

**SeriousFun Children's Network, Inc.
and Subsidiaries**

**Consolidated Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2017 and 2016

SeriousFun Children's Network, Inc. and Subsidiaries

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Independent Auditor's Report

To the Board of Directors
SeriousFun Children's Network, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of SeriousFun Children's Network, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of SeriousFun Children's Network, Inc. and Subsidiaries as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years the ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

CohnReznick LLP

Hartford, Connecticut
March 9, 2018

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidated Statements of Financial Position
December 31, 2017 and 2016**

Assets

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 5,696,945	\$ 6,067,170
Loan receivable	650,000	400,000
Pledges receivable	360,631	371,648
Prepaid expenses and other assets	244,723	213,793
Investments	6,251,566	5,999,003
Furniture and equipment (net of accumulated depreciation of \$239,119 and \$247,538, respectively)	<u>1,834</u>	<u>20,557</u>
 Total assets	 <u>\$ 13,205,699</u>	 <u>\$ 13,072,171</u>

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 344,441	\$ 272,712
Payables to camps	2,121,683	3,596,154
Deferred revenue	<u>1,000,000</u>	<u>1,000,000</u>
 Total liabilities	 <u>3,466,124</u>	 <u>4,868,866</u>
 Commitments		
Net assets		
Unrestricted	4,266,937	2,771,410
Temporarily restricted	4,372,638	5,431,895
Permanently restricted	<u>1,100,000</u>	<u>-</u>
 Total net assets	 <u>9,739,575</u>	 <u>8,203,305</u>
 Total liabilities and net assets	 <u>\$ 13,205,699</u>	 <u>\$ 13,072,171</u>

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidated Statements of Activities
Years Ended December 31, 2017 and 2016**

	Unrestricted	Temporarily restricted	Permanently restricted	2017	Unrestricted	Temporarily restricted	2016
Support and revenue							
Contributions	\$ 4,921,113	\$ 6,667,455	\$ 1,100,000	\$ 12,688,568	\$ 4,867,284	\$ 7,059,402	\$ 11,926,686
Special events	2,195,469	442,404	-	2,637,873	2,124,420	533,085	2,657,505
Special events program expense	(1,044,978)	-	-	(1,044,978)	(1,131,138)	(2,567)	(1,133,705)
Contributions in-kind	14,723	1,295,070	-	1,309,793	2,693,554	1,417,835	4,111,389
Other loss	(905)	-	-	(905)	(1,968)	-	(1,968)
Total support	6,085,422	8,404,929	1,100,000	15,590,351	8,552,152	9,007,755	17,559,907
Revenue							
Dividends, interest and other investment income	106,887	-	-	106,887	103,168	-	103,168
Realized and unrealized gain (loss) on investments	137,289	(70)	-	137,219	46,505	-	46,505
Net assets released from restrictions	9,464,116	(9,464,116)	-	-	10,297,770	(10,297,770)	-
Total revenue	9,708,292	(9,464,186)	-	244,106	10,447,443	(10,297,770)	149,673
Total support and revenue	15,793,714	(1,059,257)	1,100,000	15,834,457	18,999,595	(1,290,015)	17,709,580
Expenses							
Program services	12,214,812	-	-	12,214,812	14,585,528	-	14,585,528
Support services							
General and administrative	596,545	-	-	596,545	839,335	-	839,335
Development	1,572,192	-	-	1,572,192	2,427,193	-	2,427,193
Total support services	2,168,737	-	-	2,168,737	3,266,528	-	3,266,528
Total expenses	14,383,549	-	-	14,383,549	17,852,056	-	17,852,056
Changes in net assets	1,410,165	(1,059,257)	1,100,000	1,450,908	1,147,539	(1,290,015)	(142,476)
Gain (loss) on foreign currency	85,362	-	-	85,362	(116,394)	-	(116,394)
Total change in net assets	1,495,527	(1,059,257)	1,100,000	1,536,270	1,031,145	(1,290,015)	(258,870)
Net assets, beginning	2,771,410	5,431,895	-	8,203,305	1,740,265	6,721,910	8,462,175
Net assets, end	\$ 4,266,937	\$ 4,372,638	\$ 1,100,000	\$ 9,739,575	\$ 2,771,410	\$ 5,431,895	\$ 8,203,305

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2017
(With Comparative Totals for 2016)**

	<u>Program</u>	<u>General and administrative</u>	<u>Development</u>	<u>2017 Total</u>	<u>2016 Total</u>
Grants and financial support to camps	\$ 9,990,783	\$ -	\$ -	\$ 9,990,783	\$ 10,052,323
Salaries and benefits	1,229,613	425,728	933,161	2,588,502	2,873,641
Outside services	224,035	20,053	167,469	411,557	429,933
Travel and conferences	279,928	11,752	86,860	378,540	326,960
Office expenses and other	164,001	41,734	176,553	382,288	321,062
Marketing and communications	99,487	19,898	79,590	198,975	3,444,398
Rent and utilities	116,128	26,359	80,145	222,632	228,018
Insurance	68,316	48,911	41,999	159,226	148,229
Uncollectible pledges	33,225	-	-	33,225	2,000
Special events expense	-	-	1,044,978	1,044,978	1,133,705
Depreciation	9,296	2,110	6,415	17,821	25,492
Total	\$ 12,214,812	\$ 596,545	\$ 2,617,170	\$ 15,428,527	\$ 18,985,761

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2016**

	Program	General and administrative	Development	2016 Total
Grants and financial support to camps	\$ 10,052,323	\$ -	\$ -	\$ 10,052,323
Salaries and benefits	1,428,679	469,254	975,708	2,873,641
Outside services	207,354	19,618	202,961	429,933
Travel and conferences	245,518	15,694	65,748	326,960
Office expenses and other	123,551	37,712	159,799	321,062
Marketing and communications	2,324,462	225,253	894,683	3,444,398
Rent and utilities	126,818	23,901	77,299	228,018
Insurance	60,645	45,231	42,353	148,229
Uncollectible pledges	2,000	-	-	2,000
Special events expense	-	-	1,133,705	1,133,705
Depreciation	14,178	2,672	8,642	25,492
Total	\$ 14,585,528	\$ 839,335	\$ 3,560,898	\$ 18,985,761

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 1,536,270	\$ (258,870)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Realized and unrealized gain on investments	(137,219)	(46,505)
Depreciation	17,821	25,492
Contributions restricted for long-term investment	(1,100,000)	-
Provisions for change in foreign currency - loan receivable	-	(25,840)
(Gain) loss on disposal of property and equipment	902	8,111
Changes in operating assets and liabilities		
Pledges receivable	11,017	455,626
Prepaid expenses and other assets	(30,930)	(5,543)
Accounts payable and accrued expenses	71,729	244,344
Payable to camps	<u>(1,474,471)</u>	<u>1,367,999</u>
Net cash provided by (used in) operating activities	<u>(1,104,881)</u>	<u>1,764,814</u>
Cash flows from investing activities		
Proceeds from sale of investments	-	5,485
Purchase of investments	(115,344)	(463,203)
Disbursements of loan receivable	(650,000)	(400,000)
Repayment of loan receivable	<u>400,000</u>	<u>350,000</u>
Net cash used in investing activities	<u>(365,344)</u>	<u>(507,718)</u>
Cash flows from financing activities		
Contributions restricted for long-term investment	<u>1,100,000</u>	<u>-</u>
Net cash provided by financing activities	<u>1,100,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(370,225)	1,257,096
Cash and cash equivalents, beginning	<u>6,067,170</u>	<u>4,810,074</u>
Cash and cash equivalents, end	<u>\$ 5,696,945</u>	<u>\$ 6,067,170</u>

See Notes to Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017 and 2016

Note 1 - Nature of activities and summary of significant accounting policies

Nature of activities

SeriousFun Children's Network, Inc. (the "Organization") was formed in 2000 to support an association of affiliated camps and other facilities that serve children and families coping with serious illnesses and life threatening conditions. It was created to support the shared interests and activities of the existing camps, and to foster the responsible development of new camps and new programs. Member camps and programs are located in North America, South America, the Caribbean, Europe, Africa and Asia.

For programs, the activities include:

- Providing a forum for sharing information and best practices among the camps.
- Collecting and maintaining information on programs and management of the camps, to improve the delivery of camp programs and healthcare to children with serious illnesses and life threatening conditions.
- Raising public awareness and engaging in common fundraising to benefit all camps.

Principles of consolidation

The consolidated financial statements include the accounts of the Organization and two related not-for-profit entities that are controlled by the Organization. Stichting SeriousFun Children's Network, Europe ("Stichting") was established in 2010 to organize and manage fundraising for the affiliated camps located in Europe. SeriousFun Children's Network International, United Kingdom ("UK") was established in 2014 to organize and manage fundraising for the affiliated camps from donors based in the United Kingdom. All material inter-organization transactions and balances have been eliminated in consolidation.

Basis of presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements report information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted - Net assets that are subject to explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Organization or that expire by the passage of time.

Permanently restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Organization and stipulate the use of income and/or appreciation as either unrestricted or temporarily restricted based on donor-imposed stipulations or by operation of law.

Revenue recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is

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Notes to Consolidated Financial Statements December 31, 2017 and 2016

restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the support is recognized. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to the unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Unconditional promises to give are recorded as support when the promise is received. The Organization records multi-year pledges at their discounted present value using a risk free rate of return. Such pledges are considered temporarily restricted until the passage of time. The unamortized discount to present value is amortized and recognized as a component of contribution income using an effective yield over the duration of the pledges. Conditional promises to give are not recognized as contributions until such time the conditions upon which they depend are substantially met.

Contributions in-kind

Non-cash contributions - The Organization records the estimated fair value of the donated materials, equipment and usage of assets (i.e., rent) as both contribution in-kind revenue and expenses in the accompanying consolidated financial statements at their estimated fair values at the date of receipt. Non-cash contributions were \$1,309,793 and \$1,417,835 for donated t-shirts and other merchandise for the years ended December 31, 2017 and 2016, respectively.

Donated services - The Organization recognizes donated services if they create or enhance non-financial assets or require specialized skills and would typically be purchased if not provided by donation. The Organization values these volunteer services based upon current rates provided to the Organization by the donor. Contributed media services were \$0 and \$2,693,554 for the years ended December 31, 2017 and 2016, respectively. In addition, a substantial number of volunteers have donated significant amounts of their time toward the Organization's program services and its fundraising campaigns; however, such services are not recognized in the financial statements because such services do not meet the recognition criteria under accounting principles generally accepted in the United States of America.

Income taxes

SeriousFun Children's Network, Inc. was organized as a nonprofit corporation under Section 501 (c)(3) of the internal Revenue Code (the "Code") and, as such, is not subject to federal and state corporate income taxes.

The Organization has no unrecognized tax benefits for the years ended December 31, 2017 and 2016. The Organization's federal information returns prior to fiscal year 2014 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Organization has unrelated business income taxes, they will recognize interest and penalties associated with uncertain positions as part of the income tax provision and include accrued interest and penalties with the related tax liability in the consolidated statements of financial position.

Statements of cash flows

For the purpose of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017 and 2016

was \$3,095,386 and \$3,005,177 of cash equivalents as of December 31, 2017 and 2016, respectively.

Investments

Investments are reported at fair value with gains and losses included in the consolidated statements of activities. Gains and losses are considered unrestricted unless restricted by donor stipulation or law. Nonmonetary investments received as gifts are immediately sold and recorded at the realized value.

Furniture and equipment

The Organization capitalizes all furniture and equipment purchased in excess of \$2,000 and with a useful life greater than one year. Purchased furniture and equipment are carried at cost. Donated furniture and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of five years.

Expenses for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in change in net assets for the period.

Grants

The Organization makes grants to member and provisional camps to aid in the development of those camps. These grants are generally not payable until certain conditions have been met and, therefore, the expenses are not recorded until such conditions have been met.

Allocation of functional expenses

The Organization allocates expenses based upon the purpose of the expense. Generally, an expense relates to a specific functional expense. In some instances, an expense might relate to multiple functional expenses. Management determines the percent of the expense used by each functional expense and allocates accordingly.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Liquidity information

In order to provide information about liquidity, assets have been sequenced according to their nearness of conversion to cash. Liabilities have been sequenced according to the nearness of their resulting use of cash.

Foreign currency

The Organization's wholly owned not-for-profit subsidiaries are located in the Netherlands and the United Kingdom. The functional currencies of these foreign operations are the local currencies. The financial statements of the Organization's foreign subsidiaries have been translated into U.S. dollars. All statement of financial position accounts have been translated using the exchange rate in effect at the statement of financial position dates. Statements of activities amounts have been translated using the average exchange rate for the year. Foreign currency translation adjustments resulted in a gain of \$85,362 for the year ended December 31, 2017 and a loss of \$116,394 for the year ended December 31, 2016, respectively, and have been reported separately in the

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Notes to Consolidated Financial Statements December 31, 2017 and 2016

consolidated statements of activities. Accumulated net translation adjustments have been reported in unrestricted net assets in the consolidated statements of financial position.

As of March 9, 2018, there was an increase in both the value of the Euro and the value of the British Pound relative to the U.S. dollar. As a result of these changes in foreign currency, the Organization expects to record a gain of approximately \$27,000 in 2018.

Concentrations of credit risk

The Organization maintains its United States-based cash and cash equivalent balances in one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation. From time to time, the Organization's balances may exceed these limits. At December 31, 2017, the Organization's uninsured domestic bank balances totaled \$4,432,696. Cash held in foreign accounts are not covered by any government insurance. At December 31, 2017, the Organization's uninsured foreign bank balances totaled \$952,690. The Organization limits its credit risk by selecting financial institutions considered to be highly creditworthy.

The Organization invests in various equity securities. These investment securities are recorded at fair value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit and other risk depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors could result in changes in the value of the Organization's investments which could materially affect amounts reported in the consolidated financial statements.

The Organization has operations outside the United States with foreign currency denominated assets and liabilities, primarily denominated in the Euro and the British pound. Because the Organization has foreign currency denominated assets and liabilities, financial exposure may result, primarily from the timing of transactions and the movement of exchange rates. The foreign currency balance sheet exposures as of the end of 2017 are not expected to result in a significant impact on future earnings or cash flows.

Subsequent events

The Organization has evaluated subsequent events through March 9, 2018, which is the date the consolidated financial statements were available to be issued.

Note 2 - Loans receivable

The Organization's loan receivable at December 31, 2017, represents the amount receivable from Flying Horse Farms under a \$650,000 unsecured line of credit. The line of credit bears interest at a rate of 2% per annum and will be repaid at a rate and time to be determined by both parties, but no later than January 31, 2019.

The Organization's loan receivable at December 31, 2016 represents the amount receivable from Flying Horse Farms under a \$400,000 unsecured line of credit. The line of credit bore interest at a rate of 2% per annum and was paid in full on January 27, 2017.

Total loan receivable balance as of December 31, 2017 and 2016 was \$650,000 and \$400,000, respectively.

SeriousFun Children's Network, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

Note 3 - Investments and fair value measurement

The following summarizes investments held as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Mutual funds	<u>\$ 6,251,566</u>	<u>\$ 5,999,003</u>
Total	<u>\$ 6,251,566</u>	<u>\$ 5,999,003</u>

The Organization values its financial assets and liabilities that are recognized or disclosed at fair value on a recurring or non-recurring basis. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The fair value hierarchy distinguishes three levels of inputs that may be utilized when measuring fair value. The three levels of the fair value hierarchy are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to level 1 inputs. All of the Organization's investments are classified as level 1.
- Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to level 3 inputs.

The asset or liability'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 hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Valuation techniques used need to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

SeriousFun Children's Network, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds				
Bonds				
Short term	\$ 5,450,010	\$ 5,450,010	\$ -	\$ -
Equities				
Foreign	156,840	156,840	-	-
Domestic	644,716	644,716	-	-
	<u>\$ 6,251,566</u>	<u>\$ 6,251,566</u>	<u>\$ -</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds				
Bonds				
Short term	\$ 5,360,125	\$ 5,360,125	\$ -	\$ -
Equities				
Foreign	119,140	119,140	-	-
Domestic	519,738	519,738	-	-
	<u>\$ 5,999,003</u>	<u>\$ 5,999,003</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in mutual funds are valued at the daily closing price as reported by the fund (level 1). Mutual funds are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The funds held by the Organization are deemed to be actively traded. Common stock is valued using market prices on active markets (level 1). Level 1 instrument valuations are obtained from real time quotes for transactions in active exchange markets involving identical assets.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in valuation methods from 2016 to 2017.

Note 4 - Pledges receivable

Unconditional pledges receivable were \$360,631 and \$371,648 at December 31, 2017 and 2016, respectively. The pledges are all expected to be collected within one year and, therefore, no discount or allowance has been recorded.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017 and 2016

Note 5 - Conditional promise to give

The Organization received a conditional promise to give through an agreement covering the period January 2015 through December 2018 where the Company agrees to contribution \$4 million annually based upon meeting semi-annual objectives and milestones.

The Organization received a conditional promise to give through an agreement covering the period January 2016 through December 2020 where the Company agrees to contribute no less than \$7.5 million based upon fundraising efforts, merchandise sales and on-line promotions. The Company will provide the following on an annual basis:

- \$1 million cash contribution, minimum
- \$1.5 million in non-cash donations, minimum
- 20,000 volunteer service hours
- Ad-hoc gifts

The Organization received a conditional promise to give where the donor agrees to contribute \$205,000 each year through 2021 to fund a specific number of campers.

Note 6 - Net assets

Temporarily restricted net assets consisted of the following for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Purpose and time restrictions	<u>\$ 4,372,638</u>	<u>\$ 5,431,895</u>

The purpose restrictions relate primarily to amounts to be expended as grants to member camps and for other future events and operations.

In the years ended December 31, 2017 and 2016, net assets of \$9,464,116 and \$10,297,770, respectively, were released from donor restrictions due to the satisfaction of purpose restrictions.

Note 7 - Related party transactions

During the years ended December 31, 2017 and 2016, the Organization received \$5,992,256 and \$7,399,985, respectively, of cash contributions from members of the Organization's board of directors and their affiliates.

One related party contributed \$5,183,760 in year ended December 31, 2017 and \$5,936,000 in year ended December 31, 2016, which is approximately 31% and 33% of total revenue, respectively.

Note 8 - Endowment

The Organization's endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as

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Notes to Consolidated Financial Statements December 31, 2017 and 2016

endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted or unrestricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

In accordance with CTUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a) The duration and preservation of the fund
- b) The purposes of the Organization and the donor-restricted endowment fund
- c) General economic conditions
- d) The possible effect of inflation and deflation
- e) The expected total return from income and the appreciation of investments
- f) Other resources of the Organization
- g) The investment policies of the Organization

At December 31, 2017, endowment funds consisted of one donor-restricted contribution of \$1,100,000.

Note 9 - In-kind contributions and expenses

Contributions in-kind and related expenses totaling \$1,309,793 and \$4,111,389 for the years ended December 31, 2017 and 2016, respectively, for donated media and supplies, have been reflected in the Organization's statement of activities.

Note 10 - Retirement plans

The Organization sponsors a qualified defined contribution retirement plan (the "Plan") for all eligible employees. Employees are eligible to participate in the Plan after completing one year of service and attaining 21 years of age. The Organization contributes up to 9% of eligible salaries to the Plan annually, and employees become fully vested in the Organization's contribution after three years of service. Retirement expense related to this Plan was \$153,089 and \$128,804 for the years ended December 31, 2017 and 2016, respectively.

In addition, the Organization sponsors a qualified tax-deferred annuity plan whereby substantially all employees are eligible to contribute a portion of their salaries to this Plan, subject to federal limitations. The Organization does not make contributions to this Plan.

SeriousFun Children's Network, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

Note 11 - Commitments

There were no conditional grants authorized to member camps as of December 31, 2017 and 2016.

The Organization entered into an operating lease for its Westport, Connecticut office beginning January 1, 2011 that expired in 2016. The Organization renewed the Westport, Connecticut lease in 2015 extending the lease term to 2020.

The Organization entered into various operating leases for office equipment that expire at various dates through December 31, 2018.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2017, for each of the next three years and in the aggregate are as follows:

	<u>Real estate</u>	<u>Equipment</u>
2018	\$ 195,204	\$ 1,647
2019	195,204	-
2020	<u>207,396</u>	<u>-</u>
	<u>\$ 597,804</u>	<u>\$ 1,647</u>

Rent expense recognized in the statements of activities under its operating leases was \$197,921 and \$199,777, respectively, for the years ended December 31, 2017 and 2016.

Note 12 - Deferred revenue

The Organization received a conditional gift of \$1,000,000 from an unrelated organization during 2017 and 2016 to be used for specific expenses during calendar years 2018 and 2017, respectively.

Supplementary Information

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2017**

Assets

	SeriousFun Children's Network, Inc.	SeriousFun Children's Network International, United Kingdom	Eliminating entries	2017
Assets				
Cash and cash equivalents	\$ 5,242,505	\$ 454,440	\$ -	\$ 5,696,945
Loan receivable	650,000	-	-	650,000
Pledges receivable	473,359	75,830	(188,558)	360,631
Prepaid expenses and other assets	504,091	63,710	(323,078)	244,723
Investments	6,251,566	-	-	6,251,566
Furniture and equipment (net of accumulated depreciation of \$239,119)	1,834	-	-	1,834
Total assets	\$ 13,123,355	\$ 593,980	\$ (511,636)	\$ 13,205,699

Liabilities and Net Assets

Liabilities				
Accounts payable and accrued expenses	\$ 345,237	\$ 510,840	\$ (511,636)	\$ 344,441
Payables to camps	1,918,405	203,278	-	2,121,683
Deferred revenue	1,000,000	-	-	1,000,000
Total liabilities	3,263,642	714,118	(511,636)	3,466,124
Commitments				
Net assets				
Unrestricted	4,387,075	(120,138)		4,266,937
Temporarily restricted	4,372,638	-	-	4,372,638
Permanently restricted	1,100,000	-	-	1,100,000
Total net assets	9,859,713	(120,138)	-	9,739,575
Total liabilities and net assets	\$ 13,123,355	\$ 593,980	\$ (511,636)	\$ 13,205,699

See Independent Auditor's Report.

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidating Statement of Activities
Year Ended December 31, 2017**

	SeriousFun Children's Network, Inc.			SeriousFun Children's Network International, United Kingdom		Total	Eliminating entries	2017
	Unrestricted	Temporarily restricted	Permanently restricted	Unrestricted	Temporarily restricted			
Support and revenue								
Contributions	\$ 4,916,432	\$ 6,649,661	\$ 1,100,000	\$ 4,681	\$ 17,794	\$ 12,688,568	\$ -	\$ 12,688,568
Special events	1,956,404	243,609	-	239,065	198,795	2,637,873	-	2,637,873
Special events program expense	(788,014)	-	-	(256,964)	-	(1,044,978)	-	(1,044,978)
Contributions in-kind	14,723	1,295,070	-	-	-	1,309,793	-	1,309,793
Other loss	(905)	-	-	-	-	(905)	-	(905)
Total support	6,098,640	8,188,340	1,100,000	(13,218)	216,589	15,590,351	-	15,590,351
Revenue								
Dividends, interest and other investment income	106,848	-	-	39	-	106,887	-	106,887
Realized and unrealized gain (loss) on investments	137,289	(70)	-	-	-	137,219	-	137,219
Net assets released from restrictions	9,247,527	(9,247,527)	-	216,589	(216,589)	-	-	-
Total revenue	9,491,664	(9,247,597)	-	216,628	(216,589)	244,106	-	244,106
Total support and revenue	15,590,304	(1,059,257)	1,100,000	203,410	-	15,834,457	-	15,834,457
Expenses								
Program services	11,998,222	-	-	216,590	-	12,214,812	-	12,214,812
Support services								
General and administrative	591,707	-	-	4,838	-	596,545	-	596,545
Development	1,565,286	-	-	6,906	-	1,572,192	-	1,572,192
Total support services	2,156,993	-	-	11,744	-	2,168,737	-	2,168,737
Total expenses	14,155,215	-	-	228,334	-	14,383,549	-	14,383,549
Changes in net assets	1,435,089	(1,059,257)	1,100,000	(24,924)	-	1,450,908	-	1,450,908
Gain (loss) on foreign currency	93,755	-	-	(8,393)	-	85,362	-	85,362
Total change in net assets	1,528,844	(1,059,257)	1,100,000	(33,317)	-	1,536,270	-	1,536,270
Net assets, beginning	2,858,231	5,431,895	-	(86,821)	-	8,203,305	-	8,203,305
Net assets, end	\$ 4,387,075	\$ 4,372,638	\$ 1,100,000	\$ (120,138)	\$ -	\$ 9,739,575	\$ -	\$ 9,739,575

See Independent Auditor's Report.