

Starlight Children's Foundation

Financial Statements

December 31, 2019



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Starlight Children's Foundation (a California nonprofit corporation) (the "Foundation"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Starlight Children's Foundation as of December 31, 2019, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Foundation has implemented Financial Accounting Standards Board Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, and ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

As discussed in Note 12 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Potential impacts to the Foundation include disruptions or restrictions on the Foundation's ability to operate its programs and on its employees' ability to work. The ultimate financial statement impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Armanino LLP

Armanino^{LLP}
Los Angeles, California

August 7, 2020

Starlight Children's Foundation
Statement of Financial Position
December 31, 2019

ASSETS

Cash and cash equivalents	\$ 5,829,354
Investments	3,991,840
Contributions and pledges receivable	40,300
Inventory	2,352,298
Prepaid expenses and other assets	967,258
Property and equipment, net	<u>341,764</u>
 Total assets	 <u><u>\$ 13,522,814</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued liabilities	\$ 793,550
Deferred revenue	16,800
Deferred rent	<u>85,474</u>
Total liabilities	<u>895,824</u>
 Commitments and contingencies (Notes 8, 10 and 12)	
Net assets	
Without donor restrictions	
Undesignated	3,226,219
Board-designated reserve	<u>2,000,000</u>
Total without donor restrictions	5,226,219
With donor restrictions	<u>7,400,771</u>
Total net assets	<u>12,626,990</u>
 Total liabilities and net assets	 <u><u>\$ 13,522,814</u></u>

The accompanying notes are an integral part of these financial statements.

Starlight Children's Foundation
Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions	\$ 3,746,431	\$ 4,889,819	\$ 8,636,250
Contributed goods, services, and use of facilities	3,645,098	-	3,645,098
Investment income	183,774	-	183,774
Nintendo equipment sales	120,000	-	120,000
Other revenue	4,633	-	4,633
Net assets released from restriction	<u>1,746,125</u>	<u>(1,746,125)</u>	<u>-</u>
Total revenues, gains, and other support	<u>9,446,061</u>	<u>3,143,694</u>	<u>12,589,755</u>
Functional expenses			
Program services			
Starlight Gowns	2,180,365	-	2,180,365
Starlight Gaming	329,001	-	329,001
Starlight Spaces	513,832	-	513,832
Starlight Special Deliveries	3,624,227	-	3,624,227
Starlight VR	926,637	-	926,637
Program General	<u>529,483</u>	<u>-</u>	<u>529,483</u>
Total program services	<u>8,103,545</u>	<u>-</u>	<u>8,103,545</u>
Support services			
Management and general	982,271	-	982,271
Fundraising	<u>1,207,506</u>	<u>-</u>	<u>1,207,506</u>
Total support services	<u>2,189,777</u>	<u>-</u>	<u>2,189,777</u>
Total functional expenses	<u>10,293,322</u>	<u>-</u>	<u>10,293,322</u>
Change in net assets from operations	(847,261)	3,143,694	2,296,433
Decrease in value of unconditional promises to give	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Change in net assets	(847,261)	3,093,694	2,246,433
Net assets, beginning of year	<u>6,073,480</u>	<u>4,307,077</u>	<u>10,380,557</u>
Net assets, end of year	<u>\$ 5,226,219</u>	<u>\$ 7,400,771</u>	<u>\$ 12,626,990</u>

The accompanying notes are an integral part of these financial statements.

Starlight Children's Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Starlight Gowns	Starlight Gaming	Starlight Spaces	Starlight Special Deliveries	Starlight VR	Program General	Management and General	Fundraising	Total
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,908	\$ 72,908
Bad debt expense	-	-	-	-	-	-	13,108	-	13,108
Bank charges	-	-	-	-	-	-	70	-	70
Depreciation	-	-	-	-	-	24,970	8,326	10,929	44,225
Donated professional services	137,643	94	-	-	64,794	82,003	148,063	19,650	452,247
Donated materials and supplies	-	-	-	3,192,851	-	-	-	-	3,192,851
Furnished program units placed	989,107	106,404	-	7,144	255,593	681	-	-	1,358,929
Equipment rental and repair	-	13,931	-	-	-	-	-	-	13,931
Facilities rent and parking	41,121	10,903	9,488	10,822	33,704	10,808	38,960	51,142	206,948
Fees	-	-	-	-	-	2,894	7,465	16,800	27,159
Insurance	-	-	-	-	-	15,172	5,059	6,641	26,872
IT services	-	643	7,651	185,801	1,190	154,938	51,573	67,699	469,495
Miscellaneous	-	-	-	-	-	8,457	5,839	33,569	47,865
Postage, shipping, and delivery	286,772	24,455	-	61,093	927	-	2,845	3,626	379,718
Printing and publications	170	2,639	453	366	3,575	495	-	33,622	41,320
Professional services	98,994	-	-	-	46,875	36,297	93,383	47,623	323,172
Regulatory and other renewal fees	-	-	-	-	-	-	-	6,266	6,266
Renovation expense - Starlight Sites	-	-	351,025	-	-	-	-	-	351,025
Salaries and employee benefits	614,838	163,018	141,865	161,811	503,938	161,574	582,518	764,664	3,094,226
Supplies	-	-	-	-	-	3,951	1,317	1,730	6,998
Telephone	8,023	2,127	1,851	2,111	6,575	2,109	7,601	9,977	40,374
Travel and automobile	3,697	4,787	1,499	2,228	9,466	25,134	16,144	60,660	123,615
	<u>\$ 2,180,365</u>	<u>\$ 329,001</u>	<u>\$ 513,832</u>	<u>\$ 3,624,227</u>	<u>\$ 926,637</u>	<u>\$ 529,483</u>	<u>\$ 982,271</u>	<u>\$ 1,207,506</u>	<u>\$ 10,293,322</u>

The accompanying notes are an integral part of these financial statements.

Starlight Children's Foundation
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash flows from operating activities	
Change in net assets	\$ 2,246,433
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	44,225
Deferred rent	(17,899)
Warranty reserve	(17,821)
Reinvested dividends and interest	(46,627)
Realized gains on investments	(155,415)
Unrealized losses on investments	18,268
Changes in operating assets and liabilities	
Contributions and pledges receivable	434,700
Inventory	(1,725,693)
Prepaid expenses and other assets	12,178
Accounts payable and accrued liabilities	(152,456)
Deferred revenue	16,800
Net cash provided by operating activities	<u>656,693</u>
Cash flows from investing activities	
Purchases of property and equipment	(320,338)
Purchases of investments	(28,228,696)
Proceeds from sales of investments	<u>32,610,000</u>
Net cash provided by investing activities	<u>4,060,966</u>
Net increase in cash and cash equivalents	4,717,659
Cash and cash equivalents, beginning of year	<u>1,111,695</u>
Cash and cash equivalents, end of year	<u>\$ 5,829,354</u>

Supplemental schedule of noncash investing and financing activities

Disposal of fully-depreciated property and equipment	\$ 640,675
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The accompanying notes are an integral part of these financial statements.

Starlight Children's Foundation
Notes to Financial Statements
December 31, 2019

1. ORGANIZATION

Founded in 1982, Starlight Children's 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 and other health care facilities within the United States.

Starlight Children's Foundation also provides ongoing programs throughout the United Kingdom, Canada, and Australia through international affiliates (the "International Affiliates"). 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 Starlight Children's Foundation (referred to herein as the "Foundation") in the United States. The Foundation's International Affiliates operate independently, and 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 Accounting Standards Codification (ASC) 958-810-25, Consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting principles

The Foundation has implemented Financial Accounting Standards Board Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Foundation has implemented ASU 2014-09 with a date of initial application of January 1, 2019, using the full-retrospective method. After adopting the new standard, there were no material changes to the 2019 financial statements.

The Foundation has also implemented Financial Accounting Standards Board ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. That standard clarifies guidance about whether funds received from contracts and grants are contributions or exchange transactions. The standard further provides that when both a barrier to be overcome and a right of return exist, a donor-imposed condition exists and contribution revenue should not be recognized until the condition has been met. A probability assessment about whether the recipient is likely to meet the stipulation is not a factor when determining whether an agreement is a barrier. The Foundation has implemented the standard on a modified prospective basis, meaning that it has been applied to all arrangements that were not completed as of January 1, 2019, or were entered into after that date. The implementation of ASU 2018-08 had no impact on the financial statements for the year and there were no conditional grants with remaining balances at December 31, 2019.

Starlight Children's Foundation
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code and corresponding California provisions. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

In 2019, Federal taxes were refunded as result of the repeal of the tax laws which require payment of tax on Qualified Taxable Fringe benefits for employees. The benefits to employees for which the tax was originally assessed was employer-paid parking.

ASC Topic 740, Income Taxes (ASC 740), prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. Management believes that there are no such uncertain tax positions for the Foundation at December 31, 2019.

The Foundation's federal income tax and informational returns for tax years ended December 31, 2016 and subsequent remain open to examination by the Internal Revenue Service. The returns for California, the Foundation's only state tax jurisdiction, remain open to examination by the California Franchise Board for tax years ended December 31, 2015 and subsequent.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Net assets

The Foundation's net assets and changes therein are classified and reported as follows:

- *Without donor restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.
- *With donor restrictions* - Net assets subject to donor- (or certain grantor-) 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.

Starlight Children's Foundation
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

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

Fair value measurements

Fair value determination - The fair value of the Foundation's financial instruments as of December 31, 2019 represents management's best estimates of the amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there are little, if any, observable inputs, management's own judgments about the assumptions of market participants were used in pricing the asset. Although the Foundation uses its best judgment in determining the fair value of financial instruments, there are inherent limitations in any methodology. Therefore, the values presented herein are not necessarily indicative of the amount the Foundation could realize in a current transaction. Future confirming events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon liquidation of the financial instruments.

Fair value hierarchy - The Foundation's fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- *Level 1* inputs are quoted prices (unadjusted) in active markets for identical assets that the Foundation has the ability to access at the measurement date.
- *Level 2* inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data.
- *Level 3* inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

Due to the short-term nature of cash equivalents, receivables, other assets, accounts payable, and accrued liabilities, fair value approximates carrying value.

Starlight Children's Foundation
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Foundation considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash and cash equivalents. The carrying value of cash and cash equivalents at December 31, 2019 approximates its fair value. The Foundation had no cash equivalents as of December 31, 2019.

The Foundation maintains its cash, cash equivalents, and investments in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

Concentrations

The Foundation's bank balances occasionally exceed the Federal Deposit Insurance Corporation's insured limits. The Foundation has not experienced and does not anticipate any losses relating to cash held in these accounts.

Two contributors donated 72% (52% and 20%) of the Foundation's total contribution revenue for the year ended December 31, 2019.

Investments

The Foundation maintains investments in short-term U.S. Government Treasury bills. The term of the bills is 90 days.

Contributions and pledges receivable

Contributions, including pledges, representing unconditional promises to give are recorded at estimated fair value, and recognized as revenue in the period received. The Foundation reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Total pledges receivable are expected to be collected in their entirety within one year subsequent to the year-end.

Starlight Children's Foundation
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory is comprised 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 Fun Center units. Other inventory includes Starlight gowns, Starlight Xperience inventory to be distributed to hospitals, and Starlight Comfort Kit backpacks and other materials collected for distribution through the Foundation's programs. Purchased inventory is stated at cost. Donated inventory is recorded at estimated fair value, or wholesale values depending on the size of the donation, at the time of donation. The Foundation reviews the carrying value of its inventory for possible impairment whenever events or changes in circumstances indicate that the fair value may have declined since it was originally acquired. An impairment loss is recognized when the fair value of the inventory is lower than the carrying amount, in which case a writedown is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the year ended December 31, 2019 for donated materials and supplies.

Prepaid expenses and other assets

Prepaid expenses and other assets primarily include prepaid deposits for the manufacture of Starlight gowns of \$330,000 and prepayment to Nintendo of America of \$475,260 as advance payment for the production and maintenance of Starlight Fun Centers. All of these prepaid items will be placed in hospital partner facilities for hospitalized kids upon completion. Other prepaid expenses and other assets total \$161,998.

Property and equipment

Property and equipment having a useful life of more than one year are recorded at cost if purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expenses as incurred. Property and equipment are capitalized if the useful life is greater than one year.

The estimated useful lives of property and equipment are as follows:

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

Leasehold improvements are amortized on the straight-line basis over the term of the lease.

Starlight Children's Foundation
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-lived assets

The Foundation reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related assets to its estimated fair value. No impairment losses were recognized during the year ended December 31, 2019.

Deferred rent

Deferred rent represents the difference between the lease payments made on its facilities and the lease expense. The lease expense is recognized on a straight-line basis giving consideration to planned lease escalations and free rent concessions.

Contributed goods, services, and use of facilities

Contributions of donated noncash assets are recorded at fair value, which may be wholesale value depending on the quantities received, in the period received. Contributed goods generally consist of materials for distribution to hospital partner facilities for hospitalized kids. For the year ended December 31, 2019, the Foundation received \$3,192,851 of contributed goods for distribution to children as part of its programs.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Donated services received in 2019 totaled \$452,247 and consisted primarily of donated legal fees. The donated legal fees received were in support of the Foundation's various programs and negotiating contracts with its major supporters.

Functional allocation of expense

The costs of providing the Foundation's programs and other activities have been presented in the statement of functional expenses. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Subsequent events

The Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2019 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through August 7, 2020, the date these 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, except as disclosed in Note 12.

Starlight Children's Foundation
Notes to Financial Statements
December 31, 2019

3. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3	Fair Value
U.S. Treasury bills	\$ 3,991,840	\$ -	\$ -	\$ 3,991,840

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Office equipment	\$ 19,069
Furniture and fixtures	104,458
Leasehold improvements	14,708
Software and computers	270,067
	408,302
Accumulated depreciation	(66,538)
	\$ 341,764

Depreciation and amortization expense was \$44,225 for the year ended December 31, 2019.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following:

Accounts payable	\$ 330,244
Accrued payroll	183,883
Accrued paid time off	111,991
Accrued warranty reserve - Starlight Fun Center units	150,179
Credit card payables	1,481
Other accrued liabilities	15,772
	\$ 793,550

The \$150,179 warranty reserve relates to Starlight Fun Center units purchased from Nintendo of America. The Foundation is required to repair Starlight Fun Center units donated to healthcare facilities for 3 years after the units are distributed to the respective facilities.

Starlight Children's Foundation
Notes to Financial Statements
December 31, 2019

6. CONTRIBUTED GOODS, SERVICES, AND USE OF FACILITIES

Contributed goods, services, and use of facilities consist of the following:

Donated materials and supplies	\$ 3,192,851
Donated professional services	<u>452,247</u>
	<u><u>\$ 3,645,098</u></u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions comprise the following:

Purpose restricted	\$ <u>7,400,771</u>
	<u><u>\$ 7,400,771</u></u>

Purpose restricted net assets consisted of the following:

Gift in Kind Distribution	\$ 270,000
Starlight gowns	4,252,367
Kits (Care Packages)	924,121
Gaming (Nintendo Switch)	473,623
Spaces	413,577
Star visits	303,479
VR	<u>763,604</u>
	<u><u>\$ 7,400,771</u></u>

8. DEFINED CONTRIBUTION PENSION PLAN

The Foundation maintains a 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 \$29,774 in matching contributions for the year ended December 31, 2019.

9. RELATED PARTY TRANSACTIONS

The accounts of the Foundation's International Affiliates in the United Kingdom, Australia and Canada are not included in the accompanying 2019 financial statements. During 2019, there was no activity between the Foundation and its International Affiliates.

10. COMMITMENTS

The Foundation leases certain facilities and equipment under long-term operating lease agreements that expire through November 2022.

Starlight Children's Foundation
Notes to Financial Statements
December 31, 2019

10. COMMITMENTS (continued)

Future minimum lease payments for leases that have a remaining noncancelable term in excess of one year are as follows:

<u>Year ending December 31,</u>	
2020	\$ 207,792
2021	213,658
2022	<u>200,489</u>
	<u>\$ 621,939</u>

Facilities rent expense was \$183,268 for the year ended December 31, 2019.

11. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 5,829,354
Investments	3,991,840
Contributions and pledges receivable	<u>40,300</u>
	<u>9,861,494</u>
Board-designated reserve	(2,000,000)
Net assets subject to expenditure for specified purpose (see Note 7)	<u>(7,400,771)</u>
	<u>(9,400,771)</u>
	 <u>\$ 460,723</u>

The majority of Starlight's expenditures each year 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. Additionally, Starlight's inventory increased at the end of 2019 vs. 2018. Of which, these restricted inventories were not allocated to a specific restricted grant, but will be distributed across various programs in future periods (e.g. Gowns inventory), reducing the cash outflow needed to complete the restricted grants.

As part of Starlight's liquidity management plan, cash in excess of daily requirements is invested in treasury securities.

Starlight Children's Foundation
Notes to Financial Statements
December 31, 2019

11. LIQUIDITY AND AVAILABILITY (continued)

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 held in short-term investment accounts.

12. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. In response, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which included significant provisions to provide relief and assistance to affected organizations. In April 2020, the Organization was approved for the Paycheck Protection Program ("PPP") loan under the U.S. Small Business Administration ("SBA") in the amount of \$535,610, the SBA will forgive the loan if employees are kept on payroll for either eight or twenty-four weeks and the funds are used for payroll, rent, mortgage interest, or utilities. The loan has a maturity of two years and an interest rate of 1%. The Organization expects the entirety of this loan amount to be forgiven.