



Inspiring Generations of Play



**BUILD.
CREATE.
GROW.**

2017 ANNUAL REPORT

LETTER FROM THE PRESIDENT AND CHAIR

THE TOY ASSOCIATION

2017 was a year of equal parts disruption and opportunity. One in which your trade association was well-prepared to successfully push back on emerging threats while helping accelerate positive trends. The strategic refocusing and evolution of what is today known as The Toy Association meant we were instantly ready to take on the potentially destructive Border Adjustment Tax; work through more than 100 pieces of legislation of concern to the industry without a single loss; swiftly expand our positive advocacy impact in both established and emerging markets around the world; and innovate to connect toymakers and buyers via digital technology.

Likewise, the Association evolved to meet the rapidly shifting consumer and retail world that is profoundly changing the toy and play industry, including how companies do business, build relationships with consumers, gain their trust, and win their dollars. Through insightful new research, educational webinars, business-building resources, innovative digital assets including platforms like ShopToys365.com, and challenging assumptions of how we operate every vital function and service on behalf of our members, we sought to continually demonstrate this is clearly not your father's toy association. Yet there is still so much to do, changes to make, and connections to forge.

We know that toy and play professionals and your companies are a passionate and innovative sort. The Toy Association's new mission is reflective of that spirit as we strive to be "a unifying force for members' creativity, responsibility, and global success, advocating for their needs, and championing the benefits of play." Today, we are advancing impactful global legislative and regulatory advocacy on behalf of members of every size and type, executing world-class trade and consumer events,

defending intellectual property rights, leading conversations on STEM/STEAM, helping members navigate an age of internet-connected toys, driving proactive communications that promote the safety of all toys sold in the U.S., delivering powerful initiatives that demonstrate the benefits of childhood play, leading through philanthropy, and constantly being mindful of how we can best protect and promote the entire toy community.

Yet, threats remain, and change is thrust upon us all. The bankruptcy of one of the industry's largest toy sellers as we entered the 2017 holiday season placed our industry at a serious point of inflection. One that will continue well through the coming year. Together, the Association and our members are navigating this situation, its fallout, and how we collectively build-back, move beyond, and continue to prosper.

While there will always be new challenges, there are very real opportunities in a changing marketplace, so we must look ahead. As such, the theme of this report is "Build. Create. Grow." Within these pages, you will find examples of The Toy Association's key 2017 accomplishments on your behalf. We are committed to member excellence and strive to deliver best-in-class service and support on a day-to-day basis. We must help your businesses grow and be able to create and deliver creative, skill-building toys for future generations of children and families.

Our deepest thanks for your membership and involvement in The Toy Association. 2018 is certain to have its own triumphs and challenges, but we remain devoted to our mission and foremost to our reason for being – all of you and your success. It remains an honor and our pleasure to serve.



A handwritten signature in black ink that reads "Steve Pasierb". The signature is stylized and cursive.

Steve Pasierb
President & Chief Executive



A handwritten signature in black ink that reads "David Hargreaves". The signature is cursive and somewhat stylized.

David Hargreaves
Chairman of the Board of Directors
(2016–2018),
Strategic Advisor, Hasbro, Inc.



2017 ACCOMPLISHMENTS

EXTERNAL AFFAIRS

Federal Affairs

- Worked within Americans for Affordable Products coalition to influence the tax reform debate, and specifically, the Border Adjustment Tax, so that importers would not be negatively impacted.
- Participated on three U.S. Customs and Border Protection (CBP) Advisory Committee Working Groups on intellectual property (IP), e-commerce and de minimis, and invited to join CBP's Border Interagency Executive Committee External Advisory Committee.
- Started an IP Committee to bring companies together to address the issue of IP infringing toys sold on e-commerce platforms.
- Testified in congressional briefing on the challenges toy companies face with combating counterfeit toys sold on e-commerce platforms.
- Held a successful Washington, DC Fly-in with the highest participation rate to date. Secured high-level speakers, including EPA Administrator Scott Pruitt and Commerce Secretary Wilbur Ross. Met with over 50 Senate offices.
- Held a strategy meeting in Washington, DC with nearly 40 Toy Association members and speakers from the U.S. Consumer Product Safety Commission (CPSC), Alibaba Group, and Department of Commerce.
- Successfully kept toys from drone regulations despite efforts by Congress and the Federal Aviation Administration to impose technology requirements on toys.
- Secured long overdue testing exemptions for certain phthalates from several plastics.

State Affairs

- Tracked more than 450 bills in 40 states; acted on more than 100 bills in 22 states. Defeated/amended all harmful legislation.
- Monitored 18 issue areas to identify problematic legislation. Testified at legislative hearings in seven states, participated in regulatory hearings and meetings in five states, and drafted legislative amendments in eight states to address key issues.



International Affairs

- Advocated on more than 25 regulatory issues around the world. Raised visibility of toy issues in World Trade Organization. Secured wins in international regulatory advocacy in Kazakhstan, Colombia, Turkey, and Nepal.
- Coordinated letters and international advocacy with global toy trade associations on toy regulatory issues in India, Kazakhstan, Indonesia, and Nepal, among others.

Technical Affairs/Standards

- Successfully secured a position on the Environmental Protection Agency's (EPA) TSCA Science Advisory Chemical Committee.
- Heavily influenced EPA's final TSCA rules on chemical regulations through comments and direct engagement.
- Provided technical, manufacturing, and logistics support to members, responding to 200+ queries.

MEETINGS & EVENTS

- The North American International Toy Fair was ranked 37th among Trade Show Executive magazine's Gold 100 list, which highlights the largest domestic trade shows in the U.S. that "set the gold standard." Toy Fair improved on its previous ranking of 39th place for the 2016 event.
- The 114th annual Toy Fair opened its doors to more than 28,000 global play professionals and welcomed 10,276 mass and specialty buyers from nearly 5,100 unique retail outlets. Buyers and trade guests explored toys and games from more than 1,100 exhibiting companies from 33 countries covering over 444,309 net square feet.
- Toy Fair also welcomed 1,016 members of the media, representing top-tier outlets including Good Morning America, Good Day New York, CNBC, CBS Newspath, Bloomberg, The Wall Street Journal, and Fortune.
- Continued to develop audiences for and expand The Toy Association's B2B e-commerce platform for toy buyers and sellers to connect and conduct business online year-round. Formerly ShopToyFair365.com, the tool was rebranded ShopToys365.com to encourage more acceptance and use by buyers and sellers not connected to Toy Fair.
- Continued to provide a global services lounge at Toy Fair for our affiliated partners, the Canadian Toy Association, the American Specialty Toy Retailing Association, and the International Licensing Industry Merchandisers' Association, further strengthening Toy Association alliances with similarly focused organizations.
- Welcomed 2,838 toymakers, buyers, licensors, and trade guests from 18 countries to the 10th annual Fall Toy Preview at the Dallas Market Center. Attendees included 565 buyers from 242 unique retail outlets, including Amazon, Walmart, and Target. Continued the evolution of Fall Toy Preview's appointment-only, closed-booth experience to allow for a more inclusive event open to a broader audience of long-lead buyers.
- Produced for the second time Play Fair, The Toy Association's consumer-facing event for children and families, in partnership with Leftfield Media. The New York City event welcomed capacity crowds of more than 20,000 attendees over two days. Presenting sponsors were Toys"R"Us and LEGO.



MEMBERSHIP

- Surpassed year-end membership totals for the sixth consecutive year, with 1,105 members.
- Welcomed a record 252 new companies to the Association.
- Met with more than 120 members to better connect key personnel and encourage engagement and participation in Association programs and services, including The Genius of Play, safety initiatives, external affairs activities, research and insight, and Association events.
- As part of The Toy Association Knowledge Network, hosted 16 webinars on a range of topics, including updates on state and federal chemical laws, child development, creditors' rights, marketing to children, and more.
- Published two new global market entry studies on India and the U.S.; as well as The NPD Group's 2017 Global Toy Market Overview; a 2017 Financial Operating and Benchmarking Study; white papers on local-based media programs, trademarks, and the state of play in America; and 12 new trend reports covering a wide range of industries and topics from Trend Hunter.
- Introduced an Independent Retailer membership category to make it easier for smaller toy retailers to join the Association.



MARKETING COMMUNICATIONS

Strategic Communications

- Effectively blunted the impact of NGO “dangerous toys” reports via year-round proactive and strategic outreach to key audiences. In Q4, The Toy Association was mentioned or quoted in 1,359 national and local broadcast segments and articles covering the “unsafe” toy reports.
- Widely disseminated core safety messaging and national survey findings on toy safety, garnering more than 74 million impressions in newspapers, blogs, a nationally syndicated radio spot, and more. Created a safety infographic that garnered 43 million impressions.
- Participated in several product segments in markets across the country, including Los Angeles, Chicago, and Detroit, and wrote 174 articles for international trade magazines, consumer magazines, and blogs. Provided exposure for 183 unique products from 115 member companies.
- Garnered and tracked 643 broadcast segments (total viewership: 32.8 million) and 10,673 print, online, and blog articles about the 114th North American International Toy Fair.
- Engaged ProdigyWorks to develop a clear view of the future of play to help members plan for future growth. A series of forward-looking trend studies will be rolled out in 2018.
- Led The Toy Association rebranding campaign, unveiling a new name, tagline, and mission statement for the Association, as well as a playful new website and updated version of the Toy News Tuesday e-newsletter. The campaign was featured in dozens of publications, including AdAge, and showcased via sponsorships at industry events.



Marketing Initiatives

- Continued to expand The Genius of Play’s reach and engagement, garnering 1.38 billion impressions and more than 10 million engagements. Launched a national Public Service Announcement (PSA) campaign; expanded reach to Hispanic families with a Spanish website and PSAs; built credibility with an expert panel; and engaged fans in promotions that achieved 125,000+ landing page visits and 23,000 unique entrants.
- The Genius of Play also engaged educators through partnerships with WeAreTeachers and the National Association for the Education of Young Children, getting 3,000+ teachers on-board to #PledgetoPlay for the school year.
- Strengthened the nomination, judging, and voting process for the Toy of the Year (TOTY) Awards through third-party validation by accounting firm Tate & Tyron. For the first time, the overall TOTY winner was decided by a panel of eight industry experts.
- TOTY finalists were revealed at a Media & Industry Preview Night at Play Fair, attended by YouTubers, bloggers, and other influencers, kicking off three months of finalist promotions. A record 140,000+ consumer votes were cast at ToyAwards.org.

THE TOY FOUNDATION

- Generated \$15 million in Toy Bank donations, which were then distributed to children's charities in 42 states.
- Answered the call for help in the wake of devastating hurricanes, brightening the lives of more than 200,000 children who were coping with the loss of their homes by providing them with toys (and smiles!) thanks to the generosity of the toy industry.
- Built a national partnership with National Court Appointed Special Advocate Association (National CASA) to serve a significant number of foster children – an often-forgotten population of children who need help. Over the last four years, more than 400,000 foster children have been comforted with new toys. Also played an important role in helping to fund training for tens of thousands of CASA volunteer advocates.
- Expanded the Play Your Part events to the Northeast. These toy industry employee engagement events—now held in Los Angeles, Chicago, and Boston—attract hundreds of employees who gather together to stuff gift bags with toys, write heartfelt notes of support, distribute the gift bags to foster children on-site, play with kids at toy company-sponsored activity stations, and enjoy snacks and beverages – all while listening to tunes spun by a DJ.
- Partnered with Nemours Children's Health System to explore the impact of trauma-informed patient care and the role of play in helping children heal and cope while in the hospital. Completed the first phase of research; research findings will then be communicated in 2018 and used to develop an innovative, high-quality program focused on trauma-informed care.
- Launched several online sales programs with Amazon which contributed to a record-breaking \$1.3 million in cash fundraising, funding all TTF programs in 2017.



Delivering Joy to Children in Need



2017 FINANCIAL STATEMENT & 2017 BOARD OF DIRECTORS

FINANCIALS

(\$ IN THOUSANDS)

ASSETS:	2017	2016
Cash and investments	\$31,770	\$28,287
Trade show, dues and other receivables, net	123	60
Prepaid expenses and deposits	1,684	2,292
Property and equipment, net	2,858	910
TOTAL ASSETS	\$36,435	\$31,549

LIABILITIES & NET ASSETS:

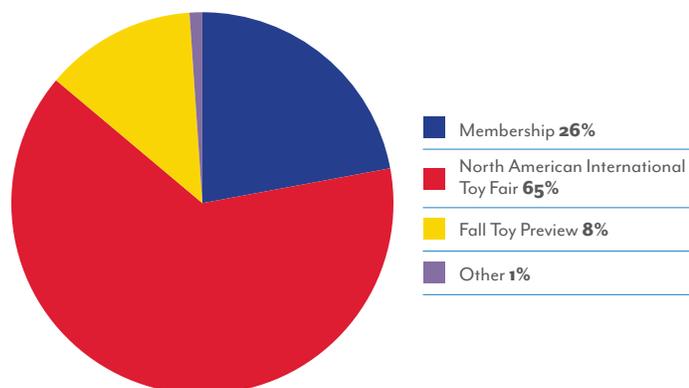
Accounts payable and other liabilities	\$2,178	\$1,020
Trade show, dues and other deferred income	15,154	14,939
Investment Deficit in Play Fair, LLC	186	50
TOTAL LIABILITIES	17,518	16,009
UNRESTRICTED NET ASSETS	18,917	15,540
TOTAL LIABILITIES AND NET ASSETS	\$36,435	\$31,549

SUMMARY STATEMENT

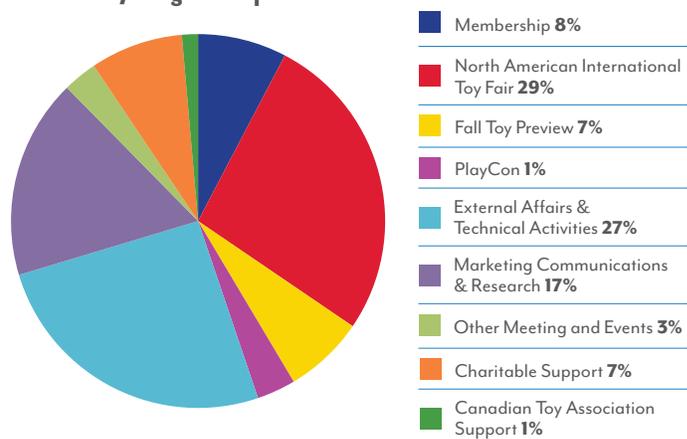
OF ACTIVITIES: YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Program revenue	\$20,132	\$19,153
Program expenses	15,977	15,506
Administrative expenses	3,639	3,089
OPERATING SURPLUS (DEFICIT)	516	558
Non-operating income	2,861	1,017
INCREASE IN NET ASSETS	\$3,377	\$1,575

2017 Program Revenue



2017 Program Expenses



2017 BOARD OF DIRECTORS

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