

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

**Consolidated Financial Statements
and Independent Auditor's Report**

December 31, 2014

SeriousFun Children's Network, Inc. and Subsidiaries

Index

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report | 2-3 |
| Consolidated Statement of Financial Position December 31, 2014 (With Comparative Amounts for November 30, 2013) | 4 |
| Consolidated Statement of Activities Thirteen Months Ended December 31, 2014 (With Summarized Comparative Totals for the Twelve Months Ended November 30, 2013) | 5 |
| Consolidated Statement of Functional Expenses Thirteen months ended December 31, 2014 (With Summarized Comparative Totals for the Twelve Months Ended November 30, 2013) | 6 |
| Consolidated Statement of Cash Flows Thirteen months ended December 31, 2014 (With Comparative Totals for the Twelve Months Ended November 30, 2013) | 7 |
| Notes to Consolidated Financial Statements | 8-16 |

Independent Auditor's Report

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

We have audited the accompanying financial statements of SeriousFun Children's Network, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2014 and the related changes in their net assets and cash flows for the thirteen months from December 1, 2013 through December 31, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 audit. 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, 2014 and the changes in their net assets and their cash flows for the thirteen months from December 1, 2013 through December 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of SeriousFun Children's Network, Inc. and Subsidiaries as of November 30, 2013 and for the twelve months December 1, 2012 through November 30, 2013, were audited by other auditors whose report dated February 18, 2014, expressed an unmodified opinion on those financial statements. The summarized comparative information presented herein as of and for the twelve months December 1, 2012 through November 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Hartford, Connecticut
March 4, 2015

SeriousFun Children's Network, Inc. and Subsidiaries
Consolidated Statement of Financial Position
December 31, 2014
(With Comparative Totals for November 30, 2013)

Assets

| | 2014 | 2013 |
|--|-------------------|-------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 2,720,388 | \$ 816,370 |
| Loan receivable | 342,450 | 350,000 |
| Pledges receivable | 262,974 | 162,880 |
| Prepaid expenses and other assets | 291,272 | 221,226 |
| Investments | 9,633,791 | 14,590,767 |
| Furniture and equipment (net of accumulated depreciation of \$212,765 and \$154,882, respectively) | 94,925 | 153,071 |
| Total assets | \$ 13,345,800 | \$ 16,294,314 |

Liabilities and Net Assets

| | | |
|---------------------------------------|-------------------|-------------------|
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 334,420 | \$ 307,235 |
| Payables to camps | 1,674,558 | 2,975,876 |
| Total liabilities | 2,008,978 | 3,283,111 |
| Commitments | | |
| Net assets: | | |
| Unrestricted | 1,665,486 | 2,070,818 |
| Temporarily restricted | 9,671,336 | 10,940,385 |
| Total net assets | 11,336,822 | 13,011,203 |
| Totals | \$ 13,345,800 | \$ 16,294,314 |

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries
Consolidated Statement of Activities
For the Thirteen Months Ended December 31, 2014
(With Comparative Totals For the Twelve Months Ended November 30, 2013)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2014</u> | <u>2013</u> |
|--|---------------------|-----------------------------------|----------------------|----------------------|
| Support and revenue: | | | | |
| Contributions | \$ 4,979,113 | \$ 5,726,586 | \$ 10,705,699 | \$ 8,219,598 |
| Special events | 2,077,932 | 1,221,386 | 3,299,318 | 2,314,692 |
| Special events program expense | (1,534,947) | - | (1,534,947) | (848,186) |
| Contributions in-kind | 8,128,008 | - | 8,128,008 | 11,084,754 |
| Total support | <u>13,650,106</u> | <u>6,947,972</u> | <u>20,598,078</u> | <u>20,770,858</u> |
| Revenue: | | | | |
| Dividends, interest and other investment income | 166,759 | - | 166,759 | 225,922 |
| Realized and unrealized gain (loss) on investments | (109,562) | - | (109,562) | (165,984) |
| Net assets released from restrictions | 8,217,021 | (8,217,021) | - | - |
| Total revenue | <u>8,274,218</u> | <u>(8,217,021)</u> | <u>57,197</u> | <u>59,938</u> |
| Total support and revenue | <u>21,924,324</u> | <u>(1,269,049)</u> | <u>20,655,275</u> | <u>20,830,796</u> |
| Expenses: | | | | |
| Program services | | | | |
| Global Partnerships and New Initiatives | 2,200,309 | - | 2,200,309 | 1,842,878 |
| Member Camps | 15,884,790 | - | 15,884,790 | 20,761,596 |
| Total program services | <u>18,085,099</u> | <u>-</u> | <u>18,085,099</u> | <u>22,604,474</u> |
| Support Services | | | | |
| General and administrative | 427,608 | - | 427,608 | 429,121 |
| Development | 3,768,875 | - | 3,768,875 | 3,242,206 |
| Total support services | <u>4,196,483</u> | <u>-</u> | <u>4,196,483</u> | <u>3,671,327</u> |
| Total expenses | <u>22,281,582</u> | <u>-</u> | <u>22,281,582</u> | <u>26,275,801</u> |
| Changes in net assets: | (357,258) | (1,269,049) | (1,626,307) | (5,445,005) |
| Gain (loss) on foreign currency | <u>(48,074)</u> | <u>-</u> | <u>(48,074)</u> | <u>4,971</u> |
| Total change in net asset: | (405,332) | (1,269,049) | (1,674,381) | (5,440,034) |
| Net assets, beginning of year | <u>2,070,818</u> | <u>10,940,385</u> | <u>13,011,203</u> | <u>18,451,237</u> |
| Net assets, end of year | <u>\$ 1,665,486</u> | <u>\$ 9,671,336</u> | <u>\$ 11,336,822</u> | <u>\$ 13,011,203</u> |

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
For the Thirteen Months Ended December 31, 2014
(With Comparative Totals For the Twelve Months Ended November 30, 2013)

| | Global Partnerships and New Initiatives | Member Camps | General and Administrative | Development | 2014 Total | 2013 Total |
|---------------------------------------|--|----------------------|----------------------------------|---------------------|----------------------|----------------------|
| Grants and financial support to camps | \$ 341,256 | \$ 8,055,043 | \$ - | \$ 156,101 | \$ 8,552,400 | \$ 9,088,897 |
| Salaries and benefits | 974,740 | 528,541 | 267,000 | 1,312,838 | 3,083,119 | 3,036,424 |
| Outside services | 279,090 | 177,842 | 59,032 | 279,331 | 795,295 | 1,101,034 |
| Travel and conferences | 311,734 | 166,292 | 16,360 | 106,296 | 600,682 | 662,092 |
| Office expenses and other | 107,280 | 77,887 | 28,920 | 203,074 | 417,161 | 464,824 |
| Marketing and communications | 30,742 | 6,778,678 | - | 1,523,533 | 8,332,953 | 11,442,503 |
| Rent and utilities | 101,593 | 59,151 | 18,139 | 126,719 | 305,602 | 263,467 |
| Insurance | 33,874 | 29,711 | 34,586 | 38,316 | 136,487 | 168,808 |
| Uncollectible pledges | - | - | - | - | - | 850 |
| Depreciation | 20,000 | 11,645 | 3,571 | 22,667 | 57,883 | 46,902 |
| Totals | \$ 2,200,309 | \$ 15,884,790 | \$ 427,608 | \$ 3,768,875 | \$ 22,281,582 | \$ 26,275,801 |

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the Thirteen Months Ended December 31, 2014
(With Comparative Totals For the Twelve Months Ended November 30, 2013)

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|--------------------|
| Operating activities: | | |
| Change in net assets | \$ (1,674,381) | \$ (5,440,034) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Realized and unrealized loss on investments | 109,562 | 165,984 |
| Depreciation | 57,883 | 46,902 |
| Provisions for change in foreign currency - loan receivable | 7,550 | - |
| Provisions for uncollected pledges | - | 850 |
| Loss on disposal of property and equipment | 263 | - |
| Changes in operating assets and liabilities: | | |
| Pledges receivable | (100,094) | 1,157,940 |
| Prepaid expenses and other assets | (70,046) | 66,269 |
| Accounts payable and accrued expenses | 27,185 | 3,244 |
| Payable to camps | <u>(1,301,318)</u> | <u>2,975,876</u> |
| Net cash used in operating activities | <u>(2,943,396)</u> | <u>(1,022,969)</u> |
| Investing activities: | | |
| Proceeds from sale of investments | 6,347,414 | 1,000,000 |
| Purchase of investments | (1,500,000) | (229,648) |
| Disbursements of loan receivable | - | (350,000) |
| Repayment of loan receivable | - | 500,000 |
| Purchase of property and equipment | <u>-</u> | <u>(103,044)</u> |
| Net cash provided by investing activities | <u>4,847,414</u> | <u>817,308</u> |
| Net increase (decrease) in cash | 1,904,018 | (205,661) |
| Cash and cash equivalents, beginning of year | <u>816,370</u> | <u>1,022,031</u> |
| Cash and cash equivalents, end of year | <u>\$ 2,720,388</u> | <u>\$ 816,370</u> |

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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 member camps and 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.

For global partnerships and new initiatives, the activities include:

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

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 ("Stitching") 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. 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:

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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. There were no permanently restricted net assets at December 31, 2014.

Prior year summarized information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. 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 Organization's financial statements for the twelve months ended November 30, 2013, from which the summarized information was derived.

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 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 reporting 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.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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 financial statements at their estimated fair values at the date of receipt.

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 services were \$8,128,008 for the thirteen months ended December 31, 2014. 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 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 at December 31, 2014. The Organization's Federal information returns prior to fiscal year 2011 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.

Statement of Cash Flows

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There was \$103,258 of cash equivalents as of December 31, 2014.

Investments

Investments are reported at fair value with gains and losses included in the consolidated statement 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.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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 is 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.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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 losses of \$48,074 and have been reported separately in the 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 4, 2015, there was a devaluation in the value of both the Euro and the British Pound relative to the U.S. dollar. As a result of the devaluation, the Organization expects to record a loss of approximately \$73,000 in 2015.

Concentration of credit risk

The Organization maintains its United States-based cash and cash equivalent balances in several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. From time to time, the Organization's balances may exceed these limits. At December 31, 2014, the Organization's uninsured bank balances totaled approximately \$580,000. Cash held in foreign accounts are not covered by any government insurance. At December 31, 2014, the Organization's uninsured bank balances totaled approximately \$871,000. 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 2014 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 4, 2015, which is the date the financial statements were available to be issued.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

Note 2 - Loans receivable

The Organization's loan receivable represents the amount receivable from the Over the Wall Camp in the United Kingdom under a \$350,000 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 December 31, 2016. The Organization is responsible for any changes in currency fluctuation at the time the loan is repaid. Total loan receivable balance as of December 31, 2014 was \$342,450.

Note 3 - Investments and fair value measurement

The Organization's investments at December 31, 2014 are presented at market value and consist of the following:

| | Cost | Fair Value | Unrealized Gain (Loss) |
|--------------|---------------------|---------------------|---------------------------|
| Mutual funds | \$ 9,781,602 | \$ 9,628,169 | \$ (153,433) |
| Common stock | 32,589 | 5,622 | (26,967) |
| Totals | <u>\$ 9,814,191</u> | <u>\$ 9,633,791</u> | <u>\$ (180,400)</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.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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, 2014:

| Assets at Fair Value as of December 31, 2014 | | | | |
|--|---------------------|--|--|--|
| | <u>Fair Value</u> | <u>Quoted Prices in Active Market For Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| Fixed income portfolio | | | | |
| mutual funds | \$ 9,628,169 | \$ 9,628,169 | \$ - | \$ - |
| Common stock | <u>5,622</u> | <u>5,622</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 9,633,791</u> | <u>\$ 9,633,791</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 stocks are 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 2013 to 2014.

Note 4 - Pledges receivable

Unconditional pledges receivable were \$262,974 as of December 31, 2014. 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, 2014

The Organization received restricted contributions totaling \$6,000,000 that contained donor conditions (primarily matching funds requirements). At December 31, 2014, \$2,000,000 of funds had been received from the donors, awaiting \$1,000,000 of match by December 31, 2015 as stipulated in the grant agreement. Since the remaining \$4,000,000 of these contributions represents conditional promises to give, they are not recorded as contribution revenue until donor conditions are met.

Note 5 - Net assets

Temporarily restricted net assets consisted of the following:

| | |
|----------------------|---------------------|
| Purpose restrictions | <u>\$ 9,671,336</u> |
|----------------------|---------------------|

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 of \$8,217,021 were released from donor restrictions due to the satisfaction of purpose restrictions.

Note 6 - Related party transactions

During the thirteen months ended December 31, 2014, the Organization received approximately \$7,621,000 of cash contributions from members of the Organization's board of directors and their affiliates.

One related party contributed approximately \$6,328,000 in 2014, which is approximately 31% of total revenue.

Note 7 - In-kind contributions and expenses

Contributions in-kind and related expenses totaling \$8,128,008 for donated media have been reflected in the Organization's financial statements. The expenses are reflected in the statement of activities:

| | |
|--------------|---------------------|
| Member camps | \$ 6,706,947 |
| Development | <u>1,421,061</u> |
| | <u>\$ 8,128,008</u> |

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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 the Organization's contribution after three years of service. Retirement expense related to this Plan was approximately \$175,407.

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.

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, 2014, for each of the next four years and in the aggregate are as follows:

Year Ending December 31:

| | <u>Real Estate</u> | <u>Equipment</u> |
|------|--------------------|------------------|
| 2015 | \$ 271,134 | \$ 5,160 |
| 2016 | 22,698 | 5,160 |
| 2017 | - | 2,101 |
| 2018 | - | 1,647 |
| | <u>\$ 293,832</u> | <u>\$ 14,068</u> |

Rent expense recognized in the statement of activities under its operating leases was approximately \$287,504 for the thirteen months ended December 31, 2014.

As of December 31, 2014, the Organization's board of directors has authorized conditional grants to member camps aggregating approximately \$1,294,000.