

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

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

December 31, 2019 and 2018

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, 2019 and 2018, 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.

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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.

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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.

R s l r q #

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, 2019 and 2018, and the changes in their net assets and their cash flows for the years then 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 23 and 24 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
May 28, 2020

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidated Statements of Financial Position
December 31, 2019 and 2018**

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 4,878,639	\$ 3,711,630
Loan receivable	486,931	667,792
Unconditional promises to give	1,030,158	1,506,260
Prepaid expenses and other assets	310,814	226,671
Investments	<u>7,855,912</u>	<u>7,226,731</u>
Total assets	<u>\$ 14,562,454</u>	<u>\$ 13,339,084</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable and accrued expenses	\$ 264,039	\$ 340,109
Payables to camps	<u>2,043,577</u>	<u>1,920,162</u>
Total liabilities	<u>2,307,616</u>	<u>2,260,271</u>
Commitments		
Net assets		
Without donor restrictions	6,141,913	5,448,881
With donor restrictions	<u>6,112,925</u>	<u>5,629,932</u>
Total net assets	<u>12,254,838</u>	<u>11,078,813</u>
Total liabilities and net assets	<u>\$ 14,562,454</u>	<u>\$ 13,339,084</u>

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidated Statements of Activities
Years Ended December 31, 2019 and 2018**

	Without donor restrictions	With donor restrictions	2019	Without donor restrictions	With donor restrictions	2018
Support and revenue						
Contributions	\$ 5,671,855	\$ 6,895,068	\$ 12,566,923	\$ 4,928,050	\$ 6,789,322	\$ 11,717,372
Special events	1,194,729	197,072	1,391,801	1,559,806	651,925	2,211,731
Special events program expense	(861,493)	-	(861,493)	(1,145,174)	-	(1,145,174)
Contributions in-kind	76,937	1,525,808	1,602,745	7,986	1,219,953	1,227,939
Other gain (loss)	-	-	-	17,792	-	17,792
Total support	<u>6,082,028</u>	<u>8,617,948</u>	<u>14,699,976</u>	<u>5,368,460</u>	<u>8,661,200</u>	<u>14,029,660</u>
Revenue						
Dividends, interest and other investment income	239,848	-	239,848	179,506	-	179,506
Realized and unrealized gain (loss) on investments	265,143	158,368	423,511	(150,450)	(115,985)	(266,435)
Net assets released from restrictions	<u>8,293,323</u>	<u>(8,293,323)</u>	<u>-</u>	<u>8,387,921</u>	<u>(8,387,921)</u>	<u>-</u>
Total revenue	<u>8,798,314</u>	<u>(8,134,955)</u>	<u>663,359</u>	<u>8,416,977</u>	<u>(8,503,906)</u>	<u>(86,929)</u>
Total support and revenue	<u>14,880,342</u>	<u>482,993</u>	<u>15,363,335</u>	<u>13,785,437</u>	<u>157,294</u>	<u>13,942,731</u>
Expenses						
Program services	<u>11,721,035</u>	<u>-</u>	<u>11,721,035</u>	<u>10,187,680</u>	<u>-</u>	<u>10,187,680</u>
Support services						
General and administrative	692,145	-	692,145	596,611	-	596,611
Development	<u>1,797,580</u>	<u>-</u>	<u>1,797,580</u>	<u>1,799,439</u>	<u>-</u>	<u>1,799,439</u>
Total support services	<u>2,489,725</u>	<u>-</u>	<u>2,489,725</u>	<u>2,396,050</u>	<u>-</u>	<u>2,396,050</u>
Total expenses	<u>14,210,760</u>	<u>-</u>	<u>14,210,760</u>	<u>12,583,730</u>	<u>-</u>	<u>12,583,730</u>
Changes in net assets	669,582	482,993	1,152,575	1,201,707	157,294	1,359,001
Gain (loss) on foreign currency	<u>23,450</u>	<u>-</u>	<u>23,450</u>	<u>(19,763)</u>	<u>-</u>	<u>(19,763)</u>
Total change in net assets	693,032	482,993	1,176,025	1,181,944	157,294	1,339,238
Net assets, beginning	<u>5,448,881</u>	<u>5,629,932</u>	<u>11,078,813</u>	<u>4,266,937</u>	<u>5,472,638</u>	<u>9,739,575</u>
Net assets, end	<u>\$ 6,141,913</u>	<u>\$ 6,112,925</u>	<u>\$ 12,254,838</u>	<u>\$ 5,448,881</u>	<u>\$ 5,629,932</u>	<u>\$ 11,078,813</u>

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2019
(With Comparative Totals for 2018)**

	Program	General and administrative	Development	2019 Total	2018 Total
Grants and financial support to camps	\$ 8,951,529	\$ -	\$ -	\$ 8,951,529	\$ 7,763,408
Salaries and benefits	1,747,402	445,198	1,298,730	3,491,330	2,976,016
Outside services	116,931	70,802	13,329	201,062	385,988
Travel and conferences	348,930	8,742	77,660	435,332	459,172
Office expenses and other	233,088	46,600	160,909	440,597	449,740
Marketing and communications	124,805	24,961	99,844	249,610	130,202
Rent and utilities	113,964	29,482	81,286	224,732	223,677
Insurance and professional fees	62,982	66,360	29,996	159,338	176,973
Uncollectible promises to give	21,404	-	35,826	57,230	16,720
Special events expense	-	-	861,493	861,493	1,145,174
Depreciation	-	-	-	-	1,834
Total	\$ 11,721,035	\$ 692,145	\$ 2,659,073	\$ 15,072,253	\$ 13,728,904

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2018**

	<u>Program</u>	<u>General and administrative</u>	<u>Development</u>	<u>2018 Total</u>
Grants and financial support to camps	\$ 7,763,408	\$ -	\$ -	\$ 7,763,408
Salaries and benefits	1,398,141	411,729	1,166,146	2,976,016
Outside services	191,729	37,944	156,315	385,988
Travel and conferences	341,234	14,479	103,459	459,172
Office expenses and other	228,068	35,453	186,219	449,740
Marketing and communications	65,101	13,020	52,081	130,202
Rent and utilities	115,322	25,701	82,654	223,677
Insurance and professional fees	66,998	58,078	51,897	176,973
Uncollectible promises to give	16,720	-	-	16,720
Special events expense	-	-	1,145,174	1,145,174
Depreciation	959	207	668	1,834
Total	\$ 10,187,680	\$ 596,611	\$ 2,944,613	\$ 13,728,904

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 1,176,025	\$ 1,339,238
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Realized and unrealized (gain) loss on investments	(423,511)	171,335
Depreciation	-	1,834
Accrued interest receivable - loan receivable	-	(17,792)
Changes in operating assets and liabilities		
Unconditional promises to give	476,102	(1,145,629)
Prepaid expenses and other assets	(84,143)	18,052
Accounts payable and accrued expenses	(76,070)	(4,332)
Payable to camps	123,415	(201,521)
Deferred revenue	-	(1,000,000)
	<u>1,191,818</u>	<u>(838,815)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Proceeds from sale of investments	323,440	134,150
Purchase of investments	(529,110)	(1,280,650)
Repayment of loan receivable	180,861	-
	<u>(24,809)</u>	<u>(1,146,500)</u>
Net cash used in investing activities		
Net increase (decrease) in cash and cash equivalents	1,167,009	(1,985,315)
Cash and cash equivalents, beginning	<u>3,711,630</u>	<u>5,696,945</u>
Cash and cash equivalents, end	<u>\$ 4,878,639</u>	<u>\$ 3,711,630</u>

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019 and 2018

Note 1 - 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, 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.

Note 2 - Newly adopted accounting standards

The Organization adopted FASB ASU 2014-09, Revenue from Contracts with Customers. This standard provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Organization adopted ASU 2014-09 on January 1, 2019 using the modified retrospective method of transition for all contracts that were not completed as of that date.

The Organization's revenue for reporting periods ended after December 31, 2018 are presented under the new guidance, while financial results for prior periods will continue to be reported in accordance with the prior guidance and the Organization's historical accounting policy. The Organization has not experienced significant changes to the pattern of revenue recognition for its contracts, the identification of contracts and performance obligations or the measurement of variable consideration. Adopting the new standard did not have a material effect on the timing of the Organization's revenue recognition.

The Organization adopted FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization adopted the provisions of ASU 2018-08 on January 1, 2019 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. There is no effect on net assets in connection with our implementation of ASU 2018-08.

SeriousFun Children's Network, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2019 and 2018**

Note 3 - Significant accounting policies

The significant accounting policies of the Organization are as follows:

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 the following net asset categories:

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Net assets without donor restrictions represent available resources other than donor-restricted contributions. Included in net assets without donor restrictions are funds that may be earmarked for specific purposes.

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Net assets subject to donor- (or certain grantor-) 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.

Revenue recognition

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period have been reported as unrestricted support in the statement of activities.

H {fkdqjh#wdqvdfwrqv#R Revenue is recognized when control of the promised good or service is transferred in an amount that reflects the consideration expected in exchange for those goods or services.

F rqwlexwrqv#Uhfhlhg - An unconditional promise to give a financial asset is recognized as revenue when the promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019 and 2018

Frqwlxwlrqv#P dgh - Contributions and grants made are recognized as expenses in the period in which the promise is made. Contributions and grants with a measurable performance or other barrier, and a right of return, are not recognized until the conditions upon which they depend have been substantially met. The Organization makes grants to member camps and partnership programs to aid in development and capacity building. 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.

Qrqrfdvk#frqwlxwlrqv - 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 \$1,619,719 and \$1,230,696 for donated t-shirts and other merchandise for the years ended December 31, 2019 and 2018, respectively.

Grqdwng#vhwYhv - 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.

Cash and cash equivalents

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 were \$3,650,417 and \$1,700,587 of cash equivalents as of December 31, 2019 and 2018, respectively.

Receivables

Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on receivables using the allowance method. The allowance is based on management's past experience. The Organization's policy is to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Contributions to be received over future periods are presented at the present value of estimated future cash flows using a discount rate of 2.51%. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

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. Certain computer equipment may be expensed as incurred. 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 life of five years.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019 and 2018

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.

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, 2019 and 2018. The Organization's federal information returns prior to fiscal year 2016 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.

Allocation of functional expenses

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

Foreign currency

The Organization's controlled 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 \$23,450 for the year ended December 31, 2019 and a loss of \$19,763 for the year ended December 31, 2018, respectively, and have been reported separately in the consolidated statements of activities. Accumulated net translation adjustments have been reported in net assets without donor restrictions in the consolidated statements of financial position.

As of May 26, 2020, there was a decrease in the value of the British Pound and the Euro relative to the U.S. dollar. As a result of these changes in foreign currency, the Organization would expect to record a net loss of approximately \$50,000 in 2020.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019 and 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, 2019, the Organization's uninsured domestic bank balances totaled \$4.0 million. Cash held in foreign accounts are not covered by any government insurance. At December 31, 2019, the Organization's uninsured foreign bank balances totaled \$636,925. 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 2019 are not expected to result in a significant impact on future earnings or cash flows.

During 2019, approximately 60% of contribution revenue was received from two donors. During 2018, approximately 64% of contribution revenue was received from two donors.

Subsequent events

The Organization has evaluated subsequent events through May 28, 2020, which is the date the consolidated financial statements were available to be issued.

In December 2019 and early 2020, the coronavirus that causes COVID-19 was reported to have surfaced in China. The spread of this virus globally including in early 2020 has caused business disruption domestically in the United States, the area in which the Company primarily operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this uncertainty. Therefore, while the Company expects this matter to negatively impact the Company's financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

On May 18, 2020, the Organization agreed to suspend payments on the loan receivable through December 31, 2020 and extending the maturity date to August 1, 2023.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019 and 2018

Note 4 - Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2019 and 2018, the Organization has approximately \$11.5 million of financial assets available to meet annual operating needs for the 2020 fiscal year, and \$10 million of financial assets available to meet annual operating needs for the 2019 fiscal year as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 4,878,639	3,711,630
Loan receivable	486,931	667,792
Unconditional promises to give	1,030,158	1,506,260
Other assets	-	79,095
Investments	<u>7,855,912</u>	<u>7,226,731</u>
	14,251,640	13,191,508
Less unconditional promises to give after more than one year	(404,582)	(639,851)
Less endowment funds to be used in perpetuity	(1,100,000)	(1,100,000)
Less loan receivable after more than one year	(333,896)	(486,931)
Less: board designated capital reserve	<u>(895,957)</u>	<u>(875,394)</u>
Financial assets available	<u>\$ 11,517,205</u>	<u>\$ 10,089,332</u>

These financial assets are not subject to any donor or contractual restrictions.

The Organization supports its general operations primarily with unrestricted donor contributions and donor-restricted funds whose time or purpose restriction has been met.

The Organization's Investment Policy Statement requires the investment portfolio to maintain liquid instruments within its portfolio to ensure assets are available to meet general expenditures, liabilities and other obligations as they come due. The Organization's finance committee reviews investment performance and considers near-term liquidity needs.

In addition to financial assets available to meet general expenditures within one year, amounts reported as board designated could be made available, as needed, by Board action. The board generally designates unusual unrestricted gifts such as a bequest to the board-designated endowment.

Note 5 - Loan receivable

The Organization's loan receivable 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 was due and payable no later than January 31, 2019.

On January 2, 2019, the loan was amended to satisfy payments of principal \$650,000 and unpaid accrued interest of \$17,792. The amended loan agreement requires 48 monthly payments of principal of \$13,912. Final payment is due December 1, 2022.

SeriousFun Children's Network, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2019 and 2018**

Total loan receivable balance (including unpaid accrued interest) as of December 31, 2019 and 2018 was 486,931 and 667,792, respectively.

The future minimum payments due are as follows:

2020	\$	153,035
2021		166,948
2022		<u>166,948</u>
	\$	<u><u>486,931</u></u>

Note 6 - Unconditional promises to give

Unconditional promises to give are comprised of the following:

	<u>2019</u>	<u>2018</u>
Receivable due in		
Less than one year	\$ 640,011	\$ 895,893
One to five years	404,582	639,851
Greater than five years	<u>-</u>	<u>-</u>
	1,044,593	1,535,744
Less allowance	-	-
Less unconditional promises to give discount	<u>(14,435)</u>	<u>(29,484)</u>
	<u><u>\$ 1,030,158</u></u>	<u><u>\$ 1,506,260</u></u>

Note 7 - Investments and fair value measurement

Investments are comprised of the following:

	<u>2019</u>	<u>2018</u>
Mutual funds	<u>\$ 7,855,912</u>	<u>\$ 7,226,731</u>
Total	<u><u>\$ 7,855,912</u></u>	<u><u>\$ 7,226,731</u></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:

SeriousFun Children's Network, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2019 and 2018**

- 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.

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

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-term fixed income	\$ 5,707,983	\$ 5,707,983	\$ -	\$ -
Fixed income	216,744	216,744	-	-
Equities	1,788,443	1,788,443	-	-
Alternative strategies	95,339	95,339	-	-
World allocation	47,403	47,403	-	-
	<u>\$ 7,855,912</u>	<u>\$ 7,855,912</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, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-term fixed income	\$ 5,492,774	\$ 5,492,774		
Fixed income	203,326	203,326		
Equities	1,396,353	1,396,353	\$ -	\$ -
Alternative strategies	86,501	86,501		
World allocation	47,777	47,777	-	-
	<u>\$ 7,226,731</u>	<u>\$ 7,226,731</u>	<u>\$ -</u>	<u>\$ -</u>

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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 2018 to 2019.

Note 8 - Net assets

Net assets consisted of the following:

	<u>2019</u>	<u>2018</u>
With donor restrictions		
Purpose and time restrictions	\$ 4,922,875	\$ 4,623,298
Accumulated investment gains (loss) on endowment	90,050	(93,366)
Amounts required to be held in perpetuity	<u>1,100,000</u>	<u>1,100,000</u>
	<u>\$ 6,112,925</u>	<u>\$ 5,629,932</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, 2019 and 2018, net assets of \$8,293,323 and \$8,387,921, respectively, were released from donor restrictions due to the satisfaction of purpose restrictions.

The board has designated certain funds for a capital reserve. The amount designated totaled \$895,957 and \$875,344 at December 31, 2019 and 2018, respectively.

Note 9 - Related party transactions

During the years ended December 31, 2019 and 2018, the Organization received \$5,369,695 and \$5,254,495, respectively, of cash contributions from related organizations, members of the Organization's board of directors and employees.

One related party contributed \$5,117,500 in the year ended December 31, 2019 and \$4,698,900 in the year ended December 31, 2018, which is approximately 33% and 34% of total revenue, respectively.

Note 10 - 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

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019 and 2018

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

Underwater endowment funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the State of Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") requires the Organization to retain as a fund of perpetual duration.

While CTUPMIFA allows for endowed funds to fall below the required level, it is the Organization's intention to maintain its endowed funds at their required levels when possible. The Organization's sole endowment fund was underwater by \$0 and \$93,336 at December 31, 2019 and 2018, respectively.

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to generate annual returns in support of operations while also increasing the value of endowment assets. The endowment investment objectives are to safeguard and preserve the real purchasing power of the portfolio while earning investment returns sufficient to meet donor requirements. Under this policy, the Organization seeks to control risk and reduce volatility in its portfolio through diversification. The Organization also seeks to maintain adequate liquidity to meet its obligations, including planned expenditures.

Strategies employed to achieve objectives

To satisfy its long-term rate of return objectives, endowment funds are allocated among various asset classes including equity, fixed income, alternative investments and cash and is diversified both by and within asset classes. The purpose of this diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the endowment.

Spending policy and how the investment objectives relate to spending policy

The Organization has a policy of appropriating not more than 5% of the average market value of the endowment fund for the preceding 12 quarters. This is consistent with the Organization's objective to achieve net income of 5% to distribute to US camps, while preserving the original gift in its entirety.

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**Notes to Consolidated Financial Statements
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Interpretation of relevant law

The Board of Directors has interpreted 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.

Interpretation of relevant law

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

Endowment net asset composition by type of fund is as follows:

	Without donor restrictions	With donor restrictions	Total
December 31, 2019			
Board designated	\$ -	\$ -	\$ -
Donor restricted			
Original donor gift mained in perpetuity	-	1,100,000	1,100,000
Accumulated investment gain	-	90,050	90,050
	<u>\$ -</u>	<u>\$ 1,190,050</u>	<u>\$ 1,190,050</u>
December 31, 2018			
Board designated	\$ -	\$ -	\$ -
Donor restricted			
Original donor gift mained in perpetuity	-	1,006,634	1,006,634
Accumulated investment gain	-	-	-
	<u>\$ -</u>	<u>\$ 1,006,634</u>	<u>\$ 1,006,634</u>

SeriousFun Children's Network, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2019 and 2018**

Changes in endowment net assets are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2018	\$ -	\$ 1,100,000	\$ 1,100,000
Investment return			
Investment income	-	-	-
Unrealized/realized gains and (losses)	-	(93,366)	(93,366)
Net investment return	-	1,006,634	1,006,634
Contributions	-	-	-
Approved for expenditure	-	-	-
Endowment net assets, December 31, 2018	-	1,006,634	1,006,634
Investment return			
Investment income	-	28,576	28,576
Unrealized/realized gains and (losses)	-	159,200	159,200
Net investment return	-	187,776	187,776
Contributions	-	-	-
Approved for expenditure	-	(4,360)	(4,360)
Endowment net assets, December 31, 2019	<u>\$ -</u>	<u>\$ 1,190,050</u>	<u>\$ 1,190,050</u>

Note 11 - 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 \$216,054 and \$195,199 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018**

Note 12 - Commitments

There were no conditional grants authorized to member camps as of December 31, 2019 and 2018.

The Organization has an operating lease for its Westport, Connecticut office through December 31, 2020.

The Organization entered into various operating leases for office equipment that expired at various dates through December 31, 2018. The Organization is currently paying for these on a month to month basis.

Minimum future rental payments under non-cancelable operating leases are as follows:

	<u>Real estate</u>	<u>Equipment</u>
2020	<u>\$ 207,396</u>	<u>\$ -</u>
	<u><u>\$ 207,396</u></u>	<u><u>\$ -</u></u>

Rent expense recognized in the statements of activities under its operating leases was \$204,644 and \$203,232, respectively, for the years ended December 31, 2019 and 2018.

Note 13 - Conditional Promises to Receive

During 2019, the Organization received a grant for \$22,250,000 that contained donor-imposed conditions. The Organization recognized \$4,250,000 in 2019 upon meeting certain conditions of the grant.

During 2017, the Organization received a grant for \$2,125,000 that contained donor-imposed conditions. The Organization recognized \$205,000 in 2019 upon meeting certain conditions of the grant.

During 2019, the Organization received a grant for 1 billion JPY that contained donor-imposed conditions. The Organization did not recognize revenue from this grant in 2019.

The Organization has received conditional promises to give that are based upon sales of certain products or fundraising results of the grantor. The amount of these promises to give are unknown.

Supplementary Information

SeriousFun Children's Network, Inc. and Subsidiaries

Supplementary Information

**Consolidating Statement of Financial Position
December 31, 2019**

	<u>Assets</u>			
	SeriousFun Children's Network, Inc.	SeriousFun Children's Network International, United Kingdom	Eliminating entries	2019
Assets				
Cash and cash equivalents	\$ 4,451,225	\$ 427,414	\$ -	\$ 4,878,639
Loan receivable	486,931	-	-	486,931
Unconditional promises to give	1,181,737	33,355	(184,934)	1,030,158
Prepaid expenses and other assets	629,358	62,499	(381,043)	310,814
Investments	7,855,912	-	-	7,855,912
	<u>14,605,163</u>	<u>523,268</u>	<u>(565,977)</u>	<u>14,562,454</u>
Total assets	\$ 14,605,163	\$ 523,268	\$ (565,977)	\$ 14,562,454
<u>Liabilities and Net Assets</u>				
Liabilities				
Accounts payable and accrued expenses	\$ 337,024	\$ 492,992	\$ (565,977)	\$ 264,039
Payables to camps	2,012,881	30,696	-	2,043,577
	<u>2,349,905</u>	<u>523,688</u>	<u>(565,977)</u>	<u>2,307,616</u>
Total liabilities	2,349,905	523,688	(565,977)	2,307,616
Commitments				
Net assets				
Without donor restriction	6,039,973	101,940	-	6,141,913
With donor restriction	6,215,285	(102,360)	-	6,112,925
	<u>12,255,258</u>	<u>(420)</u>	<u>-</u>	<u>12,254,838</u>
Total net assets	12,255,258	(420)	-	12,254,838
Total liabilities and net assets	\$ 14,605,163	\$ 523,268	\$ (565,977)	\$ 14,562,454

See Independent Auditor's Report.

SeriousFun Children's Network, Inc. and Subsidiaries

Supplementary Information

**Consolidating Statement of Activities
Year Ended December 31, 2019**

	SeriousFun Children's Network, Inc.		SeriousFun Children's Network International, United Kingdom		Total	Eliminating entries	2019
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions			
Support and revenue							
Contributions	\$ 5,659,292	\$ 6,881,641	\$ 12,563	\$ 13,427	\$ 12,566,923	\$ -	\$ 12,566,923
Special events	1,120,290	95,890	74,439	101,182	1,391,801	-	1,391,801
Special events program expense	(776,542)	-	(84,951)	-	(861,493)	-	(861,493)
Contributions in-kind	76,937	1,525,808	-	-	1,602,745	-	1,602,745
Total support	<u>6,079,977</u>	<u>8,503,339</u>	<u>2,051</u>	<u>114,609</u>	<u>14,699,976</u>	<u>-</u>	<u>14,699,976</u>
Revenue							
Dividends, interest and other investment income	239,802	-	46	-	239,848	-	239,848
Realized and unrealized loss on investments	265,143	158,368	-	-	423,511	-	423,511
Net assets released from restrictions	8,076,354	(8,076,354)	216,969	(216,969)	-	-	-
Total revenue	<u>8,581,299</u>	<u>(7,917,986)</u>	<u>217,015</u>	<u>(216,969)</u>	<u>663,359</u>	<u>-</u>	<u>663,359</u>
Total support and revenue	<u>14,661,276</u>	<u>585,353</u>	<u>219,066</u>	<u>(102,360)</u>	<u>15,363,335</u>	<u>-</u>	<u>15,363,335</u>
Expenses							
Program services	<u>11,604,066</u>	<u>-</u>	<u>116,969</u>	<u>-</u>	<u>11,721,035</u>	<u>-</u>	<u>11,721,035</u>
Support services							
General and administrative	680,621	-	11,524	-	692,145	-	692,145
Development	1,758,874	-	38,706	-	1,797,580	-	1,797,580
Total support services	<u>2,439,495</u>	<u>-</u>	<u>50,230</u>	<u>-</u>	<u>2,489,725</u>	<u>-</u>	<u>2,489,725</u>
Total expenses	<u>14,043,561</u>	<u>-</u>	<u>167,199</u>	<u>-</u>	<u>14,210,760</u>	<u>-</u>	<u>14,210,760</u>
Changes in net assets	617,715	585,353	51,867	(102,360)	1,152,575	-	1,152,575
Gain (loss) on foreign currency	21,542	-	1,908	-	23,450	-	23,450
Total change in net assets	639,257	585,353	53,775	(102,360)	1,176,025	-	1,176,025
Net assets, beginning	5,400,716	5,629,932	48,165	-	11,078,813	-	11,078,813
Net assets, end	<u>\$ 6,039,973</u>	<u>\$ 6,215,285</u>	<u>\$ 101,940</u>	<u>\$ (102,360)</u>	<u>\$ 12,254,838</u>	<u>\$ -</u>	<u>\$ 12,254,838</u>

See Independent Auditor's Report.



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