SERIOUSFUN CHILDREN'S NETWORK, INC.

FINANCIAL REPORT
November 30, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
SeriousFun Children's Network, Inc. and Subsidiary
New Haven, Connecticut

We have audited the accompanying consolidated statement of financial position of SeriousFun Children's Network, Inc. and Subsidiary (the "Organization") as of November 30, 2012, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2011 financial statements and in our report, dated March 5, 2012, we expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Subsidiary as of November 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey LLP

New Haven, Connecticut
February 8, 2013

SERIOUSFUN CHILDREN'S NETWORK, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
November 30, 2012
(With Summarized Financial Information for 2011)

	2012	2011
ASSETS		
Cash and cash equivalents	**$ 1,022,031**	$ 3,066,203
Loan receivable (Note 3)	**500,000**	-
Pledges receivable (Note 4)	**1,321,670**	3,604,630
Prepaid expenses and other assets	**287,495**	258,363
Investments at fair value (Note 5)	**15,527,103**	14,900,488
Furniture and equipment (net of accumulated depreciation of $108,177 in 2012 and $111,820 in 2011)	**96,929**	111,284
Total assets	**$ 18,755,228**	$ 21,940,968
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	**$ 303,991**	$ 489,451
Payables to camps	**-**	71,599
Total liabilities	**303,991**	561,050
Commitments (Note 9)		
Net Assets (Note 2)		
Unrestricted	**4,559,268**	4,475,966
Temporarily restricted	**13,891,969**	16,903,952
Total net assets	**18,451,237**	21,379,918
Total liabilities and net assets	**$ 18,755,228**	$ 21,940,968

See Notes to Consolidated Financial Statements.

SERIOUSFUN CHILDREN'S NETWORK, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended November 30, 2012
(With Summarized Financial Information for 2011)

	Unrestricted	Temporarily Restricted	Total 2012	Total 2011
SUPPORT AND REVENUE				
Support:				
Contributions (Note 6)	$ 2,449,733	$ 5,117,372	**$ 7,567,105**	$ 4,165,053
Special events	1,876,093	240,148	**2,116,241**	635,523
Special event expenses	(951,854)	-	**(951,854)**	(90,597)
Contributions-in-kind (Note 7)	4,983,946	-	**4,983,946**	-
Total support	8,357,918	5,357,520	**13,715,438**	4,709,979
Revenue:				
Dividend, interest, and other investment income	332,297	-	**332,297**	436,256
Realized and unrealized gains and losses on investments, net	300,436	-	**300,436**	(236,995)
Other income	-	-	**-**	1,424
Net assets released from restrictions (Note 2)	7,692,456	(7,692,456)	**-**	-
Total revenue	8,325,189	(7,692,456)	**632,733**	200,685
Total support and revenue	16,683,107	(2,334,936)	**14,348,171**	4,910,664
EXPENSES				
Program services:				
Global partnerships and new initiatives	1,518,663	-	**1,518,663**	1,284,761
Member camps (Note 7)	10,871,762	-	**10,871,762**	4,977,752
Total program services	12,390,425	-	**12,390,425**	6,262,513
Support services:				
General and administrative (Note 7)	461,500	677,047	**1,138,547**	1,535,918
Development (Note 7)	3,747,880	-	**3,747,880**	779,022
Total support services	4,209,380	677,047	**4,886,427**	2,314,940
Total expenses	16,599,805	677,047	**17,276,852**	8,577,453
Change in net assets	83,302	(3,011,983)	**(2,928,681)**	(3,666,789)
NET ASSETS, beginning of the year	4,475,966	16,903,952	**21,379,918**	25,046,707
NET ASSETS, end of year	$ 4,559,268	$ 13,891,969	**$ 18,451,237**	$ 21,379,918

See Notes to Consolidated Financial Statements.

SERIOUSFUN CHILDREN'S NETWORK, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended November 30, 2012
(With Summarized Financial Information for 2011)

	Global Partnerships and New Initiatives	Member Camps	General and Administrative	Development	Total 2012	Total 2011
EXPENSES						
Grants and financial support to camps	$ 119,468	$ 5,287,921	$ -	$ -	**$ 5,407,389**	$ 3,619,716
Salaries and benefits (Note 8)	627,701	572,183	295,738	1,197,054	**2,692,676**	2,531,617
Outside services	120,934	267,280	56,048	346,508	**790,770**	1,445,408
Travel and conferences	299,454	98,878	17,425	85,027	**500,784**	375,191
Office expenses and other	62,053	83,995	22,462	284,836	**453,346**	260,725
Marketing and communications (Note 7)	212,266	4,479,731	-	1,684,384	**6,376,381**	-
Rent and utilities (Note 9)	43,264	36,524	14,865	88,022	**182,675**	168,483
Insurance and professional fees	24,906	37,979	52,006	44,536	**159,427**	138,691
Uncollectible pledges	-	-	677,047	-	**677,047**	-
Depreciation	8,617	7,271	2,956	17,513	**36,357**	37,622
Total expenses	$ 1,518,663	$ 10,871,762	$ 1,138,547	$ 3,747,880	**$ 17,276,852**	$ 8,577,453

See Notes to Consolidated Financial Statements.

SERIOUSFUN CHILDREN'S NETWORK, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended November 30, 2012
(With Summarized Financial Information for 2011)

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	**$ (2,928,681)**	$ (3,664,979)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized and unrealized (gains) losses on investment, net	**(300,436)**	236,995
Provision for uncollected pledges	**677,047**	-
Depreciation	**36,357**	37,622
Changes in assets and liabilities:		
Decrease in pledges receivable	**1,605,913**	4,600,536
Increase in prepaid expenses and other assets	**(29,132)**	(192,703)
(Decrease) increase in accounts payable and accrued expenses	**(185,460)**	145,236
Decrease in payable to camps	**(71,599)**	(752,925)
Net cash (used in) provided by operating activities	**(1,195,991)**	409,782
Cash Flows From Investing Activities		
Proceeds from sales of investments	**-**	500,000
Purchase of investments	**(326,181)**	(429,480)
Disbursement of loan receivable	**(500,000)**	-
Purchase of furniture and equipment	**(22,000)**	(13,993)
Net cash (used in) provided by investing activities	**(848,181)**	56,527
(Decrease) increase in cash and cash equivalents	**(2,044,172)**	466,309
Cash and cash equivalents, beginning of year	**3,066,203**	2,599,894
Cash and cash equivalents, end of year	**$ 1,022,031**	$ 3,066,203

See Notes to Consolidated Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities

SeriousFun Children's Network, Inc. (formerly known as The Association of Hole in the Wall Camps, Inc.) (the "Organization") was formed in 2000 as 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, Europe, Africa, and Asia.

On February 8, 2012, The Association of Hole in the Wall Camps, Inc. changed its name to SeriousFun Children's Network, Inc.

For member camps, 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 fund raising to benefit all camps.

For global partnerships and new initiatives, the activities include:

- Providing consulting services in all aspects of new camp development using both in-house resources and the expertise of individuals loaned from existing camps.
- Providing due diligence teams for start-up efforts.
- Engaging in fund raising to assist the development of new camps and programs through grants, loans, and guarantees.

A summary of the Organization's significant accounting policies follows:

Principles of consolidation and basis of presentation

The accompanying consolidated financial statements include the accounts of SeriousFun Children's Network, Inc. and a related not-for-profit entity that is controlled by SeriousFun Children's Network, Inc., Stichting SeriousFun Children's Network, Europe. The Stichting Organization was established in 2010 to organize and manage fundraising for the affiliated camps located in Europe.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and are presented in accordance with guidance as issued by the Financial Accounting Standards Board ("FASB") relating to financial statements of not-for-profit organizations. All significant intercompany balances and transactions have been eliminated. As such, the financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets.

A description of the net assets of the Organization are reported as follows:

Unrestricted Net Assets

Unrestricted net assets include the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. These net assets also include those funds that are designated by the Organization's board of directors in achieving any of its corporate purposes.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts of cash and other assets received with donor stipulations that limit the use of the donated assets or are time restricted. When a time restriction expires, or when a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions received are reflected as unrestricted if the restriction is met in the same period.

Permanently Restricted Net Assets

Permanently restricted net assets include funds that have been designated by the donor to be held and invested in perpetuity. There were no permanently restricted net assets at November 30, 2012 and 2011.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At times, cash held in banks significantly exceeds federally insured limits; however, the Organization has not incurred any losses from such concentrations.

Investments

Investments are reported at fair value. Gains and losses arising from the sale or disposition of investments are reflected in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulation. Certain of the Organization's investments are subject to volatility in market conditions. Accordingly, it is at least reasonably possible that the value of such investments could substantially change in the near term.

The Organization determines the fair values of its investments based on a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs within the hierarchy that may be used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 investments include equity securities and mutual funds that are traded in an active exchange market. 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; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

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

Furniture and equipment

Furniture and equipment is recorded at cost at the date of acquisition or, if received by gift, at fair value at the date of donation. The Organization capitalizes such costs provided their cost is $2,000 or more and they have useful lives greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of five years.

Contributions

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.

Contributions-in-kind

Donated material, equipment, property and services are reflected as both contributions-in-kind revenue and expenses (or capitalized, as necessary) in the accompanying financial statements at their estimated fair values at the date of receipt. In addition, a substantial number of volunteers have donated significant amounts of their time toward the Organization's program services and its fund-raising campaigns; however, such services are not recognized in the financial statements because such services do not meet the recognition criteria under GAAP.

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.

Income taxes

The Organization is a not-for-profit Organization under the Nonstock Corporation Act of the State of Connecticut and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Contributions to the Organization are tax deductible within the limitations prescribed by the Code. The Organization has been classified as an Organization that is not a private foundation and has been designated as a "publicly supported" Organization under the applicable sections of the Code. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income statements. The Organization had no unrelated business income for the years ended November 30, 2012 and 2011.

The Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Based on the Organization's evaluation of its tax positions at November 30, 2012 and 2011, the Organization had no liabilities for uncertain tax positions.

Prior year summarized totals

The financial statements include certain prior year summarized, comparative information in total, but not by net asset class or by functional program. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended November 30, 2011, from which the summarized information was derived.

Recent accounting pronouncements

In January 2010, the FASB issued an amendment, "Fair Value Measurements and Disclosures – Improving Disclosures about Fair Value Measurements", which requires new disclosures and reasons for transfers of financial assets and liabilities between levels 1 and 2. This amendment also clarifies that fair value measurement disclosures are required for each class of financial assets and liabilities, and disclosures about inputs and valuation techniques are required for both Level 2 and 3 measurements. It further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances, and settlements instead of netting these changes. With respect to matters other than Level 3 measurements, the amendment was effective for the Organization during the fiscal year ended November 30, 2011, and there was no impact to the Organization's disclosures upon adoption. The guidance related to Level 3 measurements was effective for the Organization during the fiscal year ending November 30, 2012, and there was no impact to the Organization's disclosures upon adoption.

In May 2011, the FASB issued updated accounting guidance related to fair value measurements and disclosures that result in common fair value measurements and disclosures between U.S. GAAP and International Financial Reporting Standards. This guidance includes amendments that clarify the application of existing fair value measurement requirements, in addition to other amendments that change principles or requirements for measuring fair value and for disclosing information about fair value measurements. This guidance will be effective for the Organization during the fiscal year ending November 30, 2013. The guidance will primarily impact the Organization's disclosures, but otherwise is not expected to have a material impact on the Organization's financial statements.

In October 2012, the FASB issued guidance which requires a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit entity-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities. This guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. The Organization is currently evaluating the impact of this amendment on the financial statements.

Note 2. Net Assets

Temporarily restricted net assets consisted of the following as of November 30, 2012 and 2011:

	2012	2011
Time restrictions	$ 135,818	$ 729,970
Purpose restrictions	13,756,151	16,173,982
	$ 13,891,969	$ 16,903,952

The purpose restrictions relate primarily to amounts to be expended on new camp development, grants to member camps, and other future events and operations.

Net assets were released from donor restrictions in 2012 and 2011 as follows:

	2012	2011
Incurring expenses satisfying purpose restrictions	$ 6,168,408	$ 4,163,135
Passage of time	1,524,048	88,919
	$ 7,692,456	$ 4,252,054

Note 3. Loan Receivable

The Organization's $500,000 loan receivable is an unsecured interest free loan to The Painted Turtle Camp in California and was repaid in full on January 13, 2013.

Note 4. Pledges Receivable

Pledges receivable consisted of the following as of November 30, 2012 and 2011:

	2012	2011
Gross amounts due in:		
One year	$ 1,330,000	$ 2,038,524
One to five years	-	1,638,524
	1,330,000	3,677,048
Less unamortized discount to present value (0.45% to 0.75%)	(8,330)	(72,418)
	$ 1,321,670	$ 3,604,630

Note 5. Investments

Investments consisted of the following as of November 30, 2012 and 2011:

	2012	
	Cost	**Fair Value**
Fixed income portfolio mutual funds	**$ 15,175,202**	**$ 15,527,070**
Common stock	**27,000**	**33**
	$ 15,202,202	**$ 15,527,103**

	2011	
	Cost	Fair Value
Fixed income portfolio mutual funds	$ 14,844,101	$ 14,900,455
Common stock	27,000	33
	$ 14,871,101	$ 14,900,488

Note 6. Related Party Transactions

During the year ended November 30, 2012 and 2011, the Organization received approximately $6,870,000 and $6,997,000, respectively, of cash contributions from members of the Organization's boards of directors and their affiliates.

During the year ended November 30, 2011 the Organization paid approximately $67,500 for consulting services related to the development of new global initiatives to a member of the Organization's board of directors.

Note 7. In-Kind Contributions and Expenses

Contributions-in-kind and related expenses totaling $4,983,946 for the year ended November 30, 2012 have been reflected in the Organization's financial statements and are comprised of $4,961,275 of donated media and $22,671 of pro bono legal advice. The expenses are reflected in the statement of activities for the year ended November 30, 2012, as follows:

Member camps	$ 3,984,444
General and administrative	22,671
Development	976,831
	$ 4,983,946

Note 8. 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 9% of eligible salaries to the Plan annually, and employees become fully vested in Organization's contributions after three years of service. Retirement expense related to this Plan was approximately $ 102,500 and $82,100 for the years ended November 30, 2012 and 2011, 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.

Note 9. Commitments

The Organization entered into an operating lease for its Westport, Connecticut office beginning January 1, 2011 that expires in 2016. The Organization also entered into an operating lease for its New York office beginning January 1, 2013 that expires December 31, 2015. Rental commitments for years subsequent to November 30, 2012 are as follows:

Year Ended November 30th		
2013	$	246,183
2014		257,175
2015		271,134
2016		14,742
	$	789,234

Rent expense recognized in the statement of activities under its operating leases was approximately $151,000 and $153,000 for the years ended November 30, 2012 and 2011, respectively.

As of November 30, 2012, the Organization's board of directors has authorized conditional grants to member camps aggregating approximately $2,524,000.

Note 10. Subsequent Events

Subsequent events have been evaluated through February 8, 2013, the date the financial statements were available to be issued.