

The Hole in the Wall Gang Fund, Inc.

Financial Report
November 30, 2019

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RSM US LLP

Independent Auditor's Report

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

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, 2019, 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, 2019, and the change 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2019, the Fund adopted new accounting guidance related to the presentation of financial statements of not-for-profit entities. Prior year disclosures have been revised to reflect the retrospective application of adopting this change in accounting. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Fund's 2018 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 1, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended November 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New Haven, Connecticut
February 10, 2020

The Hole in the Wall Gang Fund, Inc.

Statement of Financial Position

November 30, 2019

(With Summarized Financial Information for 2018)

	2019	2018
Assets		
Cash and cash equivalents	\$ 1,475,791	\$ 2,318,623
Pledges receivable (Note 4)	375,860	482,579
Prepaid expenses and other assets	460,342	347,236
Contributions receivable – split-interest agreement (Note 5)	121,631	100,762
Investments, at fair value (Note 7)	96,516,600	87,395,073
Premises and equipment, net (Note 8)	14,174,729	14,623,915
Total assets	\$ 113,124,953	\$ 105,268,188
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 786,747	\$ 613,091
Loans payable (Note 9)	104,167	129,167
Total liabilities	890,914	742,258
Commitments (Note 14)		
Net assets:		
Without donor restrictions	109,035,842	101,433,421
With donor restrictions (Notes 3 and 6)	3,198,197	3,092,509
Total net assets	112,234,039	104,525,930
Total liabilities and net assets	\$ 113,124,953	\$ 105,268,188

See notes to financial statements.

The Hole in the Wall Gang Fund, Inc.

Statement of Activities

Year Ended November 30, 2019

(With Summarized Financial Information for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Support and revenue:				
Support:				
Contributions	\$ 7,342,898	\$ 205,407	\$ 7,548,305	\$ 7,430,594
Special events - net (Note 11)	4,749,900	-	4,749,900	4,560,500
Contributions-in-kind	136,867	-	136,867	166,127
Total support	12,229,665	205,407	12,435,072	12,157,221
Revenue:				
Dividend and interest income	1,278,942	32,601	1,311,543	1,139,750
Realized and unrealized gains (losses) on investments, net	8,165,731	186,095	8,351,826	(573,920)
Other income	59,777	-	59,777	58,469
Net assets released from restrictions (Note 3)	318,415	(318,415)	-	-
Total revenue	9,822,865	(99,719)	9,723,146	624,299
Total support and revenue	22,052,530	105,688	22,158,218	12,781,520
Expenses:				
Program services:				
Camp programs	6,737,067	-	6,737,067	6,515,245
Outreach and off season programs	4,251,889	-	4,251,889	4,012,851
Total program services	10,988,956	-	10,988,956	10,528,096
Support services:				
General and administrative	1,108,157	-	1,108,157	821,385
Development	2,352,996	-	2,352,996	2,010,878
Total support services	3,461,153	-	3,461,153	2,832,263
Total expenses	14,450,109	-	14,450,109	13,360,359
Change in net assets	7,602,421	105,688	7,708,109	(578,839)
Net assets:				
Beginning of year	101,433,421	3,092,509	104,525,930	105,104,769
End of year	\$ 109,035,842	\$ 3,198,197	\$ 112,234,039	\$ 104,525,930

See notes to financial statements.

The Hole in the Wall Gang Fund, Inc.

Statement of Functional Expenses
Year Ended November 30, 2019
(With Summarized Financial Information for 2018)

	Program Services			Support Services			Total	
	Camp Programs	Outreach and Off Season Programs	Total	General and Administrative	Development	Total	2019	2018
Expenses:								
Salaries	\$ 2,490,066	\$ 2,516,658	\$ 5,006,724	\$ 549,472	\$ 1,251,095	\$ 1,800,567	\$ 6,807,291	\$ 6,348,888
Payroll taxes and employee benefits (Note 13)	677,699	805,734	1,483,433	146,092	379,499	525,591	2,009,024	1,961,794
Outside services	43,841	106,921	150,762	101,709	108,915	210,624	361,386	334,038
Grants and financial support to other entities (Note 12)	250,000	-	250,000	-	-	-	250,000	250,000
Facilities expenses	842,692	-	842,692	-	-	-	842,692	798,954
Program supplies and equipment	437,687	191,752	629,439	-	-	-	629,439	606,406
Food	245,229	24,293	269,522	-	-	-	269,522	285,733
Transportation and accommodations	127,786	261,314	389,100	17,052	61,831	78,883	467,983	386,121
Rent (Notes 10 and 14)	-	213,854	213,854	80,067	30,795	110,862	324,716	295,232
Telephone	12,355	7,665	20,020	5,515	6,953	12,468	32,488	26,705
Information technology	112,841	-	112,841	24,433	78,971	103,404	216,245	86,040
Office supplies and postage	75,512	50,311	125,823	35,890	190,258	226,148	351,971	294,870
Printing and public awareness	-	56,007	56,007	578	209,112	209,690	265,697	215,591
Insurance and professional fees	285,891	17,380	303,271	61,342	9,760	71,102	374,373	338,153
Other	14,711	-	14,711	3,329	25,807	29,136	43,847	27,899
Total expenses before depreciation	5,616,310	4,251,889	9,868,199	1,025,479	2,352,996	3,378,475	13,246,674	12,256,424
Depreciation	1,120,757	-	1,120,757	82,678	-	82,678	1,203,435	1,103,935
Total expenses	\$ 6,737,067	\$ 4,251,889	\$ 10,988,956	\$ 1,108,157	\$ 2,352,996	\$ 3,461,153	\$ 14,450,109	\$ 13,360,359

See notes to financial statements.

The Hole in the Wall Gang Fund, Inc.

**Statement of Cash Flows
Year Ended November 30, 2019
(With Summarized Financial Information for 2018)**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 7,708,109	\$ (578,839)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gains) losses on investments, net	(8,351,826)	573,920
(Increase) decrease in contributions receivable – split-interest agreement	(20,869)	7,159
Depreciation	1,203,435	1,103,935
Loss on disposal of assets	-	2,970
Contributions restricted for long-term investment	(91,258)	(72,175)
Changes in assets and liabilities:		
Decrease in pledges receivable	106,719	8,097
Increase in prepaid expenses and other assets	(113,106)	(35,541)
Increase (decrease) in accounts payable and accrued expenses	173,656	(595,203)
Net cash provided by operating activities	614,860	414,323
Cash flows from investing activities:		
Purchase of investments and change in money market accounts in investment portfolio	(2,953,977)	(8,180,161)
Proceeds from sales of investments	2,184,276	8,900,176
Purchase of premises and equipment	(754,249)	(2,819,967)
Net cash used in investing activities	(1,523,950)	(2,099,952)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	91,258	72,175
Payments on loans payable	(25,000)	(32,733)
Net cash provided by financing activities	66,258	39,442
Decrease in cash and cash equivalents	(842,832)	(1,646,187)
Cash and cash equivalents:		
Beginning of year	2,318,623	3,964,810
End of year	\$ 1,475,791	\$ 2,318,623
Supplemental disclosure of noncash investing and financing activities:		
Contributions-in-kind	\$ 136,867	\$ 166,127

See notes to financial statements.

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

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 medical treatment. At times, the Fund also provides assistance in the form of grants, 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 2019 financial statements are presented on the basis of net assets either with donor restrictions or without donor restrictions. 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 GAAP. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended November 30, 2018, from which the summarized information was derived. Descriptions of the net assets of the Fund are reported as follows:

Net assets without donor restrictions: Net assets without donor restrictions include the net assets that are not 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 net assets without donor restrictions operating amount.

Net assets with donor restrictions: Net assets with donor imposed restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Donor restricted contributions received are reflected as without donor restriction if the restriction is met in the same period. Net assets with donor restrictions also include gifts of cash and other assets received designated by the donor to be held and invested in perpetuity.

Use of estimates: The preparation of financial statements in conformity with GAAP 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 revenue 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, which are reported within the respective investment portfolios.

Investments: Investments are reported at fair value. Gains and losses arising from the sale or disposition of investments are reported in the statement of activities as increases or decreases in net assets without donor restriction unless their use is 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

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 assets for which the determination of fair value requires significant management judgment or estimation.

At November 30, 2019, approximately \$16,891,000 of investments, or approximately 17.5% 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. For certain Hedge Fund investments the Fund has elected to present fair value at the net asset value per share.

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.

Risks and uncertainties: The Fund's investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk and uncertainty associated with certain investment securities, it is possible that the amounts reported in the statement of financial position and statement of activities could be materially affected in the near-term.

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 \$5,000 or more and they have useful lives greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives ranging from five years, for furniture and equipment, to twenty years, for buildings and improvements using the half-year convention in the year the asset is placed in service.

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

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 as donor restricted until the passage of time as prescribed by the donor. 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 underlying pledges.

Contributions-in-kind: Donated services, material, equipment and property are reported 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 GAAP. 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 statement 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, 2019 and 2018, respectively.

Management has reviewed tax positions for open tax years and determined that a provision for uncertain tax positions is not required.

Reclassification: Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Fund is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

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

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit entity classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Fund adopted the guidance during the fiscal year ended November 30, 2019, including retrospective application to all periods presented. The adoption resulted in certain reclassifications in net asset classifications.

In August 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Fund is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which simplifies and improves the disclosure requirements in Topic 820 as follows. The ASU among other things, removes the requirements to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the valuation process for level 3 fair value measurements and the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. Additionally, in lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity will be required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. For investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly. Disclosure will be required of the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information (such as the median or arithmetic average) in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Fund is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

Note 2. Liquidity and Availability of Financial Assets

The primary source of funding for general expenses of the Fund are contributions and investment income. As part of liquidity management, the Fund maintains both cash and short-term investments. The fund maintains sufficient levels of financial assets available for meeting current operating and capital expenses not otherwise funded by operating revenue during any temporary or permanent funding transitions, and to fund any unforeseen contingencies. The Fund regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. The following table reflects financial assets as of November 30, 2019 and 2018, reduced by amounts not available to meet operating expenses within one year of the statement of financial position due to either contractual or donor imposed restrictions:

	2019	2018
Cash and cash equivalents	\$ 1,475,791	\$ 2,318,623
Pledges receivable due in one year	234,333	250,000
Other assets	90,024	20,405
Investments	96,516,600	87,395,073
	<u>98,316,748</u>	<u>89,984,101</u>
Net assets with donor restrictions	3,198,197	3,092,509
Private equity investments	2,262,764	1,464,596
Financial assets available to meet cash needs for general expenditures within 1 year	<u>\$ 92,855,787</u>	<u>\$ 85,426,996</u>

Note 3. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of November 30, 2019 and 2018:

	2019	2018
Purpose restrictions	\$ 2,700,706	\$ 2,509,167
Time restrictions	497,491	583,342
	<u>\$ 3,198,197</u>	<u>\$ 3,092,509</u>

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

Released from net assets with donor restrictions to net assets without donor restrictions in 2019 and 2018 as follows:

	2019	2018
Released from net assets with donor restrictions to net assets without donor restrictions – passage of time	\$ 227,627	\$ 200,000
Income on endowment net assets available for appropriation	90,788	85,606
	<u>\$ 318,415</u>	<u>\$ 285,606</u>

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

Note 4. Pledges Receivable

Pledges receivable consisted of the following as of November 30, 2019 and 2018:

	2019	2018
Gross amounts due in:		
One year	\$ 234,333	\$ 250,000
Between one and five years	158,667	250,000
	<u>393,000</u>	<u>500,000</u>
Less unamortized discount to present value (0.94%-2.78%)	(17,140)	(17,421)
Net present value	<u>\$ 375,860</u>	<u>\$ 482,579</u>

Note 5. Contributions Receivable – Split-Interest Agreement

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	1.78%
Estimated years until receipt	6

Changes in the value of the Fund's split-interest agreement for the years ended November 30, 2019 and 2018 are as follows:

	2019	2018
Balance, beginning of year	\$ 100,762	\$ 107,921
Changes in present value	20,869	(7,159)
Balance, end of year	<u>\$ 121,631</u>	<u>\$ 100,762</u>

Note 6. Endowment

The Fund's endowment consists of six individual donor-restricted endowment 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.

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

Note 6. Endowment (Continued)

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 as net assets with donor restrictions: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund. Annually, 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 funds, (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.

Donor restricted endowment net assets consisted of the following funds, whose earnings are used in camp programs as of November 30, 2019 and 2018:

	2019	2018
Brewster Fund	\$ 392,971	\$ 374,765
Dr. Fun Fund	643,403	613,595
Campership Funds	1,213,664	1,087,262
Milmoe Fund	386,049	343,691
Glazer Fund	17,875	17,047
Druten Fund	15,411	14,697
	<u>\$ 2,669,373</u>	<u>\$ 2,451,057</u>

Changes in endowment net assets for the fiscal years ended November 30, 2019 and 2018:

	2019	2018
Endowment net assets, beginning of year	\$ 2,451,057	\$ 2,430,974
Investment return:		
Investment income	32,601	34,389
Net realized and unrealized appreciation (depreciation)	185,245	(875)
Total investment return	<u>217,846</u>	<u>33,514</u>
Contributions	91,258	72,175
Distributions	(90,788)	(85,606)
Endowment net assets, end of year	<u>\$ 2,669,373</u>	<u>\$ 2,451,057</u>

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

Note 6. Endowment (Continued)

Description of endowment fund amounts classified as net assets with donor restrictions:

	2019	2018
The portion of perpetual endowment funds required to be retained permanently either by donor stipulation or by UPMIFA	\$ 2,100,606	\$ 2,006,099
The portion of earnings on endowment funds subject to board appropriation	\$ 568,767	\$ 444,958

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 net assets without donor restrictions as of November 30, 2019 and 2018.

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.

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% of its endowment funds' average fair market value from the prior 12 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.

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

Note 7. Investments

Investments consisted of the following as of November 30, 2019 and 2018:

	2019		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds:			
Domestic index funds	\$ 16,868,792	\$ 41,726,590	\$ 24,857,798
International index funds	10,005,897	20,206,445	10,200,548
International emerging markets	5,806,831	5,049,423	(757,408)
Common stock funds	1,349,090	1,839,189	490,099
Fixed income portfolio	10,961,716	10,596,436	(365,280)
Common stock	96,666	-	(96,666)
Private equity	2,024,000	2,262,764	238,764
Hedge fund	5,600,000	14,628,002	9,028,002
Cash held by investment managers	207,751	207,751	-
	<u>\$ 52,920,743</u>	<u>\$ 96,516,600</u>	<u>\$ 43,595,857</u>
	2018		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds:			
Domestic index funds	\$ 16,477,228	\$ 36,869,329	\$ 20,392,101
International index funds	10,321,832	18,951,240	8,629,408
International emerging markets	5,677,079	4,771,672	(905,407)
Common stock funds	1,396,908	1,782,678	385,770
Fixed income portfolio	10,598,950	10,101,102	(497,848)
Common stock	96,666	-	(96,666)
Private equity	1,314,000	1,464,596	150,596
Hedge fund	5,600,000	13,298,275	7,698,275
Cash held by investment managers	156,181	156,181	-
	<u>\$ 51,638,844</u>	<u>\$ 87,395,073</u>	<u>\$ 35,756,229</u>

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

Note 7. Investments (Continued)

The following table summarizes investments measured at fair value on a recurring basis as of November 30, 2019 and 2018, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	2019			
	Balance as of November 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Domestic index funds	\$ 37,352,779	\$ 37,352,779	\$ -	\$ -
International index funds	10,668,387	10,668,387	-	-
International emerging markets	5,049,423	5,049,423	-	-
Common stock funds	1,839,189	1,839,189	-	-
Fixed income portfolio	10,596,436	10,596,436	-	-
Private equity	2,262,764	-	-	2,262,764
Cash held by investment managers	207,751	207,751	-	-
	67,976,729	\$ 65,713,965	\$ -	\$ 2,262,764
Investments measured at NAV (a)	28,539,871			
	<u>\$ 96,516,600</u>			
	2018			
	Balance as of November 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Domestic index funds	\$ 32,646,820	\$ 32,646,820	\$ -	\$ -
International index funds	10,061,429	10,061,429	-	-
International emerging markets	4,771,672	4,771,672	-	-
Common stock funds	1,782,678	1,782,678	-	-
Fixed income portfolio	10,101,102	10,101,102	-	-
Private equity	1,464,596	-	-	1,464,596
Cash held by investment managers	156,181	156,181	-	-
	60,984,478	\$ 59,519,882	\$ -	\$ 1,464,596
Investments measured at NAV (a)	26,410,595			
	<u>\$ 87,395,073</u>			

(a) In accordance with Subtopic 820-10 of ASU 2015-07, certain investments that were measured at net asset value per share (NAV), or its equivalent, have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

Note 7. Investments (Continued)

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 assets).

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Total
Balance at November 30, 2018	\$ 1,464,596
Purchase of investment	710,000
Unrealized gains	88,168
Balance at November 30, 2019	<u>\$ 2,262,764</u>

On December 1, 2015, the Fund entered into a 12-year, \$2,000,000 capital contribution agreement with Warburg Pincus Private Equity. At November 30, 2019, the Fund had advanced \$1,803,000 of this commitment. The Fund has committed to a six-year period for completion of funding and has an unfunded commitment of \$197,000 as of November 30, 2019.

On February 1, 2019, the Fund entered into a 12-year, \$2,000,000 capital contribution agreement with Warburg Pincus Private Equity. At November 30, 2019, the Fund had advanced \$221,000 of this commitment. The Fund has committed to a six-year period for completion of funding and has unfunded commitment of \$1,779,000 as of November 30, 2019.

The following table sets forth additional disclosures of the Fund's investments whose fair value is estimated using net asset value per share as a practical expedient as of November 30, 2019:

Investment	Fair Value		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
	2019	2018			
Long/short Hedge Fund (a)	\$ 14,628,002	\$ 13,298,275	\$ -	Quarterly	95 days
Small Cap Fund (b)	4,373,811	4,222,509	-	Monthly	5 days
International Equity Fund (c)	9,538,058	8,889,811	-	Monthly	6 days
	<u>\$ 28,539,871</u>	<u>\$ 26,410,595</u>	<u>\$ -</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.
- (b) 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.
- (c) 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.

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

Note 8. Premises and Equipment

As of November 30, 2019 and 2018, premises and equipment consisted of the following:

	2019	2018
Land and improvements	\$ 1,232,234	\$ 1,165,434
Building and improvements	32,657,030	32,404,988
Furniture, equipment and vehicles	2,811,244	2,506,412
Leasehold improvements	530,819	530,819
Construction in progress	130,975	6,000
	<u>37,362,302</u>	<u>36,613,653</u>
Less accumulated depreciation	<u>(23,187,573)</u>	<u>(21,989,738)</u>
	<u>\$ 14,174,729</u>	<u>\$ 14,623,915</u>

Depreciation expense was \$1,203,435 and \$1,103,935 for the years ended November 30, 2019 and 2018, respectively.

Note 9. Loans Payable

During 2014, in connection with its main office related party lease (Note 10), the Fund entered into a \$250,000 loan with the lessor to fund the cost of leasehold improvements. The loan carries a 0% interest rate, requires 120 monthly payments of \$2,083 and matures on January 31, 2024.

The balance of the loan was \$104,167 and \$129,167 as of November 30, 2019 and 2018, respectively.

The contractual maturities of the Fund's loans payable at November 30, 2019, by year are as follows:

2020	\$ 25,000
2021	25,000
2022	25,000
2023	25,000
2024	4,167
Thereafter	-
	<u>\$ 104,167</u>

Note 10. Related Party Transactions

During the years ended November 30, 2019 and 2018, the Fund received contributions of approximately \$1,715,000 and \$1,724,000, respectively, from members of the Fund's Board of Directors and their affiliates.

The Fund paid rent for office space of \$123,180 during each of the years ended November 30, 2019 and 2018 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 9).

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

Note 11. 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, 2019 and 2018:

	2019	2018
Contribution support	\$ 5,972,100	\$ 6,120,700
Less expenses	(1,222,200)	(1,560,200)
Net	<u>\$ 4,749,900</u>	<u>\$ 4,560,500</u>

Note 12. Grants and Financial Support to Other Entities

During the years ended November 30, 2019 and 2018, 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, 2019 and 2018:

	2019	2018
Support to other camps	<u>\$ 250,000</u>	<u>\$ 250,000</u>

Note 13. 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% of eligible salaries to the Plan annually, and employees become fully vested in Fund contributions after one year of service. Retirement expense amounted to approximately \$448,500 and \$458,100 for the years ended November 30, 2019 and 2018, respectively.

Note 14. Commitments

As described in Note 10, the Fund leases office space from a related company. An officer of this company 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, 2019, which reflect the terms of these leases, are as follows:

2020	\$ 208,773
2021	123,180
2022	123,180
2023	123,180
2024	20,530
	<u>\$ 598,843</u>

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

Note 14. Commitments (Continued)

Rent expense under these leases, recognized in the statement of activities, was approximately \$325,000 and \$295,200 for the years ended November 30, 2019 and 2018, 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 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, 2018, the outstanding balance of the bonds was \$5,000,000.

Note 15. Subsequent Events

Subsequent events have been evaluated through February 10, 2020, the date the financial statements were available to be issued.

On February 4, 2020, the Fund expressed its intent to enter into a Donation Agreement (the Agreement) by March 1, 2020 with a donor located in Washington DC. The Agreement, if fully executed, is expected to result in the donation of real estate to the Fund by the donor. The Agreement requires the Fund to purchase a contiguous parcel of land from the donor for \$750,000. The Fund may withdraw its intent at any time prior to entering into the Agreement.