

SOCIAL VENTURE PARTNERS

Financial Statements

For the Year Ended September 30, 2018

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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 September 30, 2018, 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 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.



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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 September 30, 2018, 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 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.

Clark Nuber P.S.

Certified Public Accountants

January 28, 2019

SOCIAL VENTURE PARTNERS

Statement of Financial Position

September 30, 2018

Assets

Cash and cash equivalents	\$	943,761
Pledges receivable, net		103,522
Grants receivable		79,388
Other assets		25,833
Property, furniture and equipment, net		<u>18,579</u>

Total Assets **\$ 1,171,083**

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$	99,254
Deferred revenue		23,333
Grants payable		<u>46,000</u>

Total Liabilities **168,587**

Net Assets:

Unrestricted		178,563
Temporarily restricted		<u>823,933</u>

Total Net Assets **1,002,496**

Total Liabilities and Net Assets **\$ 1,171,083**

See accompanying notes.

SOCIAL VENTURE PARTNERS

**Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Contributions	\$ 1,353,940	\$ 266,919	\$ 1,620,859
Grants		546,764	546,764
Other income	181,528		181,528
Net assets released from restrictions	<u>842,187</u>	<u>(842,187)</u>	
Total Revenue and Support	2,377,655	(28,504)	2,349,151
Expenses:			
Program services	2,066,571		2,066,571
Management and general	322,993		322,993
Fundraising	<u>116,700</u>		<u>116,700</u>
Total Expenses	2,506,264		2,506,264
Change in Net Assets	(128,609)	(28,504)	(157,113)
Net assets, beginning of period	<u>307,172</u>	<u>852,437</u>	<u>1,159,609</u>
Net Assets, End of Period	<u>\$ 178,563</u>	<u>\$ 823,933</u>	<u>\$ 1,002,496</u>

See accompanying notes.

SOCIAL VENTURE PARTNERS

**Statement of Cash Flows
For the Year Ended September 30, 2018**

Cash Flows From Operating Activities:	
Change in net assets	\$ (157,113)
Adjustments to reconcile change in net assets to net cash provided by operating activities-	
Depreciation and amortization	4,644
Changes in assets and liabilities:	
Pledges receivable	172,992
Grants receivable	116,547
Other assets	19,549
Accounts payable and accrued expenses	2,089
Deferred revenue	(10,000)
Grants payable	1,000
	<u>149,708</u>
Net Cash Provided by Operating Activities	149,708
Net Change in Cash and Cash Equivalents	149,708
Cash and cash equivalents, beginning of period	<u>794,053</u>
Cash and Cash Equivalents, End of Period	<u>\$ 943,761</u>

See accompanying notes.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Year Ended September 30, 2018

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. For the year ended September 30, 2018, 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 Year Ended September 30, 2018

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). SVP has presented an unclassified statement of financial position which sequences assets according to their nearness of conversion to cash and sequences liabilities according to the nearness of their maturity or resulting in use of cash.

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, 2018.

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 determined no allowance was deemed necessary at September 30, 2018. At September 30, 2018, all pledges are due in the subsequent fiscal year.

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 September 30, 2018

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	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, 2018, all grants payable are due in the subsequent fiscal year.

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 fair value at the time of contribution, have also been recorded. Donated services and materials were immaterial for the period ended September 30, 2018.

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 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 January 28, 2019, 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 \$32,254 for the year ended September 30, 2018.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Year Ended September 30, 2018

Note 3 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at September 30, 2018:

Statewide capacity collaborative	\$	595,368
Fast pitch		72,039
Brainerd Fellowship		56,000
Time restrictions - other		55,043
Conservation leaders		45,483
		<hr/>
Total Temporarily Restricted Net Assets	\$	<u>823,933</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, 2018, grants awarded to such organizations totaled \$93,000.

Note 5 - Leases

SVP leases office space with a lease term expiring August 31, 2021. SVP also leases certain office equipment.

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

For the Year Ending September 30,

2019	\$	64,586
2020		72,748
2021		68,533
		<hr/>
Total Lease Payments	\$	<u>205,867</u>

Lease expense for the year ended September 30, 2018, was \$147,841. Lease expense for the year ended September 30, 2018 included a lease for SVP's prior office location. In June 2013, SVP vacated the space and sublet the office space. SVP's lease and the related sublease was terminated June 30, 2018.

SVP sublets a portion of its leased space to Social Venture Partners International. The sublease expires on September 1, 2019. Additionally, SVP sublets a portion of its leased space to Impact Hub. This sublease expires on July 31, 2019. Future minimum receipts for these subleases through their expiration dates total approximately \$27,000.

Lease income for the year ended September 30, 2018 was \$72,749 and is included in other income on the statement of activities and changes in net assets.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Year Ended September 30, 2018

Note 6 - Property, Furniture and Equipment

Property, furniture and equipment were as follows as of September 30, 2018:

Furniture, fixtures and equipment	\$	46,446
Leasehold improvements		<u>59,732</u>
		106,178
Less accumulated depreciation		<u>(87,599)</u>
Property, Furniture and Equipment, Net	\$	<u>18,579</u>

Note 7 - Line of Credit

SVP has a \$120,000 operating line of credit with a bank that expired 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, 2018. 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, 2018. There are no financial covenants associated with this line of credit. Subsequent to year end, SVP extended the line of credit through August 15, 2024 under the same terms.

Note 8 - Current Year Deficit in Net Assets

As shown in the statement of activities and changes in net assets, SVP had a reduction in unrestricted net assets of approximately \$128,000 for the year ended September 30, 2018. Each year partner contributions fluctuate based on the number of partners joining and renewing. SVP makes every effort to ensure partners have an engaging and impactful experience. However, there are several factors that impact a partner's decision to continue that SVP may not be in a position to influence. This year's deficits resulted primarily from lower than expected partner contributions. Should SVP foresee another dip in partner contributions, it has several cost reduction strategies that can be employed to mitigate potential operating losses. For example, a reduction in grant expense, staffing levels or partner education and event costs can be implemented. In addition, SVP engages consultants when needed to hone the fund development strategies and enhance the partner experience in an effort to increase partner contributions.

SUPPLEMENTARY INFORMATION

SOCIAL VENTURE PARTNERS

**Schedule of Functional Expenses
For the Year Ended September 30, 2018**

	Program Services							Management and General	Fundraising	2018 Total
	Philanthropy Development	Capacity Building	Field Building	Direct Grants and Consulting for Investees	Fast Pitch	Statewide Capacity Collaborative	Total Program Services			
Grants	\$ -	\$ -	\$ -	\$ 448,270	\$ 90,000	\$ 291,261	\$ 829,531	\$ -	\$ -	\$ 829,531
Personnel	231,320	246,593	14,030		44,283	43,858	580,084	213,246	74,422	867,752
Professional services	112,945	1,200			5,085	78,490	197,720	46,395	16,612	260,727
Rent	38,996	53,019	9,820				101,835	33,382	12,624	147,841
Supplies and equipment	3,823	3,056	566		81,794		89,239	2,054	728	92,021
Office	35,095	13,582	2,148			19,276	70,101	1,131	7,746	78,978
Associations and dues	11,480	15,606	6,759				33,845	9,826	3,717	47,388
Partner events	42,454						42,454	2,787		45,241
Partner education	41,885						41,885	428		42,313
Bad debt	37,750						37,750			37,750
Consultants for investees				27,985			27,985			27,985
Travel and conferences	2,239	2,476	2,521				7,236	11,486		18,722
Insurance	1,418	1,927	357				3,702	1,214	455	5,371
Depreciation and amortization	1,224	1,668	312				3,204	1,044	396	4,644
Total Expenses	\$ 560,629	\$ 339,127	\$ 36,513	\$ 476,255	\$ 221,162	\$ 432,885	\$ 2,066,571	\$ 322,993	\$ 116,700	\$ 2,506,264

See independent auditor's report.