

SOCIAL VENTURE PARTNERS

Financial Statements

For the Year Ended June 30, 2012

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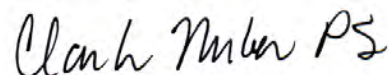
Independent Auditors' Report***Audit Committee
Social Venture Partners
Seattle, Washington***Certified Public
Accountants
and Consultants

We have audited the accompanying statement of financial position of Social Venture Partners (SVP) as of June 30, 2012, and the related statement of activities and changes in net assets and statement of cash flows 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.

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.

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, 2012, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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 of the financial statements rather than to present the financial position, changes in net assets, and cash flows of SVP, and it 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 supplementary 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 combining information is fairly stated in all material respects in relation to the financial statements as a whole.

Certified Public Accountants
January 3, 2013

SOCIAL VENTURE PARTNERS

Statement of Financial Position
June 30, 2012

Assets

Cash and cash equivalents	\$ 367,190
Accounts receivable	9,739
Pledges receivable	21,500
Investments	<u>58,237</u>
Total Assets	<u>\$ 456,666</u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 46,343
Grants payable	<u>20,000</u>
Total Liabilities	<u>66,343</u>

Net Assets:

Unrestricted net assets	364,271
Temporarily restricted net assets	<u>26,052</u>
Total Net Assets	<u>390,323</u>

Total Liabilities and Net Assets	<u>\$ 456,666</u>
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See accompanying notes.

SOCIAL VENTURE PARTNERS

**Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Contributions	\$ 1,764,989	\$ 217,264	\$ 1,982,253
Grants		28,000	28,000
Other income	19,276		19,276
Net assets released from restrictions	250,011	(250,011)	
Total Revenue and Support	2,034,276	(4,747)	2,029,529
Expenses:			
Program services	1,590,224		1,590,224
Management and general	201,384		201,384
Fundraising	139,346		139,346
Total Expenses	1,930,954		1,930,954
Change in Net Assets	103,322	(4,747)	98,575
Net assets, beginning of year (Note 7)	260,949	30,799	291,748
Net Assets, End of Year	\$ 364,271	\$ 26,052	\$ 390,323

See accompanying notes.

SOCIAL VENTURE PARTNERS

Statement of Cashflows
For the Year Ended June 30, 2012

Cash Flows from Operating Activities:	
Change in net assets	\$ 98,575
Adjustments to reconcile change in net assets to net cash used by operating activities-	
Stock contributions	(244,224)
Changes in assets and liabilities:	
Accounts receivable	(9,512)
Pledges receivable	(8,000)
Accounts payable and accrued expenses	17,226
Grants payable	<u>20,000</u>
Net Cash Used by Operating Activities	(125,935)
Cash Flows From Investing Activities:	
Proceeds from the sale of investments	<u>438,152</u>
Net Cash Provided by Investing Activities	438,152
Net change in cash and cash equivalents	312,217
Cash and cash equivalents, beginning of year	<u>54,973</u>
Cash and Cash Equivalents, End of Year	<u>\$ 367,190</u>

See accompanying notes.

SOCIAL VENTURE PARTNERS

Notes to Financial Statements For the Year Ended June 30, 2012

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 an annual contribution of \$6,000. Other levels of annual contributions are available for certain Partners. 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.

Field Building - Work done to have a positive effect on the broader philanthropic and nonprofit sectors.

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

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.

SOCIAL VENTURE PARTNERS

Statement of Cashflows For the Year Ended June 30, 2012

Note 1 - Continued

Financial Statement Presentation - The accompanying financial statements are presented in accordance with generally accepted accounting principles (GAAP). Under the provisions of these statements, financial activities are classified as follows:

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, 2012.

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."

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 statements of financial position. Realized and unrealized gains and losses are reflected on the statement of activities and changes in net assets. Investment fees totaled \$112 for the year ended June 30, 2012.

Pledges Receivable - Pledges receivable are recognized as revenues in the period the pledge is received. At June 30, 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 deemed material at June 30, 2012.

SOCIAL VENTURE PARTNERS

Statement of Cashflows For the Year Ended June 30, 2012

Note 1 - Continued

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 (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.

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.

Concentrations - 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 the number of hours worked on each function by employees.

Subsequent Events - SVP has evaluated subsequent events through January 3, 2013, 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 IRC. 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 contribution to the Plan was \$21,432 for the year ended June 30, 2012.

SOCIAL VENTURE PARTNERS

Statement of Cashflows For the Year Ended June 30, 2012

Note 3 - Net Assets

Temporarily restricted net assets at June 30, 2012, consist of the following:

Statewide capacity building salaries	\$	4,552
Time restrictions		<u>21,500</u>
	\$	<u><u>26,052</u></u>

Note 4 - Investments and Fair Value Measurements

Fair Value Measurements - GAAP 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, 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 \$58,237 at June 30, 2012. Investment securities consisted of a short-term bond fund.

Investment return included in other income on the statement of activities and changes in net assets was as follows for the year ended June 30, 2012:

Dividends and interest	\$	8,983
Unrealized and realized gain		<u>(9,250)</u>
	\$	<u><u>(267)</u></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, 2012, grants awarded to such organizations totaled \$127,500.

SOCIAL VENTURE PARTNERS

Statement of Cashflows
For the Year Ended June 30, 2012

Note 6 - Leases

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

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

For the Year Ending June 30,

2013	\$	61,604
2014		63,119
2015		64,633
2016		66,149
2017		64,388
Thereafter		<u>167,408</u>
	\$	<u>487,301</u>

Lease expense for the years ended June 30, 2012, was \$62,422.

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 as follows:

For the Year Ending June 30,

2013	\$	19,443
2014		19,947
2015		20,453
2016		20,958
2017		21,462
Thereafter		<u>55,803</u>
	\$	<u>158,066</u>

Lease income for the year ended June 30, 2012, was \$19,174.

SOCIAL VENTURE PARTNERS

Statement of Cashflows ***For the Year Ended June 30, 2012***

Note 7 - Change in Accounting Method

For the year ended June 30, 2012, SVP changed its method of accounting from the modified cash basis of accounting to the method of accounting generally accepted in the United States of America (GAAP). Accordingly, beginning net assets were restated to incorporate accruals as of the beginning of the year ending June 30, 2012.

Net assets modified cash basis of accounting, June 30, 2011	\$ 306,908
Effect on statement of activities from asset accruals	13,500
Effect on statement of activities from liability accruals	<u>(28,660)</u>
Net Assets GAAP Basis of Accounting, June 30, 2011	<u><u>\$ 291,748</u></u>

Note 8 - Subsequent Events

Beginning September 15, 2012, SVP began leasing office space for a lease term expiring August 31, 2017.

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

For the Year Ending June 30,

2013	\$ 45,125
2014	58,496
2015	60,258
2016	62,055
2017	63,909
2018	<u>8,018</u>
	<u><u>\$ 297,861</u></u>

Also, on September 11, 2012, SVP entered into an agreement with a tenant to sublease SVP's prior offices. This agreement expires December 31, 2019.

Future minimum payments to be received under the terms of the sublease are as follows:

For the Year Ending June 30,

2013	\$ 24,303
2014	58,959
2015	60,474
2016	61,989
2017	63,504
Thereafter	<u>165,261</u>
	<u><u>\$ 434,490</u></u>

SUPPLEMENTARY INFORMATION

SOCIAL VENTURE PARTNERS

**Statement of Functional Expenses
For the Year Ended June 30, 2012**

	<i>Program Services</i>						<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
	<i>Philanthropy Development</i>	<i>Capacity Building</i>	<i>Field Building</i>	<i>Social Innovation Fast Pitch</i>	<i>Direct Grants and Consulting for Investees</i>	<i>Total Program Services</i>			
Grants	\$ 2,000	\$ -	\$ 3,500	\$ 100,000	\$ 687,000	\$ 792,500	\$ -	\$ -	\$ 792,500
Personnel	212,893	92,711	53,223			358,827	135,062	78,404	572,293
Consultants for investees					115,172	115,172			115,172
Professional services	48,643	12,263	19,806	26,146		106,858	29,871	23,651	160,380
Partner education	18,096	5,639	6,490			30,225	1,051	1,994	33,270
Partner events	26,725	10,661		75		37,461		3,211	40,672
Rent	23,250	10,124	5,812			39,186	14,749	8,562	62,497
Supplies and equipment	4,435	2,014	1,371	26,932		34,752	3,168	1,605	39,525
Office	17,254	7,626	2,800	4,334		32,014	7,437	15,094	54,545
Travel	9,243	5,006	10,281			24,530	3,007	2,740	30,277
Associations and dues	9,216	4,013	2,304			15,533	5,847	3,394	24,774
Insurance	1,878	818	470			3,166	1,192	691	5,049
Total Expenses	\$ 373,633	\$ 150,875	\$ 106,057	\$ 157,487	\$ 802,172	\$ 1,590,224	\$ 201,384	\$ 139,346	\$ 1,930,954

See independent auditors' report.