

SOCIAL VENTURE PARTNERS

Financial Statements

For the Period Ended September 30, 2017

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11
Supplementary Information:	
Statement of Functional Expenses	12

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 September 30, 2017, and the related statements of activities and changes in net assets and cash flows for the fifteen months ended September 30, 2017, 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.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SVP as of September 30, 2017, and the results of its activities and changes in net assets and its cash flows for the fifteen months ended September 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 1 to the financial statements, SVP changed its fiscal year end from June 30 to September 30, effective June 30, 2016. Therefore, the audited financial statements are presented for the fifteen months ended September 30, 2017. Our opinion is not modified with respect to this matter.

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.

Clark Nuber PS

Certified Public Accountants
January 10, 2018

SOCIAL VENTURE PARTNERS

**Statement of Financial Position
September 30, 2017**

Assets

Cash and cash equivalents	\$	794,053
Pledges receivable, net		276,514
Grants receivable		195,935
Other assets		45,382
Property, furniture and equipment, net		<u>23,223</u>

Total Assets \$ 1,335,107

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$	97,165
Deferred revenue		33,333
Grants payable		<u>45,000</u>

Total Liabilities **175,498**

Net Assets:

Unrestricted		307,172
Temporarily restricted		<u>852,437</u>

Total Net Assets 1,159,609

Total Liabilities and Net Assets \$ 1,335,107

See accompanying notes.

SOCIAL VENTURE PARTNERS

**Statement of Activities and Changes in Net Assets
For the Fifteen Months Ended September 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Contributions	\$ 1,953,758	\$ 341,713	\$ 2,295,471
Grants		871,332	871,332
Other income	160,464		160,464
Net assets released from restrictions	<u>1,035,853</u>	<u>(1,035,853)</u>	
Total Revenue and Support	3,150,075	177,192	3,327,267
Expenses:			
Program services	2,539,622		2,539,622
Management and general	534,762		534,762
Fundraising	<u>178,921</u>		<u>178,921</u>
Total Expenses	3,253,305		3,253,305
Change in Net Assets	(103,230)	177,192	73,962
Net assets, beginning of period	<u>410,402</u>	<u>675,245</u>	<u>1,085,647</u>
Net Assets, End of Period	<u>\$ 307,172</u>	<u>\$ 852,437</u>	<u>\$ 1,159,609</u>

See accompanying notes.

SOCIAL VENTURE PARTNERS

**Statement of Cash Flows
For the Fifteen Months Ended September 30, 2017**

Cash Flows From Operating Activities:

Change in net assets	\$ 73,962
Adjustments to reconcile change in net assets to net cash used in operating activities-	
Depreciation and amortization	20,739
Changes in assets and liabilities:	
Pledges receivable	(85,950)
Grants receivable	(110,463)
Other assets	(11,112)
Accounts payable and accrued expenses	(1,886)
Deferred revenue	13,333
Grants payable	<u>45,000</u>

Net Cash Used In Operating Activities (56,377)

Net Change in Cash and Cash Equivalents **(56,377)**

Cash and cash equivalents, beginning of period 850,430

Cash and Cash Equivalents, End of Period \$ 794,053

See accompanying notes.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Fifteen Months Ended September 30, 2017

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 schedule 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 Fifteen Months Ended September 30, 2017

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 September 30, 2017.

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.

Grants and Pledges Receivable - Grants and pledges receivable are recognized as revenues when the commitment is renewed or made. Grants and pledges receivable are stated at the amount management expects to receive. Grants and pledges that are deemed uncollectible are written off. Management assesses the need for an allowance for probable uncollectible grants and pledges, and recorded a \$153,997 allowance at September 30, 2017. At September 30, 2017, all pledges are due in the subsequent fiscal period.

Grants receivable are due as follows:

For the Year Ending September 30,

2018	\$ 116,935
2019	<u>79,000</u>
Total Grants Receivable	<u>\$ 195,935</u>

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Fifteen Months Ended September 30, 2017

Note 1 - Continued

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

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

Grants Payable - Unconditional grants payable are recorded in the financial statements when approved and communicated to the grantee. At September 30, 2017, all grants payable are due in the subsequent fiscal period.

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 period ended September 30, 2017.

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.

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

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.

Change in Fiscal Year End - SVP elected to change its fiscal year end from June 30 to September 30, effective June 30, 2016. Therefore, these financial statements reflect SVP's activities and change in net assets for the fifteen months ended September 30, 2017.

Subsequent Events - SVP has evaluated subsequent events through January 10, 2018, the date on which the financial statements were available to be issued.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Fifteen Months Ended September 30, 2017

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 \$26,014 for the period ended September 30, 2017.

Note 3 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at September 30, 2017:

Statewide capacity collaborative	\$	633,990
Fast pitch		122,259
Conservation leaders		51,199
Time restrictions - other		38,250
Conservation Leaders		6,739
		<hr/>
Total Temporarily Restricted Net Assets	\$	<u>852,437</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 period ended September 30, 2017, grants awarded to such organizations totaled \$80,000.

Note 5 - Leases

SVP leases office space with a lease term expiring August 31, 2018. SVP also leases certain office equipment.

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

For the Year Ending September 30,

2018	\$	124,988
2019		67,796
2020		17,044
		<hr/>
Total Lease Payments	\$	<u>209,828</u>

Lease expense for the fifteen months ended September 30, 2017, was \$202,689.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Fifteen Months Ended September 30, 2017

Note 5 - Continued

SVP sublets a portion of its leased space to Social Venture Partners International. The sublease expires on August 30, 2018. During the period 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 September 30,

2018	\$	87,559
2019		66,913
2020		<u>16,854</u>
Total Minimum Receipts	\$	<u>171,326</u>

Lease income for the fifteen months ended September 30, 2017 was \$118,393 and is included in other income on the statement of activities and changes in net assets.

Note 6 - Property, Furniture and Equipment

Property, furniture and equipment were as follows as of September 30, 2017:

Furniture, fixtures and equipment	\$	46,446
Leasehold improvements		<u>59,732</u>
		106,178
Less accumulated depreciation		<u>(82,955)</u>
Property, Furniture and Equipment, Net	\$	<u>23,223</u>

Note 7 - Line-of-Credit

SVP has a \$120,000 operating line-of-credit with a bank that expires on August 15, 2018. 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 5.50% as of September 30, 2017. The line-of-credit is secured by inventory, investment and deposit accounts held at the bank and equipment. There were no amounts outstanding at September 30, 2017. There are no covenants associated with this line-of-credit.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Fifteen Months Ended September 30, 2017

Note 8 - Current Year Deficit in Unrestricted Net Assets

As shown in the statement of activities and changes in net assets, SVP had a reduction in unrestricted net assets of approximately \$103,000 for the 15 months ended September 30, 2017. This deficit resulted primarily from lower than expected partner contributions and one-time personnel recruiting costs. Management believes there may be additional reductions in net assets for the year ending September 30, 2018, but new fund development strategies and cost controls should mitigate any future reductions.

SUPPLEMENTARY INFORMATION

SOCIAL VENTURE PARTNERS

**Statement of Functional Expenses
For the Fifteen Months Ended September 30, 2017**

	Program Services							Management and General	Fundraising	2017 Total
	Philanthropy Development	Capacity Building	Field Building	Direct Grants and Consulting for Investees	Fast Pitch	Statewide Capacity Collaborative	Total Program Services			
Grants	\$ -	\$ -	\$ -	\$ 587,500	\$ 98,500	\$ 438,100	\$ 1,124,100	\$ -	\$ -	\$ 1,124,100
Personnel	189,141	237,203	8,011		49,252	62,313	545,920	287,483	117,245	950,648
Professional services	248,491	1,129			75,705	27,892	353,217	178,607	4,132	535,956
Rent	45,638	69,353	16,335				131,326	43,172	28,191	202,689
Consultants for investees				93,355			93,355	125		93,480
Office	39,081	22,803	3,159			17,306	82,349	875	11,924	95,148
Bad debt		34,000			5,000		39,000			39,000
Partner education	47,111						47,111	14		47,125
Associations and dues	11,916	18,935	4,477				35,328	10,966	7,529	53,823
Depreciation and amortization	4,665	7,095	1,665				13,425	4,434	2,880	20,739
Travel and conferences	6,582	6,072	2,451		340	934	16,379	3,854	3,546	23,779
Partner events	19,341						19,341	30		19,371
Supplies and equipment	5,282	4,643	1,087		20,679		31,691	2,873	1,946	36,510
Insurance	2,461	3,739	880				7,080	2,329	1,528	10,937
Total Expenses	\$ 619,709	\$ 404,972	\$ 38,065	\$ 680,855	\$ 249,476	\$ 546,545	\$ 2,539,622	\$ 534,762	\$ 178,921	\$ 3,253,305

See independent auditor's report.