

# **The Hole in the Wall Gang Fund, Inc.**

Financial Report  
November 30, 2015

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RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
The Hole in the Wall Gang Fund, Inc.  
New Haven, Connecticut

### Report on the Financial Statements

We have audited the accompanying financial statements of The Hole in the Wall Gang Fund, Inc. (the Fund) which comprise the statement of financial position as of November 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 controls relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Hole in the Wall Gang Fund, Inc. as of November 30, 2015, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Fund's 2014 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended November 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RSM US LLP*

New Haven, Connecticut  
February 4, 2016

The Hole in the Wall Gang Fund, Inc.

Statement of Financial Position

November 30, 2015

(With Summarized Financial Information for 2014)

|   | 2015                 | 2014                 |
|---|----------------------|----------------------|
| <b>Assets</b>   |                      |                      |
| Cash and cash equivalents                                     | \$ 1,444,785         | \$ 172,272           |
| Pledges receivable (Note 3)                                   | 1,163,980            | 762,514              |
| Prepaid expenses and other assets                             | 223,231              | 244,518              |
| Contributions receivable - split interest agreements (Note 4) | 98,333               | 138,427              |
| Investments, at fair value (Note 6)                           | 78,722,178           | 81,008,691           |
| Premises and equipment, net (Note 7)                          | 11,194,820           | 9,297,517            |
|   | <hr/>                | <hr/>                |
| <b>Total assets</b>   | <b>\$ 92,847,327</b> | <b>\$ 91,623,939</b> |
| <b>Liabilities and Net Assets</b>                             |                      |                      |
| Liabilities:  |                      |                      |
| Accounts payable and accrued expenses                         | \$ 455,448           | \$ 375,830           |
| Grants payable  | 1,000,000            | 150,000              |
| Loans payable (Note 8)  | 232,520              | 267,831              |
|   | <hr/>                | <hr/>                |
| <b>Total liabilities</b>                                      | <b>1,687,968</b>     | <b>793,661</b>       |
| Commitments (Note 13)   |                      |                      |
| Net assets:   |                      |                      |
| Unrestricted:   |                      |                      |
| Undesignated - available for operations                       | 1,073,744            | 732,745              |
| Designated for investment                                     | 74,944,398           | 77,744,386           |
| Designated for premises and equipment                         | 11,194,820           | 9,297,517            |
|   | <hr/>                | <hr/>                |
| <b>Total unrestricted</b>                                     | <b>87,212,962</b>    | <b>87,774,648</b>    |
| Temporarily restricted (Notes 2 and 5)                        | 2,072,384            | 1,330,889            |
| Permanently restricted (Notes 2 and 5)                        | 1,874,013            | 1,724,741            |
|   | <hr/>                | <hr/>                |
| <b>Total net assets</b>                                       | <b>91,159,359</b>    | <b>90,830,278</b>    |
|   | <hr/>                | <hr/>                |
| <b>Total liabilities and net assets</b>                       | <b>\$ 92,847,327</b> | <b>\$ 91,623,939</b> |

See notes to financial statements.

**The Hole in the Wall Gang Fund, Inc.**

**Statement of Activities  
Year Ended November 30, 2015  
(With Summarized Financial Information for 2014)**

|   | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |                   |
|---|-------------------|---------------------------|---------------------------|-------------------|-------------------|
|   |                   |                           |                           | 2015              | 2014              |
| Support and revenue:  |                   |                           |                           |                   |                   |
| Support:  |                   |                           |                           |                   |                   |
| Contributions and special events<br>(Notes 10 and 11)                   | \$ 12,124,198     | \$ 1,080,704              | \$ 98,653                 | \$ 13,303,555     | \$ 10,961,795     |
| Contributions-in-kind   | 171,307           | -                         | -                         | 171,307           | 209,529           |
| <b>Total support</b>  | <b>12,295,505</b> | <b>1,080,704</b>          | <b>98,653</b>             | <b>13,474,862</b> | <b>11,171,324</b> |
| Revenue:  |                   |                           |                           |                   |                   |
| Dividend and interest income  | 775,045           | -                         | 33,081                    | 808,126           | 894,550           |
| Realized and unrealized gains and<br>(losses) gains on investments, net | (667,186)         | (119,876)                 | 84,821                    | (702,241)         | 5,482,923         |
| Other income  | 73,841            | -                         | -                         | 73,841            | 64,685            |
| Net assets released from<br>restrictions (Note 2)                       | 286,616           | (219,333)                 | (67,283)                  | -                 | -                 |
| <b>Total revenue</b>  | <b>468,316</b>    | <b>(339,209)</b>          | <b>50,619</b>             | <b>179,726</b>    | <b>6,442,158</b>  |
| <b>Total support and revenue</b>  | <b>12,763,821</b> | <b>741,495</b>            | <b>149,272</b>            | <b>13,654,588</b> | <b>17,613,482</b> |
| Expenses:   |                   |                           |                           |                   |                   |
| Program services:   |                   |                           |                           |                   |                   |
| Camp programs   | 7,077,976         | -                         | -                         | 7,077,976         | 7,257,274         |
| Outreach and off season programs  | 3,603,845         | -                         | -                         | 3,603,845         | 3,121,985         |
| <b>Total program services</b>   | <b>10,681,821</b> | <b>-</b>                  | <b>-</b>                  | <b>10,681,821</b> | <b>10,379,259</b> |
| Support services:   |                   |                           |                           |                   |                   |
| General and administrative  | 730,582           | -                         | -                         | 730,582           | 662,040           |
| Development   | 1,913,104         | -                         | -                         | 1,913,104         | 1,730,773         |
| <b>Total support services</b>   | <b>2,643,686</b>  | <b>-</b>                  | <b>-</b>                  | <b>2,643,686</b>  | <b>2,392,813</b>  |
| <b>Total expenses</b>   | <b>13,325,507</b> | <b>-</b>                  | <b>-</b>                  | <b>13,325,507</b> | <b>12,772,072</b> |
| <b>Change in net assets</b>   | <b>(561,686)</b>  | <b>741,495</b>            | <b>149,272</b>            | <b>329,081</b>    | <b>4,841,410</b>  |
| Net assets:   |                   |                           |                           |                   |                   |
| Beginning of year   | 87,774,648        | 1,330,889                 | 1,724,741                 | 90,830,278        | 85,988,868        |
| End of year   | \$ 87,212,962     | \$ 2,072,384              | \$ 1,874,013              | \$ 91,159,359     | \$ 90,830,278     |

See notes to financial statements.

**The Hole in the Wall Gang Fund, Inc.**

**Statement of Functional Expenses  
Year Ended November 30, 2015  
(With Summarized Financial Information for 2014)**

|  | Program Services    |                                  |                      | Support Services           |                     |                     | Total                |                      |
|--|---------------------|----------------------------------|----------------------|----------------------------|---------------------|---------------------|----------------------|----------------------|
|  | Camp Programs       | Outreach and Off Season Programs | Total                | General and Administrative | Development         | Total               | 2015                 | 2014                 |
| Expenses:  |                     |                                  |                      |                            |                     |                     |                      |                      |
| Salaries   | \$ 2,229,984        | \$ 2,070,538                     | \$ 4,300,522         | \$ 312,114                 | \$ 1,151,707        | \$ 1,463,821        | \$ 5,764,343         | \$ 5,381,121         |
| Payroll taxes and employee benefits (Note 12)            | 622,589             | 624,680                          | 1,247,269            | \$ 71,966                  | 383,436             | 455,402             | 1,702,671            | 1,458,583            |
| Outside services   | 36,360              | 47,807                           | 84,167               | 83,387                     | 39,347              | 122,734             | 206,901              | 251,997              |
| Grants and financial support to other entities (Note 11) | 1,223,275           | -                                | 1,223,275            | -                          | -                   | -                   | 1,223,275            | 1,337,829            |
| Facilities expenses                                      | 978,442             | -                                | 978,442              | -                          | -                   | -                   | 978,442              | 1,150,087            |
| Program supplies and equipment                           | 471,790             | 200,135                          | 671,925              | -                          | -                   | -                   | 671,925              | 708,892              |
| Food   | 163,839             | 97,644                           | 261,483              | -                          | -                   | -                   | 261,483              | 221,109              |
| Transportation   | 113,691             | 135,074                          | 248,765              | 11,633                     | 50,689              | 62,322              | 311,087              | 264,581              |
| Rent (Notes 9 and 13)                                    | -                   | 126,815                          | 126,815              | 80,067                     | 30,795              | 110,862             | 237,677              | 202,921              |
| Telephone  | 23,891              | 12,504                           | 36,395               | 5,321                      | 6,559               | 11,880              | 48,275               | 56,631               |
| Information technology                                   | 73,055              | -                                | 73,055               | 15,451                     | 19,046              | 34,497              | 107,552              | 97,891               |
| Office supplies and postage                              | 84,640              | 66,371                           | 151,011              | 23,000                     | 136,879             | 159,879             | 310,890              | 287,168              |
| Printing and public awareness                            | 4,240               | 65,650                           | 69,890               | -                          | 71,489              | 71,489              | 141,379              | 135,130              |
| Insurance and professional fees                          | 239,285             | 14,300                           | 253,585              | 24,514                     | 7,700               | 32,214              | 285,799              | 282,648              |
| Family programs  | -                   | 141,320                          | 141,320              | -                          | -                   | -                   | 141,320              | 125,935              |
| Other  | 29,298              | 1,007                            | 30,305               | 2,700                      | 15,457              | 18,157              | 48,462               | 38,480               |
| <b>Total expenses before depreciation</b>                | <b>6,294,379</b>    | <b>3,603,845</b>                 | <b>9,898,224</b>     | <b>630,153</b>             | <b>1,913,104</b>    | <b>2,543,257</b>    | <b>12,441,481</b>    | <b>12,001,003</b>    |
| Depreciation   | 783,597             | -                                | 783,597              | 100,429                    | -                   | 100,429             | 884,026              | 771,069              |
| <b>Total expenses</b>                                    | <b>\$ 7,077,976</b> | <b>\$ 3,603,845</b>              | <b>\$ 10,681,821</b> | <b>\$ 730,582</b>          | <b>\$ 1,913,104</b> | <b>\$ 2,643,686</b> | <b>\$ 13,325,507</b> | <b>\$ 12,772,072</b> |

See notes to financial statements.

**The Hole in the Wall Gang Fund, Inc.**

**Statement of Cash Flows  
Year Ended November 30, 2015  
(With Summarized Financial Information for 2014)**

|   | 2015               | 2014               |
|---|--------------------|--------------------|
| Cash flows from operating activities:   |                    |                    |
| Change in net assets  | \$ 329,081         | \$ 4,841,410       |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                    |                    |
| Realized and unrealized losses (gains) on investments, net                                  | 702,241            | (5,482,923)        |
| Decrease (increase) in contributions receivable-split interest agreements                   | 40,094             | (420)              |
| Depreciation  | 884,026            | 771,069            |
| Loss on disposal of assets  | 458                | 245,733            |
| Contributions restricted for long-term investment   | (98,653)           | (80,363)           |
| Changes in assets and liabilities:  |                    |                    |
| Increase (decrease) in pledges receivable   | (401,466)          | 468,179            |
| Decrease (increase) in prepaid expenses and other assets                                    | 21,287             | (74,896)           |
| Increase (decrease) in accounts payable and accrued expenses                                | 79,618             | (68,937)           |
| Increase (decrease) in payable to other camps   | 850,000            | 150,000            |
| Decrease in deferred revenue  | -                  | (38,737)           |
| <b>Net cash provided by operating activities</b>  | <b>2,406,686</b>   | <b>730,115</b>     |
| Cash flows from investing activities:   |                    |                    |
| Purchase of investments and change in money market accounts in investment portfolio         | (2,548,590)        | (5,637,135)        |
| Proceeds from sales of investments  | 4,132,862          | 5,642,476          |
| Purchase of premises and equipment  | (2,784,787)        | (1,226,330)        |
| Proceeds from sale of premises and equipment  | 3,000              | 3,000              |
| <b>Net cash used in investing activities</b>  | <b>(1,197,515)</b> | <b>(1,217,989)</b> |
| Cash flows from financing activities:   |                    |                    |
| Proceeds from contributions restricted for long-term investment                             | 98,653             | 80,363             |
| Payments on loans payable   | (35,311)           | (23,411)           |
| <b>Net cash provided by financing activities</b>  | <b>63,342</b>      | <b>56,952</b>      |
| <b>Increase (decrease) in cash and cash equivalents</b>                                     | <b>1,272,513</b>   | <b>(430,922)</b>   |
| Cash and cash equivalents:  |                    |                    |
| Beginning of year   | 172,272            | 603,194            |
| End of year   | \$ 1,444,785       | \$ 172,272         |
| Supplemental disclosures of non-cash investing and financing activities                     |                    |                    |
| Contributions-in-kind   | \$ 171,307         | \$ 209,529         |
| Premises and equipment additions funded by seller loans payable (Note 8)                    | \$ -               | \$ 291,242         |

See notes to financial statements.



## The Hole in the Wall Gang Fund, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** The Hole in the Wall Gang Fund, Inc. (the Fund) was founded by Paul Newman in 1985 to serve children and families coping with cancer and other serious illnesses and conditions. The Fund's primary activity is the operation of a camp for such children. The camp facility is located on approximately 300 acres in Ashford-Eastford, Connecticut. The Fund also has a hospital outreach program whereby the Fund works collaboratively with hospitals to improve the quality of life for children during treatment. At times, the Fund also provides assistance in the form of grants and financial and other support to other camps and organizations in the United States and in other countries whose mission, objectives and operations are consistent with those of the Fund.

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

**Basis of presentation:** The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), and are presented in accordance with guidance as issued by the Financial Accounting Standards Board (FASB) relating to financial statements of not-for-profit organizations. As such, the financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets. Descriptions of the net assets of the Fund are reported as follows:

**Unrestricted net assets:** Unrestricted net assets include the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. These net assets also include those funds that are designated by the Fund's board of directors in achieving any of its corporate purposes. The Fund includes certain investments as part of its unrestricted operating net asset amount.

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

**Permanently restricted net assets:** Permanently restricted net assets include funds that have been designated by the donor to be held and invested in perpetuity.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** The Fund considers all highly liquid investments with original maturities of three months or less to be cash equivalents, with the exception of cash and cash equivalents maintained in investment portfolios.

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

## The Hole in the Wall Gang Fund, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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

**Level 1:** Quoted prices in active markets for identical assets or liabilities. Level 1 investments include equity securities and mutual funds that are traded in an active exchange market.

**Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets. Level 2 assets include investment funds that are not actively traded, whose value is determined by the fund managers based on the values of the underlying assets of the funds. The underlying assets of the funds are determined based on quoted prices in active markets for identical assets or other inputs that are observable.

**Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets include investments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

At November 30, 2015, approximately \$16,184,000 of investments, or approximately 17 percent of total assets, is invested in private equity hedge funds (the Hedge Funds). Substantially all of the assets of the Hedge Funds are invested in limited partnerships and investment funds (Investee Funds), whose fair values have been estimated by the Hedge Funds' Investment Manager in the absence of readily ascertainable fair values. These fair values are based on (1) the Hedge Funds' net contribution to the Investee Funds and (2) their allocated share of the undistributed profits and losses, including realized and unrealized gains and losses based on the financial information provided by the Investee Funds' management, which may include the audited financial statements of the Investee Funds. If the Investment Manager determines, based on its own due diligence and investment monitoring procedures, that the valuation for any Investee Fund based on information provided by the Investee Funds' management does not represent fair value, the Investment Manager shall estimate the fair value of the Investee Funds. In addition, the fair values relating to underlying investments held by the Investee Funds may have been estimated by the respective Investee Funds' management in the absence of readily ascertainable fair values.

Due to the inherent uncertainty of these estimates, these values may differ from the values that would have been used had a ready market for these investments existed and the differences could be material. The Fund has the ability to liquidate these investments on a periodic basis in accordance with the provisions of the investment fund agreements.

**Premises and equipment:** Premises and equipment are recorded at cost at the date of acquisition or, if received by gift, at fair value at the date of donation. The Fund capitalizes such costs provided their cost is \$2,000 or more and they have useful lives greater than one year. Depreciation is provided on a straight-line basis over estimated useful lives ranging from five years, for furniture and equipment, to twenty years, for buildings and improvements.

## The Hole in the Wall Gang Fund, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Contributions:** Unconditional promises to give are recorded as support when the promise is received.

The Fund records multi-year pledges at their discounted present value using a risk-free rate of return. Such pledges are considered temporarily restricted until the passage of time. The unamortized discount to present value is amortized and recognized as a component of contribution income using an effective yield over the duration of the pledges.

**Contributions-in-kind:** Donated services, material, equipment and property are reflected as contributions-in-kind revenue and expense (or capitalized, as necessary) in the accompanying financial statements at their estimated fair values at the date of receipt. No amounts have been reflected for certain donated services since such services generally do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. However, a substantial number of volunteers have donated significant amounts of their time toward the Fund's program services and its fund-raising campaigns.

**Grants payable:** Grants payable represent all unconditional grants that have been authorized by the Board of Directors prior to year-end, but remain unpaid as of the statement of financial position date. Conditional grants are recorded as expenses and considered payable in the period the conditions are substantially satisfied.

**Allocation of functional expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**Income taxes:** The Fund is a not-for-profit organization under the Nonstock Corporation Act of the State of Connecticut and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). Contributions to the Fund are tax deductible within the limitations prescribed by the Code. The Fund has been classified as an organization that is not a private foundation and has been designated as a "publicly supported" organization under the applicable sections of the Code. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Fund had no unrelated business income for the years ended November 30, 2015 and 2014, respectively.

The Fund may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. Based on the Fund's evaluation of its tax positions at November 30, 2015 and 2014, the Fund had no liabilities for uncertain tax positions.

**Prior year summarized totals:** The financial statements include certain prior year summarized, comparative information in total, but not by net asset class or by functional program. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended November 30, 2014, from which the summarized information was derived.

## The Hole in the Wall Gang Fund, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Recent accounting pronouncements:** In April 2013, the FASB issued guidance which requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring such services will significantly overstate or understate the value, the recipient may elect to recognize the service at either the cost recognized by the affiliate, or the fair value of the service. This guidance is effective prospectively for fiscal years beginning after June 14, 2014, and interim and annual periods thereafter. This guidance was effective for the Fund in fiscal 2015 and the adoption of the guidance had no material impact on the financial statements.

In May 2015, the FASB issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments apply to reporting entities that elect to measure the fair value of an investment using the net asset value per share (or its equivalent) practical expedient. The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments are effective for fiscal years beginning after December 15, 2016 and should be applied retrospectively to all periods presented. Earlier application is permitted. As ASU 2015-07 only amends and eliminates certain disclosures, the Fund does not anticipate its adoption will have a material impact on its financial statements.

#### Note 2. Net Assets

Temporarily restricted net assets consisted of the following as of November 30, 2015 and 2014:

|                      | 2015                | 2014                |
|----------------------|---------------------|---------------------|
| Purpose restrictions | \$ 558,110          | \$ 58,110           |
| Time restrictions    | 1,514,274           | 1,272,779           |
|                      | <u>\$ 2,072,384</u> | <u>\$ 1,330,889</u> |

The purpose restrictions relate primarily to amounts to be expended for camp programs.

Permanently restricted net assets consisted of the following funds, whose earnings are used in camper programs, as of November 30, 2015 and 2014:

|                  | 2015                | 2014                |
|------------------|---------------------|---------------------|
| Brewster Fund    | \$ 318,695          | \$ 293,121          |
| Dr. Fun Fund     | 500,000             | 500,000             |
| Campership Funds | 765,169             | 710,340             |
| Milmoe Fund      | 262,990             | 196,287             |
| Glazer Fund      | 14,585              | 13,422              |
| Druten Fund      | 12,574              | 11,571              |
|                  | <u>\$ 1,874,013</u> | <u>\$ 1,724,741</u> |

## The Hole in the Wall Gang Fund, Inc.

### Notes to Financial Statements

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#### Note 2. Net Assets (Continued)

Net assets were released from donor restrictions in 2015 and 2014 as follows:

|   | 2015              | 2014              |
|---|-------------------|-------------------|
| Released from temporarily restricted net assets<br>to unrestricted net assets - passage of time | \$ 219,333        | \$ 483,334        |
| Income on permanently restricted net assets<br>available for appropriation                      | 67,283            | 59,833            |
|   | <u>\$ 286,616</u> | <u>\$ 543,167</u> |

#### Note 3. Pledges Receivable

Pledges receivable consisted of the following as of November 30, 2015 and 2014:

|  | 2015                  | 2014                |
|--|-----------------------|---------------------|
| Gross amounts due in:  |                       |                     |
| One year   | \$ 622,224            | \$ 383,333          |
| Between one and five years                                   | 511,110               | 400,000             |
| More than five years   | 66,666                | -                   |
| Less unamortized discount to present value:<br>(0.12%-3.38%) | 1,200,000<br>(36,020) | 783,333<br>(20,819) |
| Net present value  | <u>\$ 1,163,980</u>   | <u>\$ 762,514</u>   |

#### Note 4. Contributions Receivable - Split Interest Agreements

The Fund has been named as the beneficiary of a remainder trust. The contribution receivable related to the trust was recorded based on the present value of the expected assets to be received in the future. The following information was utilized by the Fund to calculate the present value of the assets:

|                               |       |
|-------------------------------|-------|
| Discount rate                 | 2.26% |
| Estimated years until receipt | 8     |

Changes in the value of the Fund's split interest agreement for the years ended November 30, 2015 and 2014 are as follows:

|                            | 2015             | 2014              |
|----------------------------|------------------|-------------------|
| Balance, beginning of year | \$ 138,427       | \$ 138,007        |
| Receipts                   | (36,000)         | -                 |
| Changes in present value   | (4,094)          | 420               |
| Balance, end of year       | <u>\$ 98,333</u> | <u>\$ 138,427</u> |

## The Hole in the Wall Gang Fund, Inc.

### Notes to Financial Statements

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#### Note 5. Endowment

The Fund's endowment consists of six individual donor restricted funds established for several purposes. As required by GAAP, net assets of endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of relevant law:** The Fund has interpreted the State of Connecticut Prudent Management of Institutional Funds Act (SPMIFA) as not requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent specific donor stipulations to the contrary. All endowment holdings of the Fund carry explicit donor stipulations to "provide a permanent source of funding" and use only "income" generated from the endowments. As a result, the Fund classifies permanently restricted net assets as: (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 net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Fund in a manner consistent with donor stipulations and absent such stipulations, the standard prescribed by SPMIFA. In accordance with SPMIFA, the Fund would consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Fund and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Fund, and (7) the investment policies of the Fund.

Endowment net asset composition by type of fund as of November 30, 2015 and 2014:

|                                  | 2015         |                        |                        |              |
|----------------------------------|--------------|------------------------|------------------------|--------------|
|                                  | Unrestricted | Temporarily Restricted | Permanently Restricted | Total        |
| Donor-restricted endowment funds | \$ -         | \$ 251,962             | \$ 1,874,013           | \$ 2,125,975 |

  

|                                  | 2014         |                        |                        |              |
|----------------------------------|--------------|------------------------|------------------------|--------------|
|                                  | Unrestricted | Temporarily Restricted | Permanently Restricted | Total        |
| Donor-restricted endowment funds | \$ -         | \$ 371,838             | \$ 1,724,741           | \$ 2,096,579 |

**The Hole in the Wall Gang Fund, Inc.**

**Notes to Financial Statements**

**Note 5. Endowment (Continued)**

Changes in endowment net assets for the fiscal year ended November 30, 2015:

|  | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total        |
|--|--------------|---------------------------|---------------------------|--------------|
| Endowment net assets, beginning of year                    | \$ -         | \$ 371,838                | \$ 1,724,741              | \$ 2,096,579 |
| Investment return:   |              |                           |                           |              |
| Investment income  | -            | -                         | 33,081                    | 33,081       |
| Net realized and unrealized appreciation<br>(depreciation) | -            | (119,876)                 | 84,821                    | (35,055)     |
| Total investment return                                    | -            | (119,876)                 | 117,902                   | (1,974)      |
| Contributions  | -            | -                         | 98,653                    | 98,653       |
| Distributions  | -            | -                         | (67,283)                  | (67,283)     |
| Endowment net assets, end of year                          | \$ -         | \$ 251,962                | \$ 1,874,013              | \$ 2,125,975 |

Description of endowment fund amounts classified as permanently restricted net assets and temporarily restricted net assets:

|   | 2015         | 2014         |
|---|--------------|--------------|
| Permanently restricted net assets:  |              |              |
| The portion of perpetual endowment funds required<br>to be retained permanently either by donor<br>stipulation or by UPMIFA | \$ 1,874,013 | \$ 1,724,741 |
| Temporarily restricted net assets:  |              |              |
| The portion of earnings on endowment funds subject to<br>board appropriation  | \$ 251,962   | \$ 371,838   |

**Funds with deficiencies:** 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 SPMIFA requires the Fund to retain as a fund of perpetual duration. No deficiencies of this nature are reported in unrestricted net assets as of November 30, 2015 and 2014.

**Return objectives and risk parameters:** The Fund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that the Fund must hold in perpetuity or for a donor-specified period of time. Endowment assets under this policy, approved by the Board of Directors, are invested in a manner that is intended to produce results that exceed the rate of inflation, while assuming a moderated level of investment risk.

**The Hole in the Wall Gang Fund, Inc.**

**Notes to Financial Statements**

**Note 5. Endowment (Continued)**

**Strategies employed for achieving objectives:** The Fund relies on a total return strategy to satisfy its long-term rate of return objectives. Investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund targets a diversified asset allocation that places a greater emphasis on equity based investments to achieve its long term objectives within prudent risk constraints.

**Spending policy and how the investment objectives relate to the spending policy:** The Fund has a policy to appropriate for distribution each year 4 percent of its endowment funds' average fair market value from the prior twelve quarters through the end of the calendar year preceding the fiscal year in which the distribution is planned. The Fund considered the long term expected return on its endowment when it established this policy. Accordingly, the Fund expects the current spending policy to allow its endowment assets to increase at a rate approximating the rate of inflation. This policy is consistent with the Fund's objective to maintain the purchasing power of the endowment assets held in perpetuity and to provide additional growth through new gifts and investment return.

**Note 6. Investments**

Investments consisted of the following as of November 30, 2015 and 2014:

|                                     | 2015                 |                      |  |
|-------------------------------------|----------------------|----------------------|--|
|                                     | Cost                 | Fair Value           | Unrealized Appreciation (Depreciation) |
| Common stocks and investment funds  | \$ 43,825,550        | \$ 71,008,737        | \$ 27,183,187                          |
| Fixed income portfolio mutual funds | 7,902,757            | 7,561,315            | (341,442)                              |
| Cash held by investment managers    | 152,126              | 152,126              | -                                      |
|                                     | <u>\$ 51,880,433</u> | <u>\$ 78,722,178</u> | <u>\$ 26,841,745</u>                   |
|                                     | 2014                 |                      |  |
|                                     | Cost                 | Fair Value           | Unrealized Appreciation (Depreciation) |
| Common stocks and investment funds  | \$ 43,670,601        | \$ 72,737,060        | \$ 29,066,459                          |
| Fixed income portfolio mutual funds | 8,429,223            | 8,205,781            | (223,442)                              |
| Cash held by investment managers    | 65,850               | 65,850               | -                                      |
|                                     | <u>\$ 52,165,674</u> | <u>\$ 81,008,691</u> | <u>\$ 28,843,017</u>                   |



**The Hole in the Wall Gang Fund, Inc.**

**Notes to Financial Statements**

**Note 6. Investments (Continued)**

The following table summarizes investments measured at fair value on a recurring basis as of November 30, 2015 and 2014, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

|                                       | 2015                               |  |   |  |
|---------------------------------------|------------------------------------|--|---|--|
|                                       | Balance as of<br>November 30, 2015 | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Common stocks and<br>investment funds | \$ 71,008,737                      | \$ 39,544,227  | \$ 31,464,510   | \$ -   |
| Fixed income portfolio mutual funds   | 7,561,315                          | 7,561,315  | -   | -  |
| Cash held by investment managers      | 152,126                            | 152,126  | -   | -  |
|                                       | <u>\$ 78,722,178</u>               | <u>\$ 47,257,668</u>   | <u>\$ 31,464,510</u>                                      | <u>\$ -</u>  |

  

|                                       | 2014                               |  |   |  |
|---------------------------------------|------------------------------------|--|---|--|
|                                       | Balance as of<br>November 30, 2014 | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Common stocks and<br>investment funds | \$ 72,737,060                      | \$ 40,906,653  | \$ 31,830,407   | \$ -   |
| Fixed income portfolio mutual funds   | 8,205,781                          | 8,205,781  | -   | -  |
| Cash held by investment managers      | 65,850                             | 65,850   | -   | -  |
|                                       | <u>\$ 81,008,691</u>               | <u>\$ 49,178,284</u>   | <u>\$ 31,830,407</u>                                      | <u>\$ -</u>  |

The following table sets forth additional disclosures of the Fund's investments whose fair value is estimated using net asset value per share as of November 30, 2015:

| Investment                    | Fair Value           |                      | Unfunded<br>Commitment | Redemption<br>Frequency | Redemption<br>Notice Period |
|-------------------------------|----------------------|----------------------|------------------------|-------------------------|-----------------------------|
|                               | 2015                 | 2014                 |                        |                         |                             |
| Long/short Hedge Fund (a)     | \$ 12,676,095        | \$ 12,317,393        | \$ -                   | Quarterly               | 95 days                     |
| Event Driven Hedge Fund (b)   | 3,507,535            | 3,673,575            | -                      | Quarterly               | 90 days                     |
| Small Cap Fund (c)            | 7,877,265            | 8,454,163            | -                      | Monthly                 | 5 days                      |
| International Equity Fund (d) | 7,403,615            | 7,385,276            | -                      | Monthly                 | 6 days                      |
|                               | <u>\$ 31,464,510</u> | <u>\$ 31,830,407</u> |                        |                         |                             |

- (a) This investment is a fund of funds that includes equity-focused funds that do not actively trade exposures, with trading strategies focusing on shorter-term dynamics and appreciation for market technicals, top-down thematic/macro views, and technically driven statistical arbitrage with fundamental quantitative long/short strategies.

## The Hole in the Wall Gang Fund, Inc.

### Notes to Financial Statements

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#### Note 6. Investments (Continued)

- (b) This investment is a fund of funds that invest in strategies including catalyst events, share class arbitrage, share buybacks, post-reorganization equity, recapitalizations, spin-offs, and stub trades.
- (c) This investment is a fund whose investment objective seeks to achieve long-term capital appreciation by investing in a portfolio of small-capitalization U.S. companies whose market capitalizations fall within the range of the Russell 2000® index at the time of purchase.
- (d) This investment is a fund whose investment objective seeks to obtain long-term capital gains and income from a diversified portfolio of equity securities of companies incorporated in any country other than the United States.

#### Note 7. Premises and Equipment

As of November 30, 2015 and 2014, premises and equipment consisted of the following:

|                                   | 2015                 | 2014                |
|-----------------------------------|----------------------|---------------------|
| Land and improvements             | \$ 1,165,434         | \$ 1,165,434        |
| Building and improvements         | 26,341,561           | 23,126,438          |
| Furniture, equipment and vehicles | 2,292,336            | 2,130,479           |
| Leasehold improvements            | 530,819              | 530,819             |
| Construction in progress          | 45,698               | 678,869             |
|                                   | <u>30,375,848</u>    | <u>27,632,039</u>   |
| Less accumulated depreciation     | (19,181,028)         | (18,334,522)        |
|                                   | <u>\$ 11,194,820</u> | <u>\$ 9,297,517</u> |

Depreciation expense was \$884,026 and \$771,069 for the years ended November 30, 2015 and 2014, respectively.

#### Note 8. Loans Payable

During 2014, in connection with its main office related party lease (Note 9), the Fund entered into a \$250,000 loan with the lessor to fund the cost of leasehold improvements. The loan carries a zero percent interest rate and calls for 120 monthly payments of \$2,083 and matures on January 31, 2024. The balance of the loan was \$204,167 and \$229,167 as of November 30, 2015 and 2014, respectively. Additionally, during 2014, the Fund entered into a \$41,242 loan with its electric supplier to finance the installation of new lights for the camp facility. The loan carries a zero percent interest rate and is payable in 48 monthly payments of \$859 and matures on August 1, 2018. The balance of the loan was \$28,353 and \$38,664 as of November 30, 2015 and 2014 respectively.

## The Hole in the Wall Gang Fund, Inc.

### Notes to Financial Statements

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#### Note 8. Loans Payable (Continued)

The contractual maturities of the Fund's loans payable at November 30, 2015, by year are as follows:

|            |    |                |
|------------|----|----------------|
| 2016       | \$ | 35,310         |
| 2017       |    | 35,310         |
| 2018       |    | 32,733         |
| 2019       |    | 25,000         |
| 2020       |    | 25,000         |
| Thereafter |    | 79,167         |
|            | \$ | <u>232,520</u> |

#### Note 9. Related Party Transactions

During the years ended November 30, 2015 and 2014, the Fund received contributions of approximately \$1,845,000 and \$1,485,000, respectively, from members of the Fund's board of directors and their affiliates.

The Fund paid rent for office space of \$123,180 and \$119,576, during the years ended November 30, 2015 and 2014, respectively, to a company, an officer of which is a member of the Fund's board of directors. In connection with this lease, the lessor also provided a loan of \$250,000 to the Fund for leasehold improvements (Note 8).

During the years ended November 30, 2015 and 2014 the Fund paid \$21,000 and \$2,498, respectively, to a company for public relations. A board member of the Fund is a partner of this company.

#### Note 10. Special Events

Special events consist of activities designed to raise support for the Fund. Such activities may occur on an annual basis or be a unique event designated for a specific year. Support from special events, net of related expenses, consisted of the following for the years ended November 30, 2015 and 2014:

|                      | 2015                | 2014                |
|----------------------|---------------------|---------------------|
| Contribution support | \$ 6,849,100        | \$ 6,925,900        |
| Less expenses        | (1,988,300)         | (1,778,800)         |
|                      | <u>\$ 4,860,800</u> | <u>\$ 5,147,100</u> |

## The Hole in the Wall Gang Fund, Inc.

### Notes to Financial Statements

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#### Note 11. Grants and Support to Other Entities

During the years ended November 30, 2015 and 2014, the Fund provided grants and other financial support to a number of unaffiliated camps, operating in the United States and abroad, and to the SeriousFun Children's Network, an organization of which the Fund is a member. The grants and support to other camps relate principally to the development and operation of the camps, training personnel and other assistance during the year. All grants and support to other entities are included in camp program services in the accompanying financial statements. The total grants and support to these other entities consisted of the following for the years ended November 30, 2015 and 2014:

|  | 2015                | 2014                |
|--|---------------------|---------------------|
| Support to the SeriousFun Children's Network | \$ 1,025,000        | \$ 1,025,000        |
| Support to other camps                       | 198,275             | 312,829             |
|  | <u>\$ 1,223,275</u> | <u>\$ 1,337,829</u> |

See Note 13 for conditional grant commitments as of November 30, 2015.

#### Note 12. Retirement Plans

The Fund 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. The Fund contributes 9 percent of eligible salaries to the Plan annually, and employees become fully vested in Fund contributions after one year of service. Retirement expense amounted to \$400,000 and \$340,000 for the years ended November 30, 2015 and 2014, respectively.

In addition, the Fund 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 Fund does not make contributions to this plan.

#### Note 13. Commitments

As described in Note 9, the Fund leases office space from an organization, an officer of which is a board member of the Fund. In January 2014, the Fund entered into a ten-year office space lease with this company. Additionally, the Fund leases office space as part of its Hospital Outreach Program in several locations. Rental commitments for years subsequent to November 30, 2015, which reflect the terms of these leases, are as follows:

|            |                     |
|------------|---------------------|
| 2016       | \$ 208,242          |
| 2017       | 133,470             |
| 2018       | 123,180             |
| 2019       | 123,180             |
| 2020       | 123,180             |
| Thereafter | 390,070             |
|            | <u>\$ 1,101,322</u> |

## **The Hole in the Wall Gang Fund, Inc.**

### **Notes to Financial Statements**

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#### **Note 13. Commitments (Continued)**

Rent expense under these leases recognized in the statement of activities was approximately \$237,700 and \$203,000 for the years ended November 30, 2015 and 2014, respectively.

The Fund is a guarantor of a portion of a bond issuance made by The Painted Turtle Camp (Painted Turtle) through the California Statewide Communities Development Authority. The guarantee amount is \$2,500,000. The bonds are secured by real property owned by Painted Turtle Camp as well as other guarantees by Painted Turtle. The bonds are variable rate demand reserve bonds and mature on April 1, 2033. As of November 30, 2015, the outstanding balance of the bonds was \$10,000,000.

As of November 30, 2015, The Fund's board of directors authorized conditional grants of \$1,000,000 to SeriousFun Children's Network, an organization of which the Fund is a member.

The Fund has entered into a \$2,000,000 subscription agreement to invest in a private equity fund.

#### **Note 14. Subsequent Events**

Subsequent events have been evaluated through February 4, 2016, the date the financial statements were available to be issued.