

THE FRESH AIR FUND

Financial Statements

Years ended September 30, 2015 and 2014  
with Report of Independent Auditors

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

The Fresh Air Fund

Financial Statements

Years Ended September 30, 2015 and 2014

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Fresh Air Fund

We have audited the accompanying financial statements of The Fresh Air Fund (the "Fund"), which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years 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 State of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 control 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 Fresh Air Fund, as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Marks Paneth LLP*

New York, NY  
January 11, 2016



# The Fresh Air Fund

## Statements of Financial Position

	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,540,365	\$ 4,187,792
Accounts, grants and other receivables	285,073	338,372
Pledges receivable	2,135,200	-
Prepaid expenses	476,716	1,654,763
Investments	99,589,641	103,959,394
Land	2,747,632	2,747,632
Buildings and equipment, net	22,617,486	23,336,439
Beneficial interests in perpetual trusts	2,212,204	2,415,197
Other assets	392,011	391,511
Total assets	<b>\$ 133,996,328</b>	<b>\$ 139,031,100</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,372,984	\$ 556,642
Commitments and contingencies	-	-
<b>Net assets</b>		
Unrestricted -		
Operations	54,418	54,418
Board designated endowment	90,944,496	97,863,131
Land, buildings and equipment	25,365,118	26,084,071
Total unrestricted	116,364,032	124,001,620
Temporarily restricted	1,959,539	562,882
Permanently restricted	14,299,773	13,909,956
Total net assets	132,623,344	138,474,458
Total liabilities and net assets	<b>\$ 133,996,328</b>	<b>\$ 139,031,100</b>

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

The Fresh Air Fund  
Statement of Activities  
Year Ended September 30, 2015

	Unrestricted Net Assets			Total Unrestricted	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
	Operations	Board Designated Endowment	Land, Buildings and Equipment				
<b>Support, revenue and reclassifications</b>							
Support:							
Public Support:							
Received directly:							
Contributions	\$ 7,559,296	\$ -	\$ 543,200	\$ 8,102,496	\$ 1,635,200	\$ 500,000	\$ 10,237,696
Legacies and bequests	-	712,396	-	712,396	-	92,810	805,206
Off-Season Camping	1,085,350	-	-	1,085,350	-	-	1,085,350
Special events, net of direct benefit cost to donors of \$725,126	1,316,469	-	-	1,316,469	-	-	1,316,469
Government Support:							
Summer Food Program	290,515	-	-	290,515	-	-	290,515
Total support	10,251,630	712,396	543,200	11,507,226	1,635,200	592,810	13,735,236
Revenue:							
Total investment return, net of investment advisory fees of \$339,609	258,070	347,765	-	605,835	-	-	605,835
Loss on beneficial interests in perpetual trusts	-	-	-	-	-	(202,993)	(202,993)
Total revenue	258,070	347,765	-	605,835	-	(202,993)	402,842
Reclassifications:							
Satisfaction of donor imposed restrictions	238,543	-	-	238,543	(238,543)	-	-
Total support, revenue and reclassifications	10,748,243	1,060,161	543,200	12,351,604	1,396,657	389,817	14,138,078
<b>Expenses</b>							
Program services:							
Friendly Towns activities	3,872,371	-	143,755	4,016,126	-	-	4,016,126
Fresh Air Camping activities	7,291,458	-	1,329,935	8,621,393	-	-	8,621,393
Total program services	11,163,829	-	1,473,690	12,637,519	-	-	12,637,519
Supporting services:							
Fund-raising	3,617,386	-	62,076	3,679,462	-	-	3,679,462
Office services and administration	1,132,486	-	40,295	1,172,781	-	-	1,172,781
Total supporting services	4,749,872	-	102,371	4,852,243	-	-	4,852,243
Total expenses	15,913,701	-	1,576,061	17,489,762	-	-	17,489,762
Intra-net asset transfers	5,165,458	(5,479,366)	313,908	-	-	-	-
Pension changes other than net periodic costs	-	(2,499,430)	-	(2,499,430)	-	-	(2,499,430)
Change in net assets	-	(6,918,635)	(718,953)	(7,637,588)	1,396,657	389,817	(5,851,114)
Net Assets, beginning of year	54,418	97,863,131	26,084,071	124,001,620	562,882	13,909,956	138,474,458
Net Assets, end of year	\$ 54,418	\$ 90,944,496	\$ 25,365,118	\$ 116,364,032	\$ 1,959,539	\$ 14,299,773	\$ 132,623,344

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

The Fresh Air Fund  
Statement of Activities  
Year Ended September 30, 2014

	Unrestricted Net Assets			Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total	
	Operations	Board Designated Endowment	Land, Buildings and Equipment				Total Unrestricted
<b>Support, revenue and reclassifications</b>							
Support:							
Public Support:							
Received directly:							
Contributions	\$ 7,307,840	\$ -	\$ -	\$ 7,307,840	\$ 253,600	\$ 8,500	\$ 7,569,940
Legacies and bequests	-	145,824	-	145,824	-	213,000	358,824
Off-Season Camping	1,016,775	-	-	1,016,775	-	-	1,016,775
Special events, net of direct benefit cost to donors of \$679,677	1,435,408	-	-	1,435,408	-	-	1,435,408
Government Support:							
Summer Food Program	332,045	-	-	332,045	-	-	332,045
Total support	10,092,068	145,824	-	10,237,892	253,600	221,500	10,712,992
Revenue:							
Total investment return, net of investment advisory fees of \$354,106	351,011	12,205,326	-	12,556,337	-	-	12,556,337
Gain on beneficial interests in perpetual trusts	-	-	-	-	-	73,478	73,478
Total revenue	351,011	12,205,326	-	12,556,337	-	73,478	12,629,815
Reclassifications:							
Satisfaction of donor imposed restrictions	396,071	250,000	-	646,071	(646,071)	-	-
Total support, revenue and reclassifications	10,839,150	12,601,150	-	23,440,300	(392,471)	294,978	23,342,807
<b>Expenses</b>							
Program services:							
Friendly Towns activities	3,915,010	-	137,523	4,052,533	-	-	4,052,533
Fresh Air Camping activities	6,997,676	-	1,284,741	8,282,417	-	-	8,282,417
Total program services	10,912,686	-	1,422,264	12,334,950	-	-	12,334,950
Supporting services:							
Fund-raising	3,737,533	-	59,385	3,796,918	-	-	3,796,918
Office services and administration	1,072,342	-	38,548	1,110,890	-	-	1,110,890
Total supporting services	4,809,875	-	97,933	4,907,808	-	-	4,907,808
Total expenses	15,722,561	-	1,520,197	17,242,758	-	-	17,242,758
Intra-net asset transfers	4,883,411	(5,337,120)	453,709	-	-	-	-
Pension changes other than net periodic costs	-	(514,136)	-	(514,136)	-	-	(514,136)
Change in net assets	-	6,749,894	(1,066,488)	5,683,406	(392,471)	294,978	5,585,913
Net Assets, beginning of year	54,418	91,113,237	27,150,559	118,318,214	955,353	13,614,978	132,888,545
Net Assets, end of year	\$ 54,418	\$ 97,863,131	\$ 26,084,071	\$ 124,001,620	\$ 562,882	\$ 13,909,956	\$ 138,474,458

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

The Fresh Air Fund  
Statement of Functional Expenses  
Year Ended September 30, 2015

	Program Services			Supporting Services				
	Friendly Towns Activities	Fresh Air Camping Activities	Total Program Expenses	Fund- Raising	Office Services and Administration	Total Supporting Services Expenses	Direct Benefit to Donors	Total Expenses
Staff salaries and benefits	\$ 1,743,687	\$ 4,230,509	\$ 5,974,196	\$ 844,577	\$ 944,500	\$ 1,789,077	\$ 6,673	\$ 7,769,946
Communication	186,176	135,573	321,749	2,113,937	17,277	2,131,214	48,674	2,501,637
Insurance	277,092	170,755	447,847	-	6,848	6,848	-	454,695
Professional fees	227,749	87,333	315,082	522,523	398,817	921,340	20,550	1,256,972
Occupancy (repairs, maintenance, utilities)	352,571	869,358	1,221,929	100,735	94,903	195,638	-	1,417,567
Transportation	470,427	240,922	711,349	-	-	-	-	711,349
Food	3,286	1,263,327	1,266,613	3,048	-	3,048	-	1,269,661
Volunteer expense	309,036	4,976	314,012	5,811	-	5,811	-	319,823
Program supplies and equipment	278,866	260,182	539,048	9,353	-	9,353	-	548,401
Contracted services	-	-	-	7,875	-	7,875	648,234	656,109
Other	23,481	28,523	52,004	9,527	9,750	19,277	995	72,276
Total functional expenses before depreciation	3,872,371	7,291,458	11,163,829	3,617,386	1,472,095	5,089,481	725,126	16,978,436
Depreciation	143,755	1,329,935	1,473,690	62,076	40,295	102,371	-	1,576,061
Total functional expenses	4,016,126	8,621,393	12,637,519	3,679,462	1,512,390	5,191,852	725,126	18,554,497
Less cost of direct benefit to donors	-	-	-	-	-	-	(725,126)	(725,126)
Less cost of investment advisory fees	-	-	-	-	(339,609)	(339,609)	-	(339,609)
Total expenses reported by function in the statement of activities	\$ 4,016,126	\$ 8,621,393	\$ 12,637,519	\$ 3,679,462	\$ 1,172,781	\$ 4,852,243	\$ -	\$ 17,489,762

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

**The Fresh Air Fund**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2014**

	Program Services			Supporting Services				Total Expenses
	Friendly Towns Activities	Fresh Air Camping Activities	Total Program Expenses	Fund-Raising	Office Services and Administration	Total Supporting Services Expenses	Direct Benefit to Donors	
Staff salaries and benefits	\$ 1,762,202	\$ 4,159,235	\$ 5,921,437	\$ 897,218	\$ 894,341	\$ 1,791,559	\$ 3,193	\$ 7,716,189
Communication	140,757	128,972	269,729	2,085,676	17,727	2,103,403	55,926	2,429,058
Insurance	259,120	147,749	406,869	-	6,382	6,382	-	413,251
Professional fees	185,832	87,195	273,027	616,094	408,106	1,024,200	12,125	1,309,352
Occupancy (repairs, maintenance, utilities)	368,965	784,955	1,153,920	106,147	90,454	196,601	-	1,350,521
Transportation	451,634	237,470	689,104	1,510	-	1,510	-	690,614
Food	2,897	1,161,968	1,164,865	3,447	-	3,447	-	1,168,312
Volunteer expense	481,193	2,176	483,369	5,707	-	5,707	-	489,076
Program supplies and equipment	235,731	258,568	494,299	6,943	-	6,943	-	501,242
Contracted services	-	2,497	2,497	3,829	-	3,829	607,992	614,318
Other	26,679	26,891	53,570	10,962	9,438	20,400	441	74,411
Total functional expenses before depreciation	3,915,010	6,997,676	10,912,686	3,737,533	1,426,448	5,163,981	679,677	16,756,344
Depreciation	137,523	1,284,741	1,422,264	59,385	38,548	97,933	-	1,520,197
Total functional expenses	4,052,533	8,282,417	12,334,950	3,796,918	1,464,996	5,261,914	679,677	18,276,541
Less cost of direct benefit to donors	-	-	-	-	-	-	(679,677)	(679,677)
Less cost of investment advisory fees	-	-	-	-	(354,106)	(354,106)	-	(354,106)
Total expenses reported by function in the statement of activities	\$ 4,052,533	\$ 8,282,417	\$ 12,334,950	\$ 3,796,918	\$ 1,110,890	\$ 4,907,808	\$ -	\$ 17,242,758

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

The Fresh Air Fund  
Statements of Cash Flows

	<b>Years ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
	<u>          </u>	<u>          </u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (5,851,114)	\$ 5,585,913
Adjustments to reconcile change in net assets to net cash used in operating activities		
Pension changes nonperiodic pension costs	2,499,430	514,136
Depreciation expense	1,576,061	1,520,197
Contributions permanently restricted	(592,810)	(221,500)
Contributions for capital items	(543,200)	-
Net realized and unrealized gain in investment portfolio	(687,374)	(12,559,432)
Change in value of beneficial interests in perpetual trusts	202,993	(73,478)
Change in operating assets and liabilities		
(Increase) Decrease in receivables	(2,081,901)	199,776
Decrease (Increase) in prepaid expenses	1,178,047	(199,443)
Increase in security deposits	(500)	-
Decrease in accounts payable and accrued liabilities	(1,683,088)	(533,797)
Net cash used in operating activities	<u>(5,983,456)</u>	<u>(5,767,628)</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(11,616,727)	(10,492,676)
Sales of investments	16,673,854	15,427,868
Purchases of buildings and equipment	(857,108)	(453,709)
Net cash provided by investing activities	<u>4,200,019</u>	<u>4,481,483</u>
<b>Cash flows from financing activities</b>		
Contributions permanently restricted	592,810	221,500
Contributions for capital items	543,200	-
Net cash provided by financing activities	<u>1,136,010</u>	<u>221,500</u>
Net change in cash and cash equivalents	(647,427)	(1,064,645)
Cash and cash equivalents, beginning of year	4,187,792	5,252,437
Cash and cash equivalents, end of year	<u>\$ 3,540,365</u>	<u>\$ 4,187,792</u>

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

# The Fresh Air Fund

## Notes to Financial Statements

September 30, 2015 and 2014

### **1. Organization and Nature of Activities**

The Fresh Air Fund (the “Fund”), an independent, not-for-profit agency, has provided free summer experiences to more than 1.8 million New York City children from low-income communities since 1877. Approximately 9,000 disadvantaged New York City children enjoy free Fresh Air Fund programs annually. Thousands of children visit volunteer host families in rural and suburban areas across 13 states from North Carolina to Maine and Canada. Thousands more attend five Fresh Air camps on a site in Fishkill, New York and participate in year-round educational programs at camp and in New York City.

#### **Tax Status**

The Fund is a not-for-profit voluntary organization exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the “Code”) and, accordingly, is not subject to federal income taxes under Section 501(a) of the Code. As a not-for-profit organization, the Fund is exempt from New York State and New York City income and sales taxes. The Fund has been classified as an organization, which is not a private foundation and has been designated as a publicly supported organization under Section 509(a)(1) of the Code and qualifies for the maximum charitable contribution deduction for donors.

#### **Description of Program Services**

##### **Friendly Towns Activities**

Friendly Towns activities consist of organizing and directing committees to recruit families to serve as hosts in Friendly Towns and coordinating the children’s stay with their host families. The program involves safety precautions, background checks, and escorting and transporting children to and from their homes in New York City for summer experiences out of the City at no cost to the children’s families.

##### **Fresh Air Camping Activities**

Fresh Air Camping activities consist of sending approximately 3,000 children from their homes in New York City to the Fund’s camps in Fishkill, New York. The summer program provides direction, leadership, food, medical care and recreation for two or more weeks at no cost to the children’s families. Included within this program is the Fund’s Career Awareness Camp, which serves approximately 300 children. The camp program fosters critical career-related qualities such as responsibility, cooperation and leadership. Additionally, the Fund’s year-round camping program serves 2,000 disadvantaged teenagers each year.

# The Fresh Air Fund

## Notes to Financial Statements (continued)

### 1. Organization and Nature of Activities (continued)

#### **Fund-Raising Services**

Fund-raising services relate to the activities of the development department in raising general and specific contributions.

#### **Office Services and Administration**

Office services and administration include finance, administration and general support activities. Certain administrative costs that relate to specific programs have been allocated to such programs.

#### **Direct Benefit to Donor Costs**

Direct benefit to donor costs are costs incurred in connection with special events related to items benefiting attendees of such events, such as meals and entertainment.

### 2. Summary of Significant Accounting and Financial Reporting Policies

#### **Basis of Presentation**

The financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

#### **Net Assets**

To adhere to restrictions placed on the resources available to the organization, the Fund follows the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and purpose.

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Fund are classified and reported as follows:

*Unrestricted Net Assets:* Net assets of the Fund that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. These include operations, the Board-designated endowment, and the land, buildings and equipment funds. The Board of Directors has a policy of putting certain legacies and bequests and contributions in the Board-designated endowment fund. Annual transfers from this fund to the operating fund are based on the average of the most recent 12 quarters of the market values of Board-designated endowment investments. In addition, transfers to the land, buildings and equipment fund are made for capital additions, net of current year depreciation expense. The land, buildings and equipment fund reflects the net asset value of land, buildings and equipment.

# The Fresh Air Fund

## Notes to Financial Statements (continued)

### **2. Summary of Significant Accounting and Financial Reporting Policies (continued)**

*Temporarily Restricted Net Assets:* Net assets of the Fund resulting from contributions and other inflows of assets whose use by the Fund is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Fund pursuant to restricted stipulations. When a prior year donor restriction expires, the restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as satisfaction of donor-imposed restrictions. The Fund reports program-related restricted contributions whose stipulations were met in the same year as unrestricted contributions.

*Permanently Restricted Net Assets:* Net assets of the Fund resulting from contributions and other inflows of assets whose use by the Fund is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Fund. Income earned on the assets may be expended by the Fund for donor-restricted program purposes.

#### **Revenue Recognition and Allowance for Doubtful Accounts**

The Fund records as revenue contributions, when they are received unconditionally at their fair value, including: cash, promises to give, certain contributed services and merchandise and gifts of long-lived and other assets. Conditional contributions are recognized as revenue when the conditions on which they depend on have been substantially met. The Fund's grants are cost reimbursement type grants and are considered conditional contributions for applying revenue recognition policies.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. As of September 30, 2015 and 2014, the Fund determined that no allowance for doubtful accounts should be provided for accounts, grants and other receivables, and pledges and legacies receivable. Such estimate is based on a combination of factors, such as management's assessment of the aged basis of its contributors and government funding sources, creditworthiness of contributors, current economic conditions and historical experience.

#### **Cash and Cash Equivalents**

The Fund includes in cash and cash equivalents financial instruments which are highly liquid and have maturity dates of three months or less from the date of purchase. The carrying amounts reported in the statements of financial position approximate fair value.

#### **Legacies and Bequests**

The Fund is the beneficiary of legacies and bequests under various wills. The Fund's share of such bequests is recorded when the Fund has an irrevocable right to the bequest and the proceeds are measurable.

# The Fresh Air Fund

## Notes to Financial Statements (continued)

### 2. Summary of Significant Accounting and Financial Reporting Policies (continued)

#### Investments

The Fund carries its domestic securities investments at fair value based on quoted market prices. The fair value of beneficial interests in perpetual trusts is approximated by the Fund's share of the fair value of the assets held by the trust. Realized and unrealized gains and losses on investments are reflected in the accompanying statements of activities.

Interests in limited partnerships and offshore limited liability companies are stated at fair value as estimated in an unquoted market. Individual investment holdings within these investments include primarily market-traded securities, as well as other nonmarketable securities. Fair values of these investments are determined by the investment managers or general partners. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. Because of the inherent uncertainty of these investments, values of limited partnerships and limited liability companies' investments may differ significantly from values that would have been used had a ready market for the investments existed. The financial statements of the investees are audited annually by independent auditors.

The Fund's endowment investment policy is to invest primarily in a mix of equities, mutual funds and limited partnerships based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. The Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Annual spending from the endowment funds is more fully described in Note 7.

*Fair Value:* Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 6.

#### Pension Plans

U.S. GAAP requires an employer to: (a) recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year; and (c) recognize changes in the funded status of a defined benefit plan in the year in which the changes occur. The measurement date for the Fund's defined benefit plan corresponds to the fiscal year end and therefore the Fund is in compliance with the measurement date provisions of U.S. GAAP.

# The Fresh Air Fund

## Notes to Financial Statements (continued)

### **2. Summary of Significant Accounting and Financial Reporting Policies (continued)**

#### **Land, Buildings and Equipment**

The Fund capitalizes land, buildings and equipment at their cost, or appraised value on the date of contribution, provided their cost or value is at least \$500 and they have estimated useful lives of greater than one year. The Fund capitalizes all costs incurred in connection with construction/renovation of camping facilities. Depreciation is provided (other than land) on a straight-line basis over the estimated useful lives of the related assets. Such lives range from five to 30 years.

#### **Donated Materials, Investments and Services**

Donated materials, investments and services are reflected as contributions in the accompanying financial statements at their fair values at the date of receipt. Donated services are recognized as revenue if the services received create or enhance non-financial assets, require specified skills provided by individuals possessing those skills and typically need to be purchased if not provided by donation.

The Fund recorded both support and expenses of \$78,350 and \$197,250, for the years ended September 30, 2015 and 2014, respectively, of contributions-in-kind, primarily legal services and public service announcements. In addition, a substantial number of volunteers donated significant amounts of their time to the Fund's program services. No amounts have been reflected in the accompanying financial statements for these donated services as such services do not meet the criteria for recognition under U.S. GAAP.

#### **Functional Allocation of Expenses**

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

#### **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 certain 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 period. Actual results could differ from those estimates.

#### **Reclassification**

Certain line items in the 2014 financial statements have been reclassified to conform to the 2015 financial statement presentation.

## The Fresh Air Fund

### Notes to Financial Statements (continued)

#### 3. Pledges Receivable

The estimated collection periods for pledges receivable as of September 30, 2015 and 2014 are as follows:

<i>Pledges receivable</i>	<b>2015</b>	<b>2014</b>
Less than one year	<b>\$ 1,097,050</b>	\$ -
One to five years	<b>1,038,150</b>	-
	<b>\$ 2,135,200</b>	\$ -

Pledges with a collection time frame longer than one year beyond the fiscal year end have not been discounted, given that the applicable risk adjusted interest rate at the time of the pledges was not material.

#### 4. Investments

Investments consist of the following as of September 30:

	<b>2015</b>		<b>2014</b>	
	Cost	Fair Value	Cost	Fair Value
Domestic securities	\$ 915,665	\$ 5,634,363	\$ 1,220,743	\$ 7,560,299
Mutual funds:				
Fixed income	-	-	4,320,023	4,175,116
Total mutual funds	-	-	4,320,023	4,175,116
Limited partnerships:				
Fixed income	2,617,714	3,648,608	4,219,899	8,722,785
Equities	40,030,910	68,830,276	34,448,926	68,357,296
Natural resources	6,150,765	2,990,427	6,479,417	4,013,929
Real estate	5,213,304	3,708,391	5,363,363	4,641,692
Distressed/Other	5,001,638	5,883,127	4,672,648	5,389,395
Total limited partnerships	59,014,331	85,060,829	55,184,253	91,125,097
Cash pending investment	8,894,449	8,894,449	1,098,882	1,098,882
	<b>\$ 68,824,445</b>	<b>\$ 99,589,641</b>	<b>\$ 61,823,901</b>	<b>\$ 103,959,394</b>

Investments are subject to market volatility that could change their carrying values substantially in the near term.

The Fund maintains its domestic securities investments with a third-party custodian and under the direction of an investment manager with discretion to invest in products not limited to domestic equities.

# The Fresh Air Fund

## Notes to Financial Statements (continued)

### 4. Investments (continued)

The Fund invests in certain investments, including limited partnerships, that create indirect exposure to the Fund through short sales of securities, and trading in futures and forward contracts, options, swaps, and other derivatives products. Derivatives are tools used to maintain asset mix or adjust portfolio risk exposure. Each of these financial instruments contains varying degrees of risk whereby changes in the fair value of the securities underlying the financial instruments or the cost of satisfying obligations may exceed the amount recognized in the statements of financial position of the investees.

The Fund also has beneficial interests in certain perpetual trusts administered by third parties (valued at approximately \$2,212,000 and \$2,415,000 at September 30, 2015 and 2014, respectively) that are reflected as such in the accompanying statements of financial position. The underlying assets of the perpetual trusts are invested in mutual funds, publicly traded securities, and other investable assets as determined by the third-party custodians.

Investment return consists of the following for the years ended September 30:

	<u>2015</u>	<u>2014</u>
Investment return:		
Interest and dividends	\$ 258,070	\$ 351,011
Net realized and unrealized gain	687,374	12,559,432
	<u>\$ 945,444</u>	<u>\$ 12,910,443</u>

### 5. Buildings and Equipment

As of September 30, 2015 and 2014, buildings and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Office condominium	\$ 8,574,451	\$ 8,574,451
Camping facilities and equipment	38,307,106	37,591,395
Automobiles and trucks	1,018,261	922,200
Office furniture, equipment, etc.	1,933,477	1,888,141
Total depreciable assets	<u>49,833,295</u>	<u>48,976,187</u>
Less accumulated depreciation	<u>(27,215,809)</u>	<u>(25,639,748)</u>
	<u>\$ 22,617,486</u>	<u>\$ 23,336,439</u>

### 6. Fair Value Measurements

In determining fair value, the Fund utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible in its assessment of fair value. The fair value hierarchy defines three levels as follows:

# The Fresh Air Fund

## Notes to Financial Statements (continued)

### 6. Fair Value Measurements (continued)

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Financial assets carried at fair value at **September 30, 2015**, are classified in the table below as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic securities	\$ 5,416,572	\$ 217,791	\$ -	\$ 5,634,363
Limited partnerships:				
Fixed income	-	3,648,608	-	3,648,608
Equities	-	49,107,582	19,722,694	68,830,276
Natural resources	-	130,193	2,860,234	2,990,427
Real estate	-	-	3,708,391	3,708,391
Distressed/Other	-	-	5,883,127	5,883,127
Total limited partnerships	-	52,886,383	32,174,446	85,060,829
Cash pending investment	8,894,449	-	-	8,894,449
	<u>\$ 14,311,021</u>	<u>\$ 53,104,174</u>	<u>\$ 32,174,446</u>	<u>\$ 99,589,641</u>

Financial assets carried at fair value at **September 30, 2014**, are classified in the table below as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic securities	\$ 7,449,348	\$ 110,951	\$ -	\$ 7,560,299
Mutual funds:				
Fixed income	4,175,116	-	-	4,175,116
Total mutual funds	4,175,116	-	-	4,175,116
Limited partnerships:				
Fixed income	-	8,722,785	-	8,722,785
Equities	-	53,722,997	14,634,299	68,357,296
Natural resources	-	759,566	3,254,363	4,013,929
Real estate	-	-	4,641,692	4,641,692
Distressed/Other	-	-	5,389,395	5,389,395
Total limited partnerships	-	63,205,348	27,919,749	91,125,097
Cash pending investment	1,098,882	-	-	1,098,882
	<u>\$ 12,723,346</u>	<u>\$ 63,316,299</u>	<u>\$ 27,919,749</u>	<u>\$ 103,959,394</u>

# The Fresh Air Fund

## Notes to Financial Statements (continued)

### 6. Fair Value Measurements (continued)

Investments in cash, mutual funds, and corporate equities are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in bonds, closed-end equities mutual funds and certain limited partnerships are valued using quoted prices in inactive markets (Level 2). Level 2 instruments valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Limited partnership interests are stated at fair value in an unquoted market. Fair value of these limited partnership interests are based on net asset value per share which are provided by the limited partnerships. Values may be based on historical cost, appraisals, obtainable prices for similar assets, or other estimates. Because of the inherent uncertainty of valuation of the Fund's investments in these partnerships, values for those investments may differ significantly from values that would have been used had a ready market for the investments existed. The financial statements of the investees are audited annually by independent auditors. The Fund can redeem certain of its limited partnership interests in the short-term with required notice being given as stipulated in the partnership agreements and there are no current lock-up provisions on these investments. Based on this, it was determined that certain limited partnership interests can be considered as Level 2 financial assets as of September 30, 2015 in accordance with ASU 2009-12 (ASC 820), which is described in Note 2.

The reconciliation for the year ended **September 30, 2015**, of the investments measured at estimated fair value classified as Level 3 is as follows:

	<u>Level 3</u>
Balance at September 30, 2014	\$ 27,919,749
Purchases	6,960,545
Redemptions	(1,577,705)
Realized and unrealized loss	(1,128,143)
Balance at September 30, 2015	<u>\$ 32,174,446</u>

The reconciliation for the year ended **September 30, 2014** of the investments measured at estimated fair value classified as Level 3 is as follows:

	<u>Level 3</u>
Balance at September 30, 2013	\$ 17,669,913
Purchases	9,087,887
Redemptions	(2,735,723)
Realized and unrealized gain	3,897,672
Balance at September 30, 2014	<u>\$ 27,919,749</u>

# The Fresh Air Fund

## Notes to Financial Statements (continued)

### 7. Permanent and Board-Designated Endowment Funds

The Fund recognizes the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated. The Investment Committee of the Fund’s Board of Directors, under authority of the Executive Committee, has appropriated up to 7% of earnings as of September 30, 2015, whether deemed spent or not, as unrestricted.

Each year a portion of the return on the endowment funds may be used to fund general operating expenditures. The amount of that spending portion will be reviewed annually and the distribution recommended by the Executive Committee will be approved by the Board of Directors.

The Fund’s long-term spending policy rate is 5% of a moving 12-quarter average for the board-designated portion and, in compliance with NYPMIFA, up to 7% of a moving 20-quarter average for the permanently-restricted portion of the investment portfolio market value. The amount appropriated is allocated to the Board-designated endowment and to the permanently restricted funds as needed.

As of September 30, 2015 and 2014, permanently restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Funds for Camping Activities	\$ 3,784,056	\$ 3,691,246
Funds for Friendly Towns Activities	3,318,208	3,318,208
Funds for general purpose	7,197,509	6,900,502
Total permanently restricted net assets	<u>\$ 14,299,773</u>	<u>\$ 13,909,956</u>

In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor requires the organization to retain in perpetuity. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Fund to retain as a gift of perpetual duration. In accordance with the Fund’s policy noted above, deficiencies of this nature are reported in either restricted or unrestricted net assets. These deficiencies, if any, result from unfavorable market fluctuations that occur in the economy as a whole, whereby the fair market value of the donor restricted endowment fund is below the amount that is required to be retained permanently. As of September 30, 2015 and 2014, this condition did not exist at the Fund.

## The Fresh Air Fund

### Notes to Financial Statements (continued)

#### 7. Permanent and Board-Designated Endowment Funds (continued)

The Fund's endowment net assets as of **September 30, 2015**, consist of the following:

	<u>Unrestricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ 3,609,327	\$ 14,299,773	\$ 17,909,100
Board-designated endowment funds	<u>87,335,169</u>	<u>-</u>	<u>87,335,169</u>
Endowment net assets, end of year	<u>\$ 90,944,496</u>	<u>\$ 14,299,773</u>	<u>\$ 105,244,269</u>

The Fund's endowment net assets as of **September 30, 2014**, consist of the following:

	<u>Unrestricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ 4,428,920	\$ 13,909,956	\$ 18,338,876
Board-designated endowment funds	<u>93,434,211</u>	<u>-</u>	<u>93,434,211</u>
Endowment net assets, end of year	<u>\$ 97,863,131</u>	<u>\$ 13,909,956</u>	<u>\$ 111,773,087</u>

The unrestricted portion of the donor restricted endowment funds represents the accumulated unrealized gains earned by the original gifts.

Changes in endowment net assets for the year ended **September 30, 2015**, are as follows:

	<u>Unrestricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
<b>Investment activity:</b>			
Unrealized loss on investments	\$ (11,370,298)	\$ (202,993)	\$ (11,573,291)
Realized gain on investments	<u>11,718,063</u>	<u>-</u>	<u>11,718,063</u>
Total investment activity	<u>347,765</u>	<u>(202,993)</u>	<u>144,772</u>
Contributions	712,396	592,810	1,305,206
Amount appropriated for expenditure	<u>(5,479,366)</u>	<u>-</u>	<u>(5,479,366)</u>
	<u>(4,766,970)</u>	<u>592,810</u>	<u>(4,174,160)</u>
Change in endowment net assets	(4,419,205)	389,817	(4,029,388)
Endowment net assets, beginning of year	97,863,131	13,909,956	111,773,087
Pension changes other than net periodic costs	<u>(2,499,430)</u>	<u>-</u>	<u>(2,499,430)</u>
Endowment net assets, end of year	<u>\$ 90,944,496</u>	<u>\$ 14,299,773</u>	<u>\$ 105,244,269</u>

## The Fresh Air Fund

### Notes to Financial Statements (continued)

#### 7. Permanent and Board-Designated Endowment Funds (continued)

Changes in endowment net assets for year ended **September 30, 2014**, are as follows:

<b>Investment activity:</b>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrealized gain on investments	\$ 5,252,631	\$ 73,478	\$ 5,326,109
Realized gain on investments	6,952,695	-	6,952,695
Total investment activity	<u>12,205,326</u>	<u>73,478</u>	<u>12,278,804</u>
Contributions	145,824	221,500	367,324
Amount appropriated for expenditure	<u>(5,337,120)</u>	<u>-</u>	<u>(5,337,120)</u>
	<u>(5,191,296)</u>	<u>221,500</u>	<u>(4,969,796)</u>
Change in endowment net assets	7,014,030	294,978	7,309,008
Endowment net assets, beginning of year	91,113,237	13,614,978	104,728,215
Pension changes other than net periodic costs	(514,136)		(514,136)
Reclassifications	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Endowment net assets, end of year	<u>\$ 97,863,131</u>	<u>\$ 13,909,956</u>	<u>\$ 111,773,087</u>

Endowment net assets of \$105,244,269 and \$111,773,087 are included in investments, cash and cash equivalents, other assets and beneficial interests in perpetual trusts in the statements of financial position as of September 30, 2015 and 2014, respectively.

#### 8. Temporarily Restricted Net Assets

As of September 30, 2015 and 2014, temporarily restricted net assets are available for the following purposes upon passage of time or fulfillment of donor-imposed stipulations:

	<u>2015</u>	<u>2014</u>
College Connections Program	\$ 968,164	\$ 266,706
Other purpose-restricted assets	384,364	22,165
Other time-restricted assets	<u>607,011</u>	<u>274,011</u>
	<u>\$ 1,959,539</u>	<u>\$ 562,882</u>

Temporarily restricted net assets were released from restrictions during the years ended September 30, 2015 and 2014 upon passage of time or fulfillment of purposes as follows:

	<u>2015</u>	<u>2014</u>
Purpose-restricted assets	\$ 238,543	\$ 316,071
Time-restricted assets	<u>-</u>	<u>330,000</u>
	<u>\$ 238,543</u>	<u>\$ 646,071</u>

# The Fresh Air Fund

## Notes to Financial Statements (continued)

### 9. Pension Plans

The Fund sponsors a noncontributory defined benefit pension plan (the “Plan”) which provides retirement and death benefits for substantially all full-time employees based on years of service and compensation level. The Plan’s assets are invested in equity mutual funds and guaranteed insurance contracts. Effective February 1, 2011, the Plan was amended to update the accrued benefits as of that date to a percentage of the current five-year average salary multiplied by years of service.

The following tables present the Plan’s related disclosures under U.S. GAAP. The Plan’s actuary performed the computations required for financial statement disclosure as of September 30, 2015 and 2014. Employee data as of October 1, 2014 and 2013 was projected forward to the September 30, 2015 and 2014 measurement dates, respectively.

The following table provides a reconciliation of the changes in the Plan’s benefit obligations and a statement of the funded status of the Plan as of September 30, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
<b>Change in benefit obligation:</b>		
Benefit obligation - beginning of year	\$ 12,542,551	\$ 11,061,119
Service cost	376,987	286,149
Interest cost	583,296	567,456
Actuarial loss	1,464,727	997,545
Benefits paid	(393,167)	(369,718)
Benefit obligation - end of year	\$ 14,574,394	\$ 12,542,551
<b>Change in plan assets:</b>		
Fair value of plan assets - beginning of year	\$ 13,685,878	\$ 12,052,513
Actual return	(48,528)	1,344,242
Employer contribution	600,000	658,841
Benefits paid	(393,167)	(369,718)
Fair value of plan assets - end of year	\$ 13,844,183	\$ 13,685,878
 Funded status	 \$ (730,211)	 \$ 1,143,327
 Accumulated benefit obligation	 \$ 13,807,966	 \$ 11,886,041

The amounts reflected in funded status in the above table are included in accounts payable and prepaid expenses in the accompanying statements of financial position.

# The Fresh Air Fund

## Notes to Financial Statements (continued)

### 9. Pension Plans (continued)

The following table provides the components of net periodic benefit cost for the plan for the years ended September 30, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Service cost	\$ <b>376,987</b>	\$ 286,149
Interest cost	<b>583,296</b>	567,456
Expected return on plan assets	<b>(1,097,860)</b>	(972,518)
Amortization of prior service cost	<b>111,685</b>	111,685
Net periodic (benefit) cost	<b>\$ (25,892)</b>	\$ (7,228)

Amounts that have not been recognized as components of net periodic benefits costs but included in unrestricted net assets to date as the effect of adoption of U.S. GAAP revisions are as follows:

	<b>2015</b>	<b>2014</b>
Net actuarial loss	\$ <b>3,497,916</b>	\$ 886,801
Prior service cost	<b>906,544</b>	1,018,229
Net amounts recognized in unrestricted net assets	<b>\$ 4,404,460</b>	\$ 1,905,030

Other changes in plan assets and benefit obligations recognized in the unrestricted net assets for the years ended September 30, 2015 and 2014 are as follows:

	<b>2015</b>	<b>2014</b>
Net loss	\$ <b>(2,611,115)</b>	\$ (625,821)
Amortization of prior service cost	<b>111,685</b>	111,685
Net amount recognized in change in unrestricted net assets	<b>\$ (2,499,430)</b>	\$ (514,136)

The net periodic costs for the years ended September 30, 2015 and 2014 include reclassifications of amounts previously recognized as changes in unrestricted net assets and are as follows:

	<b>2015</b>	<b>2014</b>
Prior service cost	\$ <b>111,685</b>	\$ 111,685

As of September 30, 2015 and 2014, the weighted average assumptions used to determine benefit obligations are as follows:

	<b>2015</b>	<b>2014</b>
Discount rate	<b>4.75%</b>	4.75%
Rate of compensation increase	<b>3.00%</b>	3.00%

# The Fresh Air Fund

## Notes to Financial Statements (continued)

### 9. Pension Plans (continued)

The weighted average assumptions used to determine net periodic benefit cost for the years ended September 30, 2015 and 2014 consist of the following:

	<b>2015</b>	<b>2014</b>
Discount rate	<b>4.75%</b>	5.25%
Expected return on plan assets	<b>8.00%</b>	8.00%
Rate of compensation increase	<b>3.00%</b>	3.00%

The weighted average asset allocation of the Plan at September 30, 2015 and 2014 is as follows:

	<b>2015</b>	<b>2014</b>
Equity mutual funds	<b>66.1%</b>	64.6%
Guaranteed-rate insurance contracts	<b>33.9%</b>	35.4%

The Fund's investment policy for the Plan is to maintain the investments in the equity mutual funds and the guaranteed insurance contracts existing at September 30, 2015 and to invest future contributions in the equity mutual funds. The expected long-term rate of return on plan assets of 8.00% was selected based on historical returns on invested assets and expectations for future returns. While the returns on the guaranteed insurance contract have declined, it is expected that the investment of the future contributions in equity securities will allow the Plan to achieve the 8.00% expected long-term rate of return.

The following benefits which reflect expected future service, as appropriate, are expected to be paid:

Year ending September 30:	
2016	\$ 608,448
2017	619,195
2018	611,435
2019	602,540
2020	804,632
2021 - 2025	4,134,907

The Fund expects to contribute approximately \$600,000 to the Plan for the year ending September 30, 2015.

Pension plan assets carried at fair value at **September 30, 2015**, are classified in the table below as follows:

	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>
Equity mutual funds	\$ 9,157,110	\$ -	\$ 9,157,110
Guaranteed-rate insurance contracts	-	4,687,073	4,687,073
	<b>\$ 9,157,110</b>	<b>\$ 4,687,073</b>	<b>\$ 13,844,183</b>

## The Fresh Air Fund

### Notes to Financial Statements (continued)

#### 9. Pension Plans (continued)

Pension plan assets carried at fair value at **September 30, 2014**, are classified in the table below as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 8,840,935	\$ -	\$ 8,840,935
Guaranteed-rate insurance contracts	-	4,844,943	4,844,943
	\$ 8,840,935	\$ 4,844,943	\$ 13,685,878

The reconciliation for the years ended September 30, 2015 and 2014 of the investments measured at estimated fair value classified as Level 3 follows:

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$ <b>4,844,943</b>	\$ 4,962,433
Realized and unrealized gain	<b>192,171</b>	256,148
Withdrawals for benefits and expenses	<b>(350,041)</b>	(373,638)
Balance at end of year	<b>\$ 4,687,073</b>	\$ 4,844,943

Pension plan investments in equity mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in fixed dollar guaranteed-rate insurance contracts are valued by the asset custodians, New York Life Investment Management, using prices in inactive markets (Level 3). Level 3 valuations based on unobservable inputs are used when little or no market data is available.

The Fund also sponsors a defined contribution plan. The Fund makes contributions to the plan in the amount of 4% of eligible compensation for all employees with one or more years of credited service. Employees may also make voluntary before-tax contributions to the plan. The Fund contributed \$139,751 and \$142,146 for the years ended September 30, 2015 and 2014, respectively.

#### 10. Concentrations

Cash and cash equivalents that potentially subject the Fund to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Bank accounts are insured up to \$250,000 per depositor. As of September 30, 2015 and 2014 there was approximately \$2.6 million and \$2.1 million, respectively of cash and cash equivalents held by the banks that exceeded FDIC limits. Such excess includes outstanding checks.

# The Fresh Air Fund

## Notes to Financial Statements (continued)

### **11. Commitments and Contingencies**

The Fund has commitments totaling \$47,000,000 as part of the Fund's investments in limited partnerships with various investment managers. The Fund has remitted \$28,553,913 in satisfaction of these obligations as of September 30, 2015.

There are various lawsuits and threatened actions against the Fund, arising out of accidents to children and other matters, some of which claim substantial amounts of damages. In the opinion of the Fund's management, these lawsuits are either without merit, or are covered by insurance, and will not result in any material adverse effect on the financial position or changes in net assets of the Fund as of September 30, 2015.

In accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes", which provides standards for establishing and classifying any tax provisions for uncertain tax positions, the Fund has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending September 30, 2012 and subsequent remain subject to examination by applicable taxing authorities.

### **12. Subsequent Events**

Management has evaluated events subsequent to the date of the statement of financial position through January 11, 2016, the date the financial statements were available to be issued.

\*\*\*END\*\*\*