

Hopewell Fund

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

Hopewell Fund

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Hopewell Fund, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the period from April 9, 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 Hopewell Fund as of December 31, 2015, and the changes in its net assets and its cash flows for the period from April 9, 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

Hopewell Fund
Statement of Financial Position

December 31,

2015

Assets

Cash	\$ 6,247,076
Contributions receivable	60,000
Other receivables	206,659
Due from related party	62,765
Total assets	<u><u>\$ 6,576,500</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 36,444
Due to related party	484,307
Total liabilities	<u><u>520,751</u></u>

Commitments (Notes 2 and 4)

Net assets:

Unrestricted	4,194
Temporarily restricted	6,051,555
Total net assets	<u><u>6,055,749</u></u>

Total liabilities and net assets	<u><u>\$ 6,576,500</u></u>
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See notes to financial statements.

**Hopewell Fund
Statement of Activities**

For the period from April 9, 2015 (inception) to December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions and grants	\$ -	\$ 6,895,270	\$ 6,895,270
Interest income	1	-	1
Net assets released from restrictions	843,715	(843,715)	-
Total support and revenue	843,716	6,051,555	6,895,271
Expenses:			
Program services	668,569	-	668,569
Supporting services:			
General and administrative	170,953	-	170,953
Fundraising	-	-	-
Total supporting services	170,953	-	170,953
Total expenses	839,522	-	839,522
Change in net assets	4,194	6,051,555	6,055,749
Net assets:			
Beginning	-	-	-
Ending	\$ 4,194	\$ 6,051,555	\$ 6,055,749

See notes to financial statements.

Hopewell Fund
Statement of Functional Expenses

For the period from April 9, 2015 (inception) to December 31, 2015

	Program	General and Administrative	Fundraising	Total
Professional fees	\$ 407,311	\$ -	\$ -	\$ 407,311
Management fees	-	170,953	-	170,953
Salaries	168,748	-	-	168,748
Legal fees	62,230	-	-	62,230
Other expenses	30,280	-	-	30,280
Total	\$ 668,569	\$ 170,953	\$ -	\$ 839,522

See notes to financial statements.

Hopewell Fund
Statement of Cash Flows

For the period from April 9, 2015 (inception) to December 31, 2015

Cash flows from operating activities:	
Change in net assets	\$ 6,055,749
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Contributions receivable	(60,000)
Other receivables	(206,659)
Due from related party	(62,765)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	36,444
Due to related party	484,307
Net cash provided by operating activities	<u>6,247,076</u>
Net increase in cash	6,247,076
Cash:	
Beginning	<u>-</u>
Ending	<u>\$ 6,247,076</u>

See notes to financial statements.

Hopewell Fund

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization

Hopewell Fund (the Fund) is a 501(c)(3) public charity, incorporated in the District of Columbia on April 9, 2015 that specializes in helping social and corporate entrepreneurs and other changemakers quickly launch new, innovative social change projects.

The Fund is designed to facilitate rapid and efficient launches of well-resourced projects with diverse revenue and funding models, including charitable contributions and investments. Many of the Fund's projects employ bold and ambitious strategies to achieve the impact they seek.

The Fund is managed by a team of experts with experience in starting up innovative organizations. The Fund provides streamlined operations and financial support and compliance oversight to minimize administrative burdens for project donors and staff.

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 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 \$6,008,843. 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 April 9, 2015 (Inception) to December 31, 2015, the Fund received approximately 90% of its total support from one donor. 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

Hopewell Fund

Notes to Financial Statements

uncollectible. Based on management's evaluation of the collection of promises, there was no provision for doubtful accounts at December 31, 2015.

Other receivables

Other receivables include a short-term loan receivable in the amount of \$194,200. This receivable is due in full on December 31, 2016.

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. Accordingly, certain costs have been allocated among the programs and 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 April 9, 2015 (inception) to December 31, 2015. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

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.

Hopewell Fund

Notes to Financial Statements

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 April 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 9% 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 501(c)(3) charitable organization. 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 in performing services to 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 New Venture Fund and has a direct financial interest in Arabella.

The Fund reimbursed Arabella \$170,953 under the administrative support agreement for the year ended December 31, 2015. Amounts payable to Arabella under the administrative support agreement was \$452,057 at December 31, 2015. There were no amounts due from Arabella at December 31, 2015.

The Fund reimbursed NVF \$26,821 under the cost-sharing agreement for the year ended December 31, 2015. At December 31, 2015, the Fund had a receivable due from NVF of \$62,765, which resulted from contributions collected by NVF on behalf of the Fund. There were amounts due to NVF totaling \$32,250 at December 31, 2015.

Note 3. Temporarily Restricted Net Assets

Net assets for the period from April 9, 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:

Hopewell Fund

Notes to Financial Statements

	Beginning Balance	Additions	Releases	Ending Balance
Purpose restricted	\$ -	\$ 6,895,270	\$ 843,715	\$ 6,051,555
	\$ -	\$ 6,895,270	\$ 843,715	\$ 6,051,555

Note 4. Leases

The Fund subleases office space under an operating lease, which expires April 2017. Rent expense for the period April 9, 2015 to December 31, 2015 was \$12,000. Future minimum lease payments under the lease is as follows:

<i>Years ending December 31,</i>	Amount
2016	\$ 15,508
2017	5,104
	\$ 20,612

Note 5. Subsequent Events

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