

The Hole in the Wall Gang Fund, Inc.

Financial Report
November 30, 2022

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RSM US LLP

Independent Auditor's Report

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, 2022, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of November 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Fund's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended November 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Hartford, Connecticut
February 2, 2023

The Hole in the Wall Gang Fund, Inc.

Statement of Financial Position
November 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Assets		
Cash and cash equivalents	\$ 743,165	\$ 3,903,784
Pledges receivable (Note 4)	1,368,901	996,528
Prepaid expenses and other assets	437,564	557,317
Contributions receivable – split-interest agreement (Note 5)	129,258	152,109
Investments, at fair value (Note 7)	108,465,653	123,625,782
Premises and equipment, net (Note 8)	34,422,906	15,532,780
	<u>145,567,447</u>	<u>144,768,300</u>
Total assets	\$ 145,567,447	\$ 144,768,300
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 533,932	\$ 657,932
Grants payable	250,000	-
Construction payable	702,652	78,728
Loans payable (Note 9)	29,167	54,167
Total liabilities	<u>1,515,751</u>	<u>790,827</u>
Commitments (Note 14)		
Net assets:		
Without donor restrictions		
Undesignated	130,921,687	126,361,196
Board designated for future operations (Note 2)	8,429,656	10,003,825
With donor restrictions (Notes 3 and 6)	4,700,353	7,612,452
Total net assets	<u>144,051,696</u>	<u>143,977,473</u>
Total liabilities and net assets	<u>\$ 145,567,447</u>	<u>\$ 144,768,300</u>

See notes to financial statements.

The Hole in the Wall Gang Fund, Inc.

Statement of Activities

Year Ended November 30, 2022

(With Summarized Comparative Information for the Year Ended November 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Support and revenue:				
Support:				
Contributions	\$ 7,985,247	\$ 873,605	\$ 8,858,852	\$ 11,687,727
Special events – net (Note 11)	3,723,459	-	3,723,459	4,440,776
Contributions-in-kind (Note 8)	14,811,732	-	14,811,732	39,599
Total support	26,520,438	873,605	27,394,043	16,168,102
Revenue:				
Dividend and interest income	1,507,897	38,985	1,546,882	1,378,052
Realized and unrealized (losses) gains on investments, net	(12,130,473)	(452,323)	(12,582,796)	15,302,384
Gain from sale of equipment	-	-	-	7,500
Gain from loan forgiveness (Note 9)	-	-	-	1,633,439
Gain from insurance proceeds (Note 8)	-	-	-	944,360
Other income	7,722	-	7,722	1,116
Net assets released from restrictions (Note 3)	3,372,366	(3,372,366)	-	-
Total revenue	(7,242,488)	(3,785,704)	(11,028,192)	19,266,851
Total support and revenue	19,277,950	(2,912,099)	16,365,851	35,434,953
Expenses:				
Program services:				
Camp programs	7,928,273	-	7,928,273	5,428,950
Outreach programs	4,493,991	-	4,493,991	3,958,746
Total program services	12,422,264	-	12,422,264	9,387,696
Support services:				
General and administrative	1,195,055	-	1,195,055	973,460
Development	2,674,309	-	2,674,309	2,341,344
Total support services	3,869,364	-	3,869,364	3,314,804
Total expenses	16,291,628	-	16,291,628	12,702,500
Change in net assets	2,986,322	(2,912,099)	74,223	22,732,453
Net assets:				
Beginning of year	136,365,021	7,612,452	143,977,473	121,245,020
End of year	\$ 139,351,343	\$ 4,700,353	\$ 144,051,696	\$ 143,977,473

See notes to financial statements.

The Hole in the Wall Gang Fund, Inc.

Statement of Functional Expenses

Year Ended November 30, 2022

(With Summarized Comparative Information for the Year Ended November 30, 2021)

	Program Services			Support Services			Total	
	Camp Programs	Outreach Programs	Total	General and Administrative	Development	Total	2022	2021
Expenses:								
Salaries	\$ 2,319,946	\$ 2,469,264	\$ 4,789,210	\$ 657,852	\$ 1,451,862	\$ 2,109,714	\$ 6,898,924	\$ 6,059,485
Payroll taxes and employee benefits (Note 13)	715,082	872,943	1,588,025	146,473	445,647	592,120	2,180,145	1,903,713
Outside services	33,008	308,926	341,934	104,902	159,321	264,223	606,157	384,183
Grants and financial support to other entities (Note 12)	250,000	-	250,000	-	-	-	250,000	250,000
Facilities expenses	1,531,892	-	1,531,892	-	-	-	1,531,892	613,253
Program supplies and equipment	500,114	251,802	751,916	-	-	-	751,916	327,139
Food	201,508	10,751	212,259	-	-	-	212,259	96,927
Transportation and accommodations	54,326	131,937	186,263	4,885	77,624	82,509	268,772	126,662
Rent (Notes 10 and 14)	-	228,072	228,072	80,067	29,255	109,322	337,394	331,748
Telephone	16,646	6,649	23,295	3,035	5,982	9,017	32,312	28,431
Information technology	254,230	-	254,230	47,930	214,784	262,714	516,944	416,511
Office supplies and postage	100,155	129,808	229,963	37,878	46,740	84,618	314,581	225,807
Printing and public awareness	947	64,439	65,386	-	176,921	176,921	242,307	265,853
Insurance and professional fees	413,051	19,400	432,451	50,935	44,717	95,652	528,103	397,764
Other	13,094	-	13,094	3,483	21,456	24,939	38,033	41,616
Total expenses before depreciation	6,403,999	4,493,991	10,897,990	1,137,440	2,674,309	3,811,749	14,709,739	11,469,092
Depreciation	1,524,274	-	1,524,274	57,615	-	57,615	1,581,889	1,233,408
Total expenses	\$ 7,928,273	\$ 4,493,991	\$ 12,422,264	\$ 1,195,055	\$ 2,674,309	\$ 3,869,364	\$16,291,628	\$12,702,500

See notes to financial statements.

The Hole in the Wall Gang Fund, Inc.

Statement of Cash Flows

Year Ended November 30, 2022

(With Comparative Totals for the Year Ended November 30, 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 74,223	\$ 22,732,453
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized losses (gains) on investments, net	12,582,796	(15,302,384)
Gain on loan forgiveness	-	(1,633,439)
Decrease (increase) in contributions receivable – split-interest agreement	22,851	(11,901)
Depreciation	1,581,889	1,233,408
Gain on disposal of assets	-	(7,500)
In-kind contribution of premises and equipment	(14,811,732)	-
Contributions restricted for long-term investment	(22,250)	(24,100)
Changes in operating assets and liabilities:		
Increase in pledges receivable	(372,373)	(532,599)
Decrease (increase) in prepaid expenses and other assets	119,753	(130,805)
Decrease in accounts payable and accrued expenses	(124,000)	(555,890)
Increase in payable to other camps	250,000	-
Increase in construction payable	623,924	-
Net cash provided by operating activities	(74,919)	5,767,243
Cash flows from investing activities:		
Purchase of investments and change in money market accounts in investment portfolio	(2,713,066)	(2,332,960)
Proceeds from sales of investments	5,290,399	672,105
Purchase of premises and equipment	(5,660,283)	(2,069,373)
Proceeds from sale of premises and equipment	-	7,500
Net cash used in investing activities	(3,082,950)	(3,722,728)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	22,250	24,100
Payments on loans payable	(25,000)	(25,000)
Net cash used in financing activities	(2,750)	(900)
(Decrease) increase in cash and cash equivalents	(3,160,619)	2,043,615
Cash and cash equivalents:		
Beginning of year	3,903,784	1,860,169
End of year	\$ 743,165	\$ 3,903,784
Supplemental disclosures of noncash investing and financing activities:		
Contribution-in-kind of buildings and property	\$ 14,811,732	\$ 39,599
Accrued interest on PPP loan forgiven	\$ -	\$ 20,939

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 camps for such children. The original camp facility is located on approximately 300 acres in Ashford-Eastford, Connecticut. During 2022, the Fund acquired property in Maryland to establish a second location. 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 (U.S. 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 2022 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended November 30, 2021, 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 U.S. 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.

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

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

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 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, 2022, approximately \$20,367,000 of investments, or approximately 18.8% 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 (NAV) 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.

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

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

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 20 years for buildings and improvements, using the half-year convention in the year the asset is placed in service.

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 U.S. 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, 2022 and 2021.

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

Recent accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (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, 2021, 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 September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The Fund adopted the guidance for the fiscal year ended November 30, 2022.

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, 2022 and 2021, reduced by amounts not available to meet operating expenses within one year of the statement of financial position due to contractual restrictions, donor-imposed restrictions or board designations for future operations and development of a Mid-Atlantic camp location:

	2022	2021
Cash and cash equivalents	\$ 743,165	\$ 3,903,784
Pledges receivable due in one year	549,166	498,083
Other assets	-	108,697
Investments	108,465,653	123,625,782
	<u>109,757,984</u>	<u>128,136,346</u>
Board designated for future operations	8,429,656	10,003,825
Net assets with donor restrictions	4,700,353	7,612,452
Private equity investments	5,167,775	5,024,165
	<u>98,347,764</u>	<u>22,640,442</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 91,460,200</u>	<u>\$ 105,495,904</u>

Note 3. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of November 30, 2022 and 2021:

	2022	2021
Purpose restrictions	\$ 3,202,194	\$ 6,463,815
Time restrictions	1,498,159	1,148,637
	<u>\$ 4,700,353</u>	<u>\$ 7,612,452</u>

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

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

Note 3. Net Assets with Donor Restrictions (Continued)

Released from net assets with donor restrictions to net assets without donor restrictions in 2022 and 2021 as follows:

	2022	2021
Released from net assets with donor restrictions to net assets without donor restrictions – passage of time	\$ 601,833	\$ 875,542
Released from net assets with donor restrictions to net assets without donor restrictions – purpose fulfilled	2,770,533	-
	<u>\$ 3,372,366</u>	<u>\$ 875,542</u>

Note 4. Pledges Receivable

Pledges receivable consisted of the following as of November 30, 2022 and 2021:

	2022	2021
Gross amounts due in:		
One year	\$ 549,166	\$ 498,083
Between one and five years	680,834	508,750
More than five years	300,000	-
	<u>1,530,000</u>	<u>1,006,833</u>
Less unamortized discount to present value (0.19%-4.85%)	<u>(161,099)</u>	<u>(10,305)</u>
Net present value	<u>\$ 1,368,901</u>	<u>\$ 996,528</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	3.74%	1.43%
Estimated years until receipt	5	5

Changes in the value of the Fund's split-interest agreement for the years ended November 30, 2022 and 2021, are as follows:

	2022	2021
Balance, beginning of year	\$ 152,109	\$ 140,208
Changes in present value	(22,851)	11,901
Balance, end of year	<u>\$ 129,258</u>	<u>\$ 152,109</u>

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

Note 6. Endowment

The Fund's endowment consists of six individual donor-restricted endowment funds established for several purposes. As required by U.S. 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 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, 2022 and 2021:

	2022	2021
Brewster Fund	\$ 425,234	\$ 505,193
Dr. Fun Fund	647,653	794,049
Campership Funds	1,354,044	1,623,980
Milmoe Fund	417,215	499,089
Glazer Fund	17,994	22,061
Druten Fund	15,513	19,019
	<u>\$ 2,877,653</u>	<u>\$ 3,463,391</u>

Changes in endowment net assets for the fiscal years ended November 30, 2022 and 2021:

	2022	2021
Endowment net assets, beginning of year	\$ 3,463,391	\$ 3,049,910
Investment return:		
Investment income	38,985	25,077
Net realized and unrealized (depreciation) appreciation	(452,323)	364,304
Total investment return	(413,338)	389,381
Contributions	22,250	24,100
Distributions	(194,650)	-
Endowment net assets, end of year	<u>\$ 2,877,653</u>	<u>\$ 3,463,391</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:

	2022	2021
The portion of perpetual endowment funds required to be retained permanently either by donor stipulation or by UPMIFA	<u>\$ 2,324,176</u>	<u>\$ 2,262,323</u>
The portion of earnings on endowment funds subject to board appropriation	<u>\$ 553,476</u>	<u>\$ 1,201,068</u>

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, 2022 and 2021.

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, 2022 and 2021:

	2022		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds:			
Domestic stock funds	\$ 18,143,858	\$ 50,363,128	\$ 32,219,270
International stock funds	4,963,062	13,321,594	8,358,532
International emerging markets	6,260,588	5,578,182	(682,406)
Fixed income portfolio	11,249,526	10,344,594	(904,932)
Common stock	96,666	-	(96,666)
Private equity	3,053,918	5,167,775	2,113,857
Hedge fund	5,600,000	15,199,510	9,599,510
Cash held by investment managers	8,490,870	8,490,870	-
	<u>\$ 57,858,488</u>	<u>\$ 108,465,653</u>	<u>\$ 50,607,165</u>
	2021		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds:			
Domestic stock funds	\$ 17,423,314	\$ 56,785,116	\$ 39,361,802
International stock funds	4,883,642	14,260,080	9,376,438
International emerging markets	6,049,410	6,279,096	229,686
Fixed income portfolio	13,184,897	12,969,816	(215,081)
Common stock	96,666	-	(96,666)
Private equity	3,677,000	5,024,165	1,347,165
Hedge fund	5,600,000	18,214,034	12,614,034
Cash held by investment managers	10,093,475	10,093,475	-
	<u>\$ 61,008,404</u>	<u>\$ 123,625,782</u>	<u>\$ 62,617,378</u>

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

Note 7. Investments (Continued)

The following table presents changes in assets classified in Level 3 of the fair value hierarchy during the year ended November 30, 2022.

Transfers into Level 3	\$	-
Transfers out of Level 3	\$	-
Purchases	\$	335,000
Issues	\$	-

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, 2022, the Fund had advanced \$1,973,000 of this commitment. The Fund has committed to a six-year period for completion of funding and has an unfunded commitment of \$27,000 as of November 30, 2022.

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, 2022, the Fund had advanced \$1,704,000 of this commitment. The Fund has committed to a six-year period for completion of funding and has an unfunded commitment of \$255,000 as of November 30, 2022.

On June 1, 2022, the Fund entered into a 12-year, \$2,000,000 capital contribution agreement with Warburg Pincus Private Equity. At November 30, 2022 the Fund had advanced \$280,000 of this commitment. The Fund has committed to a six-year period of completion of funding and has an unfunded commitment of \$1,720,000 as of November 30, 2022.

The following table sets forth additional disclosures of the Fund's investments whose fair value is estimated using NAV per share as a practical expedient as of November 30, 2022:

Investment	Fair Value		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
	2022	2021			
Long/short Hedge Fund (a)	\$ 15,199,510	\$ 18,214,034	\$ -	Quarterly	95 days
Small Cap Fund (b)	4,962,425	5,638,557	-	Monthly	5 days
International Equity Fund (c)	8,744,731	9,129,718	-	Monthly	6 days
	<u>\$ 28,906,666</u>	<u>\$ 32,982,309</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, 2022 and 2021, premises and equipment consisted of the following:

	2022	2021
Land and improvements	\$ 5,223,475	\$ 1,232,234
Building and improvements	45,386,057	34,263,237
Furniture, equipment and vehicles	3,218,384	2,870,287
Leasehold improvements	530,819	530,819
Construction in progress	5,409,784	631,148
	<u>59,768,519</u>	<u>39,527,725</u>
Less accumulated depreciation	(25,345,613)	(23,994,945)
	<u>\$ 34,422,906</u>	<u>\$ 15,532,780</u>

Depreciation expense was \$1,581,889 and \$1,233,408 for the years ended November 30, 2022 and 2021, respectively. On February 12, 2021, a fire destroyed multiple buildings at the camp in Ashford, Connecticut. All property destroyed was fully depreciated. A related gain on insurance proceeds of \$944,360 was recognized. As of November 30, 2022 Contributions of approximately \$4,613,000, were received from donors with use restricted to efforts associated with rebuilding the destroyed property.

In May of 2022, the Fund acquired land and buildings in Maryland valued at \$15,443,370 on the date of acquisition, with \$3,991,241 of the value allocated to land. The Fund paid \$750,000 in consideration. The remaining \$14,693,370 is recorded as a component of Contribution-In-Kind in the November 30, 2022, Statement of Activities. A real estate appraiser with extensive experience in the region was engaged to estimate the fair value. The sale prices of similar properties sold within the region were considered by the appraiser in formulating the estimate.

Note 9. Loans Payable

During 2014, in connection with its main office related party lease (see 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 \$29,167 and \$54,167 as of November 30, 2022 and 2021, respectively.

During 2020, the Fund entered into a \$1,612,500 loan agreement as part of the Paycheck Protection Program. The loan carried a 1% interest rate and originally required 18 monthly payments of \$90,747 beginning August 23, 2021. On December 30, 2020, the Fund received notification from the Small Business Administration (SBA) of the payment in full by the SBA of the outstanding principal and accrued interest associated with the loan and of the forgiveness of the Fund's obligation. \$1,633,439 was recognized as gain from loan forgiveness in the accompanying 2021 statement of activities.

The contractual maturities of the Fund's loans payable at November 30, 2022, by year are as follows:

2023	\$ 25,000
2024	4,167
	<u>\$ 29,167</u>

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

Note 10. Related Party Transactions

During the years ended November 30, 2022 and 2021, the Fund received contributions of approximately \$1,494,000 and \$1,536,000, 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, 2022 and 2021, 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 (see Note 9).

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, 2022 and 2021:

	2022	2021
Contribution support	\$ 4,716,275	\$ 4,840,413
Less expenses	(992,816)	(399,637)
Net	<u>\$ 3,723,459</u>	<u>\$ 4,440,776</u>

Note 12. Grants and Financial Support to Other Entities

During the years ended November 30, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
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 7% 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 \$ 390,800 and \$402,900 for the years ended November 30, 2022 and 2021, respectively.

The Hole in the Wall Gang Fund, Inc.

Notes to Financial Statements

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 10-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, 2022, which reflect the terms of these leases, are as follows:

2023	\$	209,841
2024		64,251
2025		54,196
2026		55,821
2027		57,492
		<u>57,492</u>
	\$	<u>441,601</u>

Rent expense under these leases, recognized in the statement of activities, was approximately \$337,000 and \$328,000 for the years ended November 30, 2022 and 2021, 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, 2022, the outstanding balance of the bonds was approximately \$4,724,000.

Note 15. Subsequent Events

Subsequent events have been evaluated through February 2, 2023, the date the financial statements were available to be issued.