



ALEX'S LEMONADE STAND FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, 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, 2015 and 2014, 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

Philadelphia, Pennsylvania
May 13, 2016

ALEX'S LEMONADE STAND FOUNDATION

Statements of Financial Position

ASSETS	December 31	
	2015	2014
Cash and cash equivalents	\$ 10,195,487	\$ 10,607,508
Investments	3,032,022	3,018,412
Contributions and other receivables	181,514	199,416
Inventories	65,510	51,911
Cash and cash equivalents held for endowment	58,374	102,440
Investments held for endowment	1,099,214	702,276
Property and equipment, net	338,072	320,588
Other assets	87,059	58,363
	<u>\$ 15,057,252</u>	<u>\$ 15,060,914</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 139,112	\$ 59,572
Deferred revenue	525,150	446,925
Grants payable	868,919	2,235,686
Deferred rent	60,246	23,231
	<u>1,593,427</u>	<u>2,765,414</u>
Commitments		
NET ASSETS		
Unrestricted:		
Designated by the Board of Directors for specific purposes	957,886	743,006
Undesignated	10,648,708	9,711,863
	<u>11,606,594</u>	<u>10,454,869</u>
Temporarily restricted	850,501	1,149,211
Permanently restricted	1,006,730	691,420
	<u>13,463,825</u>	<u>12,295,500</u>
Total net assets	<u>\$ 15,057,252</u>	<u>\$ 15,060,914</u>

See notes to financial statements

ALEX'S LEMONADE STAND FOUNDATION

Statements of Activities and Changes in Net Assets

	Year Ended December 31							
	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions:								
Lemonade stands	\$ 2,968,819	\$ -	\$ -	\$ 2,968,819	\$ 2,991,423	\$ -	\$ -	\$ 2,991,423
Other events	6,899,693	-	-	6,899,693	6,493,463	-	-	6,493,463
Fundraising pages	2,952,847	-	-	2,952,847	2,121,245	-	-	2,121,245
Grants and other	3,134,946	288,225	315,310	3,738,481	2,148,319	698,815	372,509	3,219,643
Gala and other special events	3,616,538	-	-	3,616,538	2,960,934	-	-	2,960,934
Less cost of direct benefit to donors	(121,500)	-	-	(121,500)	(129,506)	-	-	(129,506)
Licenses and royalties	1,245,190	-	-	1,245,190	772,125	-	-	772,125
Merchandise sales	150,165	-	-	150,165	133,934	-	-	133,934
Contributed services	56,993	-	-	56,993	186,871	-	-	186,871
Other income	-	-	-	-	23,400	-	-	23,400
Interest and dividend income	133,805	28,764	-	162,569	163,084	12,449	-	175,533
Realized and unrealized losses on investments, net	(195,095)	(52,242)	-	(247,337)	(26,162)	(5,439)	-	(31,601)
Funds with deficiencies	(10,229)	10,229	-	-	-	-	-	-
Net assets released from restrictions	573,686	(573,686)	-	-	390,547	(390,547)	-	-
	<u>21,405,858</u>	<u>(298,710)</u>	<u>315,310</u>	<u>21,422,458</u>	<u>18,229,677</u>	<u>315,278</u>	<u>372,509</u>	<u>18,917,464</u>
Expenses:								
Program services:								
Pediatric cancer research	15,461,441	-	-	15,461,441	14,469,770	-	-	14,469,770
Public awareness and education	1,560,500	-	-	1,560,500	1,204,906	-	-	1,204,906
Travel program	257,633	-	-	257,633	299,697	-	-	299,697
Total program services	<u>17,279,574</u>	<u>-</u>	<u>-</u>	<u>17,279,574</u>	<u>15,974,373</u>	<u>-</u>	<u>-</u>	<u>15,974,373</u>
Supporting services:								
General and administrative	1,171,783	-	-	1,171,783	1,300,054	-	-	1,300,054
Fundraising	1,802,776	-	-	1,802,776	1,517,083	-	-	1,517,083
Total supporting services	<u>2,974,559</u>	<u>-</u>	<u>-</u>	<u>2,974,559</u>	<u>2,817,137</u>	<u>-</u>	<u>-</u>	<u>2,817,137</u>
	<u>20,254,133</u>	<u>-</u>	<u>-</u>	<u>20,254,133</u>	<u>18,791,510</u>	<u>-</u>	<u>-</u>	<u>18,791,510</u>
Change in net assets	1,151,725	(298,710)	315,310	1,168,325	(561,833)	315,278	372,509	125,954
Net assets at beginning of year	<u>10,454,869</u>	<u>1,149,211</u>	<u>691,420</u>	<u>12,295,500</u>	<u>11,016,702</u>	<u>833,933</u>	<u>318,911</u>	<u>12,169,546</u>
Net assets at end of year	<u>\$ 11,606,594</u>	<u>\$ 850,501</u>	<u>\$ 1,006,730</u>	<u>\$ 13,463,825</u>	<u>\$ 10,454,869</u>	<u>\$ 1,149,211</u>	<u>\$ 691,420</u>	<u>\$ 12,295,500</u>

See notes to financial statements

ALEX'S LEMONADE STAND FOUNDATION

Statement of Functional Expenses Year Ended December 31, 2015

	Program Services			Supporting Services		Total
	Pediatric Cancer Research	Public Awareness and Education	Travel Program	General and Administrative	Fundraising	
Grants to others	\$ 15,122,194	\$ -	\$ -	\$ -	\$ -	\$ 15,122,194
Longitudinal database services	129,915	-	-	-	-	129,915
Salaries	158,370	673,770	78,658	657,605	599,374	2,167,777
Payroll taxes and benefits	32,403	141,646	16,094	141,412	125,297	456,852
Consulting	-	-	-	49,492	-	49,492
Legal and accounting	-	-	-	85,073	-	85,073
Computer supplies	-	15,017	-	11,653	13,122	39,792
Licenses and fees	-	3,546	-	16,472	123,472	143,490
Office supplies	-	15,857	-	11,448	10,436	37,741
Travel	-	39,764	-	12,561	32,387	84,712
Patient and family travel	-	-	151,515	-	-	151,515
Symposiums	-	95,273	-	-	-	95,273
Student leadership academy	-	34,996	-	-	-	34,996
Subscriptions	-	-	-	17,813	-	17,813
Postage	1,559	30,648	8,669	28,017	27,362	96,255
Printing	-	59,457	2,476	14,490	59,805	136,228
Miscellaneous	-	39,465	-	10,763	-	50,228
Promotional materials	-	155,756	221	273	44,261	200,511
Gala and other special events	-	-	-	-	637,251	637,251
Professional services - public relations	-	3,066	-	-	-	3,066
Office rent	-	90,329	-	65,218	59,443	214,990
Office repairs and maintenance	-	1,279	-	923	841	3,043
Office utilities	-	9,399	-	6,786	6,185	22,370
Insurance	-	8,341	-	6,022	5,489	19,852
Telephone	-	7,398	-	5,341	4,868	17,607
Website services	-	26,592	-	-	26,591	53,183
Cost of merchandise sold	-	60,492	-	-	-	60,492
Depreciation	-	15,114	-	10,914	9,946	35,974
Amortization	17,000	33,295	-	19,507	16,646	86,448
	<u>\$ 15,461,441</u>	<u>\$ 1,560,500</u>	<u>\$ 257,633</u>	<u>\$ 1,171,783</u>	<u>\$ 1,802,776</u>	<u>\$ 20,254,133</u>

See notes to financial statements

ALEX'S LEMONADE STAND FOUNDATION

Statement of Functional Expenses Year Ended December 31, 2014

	Program Services			Supporting Services		Total
	Pediatric Cancer Research	Public Awareness and Education	Travel Program	General and Administrative	Fundraising	
Grants to others	\$ 14,177,431	\$ -	\$ -	\$ -	\$ -	\$ 14,177,431
Longitudinal database services	116,710	-	-	-	-	116,710
Salaries	132,607	511,482	75,775	625,145	549,370	1,894,379
Payroll taxes and benefits	24,376	97,565	13,929	120,618	103,433	359,921
Consulting	-	6,017	-	38,040	10,617	54,674
Legal and accounting	-	-	-	216,249	-	216,249
Computer supplies	-	17,272	-	14,249	11,658	43,179
Licenses and fees	-	3,324	-	19,084	99,650	122,058
Office supplies	-	7,387	-	6,014	4,967	18,368
Travel	-	31,162	-	27,563	29,724	88,449
Patient and family travel	-	-	199,874	-	-	199,874
Symposiums	-	80,238	-	-	-	80,238
Student leadership academy	-	31,167	-	-	-	31,167
Postage	1,593	21,698	2,669	24,098	25,834	75,892
Printing	53	38,541	7,450	16,650	29,660	92,354
Miscellaneous	-	28,602	-	33,132	5,667	67,401
Promotional materials	-	89,900	-	45,964	28,485	164,349
Gala and other special events	-	-	-	-	492,629	492,629
Office rent	-	67,400	-	55,604	45,495	168,499
Office repairs and maintenance	-	4,277	-	3,529	2,887	10,693
Office utilities	-	7,961	-	6,568	5,374	19,903
Insurance	-	15,319	-	12,637	10,340	38,296
Telephone	-	8,122	-	6,701	5,483	20,306
Website services	-	33,855	-	-	33,855	67,710
Cost of merchandise sold	-	61,043	-	-	-	61,043
Depreciation	-	9,880	-	8,152	6,669	24,701
Amortization	17,000	32,694	-	20,057	15,286	85,037
	<u>\$ 14,469,770</u>	<u>\$ 1,204,906</u>	<u>\$ 299,697</u>	<u>\$ 1,300,054</u>	<u>\$ 1,517,083</u>	<u>\$ 18,791,510</u>

See notes to financial statements

ALEX'S LEMONADE STAND FOUNDATION

Statements of Cash Flows

	Year Ended December 31	
	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 1,168,325	\$ 125,954
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35,974	24,701
Amortization	86,448	85,037
Realized and unrealized losses on investments	247,337	31,601
Donated securities	(58,983)	(15,889)
Proceeds from sale of donated securities	59,284	15,889
Contribution restricted for endowment	(315,310)	(372,509)
(Increase) decrease in assets:		
Contributions and other receivables	17,902	77,494
Inventories	(13,599)	28,698
Other assets	(28,696)	35,784
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	79,540	(37,041)
Deferred revenue	78,225	69,095
Grants payable	(1,366,767)	1,275,686
Deferred rent	37,015	23,231
Net cash provided by operating activities	<u>26,695</u>	<u>1,367,731</u>
Cash flows from investing activities:		
Purchase of property and equipment	(139,906)	(97,637)
Purchase of investments	(1,496,639)	(2,273,146)
Proceeds from sales of investments	838,453	3,126,620
Decrease (increase) in cash and cash equivalents held for endowment	44,066	(83,567)
Net cash provided by (used in) investing activities	<u>(754,026)</u>	<u>672,270</u>
Cash flows from financing activities:		
Proceeds from contribution restricted for endowment	315,310	372,509
Net increase (decrease) in cash and cash equivalents	(412,021)	2,412,510
Cash and cash equivalents at beginning of year	10,607,508	8,194,998
Cash and cash equivalents at end of year	<u>\$ 10,195,487</u>	<u>\$ 10,607,508</u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

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 research focused on new cures and treatments;
- To raise public awareness about pediatric cancer; and
- To encourage and educate others, especially children, to raise funds for such purposes.

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 as applicable to not-for-profit organizations.

[1] Classification of net assets:

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

- ***Unrestricted***

Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets include a fund established by the Foundation's Board of Directors (Board designated funds) to provide its programs with a permanent source of income.

- ***Temporarily Restricted***

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Foundation and/or the passage of time. When a temporary restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

- ***Permanently Restricted***

Net assets that are subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally the donors permit the Foundation to use all or part of the income earned on related investments, and the net capital appreciation, for general or specific purposes.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Use of estimates:

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

[3] Cash and cash equivalents:

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

[4] Investments:

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

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, 2015 and 2014. All contributions and other receivables as of December 31, 2015 and 2014 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 or market as determined by the first in, first out method.

[7] Property and equipment and depreciation and amortization:

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

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Property and equipment and depreciation and amortization (continued):

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, 2015, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[8] Revenue recognition:

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

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

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the support is recognized.

The Foundation records revenues from exchange transactions as increases in unrestricted net assets to the extent that the earning process is complete. Revenue from exchange transactions is recognized as contract conditions are met. These transactions include license fees, royalty revenues and merchandise sales.

[9] Contributed services:

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

During 2015, the Foundation received contributed services of \$56,993, which consists of \$22,279 for investment advisory services and \$34,714 for legal services, which are included in general and administrative expenses in the accompanying statements of activities and changes in net assets.

During 2014, the Foundation received contributed services of \$186,871, which consists of \$61,064, for strategic planning and \$125,807 for legal services, which are included in general and administrative expenses in the accompanying statements of activities and changes in net assets.

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

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Grants payable:

The Foundation has established a scientific medical advisory board to review grant applications based on Foundation grant guidelines. The medical advisory board makes grant recommendations to the Foundation's Board of 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 by the Foundation's Board of Directors and communicated (promised) to the grantee. All grant liabilities as of December 31, 2015 and 2014 are payable within one year of the respective statements of financial position dates.

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

[11] Functional allocation of expenses:

The costs of providing the Foundation's program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management estimates.

[12] Costs of direct benefit to donors:

The Foundation conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct costs of the benefits received by the participant at the event. The direct costs of the special events which ultimately benefit the donor rather than the Foundation are recorded as a deduction from the special events revenue.

[13] Income taxes:

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

Accounting principles generally accepted in the United States of America require 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, 2015 and 2014, 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 the years ended December 31, 2015 and 2014.

[14] Advertising and promotional costs:

Advertising and promotional costs are expensed in the year incurred. Advertising expense for the years ended December 31, 2015 and 2014 was \$200,513 and \$164,349, respectively.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE C - CONCENTRATION OF CREDIT RISK

The Foundation maintains cash in various financial institutions with insurance provided by the Federal Deposit Insurance Corporation ("FDIC") 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, 2015 and 2014, the Foundation has uninsured balances of approximately \$10,437,109 and \$9,251,800, respectively.

The Foundation has purchased from a broker negotiable certificates of deposit, in which the Foundation receives pass-through depository insurance up to \$250,000 at each financial institution. As of December 31, 2014, all of the Foundation's negotiable certificates of deposit were insured by the FDIC.

NOTE D - CONCENTRATION OF REVENUE

For the years ended December 31, 2015 and 2014, the Foundation received approximately 11% and 13%, respectively, of its total support and revenue from one source. This source is a major national retailer, which establishes collection points at many of its retail locations, and then bundles and turns over all funds collected to the Foundation.

NOTE E - INVESTMENTS

Investments consist of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Mutual funds:		
Equity funds	\$ 1,397,963	\$ 1,861,477
Bond funds	1,012,998	1,156,935
Exchange-traded funds	<u>621,061</u>	<u>-</u>
	3,032,022	3,018,412
Negotiable certificates of deposit	<u>-</u>	<u>225,184</u>
	<u>\$ 3,032,022</u>	<u>\$ 3,243,596</u>

Investments restricted for endowment consist of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Mutual funds:		
Equity funds	\$ 468,008	\$ 419,717
Bond funds	380,172	282,559
Exchange-traded funds	<u>251,034</u>	<u>-</u>
	\$ 1,099,214	\$ 702,276

The negotiable certificates of deposit have original maturities ranging from one to fourteen months as of December 31, 2014. Interest rates for the negotiable certificates of deposit ranged from 0.25% to 1.05% for the year ended December 31, 2014.

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Notes to Financial Statements December 31, 2015 and 2014

NOTE F - FAIR VALUE MEASUREMENTS

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

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 that 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 following is a description of the valuation methodologies used for instruments measured at fair value. These valuation methodologies were applied to all of the Foundation's assets and liabilities that are carried at fair value as of December 31, 2015 and 2014.

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).

Negotiable certificates of deposit – the fair value of these instruments is valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities. Therefore, these assets are classified as Level 2.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE F - FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth, by level, the Foundation's investments at fair value, within the aforementioned fair value hierarchy, as of December 31, 2015 and 2014:

	Investment Assets at Fair Value as of December 31, 2015			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Equity funds	\$ 1,865,971	\$ 1,865,971	\$ -	\$ -
Bond funds	1,393,170	1,393,170	-	-
Exchange-traded funds	872,095	872,095	-	-
Total investment assets at fair value	<u>\$ 4,131,236</u>	<u>\$ 4,131,236</u>	<u>\$ -</u>	<u>\$ -</u>

	Investment Assets at Fair Value as of December 31, 2014			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Equity funds	\$ 2,281,194	\$ 2,281,194	\$ -	\$ -
Bond funds	1,439,494	1,439,494	-	-
Total investment assets at fair value	<u>\$ 3,720,688</u>	<u>\$ 3,720,688</u>	<u>\$ -</u>	<u>\$ -</u>
Negotiable certificates of deposit	<u>\$ 225,184</u>	<u>\$ -</u>	<u>\$ 225,184</u>	<u>\$ -</u>

There was no change in the valuation methodologies used to measure fair value of mutual funds and negotiable certificates of deposit in the years ended December 31, 2015 and 2014.

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, 2015 and 2014, there were no transfers into or out of Levels 1, 2 or 3.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Equipment and vehicle	\$ 164,312	\$ 203,841
Software and website development	<u>658,288</u>	<u>542,494</u>
	822,600	746,335
Less accumulated depreciation and amortization	<u>484,528</u>	<u>425,747</u>
	<u>\$ 338,072</u>	<u>\$ 320,588</u>

Depreciation for the years ended December 31, 2015 and 2014 was \$35,974 and \$24,701, respectively. Amortization for the years ended December 31, 2015 and 2014 was \$86,448 and \$85,037, respectively.

NOTE H - BOARD DESIGNATED NET ASSETS

Board designated net assets as of December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Designated by the Board of Directors for specific purposes:		
Spinal cord research	\$ 795,794	\$ 609,958
Endowments (see Note N)	<u>162,092</u>	<u>133,048</u>
	<u>\$ 957,886</u>	<u>\$ 743,006</u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2015 and 2014 consist of the following:

	<u>Balance January 1, 2015</u>	<u>Additions</u>	<u>Releases/ Reductions</u>	<u>Balance December 31, 2015</u>
Pediatric cancer research:				
Spinal cord research	\$ 610,023	\$ 137,890	\$ 77,049	\$ 670,864
Beckwith-Wiedemann syndrome	-	31,456	-	31,456
BioTherapeutic	125,000	-	125,000	-
Innovation grants	75,000	-	75,000	-
Neuroblastoma research	53,400	-	53,400	-
Young investigator grants	225,000	-	225,000	-
Travel for care program	14,649	50,992	14,649	50,992
Other	32,890	78,117	3,589	107,418
Endowment investment income	13,249	28,764	52,242	(10,229)
	<u>\$ 1,149,211</u>	<u>\$ 327,219</u>	<u>\$ 625,929</u>	<u>\$ 850,501</u>
	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Releases/ Reductions</u>	<u>Balance December 31, 2014</u>
Pediatric cancer research:				
Spinal cord research	\$ 431,513	\$ 178,510	\$ -	\$ 610,023
BioTherapeutic	-	125,000	-	125,000
Innovation grants	-	75,000	-	75,000
Neuroblastoma research	-	53,400	-	53,400
Young investigator grants	200,000	225,000	200,000	225,000
Grant pilot program	100,000	-	100,000	-
Public awareness video	30,000	-	30,000	-
Travel for care program	59,091	14,649	59,091	14,649
Other	7,090	27,256	1,456	32,890
Endowment investment income	6,239	12,449	5,439	13,249
	<u>\$ 833,933</u>	<u>\$ 711,264</u>	<u>\$ 395,986</u>	<u>\$ 1,149,211</u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE J - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of December 31, 2015 and 2014 consist of the following:

	<u>Balance January 1, 2015</u>	<u>Additions</u>	<u>Balance December 31, 2015</u>
Rita's Fund for Hope	\$ 527,359	\$ 281,310	\$ 808,669
Shirley Stein POST Award Fund	66,661	-	66,661
David Cohn Fund for the Future	72,400	34,000	106,400
Bellin Travel Fund	25,000	-	25,000
	<u>\$ 691,420</u>	<u>\$ 315,310</u>	<u>\$ 1,006,730</u>
	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Balance December 31, 2014</u>
Rita's Fund for Hope	\$ 193,011	\$ 334,348	\$ 527,359
Shirley Stein POST Award Fund	61,500	5,161	66,661
David Cohn Fund for the Future	39,400	33,000	72,400
Bellin Travel Fund	25,000	-	25,000
	<u>\$ 318,911</u>	<u>\$ 372,509</u>	<u>\$ 691,420</u>

NOTE K - 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 \$49,633 and \$41,391 during the years ended December 31, 2015 and 2014, respectively.

NOTE L - OPERATING LEASE

The Foundation leased office space under an operating lease agreement. The lease required the Foundation to pay base rental payments, additional rent, and the real estate taxes assessed on the property. The lease was scheduled to terminate on December 31, 2013; however, the lease was amended and the Foundation remained in the office space through April 30, 2014 at a monthly rental of \$10,667.

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

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE L - OPERATING LEASE (CONTINUED)

Scheduled future minimum lease payments as of December 31, 2015 are as follows:

<u>Year Ending December 31</u>	
2016	\$ 231,469
2017	207,170
2018	210,170
2019	213,847
2020	217,185
Thereafter	<u>164,766</u>
	<u>\$ 1,244,607</u>

Rent expense for the years ended December 31, 2015 and 2014 was \$214,990 and \$168,499, respectively. Also included in rent expense is 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.

NOTE M - 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, 2015 are as follows:

<u>Year Ending December 31</u>	
2016	\$ 10,055,725
2017	4,831,606
2018	2,740,468
2019	<u>775,000</u>
	<u>\$ 18,402,799</u>

NOTE N - ENDOWMENTS

The Foundation's 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 its family services travel program. As required by accounting principles generally accepted in the United States of America, 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.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE N - ENDOWMENTS (CONTINUED)

[1] Interpretation of relevant law:

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

[2] Return objectives and risk parameters:

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

[3] Strategies employed for achieving objectives:

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

[4] Spending policy:

In accordance with donor instructions, earnings on the permanently restricted endowment are considered temporarily restricted; as such, earnings may only be used for the program purpose specified by the donors. Interest and dividend income on the funds' investments are appropriated as determined by the Board of Directors. No formal spending policy has been adopted. No appropriations were made by the Board for the years ended December 31, 2015 and 2014.

[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 amount maintained as permanently restricted net assets. Deficiencies of this nature totaled \$10,229 as of December 31, 2015. Such deficiencies are recorded as unrestricted net assets. These deficiencies resulted from unfavorable market fluctuations. As of December 31, 2014, there were no deficiencies of this nature.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE N - ENDOWMENTS (CONTINUED)

Endowment funds as of December 31, 2015 and 2014 comprise the following:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board designated endowment funds	\$ 162,092	\$ -	\$ -	\$ 162,092
Donor-restricted endowment funds	-	-	1,006,730	1,006,730
	<u>\$ 162,092</u>	<u>\$ -</u>	<u>\$ 1,006,730</u>	<u>\$ 1,168,822</u>

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board designated endowment funds	\$ 133,048	\$ -	\$ -	\$ 133,048
Donor-restricted endowment funds	-	13,249	691,420	704,669
	<u>\$ 133,048</u>	<u>\$ 13,249</u>	<u>\$ 691,420</u>	<u>\$ 837,717</u>

Changes in the endowment funds for the years ended December 31, 2015 and 2014 are as follows:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowments net assets, beginning of year	\$ 133,048	\$ 13,249	\$ 691,420	\$ 837,717
Contributions	33,000	-	315,310	348,310
Interest and dividend income	3,966	28,764	-	32,730
Realized and unrealized losses	(7,922)	(52,242)	-	(60,164)
Funds with deficiencies	-	10,229	-	10,229
	<u>\$ 162,092</u>	<u>\$ -</u>	<u>\$ 1,006,730</u>	<u>\$ 1,168,822</u>

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowments net assets, beginning of year	\$ 97,645	\$ 6,239	\$ 318,911	\$ 422,795
Contributions	33,000	-	372,509	405,509
Interest and dividend income	3,523	12,449	-	15,972
Realized and unrealized losses	(1,120)	(5,439)	-	(6,559)
	<u>\$ 133,048</u>	<u>\$ 13,249</u>	<u>\$ 691,420</u>	<u>\$ 837,717</u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE O - FUNCTIONALIZED EXPENSE CLASSIFICATIONS

During each fiscal year, the Foundation's expenses, as reported on a functional basis, were as follows:

	<u>2015</u>	<u>2014</u>
Pediatric cancer research	\$ 15,461,441	\$ 14,469,770
Public awareness and education	1,560,500	1,204,906
Travel program	257,633	299,697
General and administrative	1,171,783	1,300,054
Fundraising (includes direct benefits of donations of \$121,500 in 2015 and \$129,506 in 2014)	<u>1,924,276</u>	<u>1,646,589</u>
	<u><u>\$ 20,375,633</u></u>	<u><u>\$ 18,921,016</u></u>

NOTE P - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through May 13, 2016, which is the date the financial statements were available to be issued.