

SOCIAL VENTURE PARTNERS

Financial Statements and
Independent Auditors' Report

June 30, 2010

Table of Contents

	<i>Page</i>
Independent Auditors' Report	1
Financial Statements:	
Statement 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
Supplemental Schedule:	
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, 2010, 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 2009 audited financial statements and, in our report dated September 22, 2009, 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, 2010, 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule on page 10 is presented for additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants
December 10, 2010

SOCIAL VENTURE PARTNERS

Statement of Financial Position - Modified Cash Basis

As of June 30, 2010

(With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ 285,441	\$ 169,085
Investments	351,100	341,911
Total Assets	<u>\$ 636,541</u>	<u>\$ 510,996</u>
Liabilities and Net Assets		
Liabilities:		
Funds held for others	\$ 230	\$ 1,430
Total Liabilities	<u>230</u>	<u>1,430</u>
Net Assets:		
Unrestricted net assets	613,311	484,566
Temporarily restricted net assets	23,000	25,000
Total Net Assets	<u>636,311</u>	<u>509,566</u>
Total Liabilities and Net Assets	<u>\$ 636,541</u>	<u>\$ 510,996</u>

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

SOCIAL VENTURE PARTNERS

Statement of Activities and Changes in Net Assets - Modified Cash Basis

For the Year Ended June 30, 2010

(With Comparative Totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2009</u>
Revenue and Support:				
Contributions	\$ 1,516,011	\$ 32,603	\$ 1,548,614	\$ 1,478,185
Grants	23,000		23,000	65,000
Investment income	21,948		21,948	13,399
Other income	13,792		13,792	9,935
Net assets released from restrictions	34,603	(34,603)		
Total Revenue and Support	1,609,354	(2,000)	1,607,354	1,566,519
Expenses:				
Program services	1,298,100		1,298,100	1,692,278
Management and general	117,949		117,949	116,379
Fundraising	64,560		64,560	80,935
Total Expenses	1,480,609		1,480,609	1,889,592
Change in Net Assets	128,745	(2,000)	126,745	(323,073)
Beginning of year net assets	484,566	25,000	509,566	832,639
End of Year Net Assets	\$ 613,311	\$ 23,000	\$ 636,311	\$ 509,566

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

SOCIAL VENTURE PARTNERS

Notes to Financial Statements

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 a minimum annual contribution of \$6,000. 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 non-profit sectors.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements

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.

In July 2007, SVP initiated a fundraising campaign to support the implementation of its newly adopted 2007 - 2012 strategic plan. SVP has received written intentions to give toward the campaign totaling \$968,749 and \$971,400 at June 30, 2010 and 2009, respectively. Cumulative cash receipts against these pledges totaled \$712,749 and \$523,921 at June 30, 2010 and 2009, respectively, and have been recognized as revenue on the statement of activities - modified cash basis. Total commitments outstanding totaled \$256,000 and \$447,479 at June 30, 2010 and 2009, respectively (unaudited).

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, 2010 and 2009.

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 Recognition - Contributions and grants are recognized as revenue when they are 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 statement 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 \$1,829 and \$1,871 years ended June 30, 2010 and 2009, respectively.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements

Note 1 - Continued

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, 2010 and 2009.

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.

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. 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.

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. Accordingly, such information should be read in conjunction with the financial statements for SVP for the year ended June 30, 2009, from which the summarized information was derived.

Subsequent Events - SVP has evaluated subsequent events through December 10, 2010, 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 law. 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 \$20,916 and \$20,670 for the years ended June 30, 2010 and 2009, respectively.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements

Note 3 - Net Assets

Temporarily restricted net assets consisted of the following at June 30, 2010:

Statewide capacity building salaries	\$ 23,000
	<u>\$ 23,000</u>

Temporarily restricted net assets consisted of the following at June 30, 2009:

Capacity building enhancement fund	\$ 10,000
Capacity building and programs salaries	10,000
Portfolio grant committee - other	<u>5,000</u>
	<u>\$ 25,000</u>

Note 4 - Investments and Fair Value Measurements

Fair Value Measurements - Generally accepted accounting principles (GAAP) define fair value, 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, 2010 and 2009, consisted entirely of mutual and money market funds and were measured using Level 1 inputs. The fair value of these investments totaled \$351,100 and \$341,911 at June 30, 2010 and 2009, respectively.

Investment securities consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Cash and money market funds	\$ 48,768	\$ 138,132
Short-term bond fund	<u>302,332</u>	<u>203,779</u>
	<u>\$ 351,100</u>	<u>\$ 341,911</u>

SOCIAL VENTURE PARTNERS

Notes to Financial Statements

Note 4 - Continued

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

	<u>2010</u>	<u>2009</u>
Dividends and interest	\$ 8,654	\$ 17,786
Unrealized and realized gain (loss)	<u>13,294</u>	<u>(4,387)</u>
	<u>\$ 21,948</u>	<u>\$ 13,399</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 year ended June 30, 2010 and 2009, grants awarded to such organizations totaled \$90,000 and \$40,000, respectively.

Note 6 - Leases

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

Future minimum payments under the terms of the lease are the following for the years ending June 30:

2011	\$ 55,298
2012	56,813
2013	58,328
2014	59,843
2015	61,358
Thereafter	<u>294,665</u>
	<u>\$ 586,305</u>

Lease expense for the years ended June 30, 2010 and 2009, was \$59,891 and \$48,750, respectively.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements

Note 6 - Continued

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 years ending June 30:

2011	\$	18,432
2012		18,938
2013		19,443
2014		19,947
2015		20,453
Thereafter		<u>98,222</u>
		<u>\$ 195,435</u>

Lease income for the years ended June 30, 2010 and 2009, was \$9,090 and \$0, respectively.

Note 7 - Subsequent Event

SVP's annual grant making process historically occurs towards the end of the fiscal year and all awards are paid to recipients prior to the end of the fiscal year. During fiscal year 2010, SVP made \$270,000 in grant awards that were not paid until after the fiscal year end. Therefore, the related grant expense and the reduction of cash will be recorded in fiscal year 2011.

SUPPLEMENTAL SCHEDULE

SOCIAL VENTURE PARTNERS

**Statement of Functional Expenses - Modified Cash Basis
For the Year Ended June 30, 2010
(With Comparative Totals for 2009)**

	<i>Program Services</i>					<i>Total Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>	<i>2009</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	\$ -	\$ -	\$ 90,000	\$ -	\$ 492,000	\$ 582,000	\$ -	\$ -	\$ 582,000	\$ 953,000
Personnel	254,313	96,074	50,863	11,303		412,553	85,411	45,211	543,175	520,338
Consultants for investees			9,749		100,040	109,789			109,789	122,745
Professional services	10,659	12,444	19,261	1,554		43,918	11,267	3,033	58,218	102,597
Partner education	12,219	5,468	1,484	286		19,457	316	128	19,901	17,385
Partner events	28,777					28,777			28,777	36,703
Rent	26,951	10,182	5,390	1,198		43,721	11,379	4,791	59,891	48,752
Supplies and equipment	3,029	1,308	759	131		5,227	1,707	629	7,563	7,698
Office expenses	11,872	6,277	1,771	1,067		20,987	3,905	9,186	34,078	28,682
Travel	4,850	2,689	1,402	6,306		15,247	883	210	16,340	34,330
Associations and dues	7,187	4,043	1,209	348		12,787	2,134	973	15,894	11,892
Insurance	2,242	847	448	100		3,637	947	399	4,983	5,470
Total Expenses	\$ 362,099	\$ 139,332	\$ 182,336	\$ 22,293	\$ 592,040	\$ 1,298,100	\$ 117,949	\$ 64,560	\$ 1,480,609	\$ 1,889,592

See independent auditors' report.