

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

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

**December 31, 2018 and 2017**

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**COHN  REZNICK**  
ACCOUNTING • TAX • ADVISORY

# 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, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SeriousFun Children's Network, Inc. and Subsidiaries as of December 31, 2018 and 2017, 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 22 and 23 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*CohnReznick LLP*

Hartford, Connecticut  
March 18, 2019

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

**Consolidated Statements of Financial Position  
December 31, 2018 and 2017**

Assets

	2018	2017
Assets		
Cash and cash equivalents	\$ 3,711,630	\$ 5,696,945
Loan receivable	667,792	650,000
Unconditional promises to give	1,506,260	360,631
Prepaid expenses and other assets	226,671	244,723
Investments	7,226,731	6,251,566
Furniture and equipment (net of accumulated depreciation of \$240,953 and \$239,119, respectively)	-	1,834
Total assets	\$ 13,339,084	\$ 13,205,699

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 340,109	\$ 344,441
Payables to camps	1,920,162	2,121,683
Deferred revenue	-	1,000,000
Total liabilities	2,260,271	3,466,124
Commitments		
Net assets		
Without donor restrictions	5,448,881	4,266,937
With donor restrictions	5,629,932	5,472,638
Total net assets	11,078,813	9,739,575
Total liabilities and net assets	\$ 13,339,084	\$ 13,205,699

See Notes to Consolidated Financial Statements.

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

**Consolidated Statements of Activities  
Years Ended December 31, 2018 and 2017**

	Without donor restrictions	With donor restrictions	2018	Without donor restrictions	With donor restrictions	2017
Support and revenue						
Contributions	\$ 4,928,050	\$ 6,789,322	\$ 11,717,372	\$ 4,921,113	\$ 7,767,455	\$ 12,688,568
Special events	1,559,806	651,925	2,211,731	2,195,469	442,404	2,637,873
Special events program expense	(1,145,174)	-	(1,145,174)	(1,044,978)	-	(1,044,978)
Contributions in-kind	7,986	1,219,953	1,227,939	14,723	1,295,070	1,309,793
Other gain (loss)	17,792	-	17,792	(905)	-	(905)
Total support	<u>5,368,460</u>	<u>8,661,200</u>	<u>14,029,660</u>	<u>6,085,422</u>	<u>9,504,929</u>	<u>15,590,351</u>
Revenue						
Dividends, interest and other investment income	179,506	-	179,506	106,887	-	106,887
Realized and unrealized gain (loss) on investments	(150,450)	(115,985)	(266,435)	137,289	(70)	137,219
Net assets released from restrictions	8,387,921	(8,387,921)	-	9,464,116	(9,464,116)	-
Total revenue	<u>8,416,977</u>	<u>(8,503,906)</u>	<u>(86,929)</u>	<u>9,708,292</u>	<u>(9,464,186)</u>	<u>244,106</u>
Total support and revenue	<u>13,785,437</u>	<u>157,294</u>	<u>13,942,731</u>	<u>15,793,714</u>	<u>40,743</u>	<u>15,834,457</u>
Expenses						
Program services	<u>10,187,680</u>	<u>-</u>	<u>10,187,680</u>	<u>12,214,812</u>	<u>-</u>	<u>12,214,812</u>
Support services						
General and administrative	596,611	-	596,611	596,545	-	596,545
Development	1,799,439	-	1,799,439	1,572,192	-	1,572,192
Total support services	<u>2,396,050</u>	<u>-</u>	<u>2,396,050</u>	<u>2,168,737</u>	<u>-</u>	<u>2,168,737</u>
Total expenses	<u>12,583,730</u>	<u>-</u>	<u>12,583,730</u>	<u>14,383,549</u>	<u>-</u>	<u>14,383,549</u>
Changes in net assets	1,201,707	157,294	1,359,001	1,410,165	40,743	1,450,908
Gain (loss) on foreign currency	(19,763)	-	(19,763)	85,362	-	85,362
Total change in net assets	1,181,944	157,294	1,339,238	1,495,527	40,743	1,536,270
Net assets, beginning	<u>4,266,937</u>	<u>5,472,638</u>	<u>9,739,575</u>	<u>2,771,410</u>	<u>5,431,895</u>	<u>8,203,305</u>
Net assets, end	<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>

See Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2018  
(With Comparative Totals for 2017)**

	<u>Program</u>	<u>General and administrative</u>	<u>Development</u>	<u>2018 Total</u>	<u>2017 Total</u>
Grants and financial support to camps	\$ 7,763,408	\$ -	\$ -	\$ 7,763,408	\$ 9,990,783
Salaries and benefits	1,398,141	411,729	1,166,146	2,976,016	2,588,502
Outside services	191,729	37,944	156,315	385,988	411,557
Travel and conferences	341,234	14,479	103,459	459,172	378,540
Office expenses and other	228,068	35,453	186,219	449,740	382,288
Marketing and communications	65,101	13,020	52,081	130,202	198,975
Rent and utilities	115,322	25,701	82,654	223,677	222,632
Insurance and professional fees	66,998	58,078	51,897	176,973	159,226
Uncollectible promises to give	16,720	-	-	16,720	33,225
Special events expense	-	-	1,145,174	1,145,174	1,044,978
Depreciation	959	207	668	1,834	17,821
	<u>959</u>	<u>207</u>	<u>668</u>	<u>1,834</u>	<u>17,821</u>
<b>Total</b>	<b><u>\$ 10,187,680</u></b>	<b><u>\$ 596,611</u></b>	<b><u>\$ 2,944,613</u></b>	<b><u>\$ 13,728,904</u></b>	<b><u>\$ 15,428,527</u></b>

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

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2017**

	Program	General and administrative	Development	2017 Total
Grants and financial support to camps	\$ 9,990,783	\$ -	\$ -	\$ 9,990,783
Salaries and benefits	1,229,613	425,728	933,161	2,588,502
Outside services	224,035	20,053	167,469	411,557
Travel and conferences	279,928	11,752	86,860	378,540
Office expenses and other	164,001	41,734	176,553	382,288
Marketing and communications	99,487	19,898	79,590	198,975
Rent and utilities	116,128	26,359	80,145	222,632
Insurance and professional fees	68,316	48,911	41,999	159,226
Uncollectible promises to give	33,225	-	-	33,225
Special events expense	-	-	1,044,978	1,044,978
Depreciation	9,296	2,110	6,415	17,821
<b>Total</b>	<b>\$ 12,214,812</b>	<b>\$ 596,545</b>	<b>\$ 2,617,170</b>	<b>\$ 15,428,527</b>

See Notes to Consolidated Financial Statements.



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

**Consolidated Statements of Cash Flows  
Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 1,339,238	\$ 1,536,270
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized and unrealized (gain) loss on investments	171,335	(137,219)
Depreciation	1,834	17,821
Contributions restricted for long-term investment	-	(1,100,000)
Accrued interest receivable - loan receivable	(17,792)	-
Provisions for change in foreign currency - loan receivable	-	902
Changes in operating assets and liabilities		
Unconditional promises to give	(1,145,629)	11,017
Prepaid expenses and other assets	18,052	(30,930)
Accounts payable and accrued expenses	(4,332)	71,729
Payable to camps	(201,521)	(1,474,471)
Deferred revenue	<u>(1,000,000)</u>	<u>-</u>
Net cash used in operating activities	<u>(838,815)</u>	<u>(1,104,881)</u>
Cash flows from investing activities		
Proceeds from sale of investments	134,150	-
Purchase of investments	(1,280,650)	(115,344)
Disbursements of loan receivable	-	(650,000)
Repayment of loan receivable	<u>-</u>	<u>400,000</u>
Net cash used in investing activities	<u>(1,146,500)</u>	<u>(365,344)</u>
Cash flows from financing activities		
Contributions restricted for long-term investment	<u>-</u>	<u>1,100,000</u>
Net cash provided by financing activities	<u>-</u>	<u>1,100,000</u>
Net decrease in cash and cash equivalents	(1,985,315)	(370,225)
Cash and cash equivalents, beginning	<u>5,696,945</u>	<u>6,067,170</u>
Cash and cash equivalents, end	<u>\$ 3,711,630</u>	<u>\$ 5,696,945</u>

See Notes to Consolidated Financial Statements.

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

### **Notes to Consolidated Financial Statements December 31, 2018 and 2017**

#### **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**

During 2018, the Organization adopted the provisions of Accounting Standards Update ("ASU") 2016-14. The provisions improve the usefulness and reduce the complexities of information provided to donors, grantors, creditors, and other users of the financial statements by eliminating the distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements. Enhanced disclosures in the notes to the financial statements will provide useful information about the nature, amounts and effects of the various types of donor-imposed restrictions, which often include limits on the purposes for which the resources can be used as well as the time frame for their use. While the adoption of ASU 2016-14 requires net assets to be presented with and without donor restrictions, the ASU had no effect on the Organization's total net assets.

#### **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.

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

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

#### **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:

#### *Net assets without donor restrictions*

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.

#### *Net assets with donor restrictions*

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**

*Cash contributions* - The Organization reports unconditional promises to give as revenue when the promise is received. Conditional promises to give are recognized as revenue when the condition is met. 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.

*Grants* - Grants may be considered an exchange transaction or a conditional/unconditional promise to give. The Organization recognizes grants deemed to be an exchange transaction when earned. Grants considered to be unconditional promises to give are recognized when awarded. Grants considered to be conditional promises to give are recognized when the condition is met.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to the grantor. The Organization has not been informed by any agencies of any funds which are required to be returned.

*Non-cash contributions* - The Organization records the estimated fair value of the donated materials, equipment and usage of assets (i.e., rent) as both contribution in-kind revenue and expenses in the accompanying consolidated financial statements at their estimated fair values at the date of receipt. Non-cash contributions were \$1,230,696 and \$1,309,793 for donated tee-shirts and other merchandise for the years ended December 31, 2018 and 2017, respectively.

*Donated services* - The Organization recognizes donated services if they create or enhance non-financial assets or require specialized skills and would typically be purchased if not provided by donation. The Organization values these volunteer services based upon current rates provided to the Organization by the donor. A substantial number of volunteers have donated significant amounts of their time toward the Organization's program services and its fundraising campaigns; however, such services are not recognized in the financial statements because such services do not meet the recognition criteria under accounting principles generally accepted in the United States of America.

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

### **Notes to Consolidated Financial Statements December 31, 2018 and 2017**

#### **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 was \$1,700,587 and \$3,095,386 of cash equivalents as of December 31, 2018 and 2017, 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 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 and capacity building 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**

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, 2018 and 2017. The Organization's federal information returns prior to fiscal year 2015 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

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

### **Notes to Consolidated Financial Statements December 31, 2018 and 2017**

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 wholly owned not-for-profit subsidiaries are located in the Netherlands and the United Kingdom. The functional currencies of these foreign operations are the local currencies. The financial statements of the Organization's foreign subsidiaries have been translated into U.S. dollars. All statement of financial position accounts have been translated using the exchange rate in effect at the statement of financial position dates. Statements of activities amounts have been translated using the average exchange rate for the year. Foreign currency translation adjustments resulted in a loss of \$19,763 for the year ended December 31, 2018 and a gain of \$85,362 for the year ended December 31, 2017, 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 March 18, 2019, there was an increase in the value of the British Pound and a decrease the value of the Euro relative to the U.S. dollar. As a result of these changes in foreign currency, the Organization expects to record a net gain of approximately \$12,000 in 2019.

#### **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, 2018, the Organization's uninsured domestic bank balances totaled \$2.8 million. Cash held in foreign accounts are not covered by any government insurance. At December 31, 2018, the Organization's uninsured foreign bank balances totaled \$602,362. 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.

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

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

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 2018 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 18, 2019, which is the date the consolidated financial statements were available to be issued.

#### 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, 2018, the Organization has approximately \$11 million of financial assets available to meet annual operating needs for the 2019 fiscal year as follows:

Cash and cash equivalents	\$ 3,711,630
Loan receivable	667,792
Unconditional promises to give	1,506,260
Other assets	79,095
Investments	<u>7,226,731</u>
	13,191,508
Less unconditional promises to give after more than one year	(639,851)
Less endowment funds to be used in perpetuity	(1,100,000)
Less loan receivable after more than one year	<u>(500,844)</u>
Financial assets available	<u>\$ 10,950,813</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 investment sub-committee meets quarterly to review investment performance and consider 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.

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

**Notes to Consolidated Financial Statements  
December 31, 2018 and 2017**

**Note 5 - Loans 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 is due and payable no later than January 31, 2019. Total loan receivable balance (including unpaid accrued interest) as of December 31, 2018 and 2017 was \$667,792 and 650,000, respectively.

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 plus interest. Final payment is due December 1, 2022.

The future minimum payments due are as follows:

2019	\$	166,948
2020		166,948
2021		166,948
2022		166,948
		<u>667,792</u>
	\$	<u>667,792</u>

**Note 6 - Unconditional promises to give**

Unconditional promises to give were \$1,506,260 and \$360,631 at December 31, 2018 and 2017, respectively. Unconditional promises to give are comprised of the following:

	<u>2018</u>	<u>2017</u>
Receivable due in		
Less than one year	\$ 895,893	\$ 360,631
One to five years	639,851	-
Greater than five years	-	-
	<u>1,535,744</u>	<u>360,631</u>
Less allowance	-	-
Less unconditional promises to give discount	<u>(29,484)</u>	<u>-</u>
	<u>\$ 1,506,260</u>	<u>\$ 360,631</u>

**Note 7 - Investments and fair value measurement**

The following summarizes investments held as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Mutual funds	<u>\$ 7,226,731</u>	<u>\$ 6,251,566</u>
Total	<u>\$ 7,226,731</u>	<u>\$ 6,251,566</u>

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

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

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

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Valuation techniques used need to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018:

	Total	Level 1	Level 2	Level 3
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	-	-
	\$ 7,226,731	\$ 7,226,731	\$ -	\$ -



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

**Notes to Consolidated Financial Statements  
December 31, 2018 and 2017**

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

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

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 2017 to 2018.

**Note 8 - Net assets**

Net assets consisted of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
With donor restrictions		
Purpose and time restrictions	\$ 4,623,298	\$ 4,372,638
Accumulated investment gains (loss) on endowment	(93,366)	-
Amounts required to be held in perpetuity	<u>1,100,000</u>	<u>1,100,000</u>
	<u>\$ 5,629,932</u>	<u>\$ 5,472,638</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, 2018 and 2017, net assets of \$8,387,921 and \$9,464,116, respectively, were released from donor restrictions due to the satisfaction of purpose restrictions.

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

### **Notes to Consolidated Financial Statements December 31, 2018 and 2017**

#### **Note 9 - Related party transactions**

During the years ended December 31, 2018 and 2017, the Organization received \$5,254,495 and \$5,992,256, respectively, of cash contributions from members of the Organization's board of directors and their affiliates.

One related party contributed \$4,698,900 in year ended December 31, 2018 and \$5,183,760 in year ended December 31, 2017, which is approximately 34% and 31% 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 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. There was one fund that was received one year ago and is currently underwater by \$93,336 at December 31, 2018.

##### **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 increase 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 is 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 for not more than 5% of the average market value of the endowment fund for the preceding twelve 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.

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

**Notes to Consolidated Financial Statements  
December 31, 2018 and 2017**

**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, 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>
December 31, 2017			
Board designated	\$ -	\$ -	\$ -
Donor restricted			
Original donor gift mained in perpetuity	-	1,100,000	1,100,000
Accumulated investment gain	-	-	-
	<u>\$ -</u>	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>

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

**Notes to Consolidated Financial Statements  
December 31, 2018 and 2017**

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2017	\$ -	\$ -	\$ -
Investment return			
Investment income	-	-	-
Unrealized/realized gains and (losses)	-	-	-
Net investment return	-	-	-
Contributions	-	1,100,000	1,100,000
Approved for expenditure	-	-	-
Endowment net assets, December 31, 2017	-	1,100,000	1,100,000
Investment return			
Investment income	-	-	-
Unrealized/realized gains and (losses)	-	(93,366)	(93,366)
Net investment return	-	(93,366)	(93,366)
Contributions	-	-	-
Approved for expenditure	-	-	-
Endowment net assets, December 31, 2017	<u>\$ -</u>	<u>\$ 1,006,634</u>	<u>\$ 1,006,634</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 \$195,199 and \$153,089 for the years ended December 31, 2018 and 2017, 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 12 - Commitments**

There were no conditional grants authorized to member camps as of December 31, 2018 and 2017.

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

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

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

**Notes to Consolidated Financial Statements  
December 31, 2018 and 2017**

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2018, for each of the next two years and in the aggregate are as follows:

2019	\$	195,204
2020		<u>207,396</u>
	\$	<u><u>402,600</u></u>

Rent expense recognized in the statements of activities under its operating leases was \$203,232 and \$197,921, respectively, for the years ended December 31, 2018 and 2017.

## **Supplementary Information**

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

**Consolidating Statement of Financial Position  
December 31, 2018**

	<u>Assets</u>			
	SeriousFun Children's Network, Inc.	SeriousFun Children's Network International, United Kingdom	Eliminating entries	2018
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,319,346	\$ 392,284	\$ -	\$ 3,711,630
Loan receivable	667,792	-	-	667,792
Unconditional promises to give	1,594,258	105,199	(193,197)	1,506,260
Prepaid expenses and other assets	528,888	60,119	(362,336)	226,671
Investments	7,226,731	-	-	7,226,731
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 13,337,015</u>	<u>\$ 557,602</u>	<u>\$ (555,533)</u>	<u>\$ 13,339,084</u>
	<u>Liabilities and Net Assets</u>			
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 418,080	\$ 477,562	\$ (555,533)	\$ 340,109
Payables to camps	1,888,287	31,875	-	1,920,162
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>2,306,367</u>	<u>509,437</u>	<u>(555,533)</u>	<u>2,260,271</u>
<b>Commitments</b>				
<b>Net assets</b>				
Without donor restriction	5,400,716	48,165	-	5,448,881
With donor restriction	5,629,932	-	-	5,629,932
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total net assets	<u>11,030,648</u>	<u>48,165</u>	<u>-</u>	<u>11,078,813</u>
Total liabilities and net assets	<u>\$ 13,337,015</u>	<u>\$ 557,602</u>	<u>\$ (555,533)</u>	<u>\$ 13,339,084</u>

See Independent Auditor's Report.

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

**Consolidating Statement of Activities  
Year Ended December 31, 2018**

	SeriousFun Children's Network, Inc.		SeriousFun Children's Network International, United Kingdom		Total	Eliminating entries	2018
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions			
Support and revenue							
Contributions	\$ 4,917,010	\$ 6,776,001	\$ 11,040	\$ 13,321	\$ 11,717,372	\$ -	\$ 11,717,372
Special events	1,356,517	448,277	203,289	203,648	2,211,731	-	2,211,731
Special events program expense	(1,115,922)	-	(29,252)	-	(1,145,174)	-	(1,145,174)
Contributions in-kind	7,986	1,219,953	-	-	1,227,939	-	1,227,939
Other gains	17,792	-	-	-	17,792	-	17,792
<b>Total support</b>	<b>5,183,383</b>	<b>8,444,231</b>	<b>185,077</b>	<b>216,969</b>	<b>14,029,660</b>	<b>-</b>	<b>14,029,660</b>
Revenue							
Dividends, interest and other investment income	179,478	-	28	-	179,506	-	179,506
Realized and unrealized loss on investments	(150,450)	(115,985)	-	-	(266,435)	-	(266,435)
Net assets released from restrictions	8,170,952	(8,170,952)	216,969	(216,969)	-	-	-
<b>Total revenue</b>	<b>8,199,980</b>	<b>(8,286,937)</b>	<b>216,997</b>	<b>(216,969)</b>	<b>(86,929)</b>	<b>-</b>	<b>(86,929)</b>
<b>Total support and revenue</b>	<b>13,383,363</b>	<b>157,294</b>	<b>402,074</b>	<b>-</b>	<b>13,942,731</b>	<b>-</b>	<b>13,942,731</b>
Expenses							
Program services	9,953,990	-	233,690	-	10,187,680	-	10,187,680
Support services							
General and administrative	589,724	-	6,887	-	596,611	-	596,611
Development	1,799,439	-	-	-	1,799,439	-	1,799,439
<b>Total support services</b>	<b>2,389,163</b>	<b>-</b>	<b>6,887</b>	<b>-</b>	<b>2,396,050</b>	<b>-</b>	<b>2,396,050</b>
<b>Total expenses</b>	<b>12,343,153</b>	<b>-</b>	<b>240,577</b>	<b>-</b>	<b>12,583,730</b>	<b>-</b>	<b>12,583,730</b>
Changes in net assets	1,040,210	157,294	161,497	-	1,359,001	-	1,359,001
Gain (loss) on foreign currency	(26,569)	-	6,806	-	(19,763)	-	(19,763)
<b>Total change in net assets</b>	<b>1,013,641</b>	<b>157,294</b>	<b>168,303</b>	<b>-</b>	<b>1,339,238</b>	<b>-</b>	<b>1,339,238</b>
Net assets, beginning	4,387,075	5,472,638	(120,138)	-	9,739,575	-	9,739,575
<b>Net assets, end</b>	<b>\$ 5,400,716</b>	<b>\$ 5,629,932</b>	<b>\$ 48,165</b>	<b>\$ -</b>	<b>\$ 11,078,813</b>	<b>\$ -</b>	<b>\$ 11,078,813</b>

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