

EISNERAMPER

**ALEX'S LEMONADE
STAND FOUNDATION**

FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021



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, 2022 and 2021, 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, 2022 and 2021, 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.

Change in Accounting Principle

As discussed in Note B[16] to the financial statements, in 2022 the Foundation adopted ASU No.2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

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.



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 11, 2023



ALEX'S LEMONADE STAND FOUNDATION

Statements of Financial Position

	December 31,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 20,363,535	\$ 14,999,954
Investments	5,828,487	6,783,498
Contributions and other receivables, net	1,194,077	1,548,743
Inventories	69,010	121,328
Cash and cash equivalents held for endowment	34,022	30,931
Investments held for endowment	2,978,170	3,282,755
Property and equipment, net	179,181	212,962
Intangible assets, net	163,970	179,723
Right-of-use assets	1,050,918	-
Other assets	189,463	171,225
	<u>\$ 32,050,833</u>	<u>\$ 27,331,119</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,627,707	\$ 929,275
Deferred revenue	457,600	341,642
Grants payable	2,855,735	2,859,918
Current portion of operating lease liabilities	312,633	-
Paycheck Protection Program ("PPP") loan payable	-	162,612
	<u>7,253,675</u>	<u>4,293,447</u>
Total current liabilities		
Long-term operating lease liabilities	815,324	-
PPP loan payable	-	555,603
	<u>8,068,999</u>	<u>4,849,050</u>
Total liabilities		
Commitments		
NET ASSETS		
Without donor restrictions:		
Designated by the Board of Directors for specific purposes	1,188,807	1,216,166
Undesignated	17,208,337	15,425,185
	<u>18,397,144</u>	<u>16,641,351</u>
Total without donor restrictions		
With donor restrictions	5,584,690	5,840,718
	<u>23,981,834</u>	<u>22,482,069</u>
Total net assets		
	<u>\$ 32,050,833</u>	<u>\$ 27,331,119</u>

ALEX'S LEMONADE STAND FOUNDATION

Statements of Activities and Changes in Net Assets

	Year Ended December 31,					
	2022			2021		
	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	\$14,108,730	\$ -	\$14,108,730	\$13,067,934	\$ -	\$ 13,067,934
Grants and other	6,963,096	1,575,743	8,538,839	6,719,231	1,935,417	8,654,648
Gala and other special events	1,842,719	-	1,842,719	1,271,591	-	1,271,591
Licenses and royalties	1,547,692	-	1,547,692	1,580,348	-	1,580,348
Merchandise sales, net cost of merchandise sold of \$73,700 in 2022 and \$90,883 in 2021	(19,911)	-	(19,911)	41,137	-	41,137
Contributed services	317,912	-	317,912	227,892	-	227,892
Interest and dividend income	250,429	102,992	353,421	295,110	121,050	416,160
Realized and unrealized gains (losses) on investments, net	(1,302,307)	(576,645)	(1,878,952)	282,565	143,577	426,142
Net assets released from restrictions	1,358,118	(1,358,118)	-	1,830,146	(1,830,146)	-
	<u>25,066,478</u>	<u>(256,028)</u>	<u>24,810,450</u>	<u>25,315,954</u>	<u>369,898</u>	<u>25,685,852</u>
Expenses:						
Program services:						
Pediatric cancer research	17,211,956	-	17,211,956	16,400,953	-	16,400,953
Public awareness and education	1,422,604	-	1,422,604	1,231,572	-	1,231,572
Family services	1,059,577	-	1,059,577	935,264	-	935,264
Data lab	1,396,698	-	1,396,698	1,123,240	-	1,123,240
Total program services	<u>21,090,835</u>	<u>-</u>	<u>21,090,835</u>	<u>19,691,029</u>	<u>-</u>	<u>19,691,029</u>
Supporting services:						
General and administrative	1,363,337	-	1,363,337	1,269,235	-	1,269,235
Fundraising	1,574,728	-	1,574,728	1,200,867	-	1,200,867
Total supporting services	<u>2,938,065</u>	<u>-</u>	<u>2,938,065</u>	<u>2,470,102</u>	<u>-</u>	<u>2,470,102</u>
	<u>24,028,900</u>	<u>-</u>	<u>24,028,900</u>	<u>22,161,131</u>	<u>-</u>	<u>22,161,131</u>
Other income:						
Gain on forgiveness of PPP loan payable	718,215	-	718,215	-	-	-
Change in net assets	<u>1,755,793</u>	<u>(256,028)</u>	<u>1,499,765</u>	<u>3,154,823</u>	<u>369,898</u>	<u>3,524,721</u>
Net assets at beginning 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>
Net assets at end of year	<u>\$18,397,144</u>	<u>\$ 5,584,690</u>	<u>\$23,981,834</u>	<u>\$16,641,351</u>	<u>\$ 5,840,718</u>	<u>\$ 22,482,069</u>

See notes to financial statements

ALEX'S LEMONADE STAND FOUNDATION

Statement of Functional Expenses Year Ended December 31, 2022

	Program Services				Supporting Services			Total	
	Pediatric Cancer Research	Public Awareness and Education	Family Services	Data Lab	Subtotal	General and Administrative	Fundraising		Subtotal
Grants to others	\$ 16,514,186	\$ -	\$ 100,000	\$ -	\$ 16,614,186	\$ -	\$ -	\$ -	\$ 16,614,186
Longitudinal database services	17,750	-	-	-	17,750	-	-	-	17,750
Salaries	360,307	853,891	245,598	969,829	2,429,625	750,389	664,854	1,415,243	3,844,868
Payroll taxes and benefits	74,552	177,962	51,685	201,529	505,728	184,427	138,857	323,284	829,012
Consulting	-	4,250	-	-	4,250	94,377	34,000	128,377	132,627
Legal and accounting	-	-	-	-	-	137,170	-	137,170	137,170
Computer/software expense	21,881	35,813	-	739	58,433	13,986	10,420	24,406	82,839
Licenses and fees	2,451	5,812	1,675	6,579	16,517	25,517	172,662	198,179	214,696
Office supplies	4,464	10,624	3,548	1,343	19,979	6,470	8,653	15,123	35,102
Travel	4,228	2,800	2,036	18,276	27,340	9,297	11,948	21,245	48,585
Patient and family travel and support	-	-	602,528	-	602,528	-	-	-	602,528
Symposiums	173,567	-	-	4,050	177,617	-	-	-	177,617
Subscriptions	1,980	42,512	-	9,056	53,548	6,010	499	6,509	60,057
Postage and shipping	726	17,082	19,219	31	37,058	12,499	60,574	73,073	110,131
Printing	-	45,894	7,357	189	53,440	3,386	56,204	59,590	113,030
Miscellaneous	-	-	-	-	-	2,530	550	3,080	3,080
Promotional materials	-	78,268	-	5,714	83,982	170	10,878	11,048	95,030
Lemonade stands and other event fundraising support	-	-	-	-	-	-	298,162	298,162	298,162
Professional services - public relations	-	201	-	-	201	-	-	-	201
Office rent	28,766	68,322	19,714	76,053	192,855	61,088	53,563	114,651	307,506
Office repairs and maintenance	1,212	3,035	955	476	5,678	2,769	2,403	5,172	10,850
Office utilities	-	-	-	495	495	-	-	-	495
Insurance	2,450	6,103	1,795	6,954	17,302	5,369	4,757	10,126	27,428
Telephone	1,736	4,094	1,182	4,624	11,636	2,996	3,190	6,186	17,822
Website services	-	14,140	1,120	76,315	91,575	-	22,849	22,849	114,424
Depreciation	1,700	4,022	1,165	14,446	21,333	3,910	3,135	7,045	28,378
Amortization	-	47,779	-	-	47,779	40,977	16,570	57,547	105,326
Total expense included in expense section on the statement of activities and changes in net assets	<u>17,211,956</u>	<u>1,422,604</u>	<u>1,059,577</u>	<u>1,396,698</u>	<u>21,090,835</u>	<u>1,363,337</u>	<u>1,574,728</u>	<u>2,938,065</u>	<u>24,028,900</u>
Plus expenses included with revenue on the statement of activities and changes in net assets:									
Cost of merchandise sold	-	73,700	-	-	73,700	-	-	-	73,700
Total expenses	<u>\$ 17,211,956</u>	<u>\$ 1,496,304</u>	<u>\$ 1,059,577</u>	<u>\$ 1,396,698</u>	<u>\$ 21,164,535</u>	<u>\$ 1,363,337</u>	<u>\$ 1,574,728</u>	<u>\$ 2,938,065</u>	<u>\$ 24,102,600</u>

See notes to financial statements

ALEX'S LEMONADE STAND FOUNDATION

Statement of Functional Expenses (continued) 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	16,400,953	1,231,572	935,264	1,123,240	19,691,029	1,269,235	1,200,867	2,470,102	22,161,131
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	\$ 16,400,953	\$ 1,322,455	\$ 935,264	\$ 1,123,240	\$ 19,781,912	\$ 1,269,235	\$ 1,200,867	\$ 2,470,102	\$22,252,014

See notes to financial statements

ALEX'S LEMONADE STAND FOUNDATION

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 1,499,765	\$ 3,524,721
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,378	18,223
Amortization	105,326	124,831
Realized and unrealized losses (gains) on investments	1,878,952	(426,142)
Gain on forgiveness of PPP loan	(718,215)	-
Contributions restricted for endowment	(201,378)	(148,434)
Non-cash contributions of intangible assets	(6,747)	(18,473)
Deferred rent	-	(22,253)
(Increase) decrease in assets:		
Contributions and other receivables	354,666	(1,176,340)
Inventories	52,318	5,303
Other assets	(18,238)	5,242
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,698,432	607,897
Deferred revenue	115,958	(49,777)
Grants payable	(4,183)	(768,113)
Lease liabilities	77,039	-
	<u>5,862,073</u>	<u>1,676,685</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(77,423)	(87,721)
Purchase of investments	(2,880,151)	(1,391,870)
Proceeds from sales of investments	2,260,795	762,460
	<u>(696,779)</u>	<u>(717,131)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds from contribution restricted for endowment	201,378	148,434
Proceeds from PPP loan	-	718,215
	<u>201,378</u>	<u>866,649</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents and restricted cash	5,366,672	1,826,203
Cash and cash equivalents and restricted cash at beginning of year	<u>15,030,885</u>	<u>13,204,682</u>
Cash and cash equivalents and restricted cash at end of year	\$ 20,397,557	\$ 15,030,885
Supplemental disclosure of noncash investing activities:		
Obtaining a right-of-use asset in exchange for a lease liability	\$ 1,322,700	\$ -

See notes to financial statements

ALEX'S LEMONADE STAND FOUNDATION

**Notes to Financial Statements
December 31, 2022 and 2021**

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.

Board-designated net assets as of December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Spinal Cord Research Fund	\$ 1,000,000	\$ 1,000,000
Pediatric Oncology Student Training Award Fund	73,057	83,778
Fund for the Future	115,750	132,388
	<u>\$ 1,188,807</u>	<u>\$ 1,216,166</u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[1] Classification of net assets: (continued)

The Spinal Cord Research Fund is designated 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).

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, the disclosure of contingent 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 20,363,535	\$ 14,999,954
Cash and cash equivalents held for endowment	34,022	30,931
Total cash and cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 20,397,557</u>	<u>\$ 15,030,885</u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2022 and 2021

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, 2022 or 2021.

[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, 2022 and 2021, 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, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[8] Intangible assets: (continued)

In 2022 and 2021, the Foundation received contributions in the form of cryptocurrencies in the amount of \$26,267 and \$18,473, respectively. 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. During the year ended December 31, 2022 the Foundation recognized an impairment loss of \$19,520 on cryptocurrencies.

Amortized intangible assets consisted of the following as of December 31, 2022 and 2021:

	December 31,	
	2022	2021
Gross cost – assets obtained through acquisition	\$ 225,000	\$ 225,000
Accumulated amortization	(86,250)	(63,750)
Net cost – assets obtained through acquisition	138,750	161,250
Cryptocurrencies	25,220	18,473
Net intangible assets	\$ 163,970	\$ 179,723

Total amortization of intangible assets was approximately \$22,500 for each of the years ended December 31, 2022 and 2021.

Scheduled amortization of intangible assets as of December 31, 2022 is as follows:

Year Ending December 31,	
2023	\$ 22,500
2024	22,500
2025	22,500
2026	22,500
2027	22,500
Thereafter	<u>26,250</u>
	\$ 138,750

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[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 was recognized when the conditions for loan forgiveness were met and the forgiveness amount was formally approved by the bank and the SBA. The PPP loan is more fully described in Note I.

[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, 2022 and 2021, there were conditional contributions associated with special events of \$457,600 and \$341,462, 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 activities 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. During 2022, the Foundation collected the receivable balance associated with the employee retention credit.

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. The consideration is payable at the conclusion or anniversary of the agreement. Revenue recognized in 2022 and 2021 was \$1,547,692 and \$1,580,348, respectively. There were no receivables or contract liabilities associated with licenses and royalties as of December 31, 2022, December 31, 2021, and January 1, 2021.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Revenue recognition – services:

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.

[12] Contributed services and other nonfinancial assets:

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. Contributed services are valued at the estimated fair value based on current rates for similar services.

During 2022, the Foundation received contributed services of \$317,912, which consists of \$35,261 for investment advisory services, \$57,708 for legal services, \$11,448 for shipping services, which is allocated among program and general and administrative expenses, and \$213,495 for photography services, which is included in family services in the accompanying statement of activities and changes in net assets.

During 2021, the Foundation received contributed services of \$227,892, which consists of \$36,503 for investment advisory services, \$57,708 for legal services, \$11,448 for shipping services and \$213,495 for photography services, which are included in general and administrative expenses in the accompanying statement of activities and changes in net assets.

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

[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, 2022 and 2021 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.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[15] Income taxes:

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

U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability, if the Foundation has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Foundation and has concluded that as of December 31, 2022 and 2021, 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, 2022 or 2021.

[16] Advertising and promotional costs:

Advertising and promotional costs are expensed in the year incurred. Advertising expense for the years ended December 31, 2022 and 2021 was \$95,030 and \$87,295, respectively.

[17] Leases:

The Foundation determines if an arrangement is a lease at inception.

Operating Leases Operating leases are recorded as operating lease right-of-use ("ROU") assets and operating lease liabilities (current portion and long-term portion) on the accompanying statement of financial position. Operating lease ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The operating lease ROU assets also include lease incentives and initial direct costs incurred. For operating leases, interest on the lease liability and the amortization of ROU asset result in straight-line rent expense over the lease term.

Leases may include options to extend or terminate the lease which are included in the ROU operating lease assets and operating lease liability when they are reasonably certain of exercise. Operating lease expense associated with minimum lease payments is recognized on a straight-line basis over the lease term. When additional payments are based on usage or vary based on other factors, they are considered variable lease payments and are excluded from the measurement of the right-of-use asset and lease liability. These payments are recognized as an expense in the period in which the related obligation was incurred.

For the year ended December 31, 2021, the Foundation accounted for leases under ASC 840. Operating leases were recorded on a straight-line basis over the term of the lease.

[18] Adoption of new accounting pronouncements:

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[18] Adoption of new accounting pronouncements:

The Foundation adopted the standard effective January 1, 2022 and recognized and measured leases existing January 1, 2022, with certain practical expedients available. Lease disclosures for the year ended December 31, 2022 are made under prior lease guidance in FASB ASC 840. Accordingly, the Foundation applied the guidance to each lease that had commenced as of the adoption date and also elected a package of practical expedients which included the following: no requirement to reassess (a) whether any expired or existing contracts are, or contain, leases, (b) the lease classification for any expired or existing leases, and (c) the recognition requirements for initial direct costs for any existing leases. The Foundation also elected a practical expedient to account for lease and non-lease components as a single lease component. The Foundation excluded short-term leases having initial terms of twelve months or less from the new guidance as an accounting policy election and recognizes rent expense for such leases on a straight-line basis over the lease term. In calculating the related lease liabilities at the time of adoption, the Foundation utilized historical experience when determining the noncancelable portion of the lease term and elected to use the risk-free rate as the discount rate.

As a result of the adoption of the new lease accounting, The Foundation recognized on January 1, 2022 an operating lease liability of \$1,322,700, which represents the present value of the remaining operating lease payments, discounted using the risk-free rate of 1.63%, and a right-of-use asset of \$1,322,700.

The standard had a material impact on the Foundation's statement of financial position but did not have an impact on its statements of activities functional expenses or cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The standard requires the amendments to be applied on a retrospective basis in the year of adoption. The ASU is effective for annual reporting periods beginning after June 15, 2021, and accordingly, the Foundation adopted this pronouncement for its fiscal year ended December 31, 2022 on the retrospective basis. Analysis of the various provisions of the standard resulted in no significant changes in the way the Foundation recognized in-kind donations, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis.

The adoption of the pronouncement resulted only in enhanced discloses for 2022 and 2021.

[19] Reclassification:

Certain amounts as of and for the year ended December 31, 2021 have been reclassified to conform to the current year presentation.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2022 and 2021

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, 2022 and 2021:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 20,363,535	\$ 14,999,954
Investments	5,828,487	6,783,498
Contributions and other receivables	1,194,077	1,548,743
Cash and cash equivalents held for endowment	34,022	30,931
Investments held for endowment	2,978,170	3,282,755
	<hr/>	<hr/>
Total financial assets	30,398,291	26,645,881
	<hr/>	<hr/>
Less amounts not available to be used within one year:		
Contributions receivable greater than a year	75,419	252,500
Net assets with donor restrictions subject to expenditures for specified purposes	-	387,301
Net assets with donor restrictions subject to the Foundation's spending policy and appropriation	2,825,244	3,097,520
Board-designated for specific purpose	1,188,807	1,216,166
	<hr/>	<hr/>
	4,089,470	4,953,487
	<hr/>	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	\$ 26,308,821	\$ 21,692,394
	<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 \$2,825,244 and \$3,097,520 as of December 31, 2022 and 2021, 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 or fourth 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 \$-0- and \$387,301 as of December 31, 2022 and 2021, respectively, net assets with donor restrictions subject to expenditures for specified purposes as of December 31, 2021 were 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, 2022 and 2021

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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 1,128,332	\$ 1,311,674
One year to five years	75,419	252,500
Total receivables	1,203,751	1,564,174
Less: total discounts to net present value	9,674	15,431
Total net receivables	<u>\$ 1,194,077</u>	<u>\$ 1,548,743</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, 2022 and 2021, the Foundation has uninsured balances of approximately \$19,196,000 and \$13,834,000, respectively.

NOTE F - INVESTMENTS

Investments consist of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Investments:		
Mutual funds:		
Equity funds	\$ 2,467,274	\$ 2,812,098
Bond funds	1,968,403	2,411,954
Exchange-traded funds	1,392,810	1,559,446
	<u>5,828,487</u>	<u>6,783,498</u>
Investments restricted for endowment:		
Mutual funds:		
Equity funds	1,166,026	1,221,129
Bond funds	1,003,083	1,160,214
Exchange-traded funds	809,061	901,412
	<u>2,978,170</u>	<u>3,282,755</u>
	<u>\$ 8,806,657</u>	<u>\$ 10,066,253</u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2022 and 2021

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, 2022 and 2021.

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, 2022 and 2021:

	Investment Assets at Fair Value as of			
	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Equity funds	\$ 3,633,300	\$ 3,633,300	\$ -	\$ -
Bond funds	2,971,486	2,971,486	-	-
Exchange-traded funds	2,201,871	2,201,871	-	-
Total investment assets at fair value	\$ 8,806,657	\$ 8,806,657	\$ -	\$ -

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2022 and 2021

NOTE G - FAIR VALUE MEASUREMENTS (CONTINUED)

	Investment Assets at Fair Value as of			
	December 31, 2021			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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>

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, 2022 and 2021, 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, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Equipment and vehicle	\$ 378,624	\$ 341,259
Software and website development	<u>1,280,592</u>	<u>1,240,534</u>
	1,659,216	1,581,793
Less accumulated depreciation and amortization	<u>1,480,035</u>	<u>1,368,831</u>
	<u>\$ 179,181</u>	<u>\$ 212,962</u>

Depreciation for the years ended December 31, 2022 and 2021 was \$28,378 and \$18,223, respectively. Amortization of software and website development for the years ended December 31, 2022 and 2021 was \$82,826 and \$102,331, respectively.

NOTE I - PAYCHECK PROTECTION PROGRAM LOAN

In May 2021, the Foundation received a loan for \$718,215, pursuant to the CARES Act PPP. The loan was used for qualified expenses and to maintain certain employment levels. It was eligible for forgiveness subject to bank approval in accordance with the SBA guidelines. The Foundation received notification from the SBA on October 3, 2022, that the full amount of the PPP loan was forgiven and would not have to be repaid. For the year ended December 31, 2022, \$718,215 of the grant was recognized as gain on forgiveness of PPP loan payable on the statement of activities and changes in net assets.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2022 and 2021

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or period as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditures for specified purpose:		
Spinal cord research	\$ -	\$ 387,301
Target research grants	861,450	453,395
Travel for care program	874,191	644,327
Other cancer research and programs	<u>1,023,805</u>	<u>1,258,175</u>
	<u>2,759,446</u>	<u>2,743,198</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Pediatric oncology student training	37,685	93,363
Travel for care program	<u>326,136</u>	<u>744,112</u>
	<u>363,821</u>	<u>837,475</u>
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Investments in perpetuity:		
Pediatric oncology student training	330,399	223,283
Travel for care program	<u>2,131,024</u>	<u>2,036,762</u>
	<u>2,461,423</u>	<u>2,260,045</u>
Total endowments	<u>2,825,244</u>	<u>3,097,520</u>
	<u>\$ 5,584,690</u>	<u>\$ 5,840,718</u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2022 and 2021

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restriction by incurring expenses satisfying the restricted purpose or by the passage of time specified by the donors as follows for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Crazy 8 research initiative	\$ -	\$ 121,643
Spinal cord research	387,301	196,183
Target research grants	329,877	753,375
Travel for care program	360,466	351,177
Other cancer research and programs	280,474	345,968
	<u>1,358,118</u>	<u>1,768,346</u>
Restricted purpose spending-rate distributions and appropriations:		
Pediatric oncology student training	-	8,200
Travel for care program	-	53,600
	<u>-</u>	<u>61,800</u>
	<u>\$ 1,358,118</u>	<u>\$ 1,830,146</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 nets 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, 2022 and 2021

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, 2022 and 2021, it was elected by the Board to appropriate 0% and 4%, 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, 2022 and 2021, there were no deficiencies of this nature.

Endowment funds as of December 31, 2022 and 2021 comprise the following:

	<u>2022</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	\$ 73,057	\$ -	\$ 73,057
Fund for the Future	115,750	-	115,750
Donor-restricted endowment funds:			
Original donor-restricted gift amount	-	2,461,423	2,461,423
Accumulated investment gains	-	363,821	363,821
	<u>\$ 188,807</u>	<u>\$ 2,825,244</u>	<u>\$ 3,014,051</u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2022 and 2021

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

[5] Funds with deficiencies: (continued)

	2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
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>

The Foundation's endowments had the following activity for the years ended December 31, 2022 and 2021:

	2022				
	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>\$ 216,166</u>	<u>\$ 837,475</u>	<u>\$ 2,260,045</u>	<u>\$ 3,097,520</u>	<u>\$ 3,313,686</u>
Investment loss, net	(27,359)	(473,654)	-	(473,654)	(501,013)
Contributions	-	-	201,378	201,378	201,378
Change in net assets	<u>(27,359)</u>	<u>(473,654)</u>	<u>201,378</u>	<u>(272,276)</u>	<u>(299,635)</u>
Endowment net assets at end of year	<u>\$ 188,807</u>	<u>\$ 363,821</u>	<u>\$ 2,461,423</u>	<u>\$ 2,825,244</u>	<u>\$ 3,014,051</u>

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2022 and 2021

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

[5] Funds with deficiencies: (continued)

	2021				Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions			
	Board - Designated	Subject to Appropriation	Perpetual in Nature	Subtotal	
Endowment net assets at beginning of year	\$ 203,610	\$ 634,648	\$ 2,111,611	\$ 2,746,259	\$ 2,949,869
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	-	(61,800)	-	(61,800)	(61,800)
Change in net assets	12,556	202,827	148,434	351,261	363,817
Endowment net assets at end of year	\$ 216,166	\$ 837,475	\$ 2,260,045	\$ 3,097,520	\$ 3,313,686

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 \$94,120 and \$78,934 during the years ended December 31, 2022 and 2021, respectively.

NOTE M - OPERATING LEASE

The Foundation has lease an agreement for office space that has been recorded in accordance with ASC 842 as operating lease agreements. The lease expires May 2026. Monthly base rent under these leases is approximately \$26,600 with increases over the life of certain leases.

The liabilities under operating leases are recorded at the present value of the minimum lease payments. Lease expense of \$290,372 for the year ended December 31, 2022, relating to operating leases, consisting of right-of-use asset amortization and lease liability interest, is included in office rent on the statement of functional expenses.

ALEX'S LEMONADE STAND FOUNDATION

Notes to Financial Statements December 31, 2022 and 2021

NOTE M - OPERATING LEASE (CONTINUED)

The following maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2022 is approximately as follows:

<u>Year Ending December 31,</u>	<u>Debt</u>
2023	\$ 328,250
2024	337,250
2025	346,250
2026	<u>147,383</u>
	1,159,133
Less: present value of discount	<u>(31,176)</u>
Total	<u>\$ 1,127,957</u>

<u>Reported as of December 31, 2022</u>	<u>Operating Leases</u>
Current portion of lease liabilities	\$ 312,633
Lease liabilities, net of current portion	<u>815,324</u>
Total	<u>\$ 1,127,957</u>

Year Ended December 31, 2022

Cash paid for amounts included in measurement of lease liabilities:

Operating cash flows from operating leases	\$ 213,333
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ALEX'S LEMONADE STAND FOUNDATION

**Notes to Financial Statements
December 31, 2022 and 2021**

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, 2022 are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 12,073,030
2024	8,739,809
2025	4,903,644
2026	<u>1,200,000</u>
	<u>\$ 26,916,483</u>

NOTE O - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through May 11, 2023, which is the date the financial statements were available to be issued.