

***SOCIAL VENTURE PARTNERS***

Financial Statements

For the Year Ended June 30, 2013

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***Independent Auditors' Report******Audit Committee  
Social Venture Partners  
Seattle, Washington***

We have audited the accompanying statement of financial position of Social Venture Partners (SVP) as of June 30, 2013, and the related statements of activities and changes in net assets and cash flows for the year 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 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.

***Auditors' 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 auditors' 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 SVP'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 SVP'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 SVP as of June 30, 2013, and the activities and changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# CLARK NUBER

## ***Report on Summarized Comparative Information***

We have previously audited SVP's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 3, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 12 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  
January 17, 2014

**SOCIAL VENTURE PARTNERS**

**Statement of Financial Position**

**June 30, 2013**

**(With Comparative Totals for 2012)**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 697,498	\$ 367,190
Accounts receivable	8,170	9,739
Pledges receivable	69,750	21,500
Other assets	66,839	
Investments		58,237
Property, furniture and equipment, net	<u>138,360</u>	
<b>Total Assets</b>	<b><u>\$ 980,617</u></b>	<b><u>\$ 456,666</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 73,421	\$ 46,343
Deferred rent and tenant improvement allowance	63,029	
Grants payable	<u>20,000</u>	<u>20,000</u>
<b>Total Liabilities</b>	<b><u>156,450</u></b>	<b><u>66,343</u></b>
<b>Net Assets:</b>		
Unrestricted net assets	416,350	364,271
Temporarily restricted net assets	<u>407,817</u>	<u>26,052</u>
<b>Total Net Assets</b>	<b><u>824,167</u></b>	<b><u>390,323</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 980,617</u></b>	<b><u>\$ 456,666</u></b>

See accompanying notes.

**SOCIAL VENTURE PARTNERS**

**Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
<b>Revenue and Support:</b>				
Contributions	\$ 1,746,295	\$ 305,374	\$ 2,051,669	\$ 1,982,253
Grants		585,000	585,000	28,000
Other income	75,870		75,870	19,276
Net assets released from restrictions	508,609	(508,609)		
<b>Total Revenue and Support</b>	<b>2,330,774</b>	<b>381,765</b>	<b>2,712,539</b>	<b>2,029,529</b>
<b>Expenses:</b>				
Program services	1,846,670		1,846,670	1,590,224
Management and general	225,225		225,225	201,384
Fundraising	206,800		206,800	139,346
<b>Total Expenses</b>	<b>2,278,695</b>		<b>2,278,695</b>	<b>1,930,954</b>
<b>Change in Net Assets</b>	<b>52,079</b>	<b>381,765</b>	<b>433,844</b>	<b>98,575</b>
Net assets, beginning of year	364,271	26,052	390,323	291,748
<b>Net Assets, End of Year</b>	<b>\$ 416,350</b>	<b>\$ 407,817</b>	<b>\$ 824,167</b>	<b>\$ 390,323</b>

See accompanying notes.

**SOCIAL VENTURE PARTNERS**

**Statement of Cash Flows**  
**For the Year Ended June 30, 2013**  
**(With Comparative Totals for 2012)**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 433,844	\$ 98,575
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	20,318	
Changes in assets and liabilities:		
Accounts receivable	1,569	(9,512)
Pledges receivable	(48,250)	(8,000)
Other assets	(66,839)	
Accounts payable and accrued expenses	27,078	17,226
Deferred rent and tenant improvement allowance	63,029	
Grants payable		20,000
	<u>430,749</u>	<u>118,289</u>
<b>Net Cash Provided by Operating Activities</b>	<b>430,749</b>	<b>118,289</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(164,429)	(244,224)
Proceeds from the sale of investments	222,666	438,152
Purchase of property and equipment	(158,678)	
	<u>(100,441)</u>	<u>193,928</u>
<b>Net Cash (Used) Provided by Investing Activities</b>	<b>(100,441)</b>	<b>193,928</b>
Net change in cash and cash equivalents	330,308	312,217
Cash and cash equivalents, beginning of year	367,190	54,973
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 697,498</b>	<b>\$ 367,190</b>

See accompanying notes.

## ***SOCIAL VENTURE PARTNERS***

### ***Notes to Financial Statements For the Year Ended June 30, 2013***

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#### ***Note 1 - Description of the Organization and Significant Accounting Policies***

**Organization** - Social Venture Partners (SVP) cultivates effective philanthropists and strengthens organizations driving community change - building powerful relationships that advance shared community goals.

SVP educates individuals to be well informed, effective, and engaged philanthropists - helping them make the greatest impact with their philanthropic giving. In addition, SVP invests time, expertise, and money to strengthen the organizational capacity of local nonprofit organizations to more effectively achieve their missions.

Partners are at the core of SVP. They join by making a minimum contribution of \$6,000 (\$2,500 for individuals under 35 years of age). These funds are used to make grants to local nonprofit organizations, and to support capacity building, collective action, and philanthropy development programs. Currently, grantmaking and capacity building partnerships are focused on achieving better outcomes in early learning, education, and the environment.

**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 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.

Field Building - SVP engages in efforts that have a positive effect on the broader philanthropic and nonprofit sectors.

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

Collective Action - In order to better align with shared community goals in King County, SVP engages partners in learning about and investing in collective action initiatives. SVP provides funding and support to organizations leading and engaging in these initiatives. Collective Action expenses are shown under Philanthropy Development, Field Building and Direct Grant and Consulting for Investees on the Statement of Functional Expenses.

Fast Pitch - SVP provides a competitive fast-pitch investment forum highlighting "New Ideas for Social Impact" for various nonprofits and for-profit organizations.

Statewide Capacity Collaborative - SVP acts as the convener and facilitator of a group of grantmakers that work to align, collaborate, strategize, and pool funds to support and strengthen the capacity of nonprofits and the statewide system that supports nonprofits.



## ***SOCIAL VENTURE PARTNERS***

### ***Notes to Financial Statements For the Year Ended June 30, 2013***

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#### ***Note 1 - Continued***

**Financial Statement Presentation** - The accompanying financial statements are presented in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).

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 and/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, 2013 and 2012.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Partner revenue is recognized as revenue when received as partners must renew their commitment to be a partner each year. Any partner revenue over the required annual contribution is recognized in the annual fund unrestricted contributions unless otherwise restricted by the donor. 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" in the statement of activities and changes in net assets.

**Cash and Cash Equivalents** - SVP considers short-term 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. Realized and unrealized gains and losses are reflected on the statement of activities and changes in net assets. During the year ended June 30, 2013, SVP liquidated its remaining investments and transferred the balance to cash and cash equivalents. Investment fees were immaterial for the years ended June 30, 2013 and 2012.

**Pledges Receivable** - Pledges receivable are recognized as revenues in the period the pledge is received. At June 30, 2013 and 2012, all pledges are due in the subsequent fiscal period. Pledges receivable are stated at the amount management expects to receive. Pledges that are deemed uncollectible are written off. Management assesses the need for an allowance for probable uncollectible pledges, but such an allowance was not material at June 30, 2013 and 2012.

**Estimates** - Management uses estimates and assumptions in preparing financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

## ***SOCIAL VENTURE PARTNERS***

### ***Notes to Financial Statements For the Year Ended June 30, 2013***

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#### ***Note 1 - Continued***

**Property, Furniture and Equipment** - Property, furniture and equipment are stated at cost. SVP capitalizes expenditures with a cost in excess of \$5,000 with useful lives greater than one year. Depreciation is computed on a straight-line basis, over the following useful lives:

Furniture, fixtures and equipment	10 years
Leasehold improvements	Lessor of the useful life or the life of the lease

**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. As applicable, 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. Donated services and materials were immaterial for the years ended June 30, 2013 and 2012.

**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.

**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 U.S. GAAP. Accordingly, such information should be read in conjunction with the financial statements for SVP for the year ended June 30, 2012, from which the summarized information was derived.

**Concentrations of Credit Risk** - SVP's cash balance was in excess of FDIC insurance amounts at times during the fiscal year.

**Concentrations** - For the year ended June 30, 2013, there were no concentrations from a single donor. For the year ended June 30, 2012, 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 applicable criteria such as the number of hours worked on each function by employees.

**Reclassifications** - Certain accounts in the 2012 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2013 financial statements. The reclassifications have no effect on previously reported total assets, liabilities, net assets, or change in net assets.

**Subsequent Events** - SVP has evaluated subsequent events through January 17, 2014, the date on which the financial statements were available to be issued.

## ***SOCIAL VENTURE PARTNERS***

### ***Notes to Financial Statements For the Year Ended June 30, 2013***

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#### ***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 IRS. SVP makes matching contributions up to 5% of an employee's annual compensation. Participants are immediately vested in both the employee and employer contributions to the Plan. SVP's contribution to the Plan was \$23,719 and \$21,432, respectively, for the years ended June 30, 2013 and 2012.

#### ***Note 3 - Net Assets***

Temporarily restricted net assets at consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Conservation leaders	\$ 64,930	\$ -
Fast pitch	4,683	
Statewide capacity collaborative	318,454	4,552
Time restrictions - other	19,750	21,500
	<u>\$ 407,817</u>	<u>\$ 26,052</u>

#### ***Note 4 - Investments and Fair Value Measurements***

**Fair Value Measurements** - U.S. GAAP establishes a framework for measuring fair value, and require disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. 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.

## **SOCIAL VENTURE PARTNERS**

### **Notes to Financial Statements For the Year Ended June 30, 2013**

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#### **Note 4 - Continued**

**Fair Values Measured on a Recurring Basis** - Fair values of financial instruments measured on a recurring basis at June 30, 2013 and 2012, consisted entirely of cash, money market funds and mutual funds, and were measured using Level 1 inputs. The fair value of these investments totaled \$0 and \$58,237 at June 30, 2013 and 2012, respectively. Investment securities consisted of a short-term bond fund as of June 30, 2012 and all investment securities were converted to cash and cash equivalents during the year ended June 30, 2013.

Investment returns included in other income on the statement of activities and changes in net assets were as follows for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Dividends and interest	\$ 1,265	\$ 8,983
Unrealized and realized losses	<u>(1,318)</u>	<u>(9,250)</u>
	<u><b>\$ (53)</b></u>	<u><b>\$ (267)</b></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, 2013 and 2012, grants awarded to such organizations totaled \$140,000 and \$127,500, respectively.

#### **Note 6 - Leases**

Beginning January 1, 2010, SVP began leasing office space for a lease term expiring December 31, 2019. During the year ended June 30, 2013, SVP began leasing another office space for a lease term expiring August 31, 2017. SVP also leases certain office equipment.

Future minimum payments under the terms of the leases are as follows:

*For the Year Ending June 30,*

2014	\$ 113,233
2015	116,355
2016	124,553
2017	127,908
2018	87,283
Thereafter	<u>101,505</u>
	<u><b>\$ 670,837</b></u>

Lease expense for the years ended June 30, 2013 and 2012, was \$121,368 and \$62,497, respectively. Additionally, the increase in office expense on the statement of functional expenses was primarily due to \$51,543 related to the move to SVP's new office space.

## ***SOCIAL VENTURE PARTNERS***

### ***Notes to Financial Statements For the Year Ended June 30, 2013***

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#### ***Note 6 - Continued***

SVP sublets a portion of its leased space to Social Venture Partners International. The sublease began on January 1, 2010, and expires on December 31, 2019. During the year ended June 30, 2013, SVP entered into an agreement with a tenant to sublease SVP's prior office. This agreement expires December 31, 2019.

Future minimum receipts under the terms of the sublease are as follows:

*For the Year Ending June 30,*

2014	\$	79,033
2015		81,053
2016		83,073
2017		85,093
2018		87,113
Thereafter		<u>134,204</u>
	<b>\$</b>	<b><u>549,569</u></b>

Lease income for the years ended June 30, 2013 and 2012, was \$65,710 and \$19,174, respectively.

#### ***Note 7 - Property, Furniture and Equipment***

Property, furniture and equipment were acquired during the office move that occurred during the year ended June 30, 2013. There was a \$0 balance as of June 30, 2012, before the office move occurred. Property, furniture and equipment as of June 30, 2013 were as follows:

Furniture and equipment	\$	46,446
Leasehold improvements		<u>112,232</u>
		158,678
Less accumulated depreciation		<u>(20,318)</u>
<b>Property, Furniture and Equipment, Net</b>	<b>\$</b>	<b><u>138,360</u></b>

***SUPPLEMENTARY INFORMATION***

**SOCIAL VENTURE PARTNERS**

**Statement of Functional Expenses  
For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)**

	<i>Program Services</i>							<i>Management and General</i>	<i>Fundraising</i>	<i>2013 Total</i>	<i>2012 Total</i>
	<i>Philanthropy Development</i>	<i>Capacity Building</i>	<i>Field Building</i>	<i>Direct Grants and Consulting for Investees</i>	<i>Fast Pitch</i>	<i>Statewide Capacity Collaborative</i>	<i>Total Program Services</i>				
Grants	\$ -	\$ -	\$ 12,500	\$ 775,000	\$ 82,000	\$ 46,500	\$ 916,000	\$ -	\$ -	\$ 916,000	\$ 792,500
Personnel	238,374	105,256	41,842			14,035	399,507	124,211	113,053	636,771	572,293
Consultants for investees				58,619			58,619			58,619	115,172
Professional services	72,610	17,710	11,020		93,099		194,439	22,141	19,503	236,083	160,380
Partner education	17,665	6,366	899				24,930	1,662	1,523	28,115	33,270
Partner events	31,147	21,290	13				52,450	101	13,797	66,348	40,672
Rent	46,736	20,743	11,012				78,491	20,597	22,280	121,368	62,497
Supplies and equipment	8,684	5,380	1,156		207	127	15,554	2,264	1,957	19,775	39,525
Office	29,165	13,400	7,256		10,668	60	60,549	37,953	24,681	123,183	54,724
Travel and conferences	6,811	4,613	5,625			361	17,410	3,029	2,066	22,505	30,277
Association and dues	8,743	4,077	2,243				15,063	8,521	4,062	27,646	24,774
Depreciation and amortization	6,107	2,711	1,439				10,257	3,564	2,912	16,733	
Insurance	2,025	899	477				3,401	1,182	966	5,549	5,049
<b>Total Expenses</b>	<b>\$ 468,067</b>	<b>\$ 202,445</b>	<b>\$ 95,482</b>	<b>\$ 833,619</b>	<b>\$ 185,974</b>	<b>\$ 61,083</b>	<b>\$ 1,846,670</b>	<b>\$ 225,225</b>	<b>\$ 206,800</b>	<b>\$ 2,278,695</b>	<b>\$ 1,931,133</b>

See independent auditors' report.