Venture Philanthropy Partners, Inc.

Financial Statements, Independent Auditor's Report and Reports Required by *Government Auditing Standards* and the Uniform Guidance
Years Ended March 31, 2016 and 2015

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Contents

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Independent Auditor's Report

Board of Trustees
Venture Philanthropy Partners, Inc.
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Venture Philanthropy Partners, Inc. (VPP), which comprise the statements of financial position as of March 31, 2016 and 2015, and the related statements of activities and changes in net assets, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Venture Philanthropy Partners, Inc. as of March 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _________, 2016 on our consideration of VPP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VPP's internal control over financial reporting and compliance.

BDO USA, LLP

McLean, Virginia
November 9, 2016

Financial Statements

Venture Philanthropy Partners, Inc.

Statements of Financial Position

March 31,	2016	2015
Assets		
Current assets		
Cash and cash equivalents	$ 6,036,568	$ 5,968,129
Accrued interest receivable	1,077	19,612
Accounts receivable and prepaid expenses	246,276	234,258
Pledges receivable, current portion	3,322,267	3,030,952
Total current assets	9,606,188	9,252,951
Pledges receivable, long-term portion	1,681,183	2,494,234
Property and equipment, net	71,087	90,402
Investments	1,539,587	3,808,017
Total assets	$ 12,898,045	$ 15,645,604
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 395,759	$ 484,969
Deferred rent, current portion	25,927	18,739
Total current liabilities	421,686	503,708
Deferred rent, long-term portion	93,707	119,633
Total liabilities	$ 515,393	$ 623,341
Net assets		
Unrestricted	7,912,761	9,835,863
Temporarily restricted	4,469,891	5,186,400
Total net assets	12,382,652	15,022,263
Total liabilities and net assets	$ 12,898,045	$ 15,645,604

See accompanying notes to the financial statements.

Venture Philanthropy Partners, Inc.

Statements of Activities and Changes in Net Assets

Years Ended March 31,	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues						
Contributions	$ 3,060,502	$ 2,012,657	$ 5,073,159	$ 2,910,228	$ 4,177,473	$ 7,087,701
Investment income	12,546	-	12,546	43,129	-	43,129
Net assets released from restrictions	2,729,166	(2,729,166)	-	2,117,501	(2,117,501)	-
Total revenue	5,802,214	(716,509)	5,085,705	5,070,858	2,059,972	7,130,830
Expenses						
Program services:						
Grant program expenses	5,155,334	-	5,155,334	5,597,243	-	5,597,243
Investment practice	1,220,663	-	1,220,663	1,521,718	-	1,521,718
Strategic communications, investor relations and field-building	799,424	-	799,424	638,299	-	638,299
Management and general	126,166	-	126,166	166,294	-	166,294
Fundraising	423,729	-	423,729	468,019	-	468,019
Total expenses	7,725,316	-	7,725,316	8,391,573	-	8,391,573
Changes in net assets	(1,923,102)	(716,509)	(2,639,611)	(3,320,715)	2,059,972	(1,260,743)
Net assets at the beginning of the year	9,835,863	5,186,400	15,022,263	13,156,578	3,126,428	16,283,006
Net assets at the end of the year	$ 7,912,761	$ 4,469,891	$12,382,652	$ 9,835,863	$ 5,186,400	$15,022,263

See accompanying notes to the financial statements.

Venture Philanthropy Partners, Inc.

Statements of Cash Flows

Years Ended March 31,	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (2,639,611)	$ (1,260,743)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	26,662	27,627
Amortization of premium	18,222	139,105
Net realized and unrealized gain on investments	59	(1,567)
Deferred rent	(18,738)	(11,790)
Changes in operating assets and liabilities:		
Pledges receivable	521,736	(1,030,166)
Accrued interest receivable	18,535	25,593
Accounts receivable and prepaid expenses	(12,018)	242,561
Accounts payable and accrued expenses	(89,210)	(490,522)
Total adjustments	465,248	(1,099,159)
Net cash used in operating activities	(2,174,363)	(2,359,902)
Cash flows from investing activities:		
Purchases of investments	-	(349,000)
Proceeds from sale of investments	2,250,149	4,254,226
Purchases of certificates of deposit	(200,000)	(200,000)
Proceeds from certificates of deposits maturities	200,000	200,000
Purchases of property and equipment	(7,347)	(3,476)
Net cash provided by investing activities	2,242,802	3,901,750
Net increase in cash and cash equivalents	68,439	1,541,848
Cash and cash equivalents at the beginning of the year	5,968,129	4,426,281
Cash and cash equivalents at the end of the year	$ 6,036,568	$ 5,968,129
Supplemental disclosure of cash flow information:		
Donated securities	$ 488,074	$ 219,051

See accompanying notes to the financial statements.

1. Organization and Summary of Significant Accounting Policies

Venture Philanthropy Partners, Inc. (VPP) was incorporated on May 23, 2000, in the State of Delaware. VPP, a nonprofit philanthropic investment organization, provides investment capital and strategic assistance to build, strengthen, and scale high potential nonprofit organizations serving children and youth of low-income families in the National Capital Region.

VPP invests significant dollars and augments those funds with strategic, non-financial resources to help strong nonprofit leaders grow proven programs to serve more low income children and youth. In addition, VPP joins with other organizations nationwide to inspire philanthropists, corporate and nonprofit leaders, and public policy-makers to help increase the effectiveness and the flow of capital, talent, and other resources to high-performing nonprofit organizations meeting the core needs of children.

VPP was launched in June 2000 by Mario Morino, the founder of the Morino Institute and co-founder of Legent Corporation; Senator Mark Warner; and Raul Fernandez, founder of Proxicom. Together they brought together other technology and business leaders to invest approximately $31 million in VPP's first fund, to produce social, rather than financial, returns. VPP's first fund was committed to a dozen organizations serving low income youth and families in the community, with funds fully deployed by the end of 2009.

VPP has raised over $47 million for its second fund from individuals, foundations, corporations and the federal government to invest additional capital in nonprofits and to finance VPP's own programmatic and non-programmatic operations. To date, VPP has made multi-year commitments of capital to eight nonprofit organizations in its second portfolio totaling $35 million, with funds to be fully deployed by March 31, 2017.

VPP is actively raising funds for its third portfolio, the Capital Kids Portfolio, with a five-year investment cycle beginning in April 2014. To date, VPP has secured new commitments of nearly $18 million.

The Internal Revenue Service (IRS) has determined that VPP is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and is therefore exempt from federal income taxation. In November 2006, VPP was approved by the IRS for a change in classification as a public charity from a supporting organization to the Community Foundation for the National Capital Region (Community Foundation) under Section 509(a)(3) to a publicly-supported organization under section 509(a)(1).

Program Costs

VPP's expenses are categorized in the following three segments in support of its mission:

Grant Program Expenses

VPP provides philanthropic investments to organizations (investment partners) for the purpose of helping high potential nonprofit organizations impact the lives of more children and youth. VPP disburses funds to investment partners to provide financial support to help leaders build and strengthen the organization behind their programs, often referred to as "organizational capacity." VPP supports this type of capacity with large-scale, multi-year funding.

VPP's youthCONNECT investment supports specific programmatic elements of nonprofit organizations to provide education, social services and job training to low-income youth ages 14-24. youthCONNECT also supports the collaboration of this portfolio of organizations to demonstrate greater impact in the National Capital Region through collective action.

During the years ended March 31, 2016 and 2015, disbursements were made to the following investment partners for the specific purposes as noted:

	2016	2015
Year Up		
Funding for youthCONNECT investment	$ 223,770	$ 181,381
KIPP DC		
Funding for youthCONNECT investment	527,918	1,069,991
Latin American Youth Center		
Funding for youthCONNECT investment	557,374	657,660
Urban Alliance		
Multi-year commitments to fund organizational capacity elements of their strategic planning initiatives and youthCONNECT investment	1,343,037	1,344,468
College Summit		
Funding for youthCONNECT investment	335,586	272,326
Whitman Walker Health/Metro Teen AIDS		
Funding for youthCONNECT investment	122,844	287,243
Apple Tree		
Multi-year commitments to fund organizational capacity elements of strategic planning initiatives	881,000	984,000
Hillside Work Scholarship Connection		
Multi-year commitments to fund organizational capacity elements of strategic planning initiatives	781,475	402,329
Teach for America D.C. Region		
Planning and programmatic support for Ready for Work initiative	24,304	-

Investment Practice

An important element and distinction of the work of VPP is its approach to identifying, selecting and engaging its investment partners. The VPP team, consisting of people with experience in management development and building organizations, is responsible for sourcing candidates, evaluating prospective organizations for investment, and supporting them for the duration of the investment partnership.

VPP works directly with its investment partners to serve as a combination of strategic advisor, executive coach, change agent, funder, board member and consultant with the goal of helping great leaders build stronger, more effective organizations.

Strategic Communications, Investor Relations, and Field-building

A key element to the strategy of extending the impact of the work of VPP is to capture, codify, and share the lessons and experiences of VPP's philanthropic work with an extended community of philanthropists and practitioners. VPP devotes specific resources to formalizing and sharing its investment practice, approach, and processes.

VPP coalesces the individuals, families, foundations, and corporate supporters into a community of donors, committed to making their philanthropy and civic engagement more effective. VPP creates venues for engagement and exchange – to build a community of investors committed to advance their own philanthropy and shared interests.

VPP publishes reports and provides research for the benefit of those who are involved in the nonprofit sector as service providers and philanthropists. These reports survey the fields of venture philanthropy and high-engagement grant-making, address critical issues facing the nonprofit sector, and offer new research and resources to advance management practices in the sector.

The significant accounting policies followed by VPP are described below.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting year. Actual results may differ from estimates under different assumptions or conditions.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Contributions received are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for a future period, or are restricted by the donor for specific purposes are reported as temporarily restricted support that increases those net asset classes. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as temporarily restricted net assets.

Contributions are recorded at fair value, which is net of estimated uncollectible amounts. VPP uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on experience as well as management's analysis of specific pledges made, including such factors as prior collection history, type of contribution, and nature of fundraising activity. Contributions, including multi-year pledges, to be received after one year are recorded at the present value of the estimated future cash flows. Subsequent changes in this discount resulting from the passage of time are accounted for as contributions in subsequent years.

Donated Securities

Donated securities are recorded at their fair value at the date of the gift.

Grant Revenue

VPP receives grant funding from a federal agency. Revenue is recognized only to the extent of expenditures under the terms of the grant. Grant awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. Excess expenses incurred are borne by VPP.

Other Revenue

Other revenues are recognized when earned.

Cash Equivalents

VPP considers all highly liquid instruments with original maturities of three months or less to be cash equivalents, excluding cash equivalents held temporarily for long-term investment purposes by investment custodians.

Certificates of Deposit

Certificates of deposit are carried at amortized cost plus accrued interest, which approximates fair value.

Pledges Receivable

Unconditional pledges are recognized as contribution revenue in the period committed and as an asset. A reserve for doubtful accounts is made for uncollectible contributions based on management's judgment after analysis of creditworthiness of the donors, past collection experience, and other relevant factors. Uncollectible pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flow. VPP uses a discounting model that is consistent with industry guidelines. The discount rate for the fiscal years ending March 31, 2016 and 2015 is the risk adjusted rate as required by fair value measurement standards. For 2008 and prior fiscal years, the discount rate was derived from the market value of the U.S. Treasury Bond risk free borrowing rate. As of March 31, 2016, the discount rates, which remain constant for the life of each pledge, range from 2.46% to 5.00% for total pledges outstanding.

Property and Equipment

VPP's policy is to capitalize property and equipment purchases in excess of $500. Property and equipment is stated at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the assets of three to seven years. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the estimated useful lives of the underlying assets or the terms of the related lease.

Investments

VPP records investments at fair value. Interest and dividend income is accounted for on the accrual basis. Unrealized gains and losses are included in the changes in unrestricted net assets in the accompanying statements of activities and changes in net assets.

Net Assets

VPP groups net assets into the following two classes:

Unrestricted Net Assets - Unrestricted net assets generally result from net revenues derived from unrestricted contributions, investment income and other net inflows of assets whose use by VPP is not limited by donor-imposed restrictions.

Temporarily Restricted Net Assets - Temporarily restricted net assets generally result from net contributions and other inflows of assets whose use by VPP is limited by donor-imposed stipulations that expire by passage of time or through fulfillment of the stipulations.

Functional Allocation of Expenses

The costs of providing VPP's programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the activities benefited.

Income Taxes

VPP is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and from District of Columbia franchise tax under applicable tax regulations. VPP is not a private Organization pursuant to section 509(a)(1) of the IRC.

In accordance with authoritative guidance issued by the Financial Accounting Standards Board (the FASB), VPP recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. To the extent that the final tax outcome of any such matters is different than any amounts recorded, such differences would impact income tax expense in the period in which such determination is made. Interest and penalties, if any, related to accrued liabilities for potential tax assessments are included in income tax expense. With few exceptions, VPP is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ended March 31, 2011 and prior. Management has evaluated VPP's tax positions and has concluded that VPP has taken no material uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Concentrations of Credit Risk

VPP's assets that are exposed to credit risk consist primarily of cash and cash equivalents, long-term investments, accounts receivable and pledges receivable. Cash and cash equivalents balances are maintained at high-quality financial institutions and, at times, balances may exceed federally insured limits. VPP has never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at March 31, 2016 approximate $5.7 million. VPP performs yearly evaluations of these institutions for relative credit standing. Management regularly monitors the composition and maturities of investments. VPP limits the amount of credit exposure to any one financial institution.

Recent Accounting Pronouncements

In May 2014, the FASB issued guidance on revenue recognition. The update establishes a comprehensive revenue recognition standard for virtually all industries under GAAP, including those that previously followed industry-specific guidance. Under the guidance, all entities should recognize revenue to depict the transfer of promised goods and services under a contract to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is currently effective on April 1, 2019 for VPP. Management will evaluate the potential impact of this guidance on its financial statements.

In May 2015, the FASB issued ASU 2015-07 (ASU 2015-07), *Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* which eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured at net asset value per share (or its equivalent). ASU 2015-07 is effective for fiscal years beginning after December 15, 2016 with early adoption permitted. VPP has adopted ASU 2015-07 as of March 31, 2016, with retrospective application at March 31, 2015.

In February 2016, the FASB issued ASU 2016-02 (ASU 2016-02), *Leases,* which requires that a lessee recognize on the statement of financial position assets and liabilities for leases with lease terms of more than 12 months. (Leases with terms of less than 12 months are exempt from the new standard.) The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. VPP is currently evaluating the impact this update will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for VPP’s financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain option practical expedients are available for periods prior to adoption. VPP is currently evaluating the impact of this ASU on the financial statements.

2. Investments

As of March 31, investments consist of the following:

	2016	2015
Investments	$ 1,538,746	$ 3,806,968
Unrealized gain on investments	841	1,049
	$ 1,539,587	$ 3,808,017

Investment income is comprised of the following for the year ended March 31:

	2016	2015
Interest income	$ 30,768	$ 181,974
Amortization of premium on investments	(18,222)	(139,105)
Net realized/unrealized gain on investments	(59)	1,567
	$ 12,487	$ 44,436

3. Property and Equipment

Property and equipment consists of the following at March 31:

	2016	2015
Leasehold improvements	$ 128,476	$ 128,476
Furniture and fixtures	50,474	43,127
Computer equipment	18,619	23,167
	197,568	194,770
Less: accumulated depreciation and amortization	(126,482)	(104,368)
	$ 71,087	$ 90,402

Depreciation and amortization expense totaled $26,662 and $27,627 for the years ended March 31, 2016 and 2015, respectively.

4. Pledges Receivable

Pledges receivable consist of the following at March 31:

		2016		2015
Less than one year	$	3,322,267	$	3,030,952
One to five years		2,299,625		3,125,333
Total		5,621,892		6,156,285
Less: present value discount		(218,442)		(231,099)
Less: reserve for uncollectible pledges		(400,000)		(400,000)
Total pledges receivable	$	5,003,450	$	5,525,186

Pledges receivable due in less than one year are reported as the current portion of total pledges receivable. The long term portion of pledges receivable represents commitments greater than one year, net of the present value discount and reserve for uncollectible pledges.

5. Investments Measured Using the Net Asset Value per Share Practical Expedient

VPP holds investments in a Managed Income Fund (the Fund) that mainly invests in investment grade, U.S. dollar denominated short-term fixed and floating rate debt securities. As part of its principal investment strategy, the Fund may invest in corporate securities, asset-backed securities and high quality money market instruments such as commercial paper, certificates of deposit, time deposits, deposit notes and bank notes. The Fund may also invest in U.S. Treasury securities, securities issued or guaranteed by the U.S. government or its agencies and instrumentalities, securities issued or guaranteed by supranational organizations; securities issued or guaranteed by foreign governments, repurchase agreements, and Rule 144A securities. All securities will be U.S. dollar-denominated although they may be issued by a foreign corporation, or a foreign government or its agencies and instrumentalities.

The major categories of VPP's investment that are valued at net asset value per share practical expedient, including general information related to each category, are as follows at March 31:

	2016			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Managed income fund (a)	$ 1,539,587	$ -	Immediate	None

	2015			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Managed income fund (a)	$ 3,808,017	$ -	Immediate	None

6. Temporarily Restricted Net Assets

During the years ended March 31, 2016 and 2015, VPP reported $4.5 million and $5.2 million, respectively of temporarily restricted net assets related to time and purpose restrictions for multi-year pledges to be received in future periods. Temporarily restricted net assets at March 31, 2016 are time restricted.

7. Benefit Plan

VPP employees are eligible to participate in a 401(k) plan after their first 90 days of employment. Under the Plan, VPP will match half of the employee's contribution amount up to a maximum of $1,000 per year, as defined by the Plan agreement. During the years ended March 31, 2016 and 2015, VPP recorded contributions of $11,259 and $24,162, respectively.

8. Leases

VPP leases office facilities in Washington, D.C., under a noncancelable operating lease commitment which expires in August 2019. As of March 31, 2016, the following is a schedule by year of the future minimum lease payments required under this operating lease:

Year ending March 31,	
2017	$ 213,000
2018	220,000
2019	228,000
2020	97,000
	$ 758,000

Rent expense aggregated $190,986 for each the years ended March 31, 2016 and 2015.

9. Grants Payable

In accordance with authoritative guidance issued by the FASB, conditional promises to give are not recognized as expenses until the conditions are substantially met.

VPP has entered into several conditional promises to give to local organizations supporting VPP's mission. At such time when agreed-upon milestones have been met, VPP will recognize the related contribution expense. As of March 31, 2016 and 2015, the total amount conditionally pledged was approximately $2.3 million and $3.9 million, respectively.

10. Related Party Transactions

VPP recorded pledges receivable of $780,728 and $1,070,977 due from members of the Board of Directors during the years ended March 31, 2016 and 2015, respectively.

11. Major Grantors and Donors

Accounts receivable consist primarily of amounts due from an agency of the federal government. For the years ended March 31, 2016 and 2015, there was one grantor that accounted for 27% and 22% of total revenue, respectively. As of March 31, 2016 and 2015, two and one grantors accounted for 100% and 88% of accounts receivable, respectively.

Pledges receivable consist mainly of amounts due from individuals and foundations. For the years ended March 31, 2016 and 2015, there were one and two donors that accounted for 20% and 25% of total revenue, respectively. As of March 31, 2016 and 2015, two and three donors accounted for 28% and 34% of pledges receivable, respectively. Historically, VPP has not experienced significant losses related to accounts and pledges receivable and, therefore, believes that the credit risk related to these receivables is minimal.

12. Subsequent Events

VPP has evaluated its March 31, 2016 financial statements for subsequent events through November 9, 2016, the date the financial statements were available to be issued. VPP is not aware of any subsequent events other than the event noted below which would require recognition or disclosure in the financial statements.

Subsequent to March 31, 2016, VPP has secured an additional $2.5 million in commitments for the Capital Kids Portfolio.

Schedule of Expenditures of Federal Awards

Venture Philanthropy Partners, Inc.

Schedule of Expenditures of Federal Awards

Year ended March 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Passed Through To Subrecipients	Total Federal Expenditures
SIF-Geographic Youth – youthConnect	94.019	10SIHDC002	$ 1,305,698	$ 1,305,698

See accompanying notes to the schedule of expenditures of federal awards.

1. Basis Of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the activity of all federal award programs entered into directly and via pass through between Venture Philanthropy Partners (VPP) and agencies and departments of the federal government for the year ended March 31, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Expenses are recognized as incurred using the cost accounting principles contained in the U.S. Federal Acquisition Regulations and, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations,* or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Moreover, expenses include a portion of costs associated with general activities (indirect costs) which are allocated to federal awards under negotiated formulas referred to as indirect cost rates.

2. Summary of Significant Accounting Policies

The accompanying schedule was prepared using the accrual basis of accounting.

3. Reconciliation of Schedule of Expenditures of Federal Awards to the 2016 Statement of Activities and Changes in Net Assets

The following schedule is a reconciliation of total expenditures as shown on the Schedule to the contribution revenue shown on the accompanying 2016 statement of activities and changes in net assets.

Total per the Schedule	$	1,305,698
Add: non-federal grants		3,754,804
Add: other non-federal revenue		12,657
Total contribution revenue per the statement of activities and changes in net assets	$	5,073,159

Independent Auditor's Reports Required by *Government Auditing Standards* and the Uniform Guidance

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8401 Greensboro Drive
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McLean, VA 22102

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Venture Philanthropy Partners, Inc.
Washington, D.C.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Venture Philanthropy Partners, Inc. (VPP), which comprise the statement of financial position as of March 31, 2016, and the related combined statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered VPP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VPP's internal control. Accordingly, we do not express an opinion on the effectiveness of VPP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether VPP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

McLean, Virginia
November 9, 2016

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8401 Greensboro Drive
Suite 800
McLean, VA 22102

Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Venture Philanthropy Partners, Inc.
Washington, D.C.

Report on Compliance for the Major Federal Program

We have audited Venture Philanthropy Partners, Inc.'s (VPP) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on VPP's major federal program for the year ended March 31, 2016. VPP's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for VPP's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about VPP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of VPP's compliance.

Opinion on the Major Federal Program

In our opinion, VPP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended March 31, 2016.

Report on Internal Control Over Compliance

Management of VPP is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered VPP's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of VPP's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

McLean, Virginia
November 9, 2016

Schedule of Findings and Questioned Costs

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified ______ Yes __X__ None reported

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified ______ Yes __X__ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ______ Yes __X__ No

Identification of major federal program:

Contract Number	Name of Federal Program or Cluster
94.019	SIF - Geographic Youth - youthCONNECT

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? __X__ Yes ______ No

Section II - Financial Statement Findings

There were no financial statement findings identified during the 2016 audit.

Section III - Federal Program Audit Findings

There were no federal program findings identified during the 2016 audit.