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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Alex's Lemonade Stand Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Alex's Lemonade Stand Foundation as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

EisnerAmper LLP

EISNERAMPER LLP
Philadelphia, Pennsylvania
May 10, 2022



ALEX'S LEMONADE STAND FOUNDATION

Statements of Financial Position

| | December 31, | |
|--|----------------------|----------------------|
| | 2021 | 2020 |
| ASSETS | | |
| Cash and cash equivalents | \$ 14,999,954 | \$ 13,197,131 |
| Investments | 6,783,498 | 6,068,383 |
| Contributions and other receivables, net | 1,548,743 | 372,403 |
| Inventories | 121,328 | 126,631 |
| Cash and cash equivalents held for endowment | 30,931 | 7,551 |
| Investments held for endowment | 3,282,755 | 2,942,318 |
| Property and equipment, net | 212,962 | 245,795 |
| Intangible assets, net | 179,723 | 183,750 |
| Other assets | 171,225 | 176,467 |
| | \$ 27,331,119 | \$ 23,320,429 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 929,275 | \$ 321,378 |
| Deferred revenue | 341,642 | 391,419 |
| Grants payable | 2,859,918 | 3,628,031 |
| Deferred rent | - | 22,253 |
| Paycheck Protection Program ("PPP") loan payable | 162,612 | - |
| Total current liabilities | 4,293,447 | 4,363,081 |
| Long-term debt: | | |
| PPP loan payable | 555,603 | - |
| Total liabilities | 4,849,050 | 4,363,081 |
| Commitments | | |
| NET ASSETS | | |
| Without donor restrictions: | | |
| Designated by the Board of Directors for specific purposes | 1,216,166 | 1,203,610 |
| Undesignated | 15,425,185 | 12,282,918 |
| Total without donor restrictions | 16,641,351 | 13,486,528 |
| With donor restrictions | 5,840,718 | 5,470,820 |
| Total net assets | 22,482,069 | 18,957,348 |
| | \$ 27,331,119 | \$ 23,320,429 |

ALEX'S LEMONADE STAND FOUNDATION

Statements of Activities and Changes in Net Assets

| | Year Ended December 31, | | | | | |
|--|--|---|----------------------|--|---|----------------------|
| | 2021 | | | 2020 | | |
| | 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 | \$ 13,067,934 | \$ - | \$ 13,067,934 | \$ 7,113,099 | \$ - | \$ 7,113,099 |
| Grants and other | 6,719,231 | 1,935,417 | 8,654,648 | 5,520,127 | 1,762,458 | 7,282,585 |
| Gala and other special events, net cost of direct benefits to donors of \$-0- in 2021 and \$198,083 in 2020 | 1,271,591 | - | 1,271,591 | 1,804,987 | - | 1,804,987 |
| Licenses and royalties | 1,580,348 | - | 1,580,348 | 1,630,222 | - | 1,630,222 |
| Merchandise sales, net cost of merchandise sold of \$90,883 in 2021 and \$49,362 in 2020 | 41,137 | - | 41,137 | 27,271 | - | 27,271 |
| Contributed services | 227,892 | - | 227,892 | 334,342 | - | 334,342 |
| Interest and dividend income | 295,110 | 121,050 | 416,160 | 171,400 | 63,873 | 235,273 |
| Realized and unrealized gains on investments, net | 282,565 | 143,577 | 426,142 | 646,143 | 310,093 | 956,236 |
| Net assets released from restrictions | 1,830,146 | (1,830,146) | - | 722,471 | (722,471) | - |
| | <u>25,315,954</u> | <u>369,898</u> | <u>25,685,852</u> | <u>17,970,062</u> | <u>1,413,953</u> | <u>19,384,015</u> |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| Pediatric cancer research | 16,400,953 | - | 16,400,953 | 9,198,175 | - | 9,198,175 |
| Public awareness and education | 1,231,572 | - | 1,231,572 | 1,385,515 | - | 1,385,515 |
| Family services | 935,264 | - | 935,264 | 1,228,393 | - | 1,228,393 |
| Data lab | 1,123,240 | - | 1,123,240 | 936,286 | - | 936,286 |
| Total program services | <u>19,691,029</u> | <u>-</u> | <u>19,691,029</u> | <u>12,748,369</u> | <u>-</u> | <u>12,748,369</u> |
| Supporting services: | | | | | | |
| General and administrative | 1,269,235 | - | 1,269,235 | 1,429,369 | - | 1,429,369 |
| Fundraising | 1,200,867 | - | 1,200,867 | 1,470,359 | - | 1,470,359 |
| Total supporting services | <u>2,470,102</u> | <u>-</u> | <u>2,470,102</u> | <u>2,899,728</u> | <u>-</u> | <u>2,899,728</u> |
| | <u>22,161,131</u> | <u>-</u> | <u>22,161,131</u> | <u>15,648,097</u> | <u>-</u> | <u>15,648,097</u> |
| Other income: | | | | | | |
| Gain on forgiveness of PPP loan payable | - | - | - | 615,000 | - | 615,000 |
| Change in net assets | <u>3,154,823</u> | <u>369,898</u> | <u>3,524,721</u> | <u>2,936,965</u> | <u>1,413,953</u> | <u>4,350,918</u> |
| Net assets at beginning of year | <u>13,486,528</u> | <u>5,470,820</u> | <u>18,957,348</u> | <u>10,549,563</u> | <u>4,056,867</u> | <u>14,606,430</u> |
| Net assets at end of year | <u>\$ 16,641,351</u> | <u>\$ 5,840,718</u> | <u>\$ 22,482,069</u> | <u>\$ 13,486,528</u> | <u>\$ 5,470,820</u> | <u>\$ 18,957,348</u> |

See notes to financial statements

ALEX'S LEMONADE STAND FOUNDATION

Statement of Functional Expenses Year Ended December 31, 2021

| | 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 | \$ 15,862,324 | \$ - | \$ 100,000 | \$ - | \$ 15,962,324 | \$ - | \$ - | \$ - | \$ 15,962,324 |
| Longitudinal database services | 52,000 | - | - | - | 52,000 | - | - | - | 52,000 |
| Salaries | 335,568 | 730,881 | 221,432 | 729,668 | 2,017,549 | 706,476 | 553,153 | 1,259,629 | 3,277,178 |
| Payroll taxes and benefits | 74,861 | 159,868 | 48,419 | 161,723 | 444,871 | 169,773 | 121,463 | 291,236 | 736,107 |
| Consulting | - | 1,811 | - | 1,500 | 3,311 | 77,533 | 705 | 78,238 | 81,549 |
| Legal and accounting | - | - | - | - | - | 119,944 | - | 119,944 | 119,944 |
| Computer/software expense | 21,654 | 27,502 | - | 61,907 | 111,063 | 11,865 | 8,094 | 19,959 | 131,022 |
| Licenses and fees | 2,697 | 6,308 | 1,921 | 6,354 | 17,280 | 27,868 | 156,781 | 184,649 | 201,929 |
| Office supplies | 4,186 | 9,437 | 2,860 | 4,598 | 21,081 | 6,482 | 7,317 | 13,799 | 34,880 |
| Travel | 492 | 500 | 144 | 3,781 | 4,917 | 1,143 | 4,239 | 5,382 | 10,299 |
| Patient and family travel and support | - | - | 514,967 | - | 514,967 | - | - | - | 514,967 |
| Symposiums | 13,285 | - | - | - | 13,285 | - | - | - | 13,285 |
| Subscriptions | 1,906 | 36,302 | - | 8,664 | 46,872 | 4,741 | 298 | 5,039 | 51,911 |
| Postage and shipping | 837 | 44,301 | 15,374 | - | 60,512 | 14,115 | 53,919 | 68,034 | 128,546 |
| Printing | - | 21,188 | 11,739 | - | 32,927 | 872 | 64,315 | 65,187 | 98,114 |
| Miscellaneous | - | - | - | - | - | 1,174 | 74 | 1,248 | 1,248 |
| Promotional materials | - | 79,691 | - | - | 79,691 | 218 | 7,386 | 7,604 | 87,295 |
| Lemonade stands and other event fundraising support | - | - | - | - | - | - | 145,852 | 145,852 | 145,852 |
| Professional services - public relations | - | 1,408 | - | - | 1,408 | 50 | - | 50 | 1,458 |
| Office rent | 21,032 | 36,636 | 10,821 | 52,793 | 121,282 | 35,361 | 29,551 | 64,912 | 186,194 |
| Office repairs and maintenance | 2,064 | 4,614 | 1,530 | - | 8,208 | 3,623 | 3,375 | 6,998 | 15,206 |
| Office utilities | 2,208 | 4,278 | 1,273 | 4,552 | 12,311 | 3,999 | 3,349 | 7,348 | 19,659 |
| Insurance | 3,103 | 6,542 | 1,902 | 6,511 | 18,058 | 6,265 | 4,992 | 11,257 | 29,315 |
| Telephone | 2,099 | 4,545 | 1,368 | 4,529 | 12,541 | 4,379 | 3,448 | 7,827 | 20,368 |
| Website services | - | 9,987 | 1,120 | 67,624 | 78,731 | - | 18,696 | 18,696 | 97,427 |
| Depreciation | 637 | 1,366 | 394 | 9,036 | 11,433 | 5,742 | 1,048 | 6,790 | 18,223 |
| Amortization | - | 44,407 | - | - | 44,407 | 67,612 | 12,812 | 80,424 | 124,831 |
| Total expense included in expense section on the statement of activities and changes in net assets | <u>16,400,953</u> | <u>1,231,572</u> | <u>935,264</u> | <u>1,123,240</u> | <u>19,691,029</u> | <u>1,269,235</u> | <u>1,200,867</u> | <u>2,470,102</u> | <u>22,161,131</u> |
| Plus expenses included with revenue on the statement of activities and changes in net assets: | | | | | | | | | |
| Cost of merchandise sold | - | 90,883 | - | - | 90,883 | - | - | - | 90,883 |
| Total expenses | <u>\$ 16,400,953</u> | <u>\$ 1,322,455</u> | <u>\$ 935,264</u> | <u>\$ 1,123,240</u> | <u>\$ 19,781,912</u> | <u>\$ 1,269,235</u> | <u>\$ 1,200,867</u> | <u>\$ 2,470,102</u> | <u>\$ 22,252,014</u> |

See notes to financial statements

ALEX'S LEMONADE STAND FOUNDATION

Statement of Functional Expenses (continued) Year Ended December 31, 2020

| | 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 | \$ 8,547,931 | \$ - | \$ 70,000 | \$ - | \$ 8,617,931 | \$ - | \$ - | \$ - | \$ 8,617,931 |
| Longitudinal database services | 57,917 | - | - | - | 57,917 | - | - | - | 57,917 |
| Salaries | 390,031 | 857,715 | 156,363 | 614,954 | 2,019,063 | 739,468 | 729,593 | 1,469,061 | 3,488,124 |
| Payroll taxes and benefits | 74,721 | 166,302 | 30,867 | 118,452 | 390,342 | 153,450 | 141,319 | 294,769 | 685,111 |
| Consulting | - | - | - | - | - | 102,224 | - | 102,224 | 102,224 |
| Legal and accounting | - | - | - | - | - | 224,735 | - | 224,735 | 224,735 |
| Computer/software expense | 24,413 | 9,811 | - | 61,398 | 95,622 | 6,259 | 3,861 | 10,120 | 105,742 |
| Licenses and fees | 1,903 | 4,170 | 775 | 3,001 | 9,849 | 23,235 | 144,360 | 167,595 | 177,444 |
| Office supplies | 3,575 | 8,429 | 1,501 | 394 | 13,899 | 9,327 | 6,819 | 16,146 | 30,045 |
| Travel | 1,675 | 1,481 | - | 875 | 4,031 | 3,353 | 11,099 | 14,452 | 18,483 |
| Patient and family travel and support | - | - | 919,116 | - | 919,116 | - | - | - | 919,116 |
| Symposiums | 48,373 | - | - | - | 48,373 | - | - | - | 48,373 |
| Student leadership academy | - | - | - | - | - | - | - | - | - |
| Subscriptions | 337 | 38,060 | - | 4,654 | 43,051 | 5,150 | 290 | 5,440 | 48,491 |
| Postage and shipping | 1,288 | 31,870 | 22,496 | - | 55,654 | 11,061 | 58,254 | 69,315 | 124,969 |
| Printing | - | 19,224 | 5,767 | - | 24,991 | 3,750 | 49,554 | 53,304 | 78,295 |
| Miscellaneous | - | 99 | - | - | 99 | 1,825 | 20 | 1,845 | 1,944 |
| Promotional materials | - | 68,377 | 2,925 | 450 | 71,752 | 3,277 | 6,963 | 10,240 | 81,992 |
| Lemonade stands and other event fundraising support | - | 293 | - | - | 293 | 22 | 41,298 | 41,320 | 41,613 |
| Cost of direct benefit to donors | - | - | - | - | - | - | - | - | - |
| Rent and facility costs | - | - | - | - | - | - | 72,884 | 72,884 | 72,884 |
| Professional services - public relations | - | - | - | - | - | - | 30,372 | 30,372 | 30,372 |
| Office rent | 35,580 | 78,089 | 14,364 | 53,408 | 181,441 | 69,407 | 66,396 | 135,803 | 317,244 |
| Office repairs and maintenance | 360 | 824 | 157 | - | 1,341 | 690 | 701 | 1,391 | 2,732 |
| Office utilities | 2,836 | 6,222 | 1,144 | 4,645 | 14,847 | 5,339 | 5,291 | 10,630 | 25,477 |
| Other direct fundraising expense | - | - | - | - | - | - | 27,271 | 27,271 | 27,271 |
| Insurance | 3,142 | 6,955 | 1,271 | 4,947 | 16,315 | 5,965 | 5,913 | 11,878 | 28,193 |
| Telephone | 2,774 | 6,102 | 1,114 | 4,464 | 14,454 | 5,244 | 5,190 | 10,434 | 24,888 |
| Website services | - | 14,689 | - | 55,090 | 69,779 | - | 23,398 | 23,398 | 93,177 |
| Depreciation | 1,319 | 2,907 | 533 | 9,554 | 14,313 | 11,068 | 2,472 | 13,540 | 27,853 |
| Amortization | - | 63,896 | - | - | 63,896 | 44,520 | 37,041 | 81,561 | 145,457 |
| Total expense included in expense section on the statement of activities and changes in net assets | 9,198,175 | 1,385,515 | 1,228,393 | 936,286 | 12,748,369 | 1,429,369 | 1,470,359 | 2,899,728 | 15,648,097 |
| 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 | - | - | - | - | - | - | 194,458 | 194,458 | 194,458 |
| Entertainment | - | - | - | - | - | - | 625 | 625 | 625 |
| Noncash prizes | - | - | - | - | - | - | 3,000 | 3,000 | 3,000 |
| Total special events - cost of direct benefit to donors | - | - | - | - | - | - | 198,083 | 198,083 | 198,083 |
| Cost of merchandise sold | - | 49,362 | - | - | 49,362 | - | - | - | 49,362 |
| Total expenses | \$ 9,198,175 | \$ 1,434,877 | \$ 1,228,393 | \$ 936,286 | \$ 12,797,731 | \$ 1,429,369 | \$ 1,668,442 | \$ 3,097,811 | \$ 15,895,542 |

See notes to financial statements

ALEX'S LEMONADE STAND FOUNDATION

Statements of Cash Flows

| | Year Ended December 31, | |
|---|-----------------------------|-----------------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Change in net assets | \$ 3,524,721 | \$ 4,350,918 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 18,223 | 27,853 |
| Amortization | 124,831 | 145,457 |
| Realized and unrealized gains on investments | (426,142) | (956,236) |
| Gain on forgiveness of PPP loan | - | (615,000) |
| Contributions restricted for endowment | (148,434) | (85,187) |
| Non-cash contributions of intangible assets | (18,473) | - |
| (Increase) decrease in assets: | | |
| Contributions and other receivables | (1,176,340) | 340,172 |
| Inventories | 5,303 | 5,385 |
| Other assets | 5,242 | (41,605) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 607,897 | 5,497 |
| Deferred revenue | (49,777) | (200,731) |
| Grants payable | (768,113) | (653,122) |
| Deferred rent | (22,253) | (22,768) |
| Net cash provided by operating activities | <u>1,676,685</u> | <u>2,300,633</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (87,721) | (32,075) |
| Purchase of investments | (1,391,870) | (3,828,831) |
| Proceeds from sales of investments | 762,460 | 3,152,194 |
| Net cash used in investing activities | <u>(717,131)</u> | <u>(708,712)</u> |
| Cash flows from financing activities: | | |
| Proceeds from contribution restricted for endowment | 148,434 | 85,187 |
| Proceeds from PPP loan | 718,215 | 615,000 |
| Net cash provided by financing activities | <u>866,649</u> | <u>700,187</u> |
| Net increase in cash and cash equivalents and restricted cash | 1,826,203 | 2,292,108 |
| Cash and cash equivalents and restricted cash at beginning of year | <u>13,204,682</u> | <u>10,912,574</u> |
| Cash and cash equivalents and restricted cash at end of year | <u>\$ 15,030,885</u> | <u>\$ 13,204,682</u> |

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

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-imposed 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 K).

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[1] Classification of net assets: (continued)

Board-designated net assets as of December 31, 2021 and 2020 consist of the following:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|----------------------------|
| Spinal Cord Research Fund | \$ 1,000,000 | \$ 1,000,000 |
| Pediatric Oncology Student Training Award Fund | 83,778 | 78,954 |
| Fund for the Future | 132,388 | 124,656 |
| | <u>\$ 1,216,166</u> | <u>\$ 1,203,610</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 or through appropriation of endowment income or corpus pursuant to an endowment spending rate policy and are reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-imposed restrictions which are satisfied in the year of donation, are reported as net assets without donor restrictions.

[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>2021</u> | <u>2020</u> |
|---|-----------------------------|-----------------------------|
| Cash and cash equivalents | \$ 14,999,954 | \$ 13,197,131 |
| Cash and cash equivalents held for endowment | 30,931 | 7,551 |
| Total cash and cash equivalents and restricted cash shown in the statements of cash flows | <u>\$ 15,030,885</u> | <u>\$ 13,204,682</u> |

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

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 net assets without donor restrictions. 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 G). 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, 2021 or 2020.

[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, 2021 and 2020, 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] Intangible assets:

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

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[8] Intangible assets: (continued)

In 2021, the Foundation received contributions in the form of cryptocurrencies in the amount of \$18,473. These contributions are valued and recorded at the time the contribution is made at the market value. These intangible assets are considered indefinite and therefore are not amortized.

Amortized intangible assets consisted of the following as of December 31, 2021 and 2020:

| | <u>December 31,</u> | |
|--|---------------------------------|---------------------------------|
| | <u>2021</u> | <u>2020</u> |
| Gross cost - assets obtained through acquisition | \$ 225,000 | \$ 225,000 |
| Accumulated amortization | (63,750) | (41,250) |
| Net cost - assets obtained through acquisition | <u>161,250</u> | <u>183,750</u> |
| Cryptocurrencies | <u>18,473</u> | <u>-</u> |
| Net intangible assets | <u><u>\$ 179,723</u></u> | <u><u>\$ 183,750</u></u> |

Total amortization of intangible assets was approximately \$22,500 for each of the years ended December 31, 2021 and 2020.

Scheduled amortization of intangible assets as of December 31, 2021 is as follows:

| <u>Year Ending</u> <u>December 31,</u> | |
|---|---------------------------------|
| 2022 | \$ 22,500 |
| 2023 | 22,500 |
| 2024 | 22,500 |
| 2025 | 22,500 |
| 2026 | 22,500 |
| Thereafter | <u>48,750</u> |
| | <u><u>\$ 161,250</u></u> |

[9] Paycheck Protection Program:

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provides businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the coronavirus ("COVID-19") outbreak. During fiscal years 2021 and 2020, the Foundation applied for and received PPP funds. The Foundation has elected to record the PPP funds as a loan under FASB ASC 470, *Debt*. Loan forgiveness will be recognized when the conditions for loan forgiveness are met and the forgiveness amount is formally approved by the bank and the SBA. The PPP loan is more fully described in Note I.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] 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.

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 statements of activities and changes in net assets. 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, 2021 and 2020, there were conditional contributions associated with special events of \$341,642 and \$391,419, respectively, that were included in deferred revenue. Amounts will be recognized as revenue when such events occur.

The CARES Act provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes. From March 12, 2020 through December 31, 2020, the tax credit is equal to 50% of qualified wages up to \$10,000 or a maximum credit of up to \$5,000 per employee. From January 1, 2021 through June 30, 2021, the tax credit is equal to 70% of qualified wages up to \$10,000 during a quarter or a maximum credit of up to \$14,000 per employee (or \$7,000 per quarter). During the fiscal year ended December 31, 2021, the Foundation recorded \$1,014,907 related to the CARES Employee Retention credit in grants and other contributions revenue on the Foundation's statements of activity and changes in net assets. As of December 31, 2021, the Foundation has a \$1,014,907 receivable balance from the United States government related to the CARES Act, which is recorded in contributions and other receivables on the Foundation's statements of financial position.

[11] 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 at a point in time 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 has been satisfied by transferring the control of the goods 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.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] 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 2021, the Foundation received contributed services of \$227,892, which consists of \$36,503 for investment advisory services, \$54,091 for legal services, \$77,398 for shipping services and \$59,900 for IT software, which are included in general and administrative expenses in the accompanying statement of activities and changes in net assets.

During 2020, the Foundation received contributed services of \$334,342, which consists of \$32,194 for investment advisory services, \$163,191 for legal services, and \$79,057 for shipping services and \$59,900 for IT software, 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.

[13] 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. The Foundation records grants payable when the grants are approved by the Foundation's Executive Directors, which is when the Foundation considers the grant awards to be unconditionally promised. A grant is deemed to be conditional if it includes one or more measurable barriers and a right of return or forfeiture. All grant liabilities as of December 31, 2021 and 2020 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 until the measurable barriers have been met (see Note N).

[14] 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.

[15] 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 statements of activities and changes in net assets. During the year ended December 31, 2021 there were no cost of direct benefit to donors.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[16] 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, 2021 and 2020, 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, 2021 or 2020.

[17] Advertising and promotional costs:

Advertising and promotional costs are expensed in the year incurred. Advertising expense for the years ended December 31, 2021 and 2020 was \$87,295 and \$81,992, respectively.

[18] Upcoming accounting pronouncement:

In February 2016, FASB issued Accounting Standards Update ("ASU") No. 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, 2021, with early adoption permitted. Management is currently evaluating the effect that this new guidance will have on its financial statements and related disclosures.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

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 statements of financial position date, comprise the following as of December 31, 2021 and 2020:

| | <u>December 31,</u> | |
|--|----------------------|---------------|
| | <u>2021</u> | <u>2020</u> |
| Financial assets: | | |
| Cash and cash equivalents | \$ 14,999,954 | \$ 13,197,131 |
| Investments | 6,783,498 | 6,068,383 |
| Contributions and other receivables | 1,548,743 | 372,403 |
| Cash and cash equivalents held for endowment | 30,931 | 7,551 |
| Investments held for endowment | 3,282,755 | 2,942,318 |
| | <hr/> | <hr/> |
| Total financial assets | 26,645,881 | 22,587,786 |
| | <hr/> | <hr/> |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions subject to expenditures for specified purposes | 387,301 | 521,765 |
| Net assets with donor restrictions subject to the Foundation's spending policy and appropriation | 3,097,520 | 2,746,259 |
| Board-designated for specific purpose | 1,216,166 | 1,203,610 |
| | <hr/> | <hr/> |
| | 4,700,987 | 4,471,634 |
| | <hr/> | <hr/> |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 21,944,894 | \$ 18,116,152 |
| | <hr/> | <hr/> |

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 \$3,097,520 and \$2,746,259 as of December 31, 2021 and 2020, respectively, are not available for general expenditure.

The Foundation evaluates its endowment spending policy for the next fiscal year after the second quarter results of that year. In the third quarter of that year, the Board of Directors determine its election on the endowment spending policy.

With the exception of the net assets with donor restrictions relating to spinal cord research of \$387,301 and \$521,765 as of December 31, 2021 and 2020, respectively, net assets with donor restrictions subject to expenditures for specified purposes are expected to be released in 2022.

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, 2021 and 2020

NOTE D - CONTRIBUTIONS AND OTHER RECEIVABLES

Contributions and other receivables, which are receivable in more than one year, are discounted at a risk-free rate of return appropriate for the expected term of the promise to give, and approximate the net present value of the estimated future cash flows. In determining fair value, the Foundation considers the creditworthiness of the donors, the Foundation's past collection experience and its procedures to collect promises to give.

Contributions, pledges and grants receivable as of December 31, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|--------------------------|
| Less than one year | \$ 1,311,674 | \$ 150,693 |
| One year to five years | 252,500 | 245,000 |
| Total receivables | 1,564,174 | 395,693 |
| Less: total discounts to net present value | 15,431 | 23,290 |
| Total net receivables | <u>\$ 1,548,743</u> | <u>\$ 372,403</u> |

Pledges which are receivable in more than one year are discounted at rates ranging from 2.58% to 2.69%.

NOTE E - 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, 2021 and 2020, the Foundation has uninsured balances of approximately \$13,834,000 and \$12,049,000, respectively.

NOTE F - INVESTMENTS

Investments consist of the following as of December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|-----------------------------|----------------------------|
| Investments: | | |
| Mutual funds: | | |
| Equity funds | \$ 2,812,098 | \$ 2,425,083 |
| Bond funds | 2,411,954 | 2,286,272 |
| Exchange-traded funds | 1,559,446 | 1,357,028 |
| | <u>6,783,498</u> | <u>6,068,383</u> |
| Investments restricted for endowment: | | |
| Mutual funds: | | |
| Equity funds | 1,221,129 | 1,047,891 |
| Bond funds | 1,160,214 | 1,106,573 |
| Exchange-traded funds | 901,412 | 787,854 |
| | <u>3,282,755</u> | <u>2,942,318</u> |
| | <u>\$ 10,066,253</u> | <u>\$ 9,010,701</u> |

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

NOTE G - 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.

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, 2021 and 2020.

Mutual funds - the fair value of securities is the market value based on quoted market prices in a market deemed to be active, 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, 2021 and 2020:

| | Investment Assets at Fair Value as of December 31, 2021 | | | |
|---------------------------------------|--|----------------------|-------------|-------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Mutual funds: | | | | |
| Equity funds | \$ 4,033,227 | \$ 4,033,227 | \$ - | \$ - |
| Bond funds | 3,572,168 | 3,572,168 | - | - |
| Exchange-traded funds | 2,460,858 | 2,460,858 | - | - |
| Total investment assets at fair value | <u>\$ 10,066,253</u> | <u>\$ 10,066,253</u> | <u>\$ -</u> | <u>\$ -</u> |

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

NOTE G - FAIR VALUE MEASUREMENTS (CONTINUED)

| | Investment Assets at Fair Value as of December 31, 2020 | | | |
|---------------------------------------|--|---------------------|-------------|-------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Mutual funds: | | | | |
| Equity funds | \$ 3,472,974 | \$ 3,472,974 | \$ - | \$ - |
| Bond funds | 3,392,845 | 3,392,845 | - | - |
| Exchange-traded funds | 2,144,882 | 2,144,882 | - | - |
| Total investment assets at fair value | <u>\$ 9,010,701</u> | <u>\$ 9,010,701</u> | <u>\$ -</u> | <u>\$ -</u> |

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, 2021 and 2020, there were no transfers into or out of Levels 1, 2 or 3.

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2021 and 2020 consist of the following:

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Equipment and vehicle | \$ 341,259 | \$ 284,558 |
| Software and website development | <u>1,240,534</u> | <u>1,209,514</u> |
| | 1,581,793 | 1,494,072 |
| Less accumulated depreciation and amortization | <u>1,368,831</u> | <u>1,248,277</u> |
| | \$ 212,962 | \$ 245,795 |

Depreciation for the years ended December 31, 2021 and 2020 was \$18,223 and \$27,852, respectively. Amortization of software and website development for the years ended December 31, 2021 and 2020 was \$102,331 and \$122,957, respectively.

NOTE I - PAYCHECK PROTECTION PROGRAM LOAN

In May 2021 and April 2020, the Foundation received loans for \$718,215 and \$615,000, respectively, pursuant to the CARES Act PPP. These loans may be forgiven subject to bank approval in accordance with the SBA guidelines. The loan is to be used for qualified expenses and to maintain certain employment levels. Neither principal nor interest is due until the earlier of the determination of loan forgiveness, if forgiveness is denied, or seven months after the end of the forgiveness period which is expected to be November 2021 and October 2020, respectively. If forgiveness has been applied for but not approved by November 2021 and October 2020, respectively, the deferral period is to be extended until such time as the forgiveness application is either approved or denied. The Foundation is in the process of applying for forgiveness for the loan received in May 2021 and is awaiting formal approval by the bank and SBA. If the loan is either denied or forgiveness not applied for, the loan will convert to a term loan with an interest rate of 1%. Monthly payments of principal and interest would commence with all outstanding principal and interest due at maturity in May 2026.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

NOTE I - PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

Scheduled maturities of PPP loan as of December 31, 2021 are as follows:

| <u>Year Ending December 31,</u> | |
|-------------------------------------|-------------------------|
| 2022 | \$162,612 |
| 2023 | 162,612 |
| 2024 | 162,612 |
| 2025 | 162,612 |
| 2026 | <u>67,767</u> |
| | <u><u>\$718,215</u></u> |

For the loan received in April 2020, the Foundation received notification from the SBA on December 18, 2020 that the full amount of the PPP loan was forgiven and would not have to be repaid. For the year ended December 31, 2021, \$615,000 of the grant was recognized as gain on forgiveness of PPP loan payable on the statement of activities and changes in net assets.

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or period as of December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| Subject to expenditures for specified purpose: | | |
| Crazy 8 research initiative | \$ - | \$ 121,642 |
| Spinal cord research | 387,301 | 521,765 |
| Target research grants | 453,395 | 881,770 |
| Travel for care program | 644,327 | 572,088 |
| Other cancer research | <u>1,258,175</u> | <u>627,296</u> |
| | <u>2,743,198</u> | <u>2,724,561</u> |
| Endowments: | | |
| Subject to appropriation and expenditure when a specified event occurs: | | |
| Restricted by donors for: | | |
| Pediatric oncology student training | 93,363 | 72,904 |
| Travel for care program | <u>744,112</u> | <u>561,744</u> |
| | <u>837,475</u> | <u>634,648</u> |
| Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation: | | |
| Investments in perpetuity: | | |
| Pediatric oncology student training | 223,283 | 173,061 |
| Travel for care program | <u>2,036,762</u> | <u>1,938,550</u> |
| | <u>2,260,045</u> | <u>2,111,611</u> |
| Total endowments | <u>3,097,520</u> | <u>2,746,259</u> |
| | <u><u>\$ 5,840,718</u></u> | <u><u>\$ 5,470,820</u></u> |

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

NOTE J - 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, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|-------------------|
| Satisfaction of purpose restrictions: | | |
| Crazy 8 research initiative | \$ 121,643 | \$ - |
| Spinal cord research | 196,183 | - |
| Target research grants | 753,375 | 214,903 |
| Travel for care program | 351,177 | 214,462 |
| Other cancer research | 345,968 | 225,106 |
| | <u>1,768,346</u> | <u>654,471</u> |
| | | |
| Restricted purpose spending-rate distributions and appropriations: | | |
| Pediatric oncology student training | 8,200 | 9,500 |
| Travel for care program | 53,600 | 58,500 |
| | <u>61,800</u> | <u>68,000</u> |
| | <u>\$ 1,830,146</u> | <u>\$ 722,471</u> |

NOTE K - BOARD-DESIGNATED AND DONOR-RESTRICTED ENDOWMENTS

The Foundation has a Board-designated endowment consisting of two basic funds: Pediatric Oncology Student Training Award Fund and Fund for the Future. The Foundation also has donor-restricted endowment funds that are included in net assets with donor restrictions.

The Foundation's donor-restricted endowments consist of five funds: Rita's Fund for Hope, Shirley Stein POST Award Fund, David Cohn Fund for the Future, Bellin Travel Fund, and Michael and Rosemary Gillet Fund for Early Career Childhood Cancer Scientists. These endowments were established to support the Foundation's pediatric oncology student training 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.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

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

[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 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 the years ended December 31, 2021 and 2020, it was elected by the Board to appropriate 4% and 5%, respectively, 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, 2021 and 2020, there were no deficiencies of this nature.

Endowment funds as of December 31, 2021 and 2020 comprise the following:

| | <u>2021</u> | | |
|--|--|---|---------------------|
| | <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 | \$ 83,778 | \$ - | \$ 83,778 |
| Fund for the Future | 132,388 | - | 132,388 |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount | - | 2,260,045 | 2,260,045 |
| Accumulated investment gains | - | 837,475 | 837,475 |
| | <u>\$ 216,166</u> | <u>\$ 3,097,520</u> | <u>\$ 3,313,686</u> |

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

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

[5] Funds with deficiencies: (continued)

| | 2020 | | |
|--|--|---|---------------------|
| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
| Board-designated endowment funds: | | | |
| Pediatric Oncology Student Training Award Fund | \$ 78,954 | \$ - | \$ 78,954 |
| Fund for the Future | 124,656 | - | 124,656 |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount | - | 2,111,611 | 2,111,611 |
| Accumulated investment gains | - | 634,648 | 634,648 |
| | <u>\$ 203,610</u> | <u>\$ 2,746,259</u> | <u>\$ 2,949,869</u> |

The Foundation's endowments had the following activity for the years ended December 31, 2021 and 2020:

| | 2021 | | | | |
|--|--|---|------------------------------------|---------------------|---------------------|
| | 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 | <u>\$ 203,610</u> | <u>\$ 634,648</u> | <u>\$ 2,111,611</u> | <u>\$ 2,746,259</u> | <u>\$ 2,949,869</u> |
| Investment return, net | 12,556 | 264,627 | - | 264,627 | 277,183 |
| Contributions | - | - | 148,434 | 148,434 | 148,434 |
| Appropriation of endowment assets pursuant to spending-rate policy | <u>-</u> | <u>(61,800)</u> | <u>-</u> | <u>(61,800)</u> | <u>(61,800)</u> |
| Change in net assets | <u>12,556</u> | <u>202,827</u> | <u>148,434</u> | <u>351,261</u> | <u>363,817</u> |
| Endowment net assets at end of year | <u>\$ 216,166</u> | <u>\$ 837,475</u> | <u>\$ 2,260,045</u> | <u>\$ 3,097,520</u> | <u>\$ 3,313,686</u> |

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

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

[5] Funds with deficiencies: (continued)

| | 2020 | | | | |
|--|--|------------------------------------|---------------------------|---------------------|---------------------|
| | 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 | \$ 181,704 | \$ 328,008 | \$ 2,026,424 | \$ 2,354,432 | \$ 2,536,136 |
| Investment return, net | 21,906 | 374,640 | - | 374,640 | 396,546 |
| Contributions | - | - | 85,187 | 85,187 | 85,187 |
| Appropriation of endowment assets pursuant to spending-rate policy | - | (68,000) | - | (68,000) | (68,000) |
| Change in net assets | 21,906 | 306,640 | 85,187 | 391,827 | 413,733 |
| Endowment net assets at end of year | <u>\$ 203,610</u> | <u>\$ 634,648</u> | <u>\$ 2,111,611</u> | <u>\$ 2,746,259</u> | <u>\$ 2,949,869</u> |

NOTE L - 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. From July 2020 to December 2020, management opted to temporarily suspend matching contributions to plan participants. The Foundation made matching contributions into the plan of \$78,934 and \$43,109 during the years ended December 31, 2021 and 2020, respectively.

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

On October 1, 2021, the Foundation entered into an operating lease for office space. The term is for 53 months, beginning on February 1, 2022. In addition, the Foundation entered into a lease agreement for storage space in the same office building on October 1, 2021. The term is for 56 months, beginning October 1, 2021.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2021 and 2020

NOTE M - OPERATING LEASE (CONTINUED)

Scheduled future minimum lease payments as of December 31, 2021 are as follows:

| <u>Year Ending December 31,</u> | |
|-------------------------------------|---------------------|
| 2022 | \$ 229,913 |
| 2023 | 336,812 |
| 2024 | 346,090 |
| 2025 | 355,382 |
| 2026 | <u>180,650</u> |
| | <u>\$ 1,448,847</u> |

Rent expense for the years ended December 31, 2021 and 2020 was \$186,194 and \$317,245, 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 N - 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, 2021 are as follows:

| <u>Year Ending December 31,</u> | |
|-------------------------------------|----------------------|
| 2022 | \$ 12,160,862 |
| 2023 | 8,708,405 |
| 2024 | 5,904,809 |
| 2025 | <u>1,880,050</u> |
| | <u>\$ 28,654,126</u> |

NOTE O - CONTINGENCIES AND OTHER UNCERTAINTIES

The Foundation is actively monitoring the impact of the coronavirus, government actions related to it and the possible impact on our operations. To date, we have seen a need to restructure a portion of our fundraising efforts and we have also utilized the government assistance measures to mitigate some of the impact, resulting in improved revenues in 2021 compared to 2020. The Foundation has developed alternative strategies and has a plan to grow revenues over the next several years, while continuing to prioritize funding pediatric cancer research.

NOTE P - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through May 10, 2022, which is the date the financial statements were available to be issued.