

SOCIAL VENTURE PARTNERS

Financial Statements

For the Year Ended June 30, 2016

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Independent Auditor's Report

**To the Board of Directors
Social Venture Partners
Seattle, Washington**

We have audited the accompanying financial statements of Social Venture Partners (SVP) which comprise of the statement of financial position as of June 30, 2016, 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.

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 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.



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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, 2016, and the results of its 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.

Report on Summarized Comparative Information

We have previously audited SVP's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 11 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 9, 2016

SOCIAL VENTURE PARTNERS**Statement of Financial Position****June 30, 2016****(With Comparative Totals for 2015)**

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 850,430	\$ 783,079
Accounts receivable	10,472	5,679
Pledges receivable, net	190,564	253,391
Grants receivable	75,000	75,000
Other assets	34,270	76,108
Property, furniture and equipment, net	<u>43,962</u>	<u>84,178</u>
Total Assets	<u>\$ 1,204,698</u>	<u>\$ 1,277,435</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 99,051	\$ 124,765
Deferred rent and tenant improvement allowance		43,228
Deferred revenue	<u>20,000</u>	<u>25,000</u>
Total Liabilities	<u>119,051</u>	<u>192,993</u>
Net Assets:		
Unrestricted	410,402	642,120
Temporarily restricted	<u>675,245</u>	<u>442,322</u>
Total Net Assets	<u>1,085,647</u>	<u>1,084,442</u>
Total Liabilities and Net Assets	<u>\$ 1,204,698</u>	<u>\$ 1,277,435</u>

See accompanying notes.

SOCIAL VENTURE PARTNERS

**Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenue and Support:				
Contributions	\$ 1,709,990	\$ 463,589	\$ 2,173,579	\$ 2,192,819
Grants		521,000	521,000	281,000
Other income	129,945		129,945	123,646
Net assets released from restrictions	<u>751,666</u>	<u>(751,666)</u>		
Total Revenue and Support	2,591,601	232,923	2,824,524	2,597,465
Expenses:				
Program services	2,202,954		2,202,954	1,937,107
Management and general	415,769		415,769	315,933
Fundraising	<u>204,596</u>		<u>204,596</u>	<u>168,001</u>
Total Expenses	2,823,319		2,823,319	2,421,041
Change in Net Assets	(231,718)	232,923	1,205	176,424
Net assets, beginning of year	<u>642,120</u>	<u>442,322</u>	<u>1,084,442</u>	<u>908,018</u>
Net Assets, End of Year	<u>\$ 410,402</u>	<u>\$ 675,245</u>	<u>\$ 1,085,647</u>	<u>\$ 1,084,442</u>

See accompanying notes.

SOCIAL VENTURE PARTNERS**Statement of Cash Flows
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)**

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,205	\$ 176,424
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	40,216	27,091
Changes in assets and liabilities:		
Accounts receivable	(4,793)	(5,179)
Pledges receivable	62,827	(13,049)
Grants receivable		(50,000)
Other assets	41,838	(1,506)
Accounts payable and accrued expenses	(25,714)	73,090
Deferred rent and tenant improvement allowance	(43,228)	(10,705)
Deferred revenue	(5,000)	(5,000)
Grants payable		(65,000)
	<u>67,351</u>	<u>126,166</u>
Net Cash Provided by Operating Activities	67,351	126,166
Net change in cash and cash equivalents	67,351	126,166
Cash and cash equivalents, beginning of year	<u>783,079</u>	<u>656,913</u>
Cash and Cash Equivalents, End of Year	<u>\$ 850,430</u>	<u>\$ 783,079</u>

See accompanying notes.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Year Ended June 30, 2016

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, 2016

Note 1 - Continued

Financial Statement Presentation - The accompanying financial statements are presented in accordance with accounting principles generally accepted 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, 2016 and 2015.

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 their commitment to be a partner is renewed 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 to be cash equivalents.

Pledges Receivable - Pledges receivable are recognized as revenues when the commitment is renewed or made. At June 30, 2016 and 2015, 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 and recorded a \$79,848 and \$127,002 allowance at June 30, 2016 and 2015, respectively.

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.

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	Lesser of the useful life or the life of the lease

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Year Ended June 30, 2016

Note 1 - Continued

Deferred Revenue - Deferred revenue includes registration fees for the Conservation Leader Fellowship pilot program. This deferred revenue is recognized as earned.

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, 2016 and 2015.

Income Taxes - The Internal Revenue Service (IRS) 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.

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, 2015, from which the summarized information was derived.

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

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.

Subsequent Events - SVP has evaluated subsequent events through November 9, 2016, the date on which the financial statements were available to be issued.

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 \$23,826 and \$26,432, respectively, for the years ended June 30, 2016 and 2015.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Year Ended June 30, 2016

Note 3 - Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Statewide capacity collaborative	\$ 374,202	\$ 322,072
Fast pitch	117,533	29,711
Conservation leaders	83,658	33,614
Impact group	37,830	
Shoe service award	25,200	10,000
Time restrictions - other	22,500	33,000
Brainerd fellowship	12,000	
Jeffersonian dinners	1,491	3,925
Professional development	831	10,000
	<u>\$ 675,245</u>	<u>\$ 442,322</u>

Note 4 - 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, 2016 and 2015, grants awarded to such organizations totaled \$40,000 and \$156,833, respectively.

Note 5 - 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.

During the year ended June 30, 2016, SVP's office space lease originally expiring December 31, 2019 was prematurely ended and SVP began a month-to-month lease while negotiating a new, long-term lease for the space. Subsequent to year end, a new lease was signed with a lease term expiring August 31, 2018. The schedule of future minimum lease payments below has been updated for the lease signed subsequent to year end.

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

For the Year Ending June 30,

2017	\$ 116,202
2018	129,635
2019	78,092
2020	<u>34,088</u>
	<u>\$ 358,017</u>

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Year Ended June 30, 2016

Note 5 - Continued

Lease expense for the years ended June 30, 2016 and 2015, was \$138,496 and \$156,763, respectively.

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 subleases are as follows:

For the Year Ending June 30,

2017	\$	84,966
2018		86,986
2019		89,006
2020		45,071
		<u>45,071</u>
	\$	<u>306,029</u>

Lease income for the years ended June 30, 2016 and 2015, was \$80,953 and \$80,543, respectively.

Note 6 - Property, Furniture and Equipment

Property, furniture and equipment as of June 30 were as follows:

	<u>2016</u>	<u>2015</u>
Furniture, fixtures and equipment	\$ 46,446	\$ 46,446
Leasehold improvements	<u>59,732</u>	<u>112,232</u>
	106,178	158,678
Less accumulated depreciation	<u>(62,216)</u>	<u>(74,500)</u>
Property, Furniture and Equipment, Net	<u>\$ 43,962</u>	<u>\$ 84,178</u>

Note 7 - Line of Credit

SVP opened a secured \$120,000 operating line of credit with a bank during the year ended June 30, 2016. Outstanding principle on the line of credit accrues interest at a rate equal to an independent index based on the U.S Prime Rate as set by the bank plus 1.25%. The interest rate was 4.75% as of June 30, 2016. The line of credit is secured by inventory, investment and deposit accounts held at the bank and equipment. There were no amounts outstanding at June 30, 2016. There are no covenants associated with this line of credit.

SUPPLEMENTARY INFORMATION

SOCIAL VENTURE PARTNERS

**Statement of Functional Expenses
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)**

	Program Services							Management and General	Fundraising	2016 Total	2015 Total
	Philanthropy Development	Capacity Building	Field Building	Direct Grants and Consulting for Investees	Fast Pitch	Statewide Capacity Collaborative	Total Program Services				
Grants	\$ -	\$ -	\$ -	\$ 625,000	\$ 125,000	\$ 251,300	\$ 1,001,300	\$ -	\$ -	\$ 1,001,300	\$ 808,533
Personnel	258,937	114,914	61,004		19,393	36,251	490,499	154,318	123,426	768,243	677,061
Professional services	174,226	24,110	7,592		73,283	20,790	300,001	194,580	30,246	524,827	386,993
Rent	50,313	22,331	11,855				84,499	32,708	23,985	141,192	159,849
Consultants for investees				86,347			86,347			86,347	128,879
Office	33,743	9,498	2,735		6,844	9,682	62,502	7,060	10,167	79,729	70,908
Bad debt	42,500						42,500			42,500	
Partner education	37,808						37,808	674		38,482	21,745
Associations and dues	13,556	5,883	3,431				22,870	8,731	5,613	37,214	48,795
Depreciation and amortization	13,215	5,865	3,114				22,194	7,711	6,300	36,205	27,091
Travel and conferences	5,885	3,455	5,900			847	16,087	7,876	1,413	25,376	28,084
Partner events	12,291	5,773	46				18,110		1,680	19,790	49,990
Supplies and equipment	4,319	1,040	705		10,137		16,201	1,219	1,188	18,608	7,995
Insurance	1,212	538	286				2,036	892	578	3,506	5,118
Total Expenses	\$ 648,005	\$ 193,407	\$ 96,668	\$ 711,347	\$ 234,657	\$ 318,870	\$ 2,202,954	\$ 415,769	\$ 204,596	\$ 2,823,319	\$ 2,421,041

See independent auditor's report.