

Starlight Children's Foundation

**Financial Statements
For the Year Ended
December 31, 2021
and
Independent Auditor's Report**

Starlight Children’s Foundation
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Independent Auditor's Report

To the Board of Directors of
Starlight Children's Foundation
Culver City, California

Opinion on the Financial Statements

We have audited the accompanying financial statements of Starlight Children's Foundation (a nonprofit organization) (the Foundation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

H&A Certified Public Accountants, Inc.

April 19, 2022

Starlight Children's Foundation
Statement of Financial Position
December 31, 2021

Assets

Cash and cash equivalents	\$ 6,411,120
Investments	2,012,203
Donations receivable	1,794,846
Inventory	3,448,201
Prepaid expenses and other assets	1,439,993
Property and equipment, net	<u>330,779</u>
 Total assets	 <u><u>\$ 15,437,142</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued liabilities	\$ 602,165
Deferred rent	49,851
Deferred revenue	<u>28,600</u>
 Total liabilities	 <u>680,616</u>

Net Assets

Net assets without donor restrictions	
Undesignated	6,514,422
Board designated reserve	<u>2,000,000</u>
 Total net assets without donor restrictions	 8,514,422
 Net assets with donor restrictions	 <u>6,242,104</u>
 Total net assets	 <u>14,756,526</u>
 Total liabilities and net assets	 <u><u>\$ 15,437,142</u></u>

See accompanying notes to financial statements and independent auditor's report.

Starlight Children’s Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues, gains, and other support			
Donations - cash	\$ 2,100,556	\$ 5,966,739	\$ 8,067,295
In-kind donations	1,510,030	2,040,202	3,550,232
Investment income, net of investment expense	11,253	-	11,253
Program sales	306,000	-	306,000
Conditional grant revenue - Paycheck Protection Program	553,340	-	553,340
Other revenue	1,327	-	1,327
Net assets released from restriction	<u>7,477,443</u>	<u>(7,477,443)</u>	<u>-</u>
Total revenues, gains, and other support	<u>11,959,949</u>	<u>529,498</u>	<u>12,489,447</u>
Expenses			
Program services	9,735,860	-	9,735,860
Management and general	709,389	-	709,389
Fundraising	<u>1,490,221</u>	<u>-</u>	<u>1,490,221</u>
Total expenses	<u>11,935,470</u>	<u>-</u>	<u>11,935,470</u>
Increase in net assets	24,479	529,498	553,977
Net assets, beginning of year	<u>8,489,943</u>	<u>5,712,606</u>	<u>14,202,549</u>
Net assets, end of year	<u>\$ 8,514,422</u>	<u>\$ 6,242,104</u>	<u>\$ 14,756,526</u>

See accompanying notes to financial statements and independent auditor’s report.

Starlight Children’s Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services							Support Services			
	Starlight Gowns	Starlight Gaming	Starlight Spaces	Starlight Toy Deliveries	Starlight VR	Starlight Education	Starlight Mission Delivery	Total Program Services	Management and General	Fundraising	Total Expenses
Banking, insurance and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,747	\$ 4,747	\$ 25,060	\$ 91,571	\$ 121,378
Depreciation and amortization	-	-	-	-	-	-	55,314	55,314	19,619	28,048	102,981
Donated goods distributed	-	-	-	3,470,207	28,866	315,017	7,999	3,822,089	-	-	3,822,089
Donated professional services	41,225	296	-	36,490	-	45,725	11,713	135,449	108,903	5,600	249,952
Facilities	-	-	-	-	-	-	72,937	72,937	24,196	54,054	151,187
Fundraising costs	-	-	-	-	-	-	-	-	-	85,995	85,995
Marketing and promotion	-	-	-	-	-	-	240,210	240,210	-	240,210	480,420
Miscellaneous expense	-	-	-	-	12	2,923	2,087	5,022	3,775	19,898	28,695
Professional services	64,400	-	-	-	12,475	50,000	150	127,025	60,422	300	187,747
Programs expense	1,676,434	563,704	-	1,467,613	102,705	90,505	954	3,901,915	-	-	3,901,915
Salaries and employee benefits	164,650	134,287	9,625	183,762	104,968	139,592	488,877	1,225,761	435,620	916,977	2,578,358
Technology costs	150	-	-	-	5,395	-	138,321	143,866	30,210	42,940	217,016
Travel	-	-	-	-	-	-	1,525	1,525	1,584	4,628	7,737
Total expenses	\$ 1,946,859	\$ 698,287	\$ 9,625	\$ 5,158,072	\$ 254,421	\$ 643,762	\$ 1,024,834	\$ 9,735,860	\$ 709,389	\$ 1,490,221	\$ 11,935,470

See accompanying notes to financial statements and independent auditor’s report.

Starlight Children's Foundation
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from operating activities	
Increase in net assets without donor restrictions	\$ 24,479
Increase in net assets with donor restrictions	<u>529,498</u>
 Total increase in net assets	 553,977
 Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	102,981
Deferred rent	(12,028)
Warranty reserve	52,117
Realized and unrealized gains on investments	(6,223)
Donated inventory	(3,300,281)
Changes in operating assets and liabilities:	
Increase in donations receivable	(1,017,336)
Decrease in inventory	5,070,926
Increase in prepaid expenses and other assets	(664,204)
Decrease in accounts payable and accrued liabilities	(523,991)
Increase in deferred revenue	<u>21,757</u>
 Net cash provided by operating activities	 <u>277,695</u>
 Cash flows from investing activities	
Purchases of property and equipment	(7,926)
Purchases of investments	<u>(2,005,980)</u>
 Net cash used by investing activities	 <u>(2,013,906)</u>
 Net decrease in cash and cash equivalents	 (1,736,211)
 Cash and cash equivalents, beginning of year	 <u>8,147,331</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 6,411,120</u></u>

See accompanying notes to financial statements and independent auditor's report.

Starlight Children's Foundation
Notes to Financial Statements
December 31, 2021

1. Organization

Founded in 1982, Starlight Children's Foundation (the Foundation) raises funds and awareness to deliver happiness to seriously ill children and their families through the provision of Starlight programs to more than 800 hospital partners within the United States.

The Foundation licenses the Starlight trademark to international affiliates in Australia, Canada and the United Kingdom (the International Affiliates) through affiliate agreements, pursuant to which the affiliates deliver programs in their territories dedicated to the Starlight mission. Affiliate agreements entered into between each International Affiliate and the Foundation provide for common purposes and policy direction.

The accompanying financial statements were prepared to present the financial information of the Foundation in the United States. The International Affiliates operate independently. The Foundation does not exercise control, nor does it have economic interests in the International Affiliates. Therefore, the financial results of the International Affiliates are not consolidated into the accompanying financial statements, based on Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-810, *Consolidation*.

2. Summary of Significant Accounting Policies

Management 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period on an accrual basis. Accordingly, actual results could differ from those estimates.

Net Asset Classification

The Foundation reports information regarding donations received in its statement of financial position and statement of activities and changes in net assets according to two classes of net assets based upon the existence or absence of donor-imposed restrictions:

Net Assets without Donor Restrictions – Donations that are considered to be available for unrestricted use. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve which are reported separately.

Net Assets with Donor Restrictions – Donations that are restricted by donors for a specific time period or purpose. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Income earned on these assets may or may not be restricted, depending upon the donor-imposed restrictions.

Revenue Recognition

Donations

All donations are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional donations/promises-to-give are reported at fair value at the date the donation/promise is

Starlight Children’s Foundation
Notes to Financial Statements
December 31, 2021

2. Summary of Significant Accounting Policies (Continued)

received. Conditional donations are recognized when the conditions on which they depend are substantially met. A condition must have both a barrier that must be overcome before the organization is entitled to the assets transferred or promised and a right of return. Assets received in a conditional donation are accounted for as refundable advances until the condition has been substantially met. No allowance for uncollectable contributions receivable was provided for at December 31, 2021, as management considers all amounts fully collectible.

Unconditional promises-to-give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises-to-give that are expected to be collected in future years are recorded at the present value of the projected fair value (future value) of the underlying assets at the date that those assets are expected to be received. The discounts on those amounts are computed using the rates at which the Foundation can borrow money applicable to the years in which the promises are received. In cases in which the future value of the underlying asset is difficult to determine, the fair value of an unconditional promise-to-give is based on the fair value of the underlying asset at the date of initial recognition, with no discount computed.

Donated goods and services

Donated noncash assets (in-kind donations) are recorded at estimated fair value at the date of donation. Donated goods generally consist of materials (inventory) for distribution to hospital partner facilities for hospitalized children. Donated services are recorded at fair value in the period received if the 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 by the Foundation. Donated services received in 2021 consisted primarily of donated legal services. The donated legal services received were in support of the Foundation’s various programs and negotiating contracts with its major supporters.

The estimated fair value of donated goods and services reflected in the financial statements as in-kind donations are as follows:

Donated materials and supplies	\$ 3,300,281
Donated professional services	<u>249,951</u>
Total	<u><u>\$ 3,550,232</u></u>

Income Taxes

The Foundation is exempt from Federal income taxes under Code Section 501(c)(3) provisions of the Internal Revenue Code of 1986, as amended (“IRC” or “the Code”) and similar provisions of the State of California Revenue and Taxation Codes. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Code Section 509(a) and qualifies for deductible contributions as provided in Code Section 170(b)(1)(A)(vi).

The Foundation evaluates its tax provisions for any potential uncertain tax positions. The Foundation believes its tax positions are more likely than not to be sustained if challenged by tax authorities. The Foundation’s informational returns for the years ended December 31, 2018 and subsequent remain open for examination by the Internal Revenue Service. The returns for California remain open for examination by California’s tax authorities for the years ended December 31, 2017 and subsequent.

Starlight Children's Foundation
Notes to Financial Statements
December 31, 2021

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents.

Investments

Investments in marketable securities are reported at fair value in the statement of financial position. Investments in short-term certificates of deposit are reported at cost, which approximates fair value. Sales and purchases of securities are recorded on a trade-date basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis. Realized and unrealized gains and losses are included in the statement of activities and changes in net assets.

Fair Value of Financial Instruments

The Foundation determines the fair values of its investments based on the fair value hierarchy established in FASB ASC 820, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The statement requires fair value measurements to be classified and disclosed in one of the following three categories.

Level 1 - Quoted prices in active markets for identical assets and liabilities, including equity and debt securities and derivative contracts that are traded in an active exchange market.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Inventory

Inventory is composed of materials that will be placed in hospital partner facilities for the use of hospitalized children. Inventory includes videogame players, monitors, and other electronics that make up the Starlight Nintendo Gaming Stations. Other inventory includes Starlight Hospital Gowns, Starlight Virtual Reality, toys, games, and books to be distributed to hospitals, and other materials collected for distribution through the Foundation's programs. Purchased inventory is recorded at the lower of cost or net realizable value. Donated inventory is recorded at estimated fair value, which may be wholesale value depending on the quantities received, at the date of donation.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets primarily include prepaid deposits for the manufacture of Starlight Hospital Gowns of \$443,700, prepayments to Nintendo of America for the production and maintenance of Starlight Nintendo Gaming Stations of \$382,700, and a down payment on materials for care packages of \$361,800. These prepaid items will be placed in hospital partner facilities for hospitalized children upon completion.

Starlight Children’s Foundation
Notes to Financial Statements
December 31, 2021

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Purchased property and equipment are stated at cost. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Software and computers	3 - 5 years
Office equipment	3 - 5 years
Furniture and fixtures	7 years

Leasehold improvements are amortized on the straight-line method over the term of the lease. Maintenance, repairs, and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Property and equipment are capitalized if the useful life is greater than one year.

Impairment of Long-Lived Assets

The Foundation’s long-lived assets include property and equipment. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the fair value of the related asset. As of December 31, 2021, the Foundation did not identify any impairment of its long-lived assets.

Deferred Rent

Rent expense on the facility leases, including scheduled rent increases and rent abatement, is recorded on a straight-line basis over the term of the lease. The net excess of rent expense over cash paid to date has been recorded as deferred rent in the accompanying statement of financial position.

Functional Expenses

The Foundation allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated using bases determined by management to be reasonable.

Marketing and Promotion

Marketing and promotion costs are expensed as incurred.

PPP Loan

The Foundation accounted for the Paycheck Protection Program loan as a conditional contribution in accordance with FASB ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*. Under this standard, loan proceeds are deemed a refundable advance until such time as the related conditions are met, which included meeting certain employee counts and incurring eligible expenditures.

Starlight Children’s Foundation
Notes to Financial Statements
December 31, 2021

2. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. This ASU will require entities to recognize lease assets and lease liabilities on the face of the financial statements and to disclose key information about leasing arrangements to enable readers of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The ASU was originally effective for nonpublic entities with annual reporting periods beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05, which extended by one year the effective date of ASU 2016-02. Management is evaluating the impact of adopting this new ASU on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to increase transparency on how contributed nonfinancial assets received by not-for-profit organizations are to be used and how they are valued. This ASU will be effective for fiscal years beginning after June 15, 2021. Management is evaluating the impact of adopting this new ASU on the financial statements.

Subsequent Events

The Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2021 to determine whether items should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through April 19, 2022, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

3. Fair Value Measurements

The fair value measurements and levels within the fair value hierarchy of those measurements for the investments reported at fair value on a recurring basis are as follows at December 31, 2021:

Equities (Level 1)	\$ 5,980
Certificates of deposit (not subject to fair valuation measurements)	<u>2,006,223</u>
Total investments	<u><u>\$ 2,012,203</u></u>

The investments in marketable securities have been valued at the closing prices reported on the active markets on which the individual investments are traded. The fair values of donated services, facilities, materials, and supplies are estimated using third-party quotations and are categorized in Level 2 of the fair value hierarchy.

Starlight Children’s Foundation
Notes to Financial Statements
December 31, 2021

4. Property and Equipment

Property and equipment consisted of the following at December 31, 2021:

Computers	\$	28,698
Furniture and fixtures		104,458
Leasehold improvements		14,708
Software and website development		<u>445,120</u>
Total property and equipment		592,984
Accumulated depreciation and amortization		<u>(262,205)</u>
Total property and equipment, net	\$	<u><u>330,779</u></u>

Total depreciation and amortization was \$102,981 for the year ended December 31, 2021.

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at December 31, 2021:

Accounts payable	\$	131
Accrued expenses		124,424
Accrued personnel expenses		135,485
Accrued warranty reserve		264,054
Credit card payables		71,275
Other		<u>6,796</u>
Total accounts payable and accrued liabilities	\$	<u><u>602,165</u></u>

The warranty reserve relates to Starlight Nintendo Gaming Stations purchased from Nintendo of America and Starlight virtual reality headsets purchased from Lenovo. The Foundation is required to repair Starlight Nintendo Gaming Stations donated to healthcare facilities for three years after the units are distributed to the respective facilities.

6. PPP Loan

On February 16, 2021, the Foundation received a loan from City National Bank (CNB) totaling \$553,340, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, enacted on March 27, 2020. Funds from the loan may only be used for payroll costs, mortgage interest payments, lease payments, and utility payments. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. During the year ended December 31, 2021, the Foundation used the full \$553,340 loan amount for qualifying expenses and recognized an equivalent amount as grant revenue in the statement of activities and changes in net assets. The loan was forgiven in full on February 17, 2022.

Starlight Children’s Foundation
Notes to Financial Statements
December 31, 2021

7. Net Assets with Donor Restrictions

Restricted net assets consisted of the following at December 31, 2021:

	Balance, December 31, 2020	Donations with Donor Restrictions	Released from Restriction	Balance, December 31, 2021
Hospital Wear	\$ 1,986,041	\$ 1,158,995	\$ 1,618,053	\$ 1,526,983
Deliveries (including Care Packages)	1,638,920	3,940,202	3,709,110	1,870,012
Education	-	735,500	305,540	429,960
Gaming (Nintendo Switch)	1,794,848	1,728,047	1,224,882	2,298,013
Virtual Reality	282,646	28,454	309,500	1,600
Cause Marketing Grants	-	400,000	284,464	115,536
Spaces and other	10,151	15,743	25,894	-
Total	<u>\$ 5,712,606</u>	<u>\$ 8,006,941</u>	<u>\$ 7,477,443</u>	<u>\$ 6,242,104</u>

8. Defined Contribution Pension Plan

The Foundation maintains a Code Section 403(b) defined contribution pension plan to which employees may contribute. The Foundation matches all contributions up to a maximum of 3% of annual salary. The Foundation made approximately \$43,000 in matching contributions for the year ended December 31, 2021.

9. Operating Leases

The Foundation leases certain facilities and equipment under long-term operating lease agreements that expire through February 2023. Facilities rent expense was approximately \$145,000 for the year ended December 31, 2021. Future minimum lease payments on these leases are as follows for the years ending:

2022	\$ 207,454
2023	<u>34,829</u>
Total	<u>\$ 242,283</u>

10. Concentrations and Risks

Two donors accounted for approximately 73% of the Foundation’s total donation revenue for the year ended December 31, 2021.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, deposits of up to \$250,000 at FDIC-insured institutions are covered by FDIC insurance. At times, deposits may be in excess of the FDIC insurance limit; however, management does not believe the Foundation is exposed to any significant related credit risk.

11. Related Party Transactions

A member of the Foundation’s Board of Directors is a former partner and current senior counsel at a law firm that provided in-kind legal services of approximately \$245,000 to the Foundation during the year ended December 31, 2021. The legal services are included as in-kind donations in the statement of activities and changes in net assets and as donated professional services in the statement of functional expenses.

Starlight Children’s Foundation
Notes to Financial Statements
December 31, 2021

11. Related Party Transactions (Continued)

Included in program sales in the statement of activities and changes in net assets for the year ended December 31, 2021 is \$147,500 in sales to Starlight Children’s Foundation Canada.

12. Availability of Financial Assets and Liquidity

The table below presents financial assets available for general expenditures within one year of the statement of financial position date:

Financial assets	
Cash and cash equivalents	\$ 6,411,120
Investments	2,012,203
Donations and pledges receivable	<u>1,794,846</u>
 Total financial assets	 <u>10,218,169</u>
 Less those unavailable for general expenditures within one year, due to:	
Board designated reserve	(2,000,000)
Restricted net assets subject to expenditure for specific purposes	<u>(6,242,104)</u>
	 <u>(8,242,104)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 1,976,065</u>

The majority of the Foundation’s expenditures are on the delivery of programs, using donor-restricted funds. A significant portion of these restricted assets are designed to fund operational salaries and expenses that are directly involved in the delivery of those specified purposes.

The Board designated reserve of \$2,000,000 was created to ensure ongoing operations in the event of unforeseen shortfalls and represents approximately five and one-half months of operating expenses. It is subject to expenditure only upon the approval of the Board of Directors. These funds are generally held in short-term investment accounts.

13. COVID-19

In March 2020, the World Health Organization declared novel coronavirus (COVID-19) a pandemic. Although management is continuing to monitor and assess the effects of the pandemic on the Foundation and has implemented plans to mitigate some risks arising from the impact of COVID-19, including the PPP loan, the full impact of COVID-19 on the Foundation’s operations and finances is uncertain and will depend on the duration and depth of the pandemic.