TOY INDUSTRY ASSOCIATION, INC.
AND RELATED ENTITY

Toy Industry Association, Inc.

Combined Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2016 and 2015

MARKS PANETH
ACCOUNTANTS & ADVISORS

TOY INDUSTRY ASSOCIATION, INC.
AND RELATED ENTITY

COMBINED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED DECEMBER 31, 2016 AND 2015

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Combined Statements of Financial Position	2
Combined Statements of Activities	3
Combined Statements of Cash Flows	4
Notes to Combined Financial Statements	5-13

Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

New York
New Jersey
Pennsylvania
Washington, DC

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Audit Committee
Toy Industry Association, Inc. and Related Entity

We have audited the accompanying combined financial statements of Toy Industry Association, Inc. and Related Entity (the "Organization"), which comprise the combined statements of financial position as of December 31, 2016 and 2015, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Toy Industry Association, Inc. and Related Entity as of December 31, 2016 and 2015, 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.

Marks Paneth LLP

New York, NY
May 12, 2017

TOY INDUSTRY ASSOCIATION, INC.
AND RELATED ENTITY
COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents (Notes 2C and 8)	$ 7,304,582	$ 6,382,786
Investments (Notes 2D, 2E and 4)	20,994,856	19,167,704
Trade show, dues and other accounts receivable, net (Note 2H)	60,055	55,495
Prepaid expenses and deposits (including $1,805,078 and $1,371,850 in 2016 and 2015, respectively, in connection with the North American International Toy Fair) (Note 2G)	2,291,403	2,048,913
Investment in Play Fair LLC (Note 3)	(50,273)	101,000
Property and equipment, net (Notes 2F and 5)	910,145	236,964
TOTAL ASSETS	$ 31,510,768	$ 27,992,862
LIABILITIES		
Accounts payable and accrued expenses	$ 760,247	$ 1,199,704
Payable to Toy Industry Foundation (Note 9A)	219,451	54,087
Deferred income (Note 2G)	14,939,050	12,516,963
Deferred rent payable (Notes 2I and 7A)	40,227	241,100
TOTAL LIABILITIES	15,958,975	14,011,854
COMMITMENTS AND CONTINGENCIES (Note 7)		
NET ASSETS (Note 2B)		
Unrestricted	15,551,793	13,981,008
TOTAL LIABILITIES AND NET ASSETS	$ 31,510,768	$ 27,992,862

The accompanying notes are an integral part of these financial statements.

TOY INDUSTRY ASSOCIATION, INC.
AND RELATED ENTITY
COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
REVENUE AND SUPPORT (Note 2G):		
Membership dues	$ 4,846,441	$ 4,582,249
North American International Toy Fair	12,200,861	11,724,432
Fall Toy Preview	1,836,364	2,006,231
PlayCon	146,155	149,336
Miscellaneous	130,299	116,750
TOTAL REVENUE AND SUPPORT	19,160,120	18,578,998
EXPENSES (Note 2J):		
Program Services:		
Member services	1,299,020	1,231,638
North American International Toy Fair	4,160,004	4,025,156
Fall Toy Preview	1,077,444	1,274,368
External affairs and technical activities	4,079,191	4,266,617
Marketing communications	2,680,806	2,184,491
PlayCon	519,476	406,986
Meetings and events	457,798	581,223
Charitable donations (Notes 9 and 10)	1,243,888	1,214,314
	15,517,627	15,184,793
Supporting Services:		
General and administrative (Note 11)	3,088,594	3,091,180
TOTAL EXPENSES	18,606,221	18,275,973
OPERATING INCOME	553,899	303,025
NONOPERATING INCOME (EXPENSE)		
Loss on investment in Play Fair LLC (Note 3)	(151,273)	(120,000)
Investment fees	(69,525)	(46,497)
Interest and dividends	356,290	332,527
Realized gains, net on investments	73,632	346,761
Unrealized gains/(losses), net on investments	807,762	(722,833)
TOTAL NONOPERATING INCOME (EXPENSE)	1,016,886	(210,042)
CHANGE IN TOTAL NET ASSETS	1,570,785	92,983
Net assets - beginning of year	13,981,008	13,888,025
NET ASSETS - END OF YEAR	$ 15,551,793	$ 13,981,008

The accompanying notes are an integral part of these financial statements.

TOY INDUSTRY ASSOCIATION, INC.
AND RELATED ENTITY
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in total net assets	$ 1,570,785	$ 92,983
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Realized and unrealized gain on investments	(881,394)	376,072
Depreciation and amortization	136,020	146,542
Loss on investment in Play Fair LLC	151,273	120,000
Bad debt expense	15,899	12,260
Subtotal	992,583	747,857
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Trade show, dues and other accounts receivables	(20,459)	245
Prepaid expenses and deposits	(242,490)	(1,013,837)
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	(439,457)	(207,383)
Grant Payable	-	(1,038,982)
Payable due from/to Toy Industry Foundation, net	165,364	59,621
Deferred income	2,422,087	(292,410)
Deferred rent payable	(200,873)	(104,900)
Net Cash Provided by (Used in) Operating Activities	2,676,755	(1,849,789)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in Play Fair LLC	-	(221,000)
Purchases of property and equipment	(809,201)	(30,279)
Purchases of investments	(5,743,114)	(11,742,008)
Proceeds from sales and maturities of investments	4,797,356	12,348,401
Net Cash (Used In) Provided by Investing Activities	(1,754,959)	355,114
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	921,796	(1,494,675)
Cash and cash equivalents - beginning of the year	6,382,786	7,877,461
CASH AND CASH EQUIVALENTS- END OF YEAR	$ 7,304,582	$ 6,382,786

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The Toy Industry Association, Inc. (the "Association") is a not-for-profit, non-stock, membership trade association representing producers, distributors, importers, retailers, sales reps, licensors, inventors and designers of toys, games, children's interactive products and kindred lines intended for the youth market in North America. Major activities and services include: hosting industry trade shows; coordinating industry analysis and technical guidance for development of toy safety standards and conformity assessment programs; representing the industry interests at federal, state and local government levels; providing educational conferences and seminars; publishing bulletins and newsletters on issues of importance; and execution of a multi-faceted public relations program. The Association is the owner and manager of the annual business to business North American International Toy Fair and the Fall Toy Preview trade shows. In addition, the Association is a participant in a consumer facing event, Play Fair LLC (Note 3).

In January 2010, the Association formed The Toy Industry Association, Inc. Political Action Committee ("ToyPAC"). ToyPAC is a not-for-profit, unincorporated political association, the purpose of which is to provide for the mutual assistance, advancement and recognition of its members and the toy industry by promoting participation in advocacy activities at the Federal and state government levels. As a political association, ToyPAC is subject to corporate income tax on its taxable income. Its primary source of revenue is contributions. The Association and ToyPAC have interrelated directors and share common facilities and personnel. Therefore, the financial results of operations of ToyPAC are combined with the Association for the years ended December 31, 2016 and 2015. See Note 9B for financial information for ToyPAC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The accompanying combined financial statements include the financial position, operating activities and cash flows of the Association and ToyPAC (together, the "Organization"). All significant intercompany accounts and transactions have been eliminated. The accompanying combined financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United States of America.

B. The Organization maintains its net assets under the following classes:

- Unrestricted – represents those resources that have no donor restrictions as to their use or the donor-imposed restrictions have been met or expired.

- Temporarily restricted – represents assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

- Permanently restricted – represents those resources received subject to donor-imposed stipulations that they be maintained intact in perpetuity by the Organization.

At December 31, 2016 and 2015, the Organization had no temporarily or permanently restricted net assets.

C. The Organization considers all highly liquid instruments (money market funds, certificates of deposit and United States treasury bills) purchased with a maturity of three months or less to be cash equivalents.

D. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fair value hierarchy defines the three levels as follows:

- Level 1 - Valuations based on quoted price (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 - Valuations based on 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 - Valuations based on unobservable inputs are used when little or no market data exists. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended December 31, 2016 and 2015, there were no transfers.

E. Investments in equity securities with readily determinable fair values and all debt securities are reported at their fair values. Changes in the fair value of investments are recorded as unrealized gains and losses included in the accompanying combined statements of activities. Realized gains and losses arising from the sale or other disposition of investments are determined by the average cost method.

F. Property and equipment are stated at cost at the date of acquisition. The Association capitalizes property and equipment with a cost of $500 or more and a useful life of greater than one year. Leasehold improvements are also capitalized as assets, whereas the costs of repairs and maintenance are expensed as incurred. Depreciation of furniture, fixtures and office equipment is provided using the straight-line method, over the estimated useful lives of the respective assets, ranging from three to five years. Leasehold improvements are amortized over the estimated useful life of the specific asset or the remaining term of the applicable lease, whichever is shorter.

G. Funds received in connection with the North American International Toy Fair, the Fall Toy Preview and other events (collectively, the “toy events”) are initially deferred and included in the accompanying combined statements of financial position as deferred income. The Organization records receivables for the toy events when it has a written contract. Deposits made in connection with the toy events are initially deferred and included in the accompanying combined statements of financial position as prepaid expenses. Revenues from the toy events and related expenses are recognized in the combined statements of activities after the respective toy events have occurred. Membership dues are recognized over the period to which they apply. Recognition of revenue from membership dues relating to a future year is deferred until that year.

H. As of both December 31, 2016 and 2015, the Organization has determined that an allowance for dues receivable in the amount of $16,806 and $10,000, respectively, was necessary for uncollectible accounts receivable. Such estimates are based on the historical loss experience of the aging of receivables. Accounts receivable are written off when all reasonable collection efforts have been exhausted. Total bad debt expense for dues receivable was $15,000 and $6,910 for the years ended December 31, 2016 and 2015, respectively. Total dues receivables written off were $8,194 and $16,910 for the years ended December 31, 2016 and 2015, respectively. Total write-offs for other receivables was $899 and $5,350 for the years ended December 31, 2016 and 2015, respectively.

I. Rent expense is recognized using the straight-line method over the term of the leases. The difference between rent expense incurred and the amount paid, which is attributable to scheduled rent increases, is reported as deferred rent payable in the accompanying combined statements of financial position.

J. The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying combined statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates determined by management.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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 certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

NOTE 3 – INVESTMENT IN PLAY FAIR LLC

In September 2015, the Association entered into a limited liability company agreement with a for-profit partner to develop and hold consumer focused events. Under the terms of the agreement, the Association has a 49% membership interest in Play Fair LLC ("Play Fair"), a 50% share in the profits and losses of Play Fair and is required to make capital contributions. The inaugural event of Play Fair was held in February 2016 in New York City. Additional contributions may be required depending upon whether or not additional events are held. In connection with the inaugural event, the Association was required to make capital contributions of $221,000 during 2015. Expenses related to startup costs and activities for the event resulted in a loss on the investment of $151,273 and $120,000 for the years ended December 31, 2016 and 2015, respectively. The losses are included in the accompanying statements of activities as this investment is reported using the equity method of accounting.

Simultaneously and in conjunction with the agreement, the Association entered into a license agreement with Play Fair under which the Association is entitled to receive a royalty of 5% of Play Fair's gross revenue in return for the use of the Association's intellectual property. In addition, the for-profit partner entered into a management agreement with Play Fair under which the for-profit partner receives a management fee of 5% of Play Fair's gross revenue in return for the day to day operations of Play Fair and the events.

Royalties for the event in the amount of $41,026 and $0 were earned for the years ended December 31, 2016 and 2015, respectively. The income is included in miscellaneous revenue in the accompanying statements of activities.

NOTE 4 – INVESTMENTS

Investments, measured at fair value on a recurring basis, consist of the following as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Investments:				
U.S. small cap growth mutual funds	$ 1,784,496	$ -	$ -	$ 1,784,496
U.S. closed-end fixed income mutual funds	903,716	-	-	903,716
U.S. large cap value mutual funds	2,585,750	-	-	2,585,750
U.S. large cap growth mutual funds	1,624,172	-	-	1,624,172
U.S. large blend mutual funds	980,633	-	-	980,633
International index mutual funds	199,352	-	-	199,352
International growth mutual funds	1,863,549	-	-	1,863,549
International large blend mutual funds	2,541,461	-	-	2,541,461
Fixed income short term bond funds	1,065,939	-	-	1,065,939
Fixed income intermediate term bond funds	2,016,805	-	-	2,016,805
U.S. fixed income mutual fund	1,235,111	-	-	1,235,111
Certificates of deposit	-	979,583	-	979,583
Real estate fund	-	-	1,766,601	1,766,601
Hedge fund	-	-	1,447,688	1,447,688
TOTAL ASSETS AT FAIR VALUE	$ 16,800,984	$ 979,583	$ 3,214,289	$ 20,994,856

NOTE 4 – INVESTMENTS (Continued)

Investments, measured at fair value on a recurring basis, consist of the following as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Investments:				
U.S. small cap growth mutual funds	$ 1,276,352	$ -	$ -	$ 1,276,352
U.S. closed-end fixed income mutual funds	795,849	-	-	795,849
U.S. large cap value mutual funds	2,176,128	-	-	2,176,128
U.S. large cap growth mutual funds	1,756,777	-	-	1,756,777
U.S. large blend mutual funds	806,039	-	-	806,039
International index mutual funds	170,010	-	-	170,010
International growth mutual funds	1,670,619	-	-	1,670,619
International large blend mutual funds	2,751,929	-	-	2,751,929
Fixed income short term bond funds	1,317,553	-	-	1,317,553
Fixed income intermediate term bond funds	2,486,807	-	-	2,486,807
U.S. fixed income mutual fund	1,575,380	-	-	1,575,380
Certificates of deposit	-	978,894	-	978,894
Hedge fund	-	-	1,405,367	1,405,367
TOTAL ASSETS AT FAIR VALUE	$ 16,783,443	$ 978,894	$ 1,405,367	$ 19,167,704

Investments in mutual funds are valued using market prices in active markets and are classified as Level 1. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in corporate bonds, federal government agency bonds, asset backed securities, municipal tax-exempt obligations and certificate of deposits are designated as Level 2 instruments, and valuations are obtained from readily available pricing sources for comparable instruments (credit risk/grade, maturities, etc.). Alternative investments include investments in hedge funds and real estate funds whose objective is to provide long term capital growth. Investments in hedge funds and real estate funds are designated as Level 3 instruments.

The hedge fund investment consists of a limited partnership and is based on net asset valuation techniques provided by the partnership. Subject to certain limitations, redemptions from the fund of all or any portion of the capital account are allowable as of the end of any calendar quarter by giving at least 95 days written notice to the general partner, provided that withdrawals of capital contributed to the limited partnership less than 12 months preceding the requested withdrawal date will be subject to a reduction, equal to 3% of the requested withdrawal amount. There are no unfunded commitments.

The real estate fund investment consists of a limited partnership and is based on net asset valuation techniques provided by the partnership. Subject to certain limitations, redemptions from the fund of all or any portion of the capital account are allowable as of the end of any calendar quarter by giving at least 10 business days written notice to the general partner. There are no unfunded commitments.

NOTE 4 – INVESTMENTS (Continued)

The reconciliation for the years ended December 31, 2016 and 2015 of the investments measured at estimated fair value classified as Level 3 is as follows:

	2016	2015
Balance at January 1	$ 1,405,367	$ -
Contributions	1,700,000	1,400,000
Interest and dividends, net of fees	35,900	-
Realized/unrealized appreciation	73,022	5,367
Balance at December 31	$ 3,214,289	$ 1,405,367

Investment advisor and custodial fees for the years ended December 31, 2016 and 2015 amounted to $69,525 and $46,497 respectively and are included on the statements of activities as general and supporting services.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2016 and 2015:

	2016	2015
Furniture, fixtures and equipment	$ 2,057,987	$ 1,954,458
Leasehold improvements	1,156,535	1,156,535
Total cost	3,214,522	3,110,993
Less: Accumulated depreciation	(3,021,065)	(2,885,045)
	193,457	225,948
Construction in progress	716,688	11,016
Net book value	$ 910,145	$ 236,964

Construction in progress represents capital expenditures related to the build out of the new office space for the Association's New York City location. As of December 31, 2016, the estimated cost to complete the new office space is approximately $889,000 net of a buildout allowance provided by the landlord of approximately $1,094,000 (see Note 7A).

During the year ended December 31, 2015, fully depreciated property and equipment in the amount of $22,954 was written off. Depreciation and amortization expense amounted to $136,020 and $146,542 for the years ended December 31, 2016 and 2015, respectively.

NOTE 6 − EMPLOYEE BENEFIT PLANS

The Association has an employee savings plan established under Section 401(k) of the Internal Revenue Code for its eligible employees (the "Plan"). The Plan permits eligible employees to make contributions through salary reductions of their compensation within Internal Revenue Code limitations. The Association matched 100% in fiscal 2016 and 2015 of eligible employee contributions up to 6% of each employee's compensation. Additionally, discretionary contributions of 2% of eligible compensation were made to the Plan in fiscal 2016 and 2015 as approved by the President of the Association. For the years ended December 31, 2016 and 2015, the Association contributed $443,147 and $456,660, respectively, to the Plan.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

A. The Association leases office space in New York under an operating lease agreement, which expires April 2017. In addition to base rent, the Association is obligated to pay an additional amount based upon increases in real estate taxes, maintenance and utility costs. The lease also includes certain rent forgiveness and annual escalations in the rent. As a result, for the years ended December 31, 2016 and 2015, deferred rent payable of $40,227 and $154,261, respectively, is the difference between the cumulative amounts recorded for rent expense on a straight-line basis over the term of the lease, as compared to the cumulative required amounts paid under the lease. Rental expense under the above lease obligation, including escalation charges, was $636,373 and $631,285 for 2016 and 2015, respectively.

   In May 2016, the Association entered into a new operating lease agreement for office space in New York. The lease will commence on April 1, 2017 and expires on June 30, 2027. In addition to base rent, the Association is obligated to pay an additional amount based upon increases in real estate taxes, maintenance and utility costs. The lease also includes certain rent forgiveness and annual escalations in the rent. Since the lease had not commenced as of December 31, 2016, there is no deferred rent payable at that date.

   The Association has secured a standby letter of credit for the benefit of the landlord in lieu of the required security deposit under the lease. The letter of credit is in the amount of $392,770, expires on May 23, 2017 and includes automatic renewal periods of one year.

   In November 2012, the Association entered into an operating lease agreement for office space in Washington D.C. The lease commenced on February 15, 2013 and is for a period of seven years. In addition to base rent, the Association is obligated to pay an additional amount based upon increases in real estate taxes, maintenance and utility costs. The lease also includes certain rent forgiveness and annual escalations in the rent. As a result, for the years ended December 31, 2016 and 2015, deferred rent payable of $0 and $86,839, respectively, is the difference between the cumulative amounts recorded for rent expense on a straight-line basis over the term of the lease, as compared to the cumulative required amounts paid under the lease.

   In addition, the lease provides a landlord termination option as of August 31, 2017 which requires the landlord to provide 10 months prior written notice and abate the rent and all operating expenses under the lease for the final 10 months of the term of the lease. The option was exercised by the landlord in March 2016. In October 2016, the Association amended the lease with the landlord for other office space within the building. The lease commenced on February 1, 2017 and is for a period of seven years. The amendment includes certain rent forgiveness and annual escalations in the rent. Since the amendment had not commenced as of December 31, 2016, there is no deferred rent payable at that date. Rent expense under the above lease obligation, after lease termination adjustments of $189,719, was $(22,355) for the year ended December 31, 2016. Rent expense was $167,228 for the year ended December 31, 2015.

   The future minimum lease payments related to the above office space and certain office equipment as of December 31, 2016 are as follows:

2017	$ 718,653
2018	1,096,411
2019	1,118,876
2020	1,145,763
thereafter	8,000,369
	$ 12,080,072

NOTE 7 – COMMITMENTS AND CONTINGENCIES (Continued)

B. In September 2016, the Association entered into a new agreement with the operator of the Jacob K. Javits Convention Center to use these facilities to conduct the North American International Toy Fair in February 2017 and made a deposit of $972,000 during 2016.

C. In August 2015, the Association extended its agreement with the operator of the Dallas Market Center to use those facilities to conduct the Fall Toy Preview. The extension covers the Fall Toy Preview through 2018 with no minimum space requirements. Rental payments will be based on actual space occupied and are estimated to be approximately $450,000 per year.

Rent expense related to the North American International Toy Fair and the Fall Toy Preview was approximately $1,370,000 and $1,393,000 for the years ended December 31, 2016 and 2015, respectively.

NOTE 8 – CONCENTRATIONS

Cash and cash equivalents that potentially subject the Association to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Accounts are insured up to $250,000 per depositor. As of December 31, 2016 and 2015, there was approximately $6,679,000 and $4,931,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 9 – RELATED-PARTY TRANSACTIONS

A. Certain salary and benefit expenses were incurred by the Association on behalf of Toy Industry Foundation (the “Foundation”), a nonprofit organization and an affiliated entity which, among other things, is dedicated to the welfare and betterment of children, the improvement of their physical and mental well-being and the conditions of their lives. These costs are not passed on to the Foundation and are recognized as donations.

The Foundation operates on the premises of the Association and, as such, office space and certain services are made available to them. The costs associated with any such arrangements are not allocated to the Foundation because the Association does not have a clearly measurable and objective basis for determining the value of the donated space and services. These costs are not believed to be material.

Summary financial information for the Foundation, which includes in-kind and cash donations from the Association of $877,055 and $936,018, as of and for the years ended December 31, 2016 and 2015, respectively, is as follows:

	2016	2015
Total assets	$ 2,373,813	$ 1,957,729
Total liabilities	325,396	229,958
Unrestricted net assets	2,045,808	1,727,771
Temporarily restricted net assets	2,609	-
Total support and revenues	49,260,411	13,310,828
Total expenses	48,939,765	13,096,437

Amounts payable to or receivable from the Foundation in the accompanying combined statements of financial position at December 31, 2016 and 2015 represent fundraising money received or expenses paid by the Association on behalf of the Foundation.

NOTE 9 – RELATED-PARTY TRANSACTIONS (Continued):

B. In January 2010, the Association formed The Toy Industry Association, Inc. Political Action Committee ("ToyPAC") as discussed in Note 1. Summary financial information for ToyPAC included in the accompanying combined statements of financial position, activities and cash flows as of and for the years ended December 31, 2016 and 2015 is as follows:

	2016	2015
Total assets	$ 12,173	$ 16,973
Total liabilities	-	-
Unrestricted net assets	12,173	16,973
Total support and revenues	7,074	4,261
Total expenses	11,874	901

C. In July 2014, the Association entered into an agreement with the Canadian Toy Association ("CTA") to establish a formal relationship between the organizations for the benefit of their respective members and the toy industry. In accordance with the agreement, the Association disbursed to CTA $215,000 in funding to support its operations and advocacy activities during each of the years ended December 31, 2016 and 2015.

   As part of the agreement, both the Association and CTA include one member of their respective Board of Directors as a liaison to the other party's Board of Directors. The agreement will continue for three years with an automatic successive renewal for additional terms unless terminated earlier in accordance with the terms of the contract.

NOTE 10 – DONATIONS

The Association provided support totaling $136,284 and $113,000 to the Fashion Institute of Technology toy design program during the years ended December 31, 2016 and 2015, respectively. The Fashion Institute of Technology offers a two-year toy design program. In addition, the Association donated $50,000 in both 2016 and 2015 to Otis College's toy design program. The Association also made a grant of $25,000 during the year ended December 31, 2016 for support of the Strong Museum's Toy Halls of Fame.

NOTE 11 – EMPLOYMENT AGREEMENT

In April 2015, the Association entered into an employment agreement (the "Agreement") with its current President for a period of three years beginning in April 2015 and includes automatic renewals for additional one-year periods unless terminated with three months prior notice by either party. The Agreement provides that the President receives an annual salary, performance bonus and other benefits.

NOTE 12 – UNCERTAIN TAX PROVISIONS

The Association is exempt from federal income taxes under Section 501(c)(6) of the U.S. Internal Revenue Code and from state and local income taxes under comparable laws. The Association believes it has no uncertain tax positions as of December 31, 2016 and 2015 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes" which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

As discussed in Note 1, ToyPAC is subject to corporate income tax on its taxable income. However, based on ToyPAC's results of operations for the years ended December 31, 2016 and 2015, no provision for income taxes or uncertain tax positions is required or has been made in the accompanying combined financial statements.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the combined statement of financial position through May 12, 2017, the date the combined financial statements were available to be issued.

In September 2016 the Association's Board of Directors approved a name change to The Toy Association. The name change and a new logo launched in April 2017 to coincide with the Association's move into the new office space (see Note 7A).