

# **Windward Fund**

Financial Statements and Independent Auditor's  
Report  
December 31, 2015

# Windward Fund

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RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
Windward Fund  
Washington, D.C.

### Report on the Financial Statements

We have audited the accompanying financial statements of Windward Fund, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the period from February 25, 2015 (inception) to December 31, 2015, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 Windward Fund as of December 31, 2015, and the change in its net assets and its cash flows for the period from February 25, 2015 (inception) to December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Washington, D.C.  
September 30, 2016

**Windward Fund**  
**Statement of Financial Position**

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December 31,

2015

**Assets**

Cash	\$ 750,000
Contributions receivable	450,000
Due from related party	<u>97,000</u>
<b>Total assets</b>	<b><u>\$ 1,297,000</u></b>

**Liabilities and Net Assets**

Due to related party	<u>\$ 58,293</u>
<b>Total liabilities</b>	<b><u>58,293</u></b>

Net assets:

Unrestricted	2,117
Temporarily restricted	<u>1,236,590</u>
<b>Total net assets</b>	<b><u>1,238,707</u></b>

<b>Total liabilities and net assets</b>	<b><u>\$ 1,297,000</u></b>
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See notes to financial statements.

**Windward Fund  
Statement of Activities**

**For the Period From February 25, 2015 (Inception) to December 31, 2015**

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions and grants	\$ -	\$ 1,297,000	\$ 1,297,000
Net assets released from restrictions	60,410	(60,410)	-
<b>Total support and revenue</b>	<b>60,410</b>	<b>1,236,590</b>	<b>1,297,000</b>
Expenses:			
Program services	-	-	-
Supporting services:			
General and administrative	58,293	-	58,293
Fundraising	-	-	-
Total supporting services	58,293	-	58,293
<b>Total expenses</b>	<b>58,293</b>	<b>-</b>	<b>58,293</b>
<b>Change in net assets</b>	<b>2,117</b>	<b>1,236,590</b>	<b>1,238,707</b>
Net assets:			
Beginning	-	-	-
Ending	<b>\$ 2,117</b>	<b>\$ 1,236,590</b>	<b>\$ 1,238,707</b>

See notes to financial statements.

**Windward Fund**  
**Statement of Cash Flows**

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**For the Period From February 25, 2015 (Inception) to December 31, 2015**

Cash flows from operating activities:	
Change in net assets	\$ 1,238,707
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in assets and liabilities:	
Contributions receivable	(450,000)
Due from related party	(97,000)
Due to related party	58,293
<b>Net cash provided by operating activities</b>	<u>750,000</u>
<b>Net increase in cash</b>	750,000
Cash:	
Beginning	<u>-</u>
Ending	<u><u>\$ 750,000</u></u>

See notes to financial statements.

# Windward Fund

## Notes to Financial Statements

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### **Note 1. Nature of Organization and Significant Accounting Policies**

#### **Nature of organization**

Windward Fund (the Fund) is a nonprofit Section 501(c)(3) public charity, incorporated in the District of Columbia on February 25, 2015, that supports efforts to address climate change and other environmental issues, promote the development of sustainable food systems, and protect critical freshwater, marine, and terrestrial species and ecosystems.

In partnership with donors and social entrepreneurs, the Fund hosts public awareness campaigns and grant-making projects that address sustainability and conservation from a range of angles. The Fund's fiscal sponsorship and project hosting services enable donors to quickly begin delivering on their charitable mission without having to establish a new nonprofit. The Fund also provides a platform for donors to convene and collaborate, and offers a natural structure for sharing best practices. The Fund seeks to leverage projects' work by linking them with related projects housed at the fund to strengthen their collective efforts and advance the field.

The Fund is managed by specialists in conservation, food systems, climate and other environmental issues who also bring expertise in philanthropy and grant-making systems and processes. The Fund provides strategic support, guidance on best practices, expertise on operational efficiencies, and specialized compliance knowledge to hosted projects.

The Fund's team executes domestic and international grant-making projects. The Fund's expertise and sophisticated technological infrastructure enable the Fund to monitor funds in real time and quickly move funds to on-the-ground initiatives so that grantees can implement their programs.

The Fund manages many projects on which multiple donors work toward a common goal. The Fund provides a neutral platform that enables donors to work together efficiently. The Fund has built collaboratives from the ground up and helped leading donors establish their project's infrastructure, set up its advisory board, and coordinate advisory board members and project activities.

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

#### **Basis of accounting**

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

#### **Financial statement presentation**

The Fund follows the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). Under this topic, the Fund is required to report information regarding its financial position and activities according to three net asset classes: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets at December 31, 2015.

#### **Significant concentrations of risk**

The Fund maintains its cash in bank deposit account which, at times, exceed federally insured limits. At December 31, 2015, the Fund held cash in excess of federally insured limits of approximately \$500,000.

# Windward Fund

## Notes to Financial Statements

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The Fund has not experienced any losses in such accounts. The Fund believes it is not exposed to any significant financial risk on cash.

During the period from February 25, 2015 (inception) to December 31, 2015, the Fund received approximately 62% of its total support from one donor. Receivables related to this donor at December 31, 2015, make up 67% of total contributions receivable. This is related to the Fund being new in the current year. The Fund does not expect a similar concentration in subsequent years.

### Contributions receivable

Unconditional contributions receivable are recognized as revenue in the year in which the grant or contribution is pledged by the donor. Conditional contributions are only recognized when the conditions imposed by the donor have been substantially met.

Unconditional contributions receivable are carried at estimated fair value at the date of the contribution, less an estimate made for doubtful promises based on a review of all outstanding receivables on an annual basis. Management determines the allowance for doubtful accounts by using the historical experience applied to an aging of receivables. Contributions receivable are written off when deemed uncollectible. Based on management's evaluation of the collection of promises, there was no provision for doubtful accounts at December 31, 2015.

### Support and revenue

Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their 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. The discounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. All contributions receivable due at December 31, 2015, were expected to be collected within one year, therefore no discounts were recorded at December 31, 2015.

### Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Accordingly, all costs have been allocated among the supporting services benefited.

### Income taxes

The Fund is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, the Fund qualifies for charitable contributions deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. There was no tax liability for unrelated business income for the period from February 25, 2015 (inception), to December 31, 2015. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

# Windward Fund

## Notes to Financial Statements

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The Fund's tax returns are subject to review and examination by federal and state authorities. The Fund is not aware of any activities that would jeopardize its tax-exempt status. Because the Fund was formed during 2015, that year is the only tax year open for examination by U.S. federal, state, or local tax authorities.

### Use of estimates

The preparation of financial statements 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.

### Recent accounting pronouncements

In August, 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14 —*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier applicable is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management has not evaluated the impact of this ASU on the financial statements.

### Note 2. Related-Party Transactions

The Fund has an administrative services agreement with Arabella Advisors, LLC. (Arabella), a Virginia limited liability company that provides management and administrative services to the Fund. Under the agreement, which has a term ending in February 2018, the Fund will pay to Arabella an administrative fee for the management and administrative services provided by Arabella for each Fund project, equal to a percentage set forth for each Project, but never to exceed 15% of the Project's total cost. The Fund will also reimburse Arabella for any direct costs and out-of-pocket expenses reasonably incurred by Arabella in the performance of the services.

The Fund also has an administrative cost-sharing agreement with New Venture Fund (NVF), a District of Columbia nonprofit corporation and Section 501(c)(3) charitable organization that provides management and administrative services to the Fund. The agreement promotes operational efficiency by allowing the organization to share the cost of certain resources when doing so in the best interest of both entities. Under the agreement, which has a term ending in April 2018, the Fund will pay to NVF amounts equal to NVF's direct costs incurred on behalf of the Fund.

The relationships between the Fund and both Arabella Advisors and NVF are purely contractual in nature and approved by board members of the Fund. The Fund is not controlled directly or indirectly by either Arabella Advisors or NVF. A board member of the Fund is on the Board of Directors of NVF and has a direct financial interest in Arabella.

Amounts payable to Arabella under the administrative support agreement was \$58,293 at December 31, 2015. There were no amounts due from Arabella at December 31, 2015.

## Windward Fund

### Notes to Financial Statements

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At December 31, 2015, the Fund had a receivable due from NVF of \$97,000, which resulted from a contribution collected by NVF on behalf of the Fund. There were no amounts due to NVF at December 31, 2015.

#### Note 3. Temporarily Restricted Net Assets

Net assets for the period from February 25, 2015 (inception) to December 31, 2015, were released from restrictions by incurring expenses satisfying the restricted purpose. Temporarily restricted net assets consisted of the following at December 31:

	Beginning Balance	Additions	Releases	Ending Balance
Purpose restricted	\$ -	\$ 1,297,000	\$ 60,410	\$ 1,236,590
	<u>\$ -</u>	<u>\$ 1,297,000</u>	<u>\$ 60,410</u>	<u>\$ 1,236,590</u>

#### Note 4. Subsequent Events

The Fund evaluated subsequent events through September 30, 2016, which is the date the financial statements were available to be issued.