

SOCIAL VENTURE PARTNERS

Financial Statements

For the Year Ended June 30, 2011

Table of Contents

	<i>Page</i>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position - Modified Cash Basis	2
Statement of Activities and Changes in Net Assets - Modified Cash Basis	3
Notes to Financial Statements	4 - 9
Supplementary Information:	
Statement of Functional Expenses - Modified Cash Basis	10

Independent Auditors' Report***Audit Committee
Social Venture Partners
Seattle, Washington***Certified Public
Accountants
and Consultants

We have audited the accompanying statement of financial position - modified cash basis of Social Venture Partners (SVP) as of June 30, 2011, and the related statement of activities and changes in net assets - modified cash basis for the year then ended. These financial statements are the responsibility of SVP's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from SVP's 2010 audited financial statements and in our report dated December 10, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Social Venture Partners as of June 30, 2011, and the changes in its net assets for the year then ended, in conformity with the modified cash basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Certified Public Accountants
November 28, 2011

SOCIAL VENTURE PARTNERS

Statements of Financial Position - Modified Cash Basis

June 30, 2011

(With Comparative Totals for 2010)

	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents	\$ 54,973	\$ 285,441
Investments	<u>252,165</u>	<u>351,100</u>
Total Assets	<u>\$ 307,138</u>	<u>\$ 636,541</u>
Liabilities and Net Assets		
Liabilities:		
Funds held for others	<u>\$ 230</u>	<u>\$ 230</u>
Total Liabilities	<u>230</u>	<u>230</u>
Net Assets:		
Unrestricted net assets	289,609	613,311
Temporarily restricted net assets	<u>17,299</u>	<u>23,000</u>
Total Net Assets	<u>306,908</u>	<u>636,311</u>
Total Liabilities and Net Assets	<u>\$ 307,138</u>	<u>\$ 636,541</u>

See accompanying notes.

SOCIAL VENTURE PARTNERS

**Statement of Activities and Changes in Net Assets - Modified Cash Basis
For the Year Ended June 30, 2011
(With Comparative Totals for 2010)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
Revenue and Support:				
Contributions	\$ 1,635,312	\$ 42,300	\$ 1,677,612	\$ 1,548,614
Grants	25,000		25,000	23,000
Investment income	8,148		8,148	21,948
Other income	18,575		18,575	13,792
Net assets released from restrictions	48,001	(48,001)		
Total Revenue and Support	1,735,036	(5,701)	1,729,335	1,607,354
Expenses:				
Program services	1,805,506		1,805,506	1,298,100
Management and general	149,406		149,406	117,949
Fundraising	103,826		103,826	64,560
Total Expenses	2,058,738		2,058,738	1,480,609
Change in Net Assets	(323,702)	(5,701)	(329,403)	126,745
Beginning of year net assets	613,311	23,000	636,311	509,566
End of Year Net Assets	\$ 289,609	\$ 17,299	\$ 306,908	\$ 636,311

See accompanying notes.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Year Ended June 30, 2011

Note 1 - Description of the Organization and Significant Accounting Policies

Organization - Social Venture Partners (SVP) is a dual-mission organization that builds the capacity of both philanthropists and nonprofit organizations in the Puget Sound region. SVP educates individuals to be well informed, effective, and engaged philanthropists. In addition, SVP invests time, expertise, and money to strengthen the organizational capacity of local nonprofit organizations to more effectively achieve their missions. The SVP model brings together elements that typically do not overlap in a single organization: grantmaking, nonprofit capacity building, philanthropic education, and volunteer matching.

Partners are at the core of SVP. They join by making an annual contribution of \$6,000. Other levels of annual contributions are available for certain Partners. These funds are used to make grants to local nonprofit organizations, and to support capacity building and philanthropy development programs. Currently, grantmaking and capacity building partnerships are focused on achieving better outcomes for children, education, and the environment.

SVP offers many different “pathways” for Partners to learn in-depth about philanthropy and the nonprofit world. Partners can join grantmaking committees, serve as volunteer consultants to support our investees, attend educational events, and serve on internal working groups. SVP is a convening space for Partners to connect to each other, collaborate, and explore new avenues of philanthropic engagement.

Programs - The primary programs of SVP are:

Philanthropy Development - SVP provides workshops, seminars, and experiential learning opportunities for individuals in order to (1) increase their use of strategic giving strategies; (2) increase engagement in their communities; and (3) increase their amount of giving. Learning areas include grantmaking, volunteering, cultural competency, issues, values and integration, nonprofit sector, and financial planning and giving vehicles.

Capacity Building - SVP helps nonprofits to be as effective as possible in delivering their programs and services by helping to build their organizational capacity. SVP defines Organizational Capacity Building as the development of core skills, management practices, strategies, and systems to enhance an organization’s effectiveness, sustainability and ability to fulfill its mission. SVP supports capacity building for its investees by providing cash grants, skilled volunteers, professional consultants, leadership development, and management training opportunities.

Direct Grants and Paid Consulting - SVP provides grants to investees (grantees) and consulting fees for professionals working directly with investees in one of their core capacity building areas.

Advocacy - SVP engages its Partners in developing strategies to influence public policy in order to drive systemic change in SVP’s core funding areas. SVP does this by advancing philanthropy development in advocacy and policy and by supporting and advancing nonprofits that influence public policy and affect systemic change.

Field Building - Work done to have a positive effect on the broader philanthropic and nonprofit sectors.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Year Ended June 30, 2011

Note 1 - Continued

Basis of Presentation - These financial statements have been prepared on the modified cash basis of accounting. As such, investments are recorded in the financial statements at fair value. All other income and expenses are recognized only when cash is received or paid. Receivables, prepaid expenses, payables, accrued expenses, and grants pledged are not reflected in the financial statements.

Net assets of SVP are classified into the following categories:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions, are general in nature, or are for operating purposes.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed time or use restrictions that have not been met.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by SVP. SVP did not have any permanently restricted net assets at June 30, 2011 and 2010.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as reclassifications between the applicable classes of net assets under the caption "net assets released from restrictions."

Revenue & Expense Recognition - Contributions and grants are recognized as revenue and expense when they are paid and received.

Grant Expense - Grant expense is recognized when paid. As of June 30, 2011 and 2010, there were \$0 and \$270,000 of grants that were approved by SVP but not yet paid.

Cash and Cash Equivalents - SVP considers temporary investments with an original maturity of three months or less, except those held in its investment portfolio, to be cash equivalents.

Investments - SVP carries all investments in debt and equity securities with readily determinable fair values at fair value on the statements of financial position - modified cash basis. Realized and unrealized gains and losses are reflected on the statement of activities and changes in net assets - modified cash basis. Investment fees totaled \$567 and \$1,829 for the years ended June 30, 2011 and 2010, respectively.

Depreciation - SVP capitalizes office equipment and furniture with a value greater than \$5,000, at cost. There was no capitalized equipment or furniture at June 30, 2011 and 2010.

Donated Services and Materials - A number of people have donated time to the activities of SVP. These financial statements do not reflect the value of these donated services because the time does not meet the criteria for recording under current accounting standards. Certain professional services formally documented and charged to the relevant project are recorded in the accompanying financial statements. Contributions of materials, based on market values at the time of contribution, have also been recorded.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Year Ended June 30, 2011

Note 1 - Continued

Income Taxes - The Internal Revenue Service has determined SVP to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes has been recorded.

SVP files income tax returns with the U.S. government. SVP is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts and related disclosure. Actual results could differ from these estimates.

Concentrations of Credit Risk - SVP's bank and investment balances were in excess of the FDIC and SIPC insurance amounts during the fiscal year.

Concentrations - For the year ended June 30, 2011, approximately 12% of contributions was from one donor.

Functional Expense Allocation - Expenses shared between SVP's program, management and general, and fundraising activities are allocated based on the number of hours worked on each function by employees.

Prior Year Summarized Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with the financial statements for SVP for the year ended June 30, 2010, from which the summarized information was derived.

Subsequent Events - SVP has evaluated subsequent events through November 28, 2011, the date on which the financial statements were approved and authorized for issuance by management.

Note 2 - Retirement Plan

SVP has a 403(b) defined contribution retirement plan (the Plan). Employees become eligible to participate in the Plan the first day of the month following the date of hire and are eligible for matching contributions when they begin making employee deferrals into the Plan. Employees may contribute compensation up to the maximum amount allowed by the IRC. SVP makes matching contributions up to 5% of an employee's annual compensation. Participants are immediately vested in both the employee and the employer contributions to the Plan. SVP's contributions to the Plan were \$20,482 and \$20,916 for the years ended June 30, 2011 and 2010, respectively.

Note 3 - Net Assets

Temporarily restricted net assets at June 30, 2011 and 2010, totaled \$17,299 and \$2,300 and were designated for statewide capacity building salaries.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Year Ended June 30, 2011

Note 4 - Investments and Fair Value Measurements

Fair Value Measurements - GAAP establish a framework for measuring fair value, and require disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation Techniques - Financial assets and liabilities classified as Level 1 have fair values based on unadjusted quoted market prices for identical instruments in active markets. Financial assets and liabilities classified as Level 2 have fair values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model-derived valuations whose inputs are observable. Financial assets and liabilities classified as Level 3 have fair values based on value drivers that are unobservable.

Fair Values Measured on a Recurring Basis - Fair values of financial instruments measured on a recurring basis at June 30, 2011 and 2010, consisted entirely of cash, money market funds and mutual funds and were measured using Level 1 inputs. The fair value of these investments totaled \$252,165 and \$351,100 at June 30, 2011 and 2010, respectively.

Investment securities consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Cash and money market funds	\$ 51,543	\$ 48,768
Short-term bond fund	200,622	302,332
	<u>\$ 252,165</u>	<u>\$ 351,100</u>

Investment return was as follows for the year ended June 30:

	<u>2011</u>	<u>2010</u>
Dividends and interest	\$ 7,693	\$ 8,654
Unrealized and realized gain	455	13,294
	<u>\$ 8,148</u>	<u>\$ 21,948</u>

Note 5 - Related Party Transactions

From time to time, SVP awards grants to local organizations whose board of directors include a member of SVP's board of directors. During the years ended June 30, 2011 and 2010, grants awarded to such organizations totaled \$102,500 and \$90,000, respectively.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Year Ended June 30, 2011

Note 6 - Leases

Beginning January 1, 2010, SVP began leasing office space for a lease term expiring December 31, 2019. SVP also leases certain office equipment.

Future minimum payments under the terms of the leases are the following:

For the Year Ending June 30,

2012	\$	60,089
2013		61,604
2014		63,119
2015		64,634
2016		66,149
Thereafter		<u>215,413</u>
	\$	<u>531,008</u>

Lease expense for the years ended June 30, 2011 and 2010, was \$62,452 and \$59,891, respectively.

SVP also sublets a portion of the leased space mentioned above to Social Venture Partners International. This sublease also began on January 1, 2010, and expires on December 31, 2019.

Future minimum receipts under the terms of the sublease are the following:

For the Year Ending June 30,

2012	\$	18,938
2013		19,443
2014		19,947
2015		20,453
2016		20,958
Thereafter		<u>77,264</u>
	\$	<u>177,003</u>

Lease income for the years ended June 30, 2011 and 2010, was \$18,517 and \$9,090, respectively.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Year Ended June 30, 2011

Note 7 - Commitments

SVP is responsible for paying for various costs associated with an upcoming Social Innovation Fast Pitch event, including prizes, catering and the space rental. Further SVP is responsible for paying an event planning company \$3,900 a month through October 2011.

Pledges (“Unaudited”) - In July 2007, SVP initiated a fundraising campaign to support the implementation of its newly adopted 2007 - 2012 strategic plan. Net of pledge write-offs, SVP has received written intentions to give toward the campaign totaling \$962,729 and \$968,749 at June 30, 2011 and 2010, respectively. Cumulative cash receipts against these pledges totaled \$814,727 and \$707,749 at June 30, 2011 and 2010, respectively, and have been recognized as revenue on the statement of activities - modified cash basis. Total commitments outstanding totaled \$148,002 and \$261,000 at June 30, 2011 and 2010, respectively. SVP also has an outstanding pledges receivable for the Strategic Impact Fund of \$32,200 at June 30, 2011.

SUPPLEMENTARY INFORMATION

SOCIAL VENTURE PARTNERS

**Statement of Functional Expenses - Modified Cash Basis
For the Year Ended June 30, 2011
(With Comparative Totals for 2010)**

	<i>Program Services</i>					<i>Total Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>2011 Total</i>	<i>2010 Total</i>
	<i>Philanthropy Development</i>	<i>Capacity Building</i>	<i>Advocacy</i>	<i>Field Building</i>	<i>Direct Grants and Consulting for Investees</i>					
Grants	\$ -	\$ -	\$ 102,500	\$ -	\$ 953,500	\$ 1,056,000	\$ -	\$ -	\$ 1,056,000	\$ 582,000
Personnel	248,002	98,328	49,125	19,078		414,533	98,597	47,245	560,375	543,175
Consultants for investees					96,399	96,399			96,399	109,789
Professional services	15,461	11,160	1,424	1,313		29,358	24,510	4,020	57,888	58,218
Partner education	9,898	2,349	571	845		13,663	600	487	14,750	19,901
Partner events	44,429					44,429			44,429	28,777
Rent	27,227	10,721	5,455	2,238		45,641	11,529	5,282	62,452	59,891
Supplies and equipment	7,794	5,326	2,147	467		15,734	2,159	1,049	18,942	7,563
Office expenses	27,698	14,448	4,009	2,386		48,541	7,615	41,901	98,057	34,078
Travel	6,347	3,943	1,706	4,153		16,149	243	1,845	18,237	16,340
Associations and dues	9,158	4,468	1,756	1,460		16,842	3,183	1,589	21,614	15,894
Insurance	2,298	868	460	102		3,728	970	408	5,106	4,983
King County Youth Summit	589					589			589	
Social Innovation Fast Pitch	1,950			1,950		3,900			3,900	
Total Expenses	\$ 400,851	\$ 151,611	\$ 169,153	\$ 33,992	\$ 1,049,899	\$ 1,805,506	\$ 149,406	\$ 103,826	\$ 2,058,738	\$ 1,480,609

See independent auditors' report.