

CIVIC VENTURES, dba Encore.org

FINANCIAL STATEMENTS

For The Year Ended December 31, 2012

with

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

CIVIC VENTURES, dba Encore.org
FINANCIAL STATEMENTS
DECEMBER 31, 2012

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Independent Auditor's Report on Financial Statements

To the Board of Directors
Civic Ventures, dba Encore.org
San Francisco, California

Report on the Financial Statements

I have audited the accompanying financial statements of financial position of Civic Ventures, dba Encore.org, which comprise of the statements of financial position as of December 31, 2012 and the related statements of activities, functional expenses 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 U. S. generally accepted accounting principles; 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

My responsibility is to express an opinion on these financial statements based on my audit. I have conducted my audit in accordance with U. S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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 organization's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of significant estimates by management, as well as evaluating the overall presentation of the financial statements.

I believe that my audit provides a reasonable basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Civic Ventures, dba Encore.org as of December 31, 2012, and changes in its net assets and cash flows for the year then ended in accordance with U. S. generally accepted accounting principles.

Carl M. Arntzen, CPA

Carl M. Arntzen, CPA

April 15, 2013

CIVIC VENTURES, dba Encore.org
Statement of Financial Position
As of December 31, 2012

ASSETS

Current Assets	
Cash and cash equivalents	\$6,292,331
Grants and pledges receivable in 2013	4,179,544
Other receivables	101,437
Prepaid expenses	96,719
Total current assets	10,670,031
Grants receivable, 2014 and 2015, net of \$7,400 discounts at 0.84%	517,600
Deposits	15,920
Fixed assets, net of accumulated depreciation	28,687
TOTAL ASSETS	\$11,232,238

LIABILITIES

Current Liabilities	
Accounts payable	\$155,208
Payroll payable	65,752
Grants payable	342,250
Accrued compensation	110,834
Prepaid registration fees	49,150
Total current liabilities	723,194
TOTAL LIABILITIES	723,194

NET ASSETS

Unrestricted	2,182,491
Temporarily restricted	8,326,553
TOTAL NET ASSETS	10,509,044
TOTAL LIABILITIES AND NET ASSETS	\$11,232,238

The accompanying notes are an integral part of these financial statements.

CIVIC VENTURES, dba Encore.org
Statement of Activities
For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Foundation grants	\$10,000	\$3,655,240	\$3,665,240
Corporate contributions		1,095,000	1,095,000
Individual contributions	18,440		18,440
Program fees	187,500		187,500
Royalties	34,289		34,289
Honoraria	35,642		35,642
Interest income	1,388		1,388
Other income	600		600
Net assets released from restriction	5,422,733	(5,422,734)	
Total Support and Revenue	5,710,592	(672,494)	5,038,098
EXPENSES			
Programs:			
Encore Career Campaign	5,083,146		5,083,146
Public awareness	40,436		40,436
Total program expenses	5,123,582		5,123,582
Management and general	350,125		350,125
Fund raising	107,785		107,785
Total Expenses	5,581,492		5,581,492
Change in Net Assets	129,100	(672,494)	(543,394)
Net Assets - Beginning	2,053,391	8,999,047	11,052,438
Net Assets - Ending	\$2,182,491	\$8,326,553	\$10,509,044

The accompanying notes are an integral part of these financial statements.

CIVIC VENTURES, dba Encore.org
Statement of Functional Expenses
For the Year Ended December 31, 2012

	Encore Career Campaign	Public Awareness	Management and General	Fund Raising	Shared Operating Costs	Total Expenses
Grants to organizations	\$1,366,250					\$1,366,250
Grants and awards to individuals	200,000					200,000
Salaries	1,432,634	\$14,598	\$152,208	\$62,627		1,662,067
Retirement plan	118,051	1,258	12,923	5,501		137,733
Health insurance	89,432	1,221	10,150	2,992		103,795
Life & disability insurance	8,941	99	1,009	318		10,367
HSA contribution and fees					\$46,925	46,925
Cash-out option	3,975					3,975
Payroll taxes	104,327	927	10,571	4,324		120,149
Workers compensation insurance	7,971	104	942	403		9,420
Professional fees: subcontractors	996,159	18,653	44,001	25,000		1,083,813
Professional fees: accounting			14,625			14,625
Professional fees: temporary services	14,123					14,123
Professional fees: legal costs			4,426			4,426
Professional fees: information technology	125		1,213		3,625	4,963
Payroll processing fees					10,854	10,854
Moving expenses			21,209			21,209
Occupancy					227,670	227,670
Conferences & events	6,860				1,541	8,401
Advertising	201,500					201,500
Staff travel	140,881		1,564		2,031	144,476
Consultant travel	23,475		810			24,285
Participant travel	2,044					2,044
Telephone and internet	7,920		40		25,997	33,957
Depreciation	6,837				21,453	28,290
Publications & subscriptions	5,746				5,199	10,945
Board meeting expenses			26,864			26,864
Insurance			3,499		5,180	8,679
Printing & duplication	3,534	369	332			4,235
Office supplies	467		934		6,426	7,827
Postage & delivery services	2,800	64	2,017	31	2,521	7,433
Hospitality & individual meetings	2,003		2,176	192	2,300	6,671
Equipment rental & maintenance	159		1,900		2,541	4,600
Memberships	100				5,523	5,623
Conference registration	6,257		300			6,557
Recognition			2,400		1,471	3,871
Miscellaneous expenses	1,412		323	500	635	2,870
Shared costs allocated	329,163	3,143	33,689	5,897	(371,892)	0
	<u>\$5,083,146</u>	<u>\$40,436</u>	<u>\$350,125</u>	<u>\$107,785</u>	<u>\$0</u>	<u>\$5,581,492</u>

The accompanying notes are an integral part of these financial statements.

CIVIC VENTURES, dba Encore.org
Statement of Cash Flows
For the Year Ended December 31, 2012

Cash flows from operating activities:	
Change in net assets (decrease)	(\$543,394)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	28,290
Amortization of present value discounts on grants	(54,140)
Decrease in grants and pledges receivable	444,900
Increase in other receivables	(71,212)
Increase in prepaid expenses	(52,795)
Decrease in accounts payable	(112,602)
Increase in grants payable	224,750
Decrease in payroll payable and accrued compensation	(23,143)
Prepaid registration fees	49,150
Net cash provided (used) by operating activities	(110,196)
Cash flows from investing activities:	
Acquisition of fixed assets	(18,414)
Decrease in deposits	27,480
Net cash provided by investing activities	9,066
Cash flows from financing activities:	
Deferred rent	(16,110)
Net cash provided (used) by financing activities	(16,110)
Change in cash and cash equivalents (decrease)	(117,240)
Cash and cash equivalents - beginning of year	6,409,571
Cash and cash equivalents - end of year	\$6,292,331

The accompanying notes are an integral part of these financial statements.

Civic Ventures, dba Encore.org

Notes to Financial Statements

Note 1 - Organization

Civic Ventures® was organized in 1997 as a California Nonprofit Public Benefit Corporation to engage in charitable and educational activities that reframe the debate about aging in America and redefine the second half of life as a source of social and individual renewal. In June 2012, the board of directors approved the filing of a fictitious business name statement and authorized operating as Encore.org™.

Encore.org is building a movement to make it easier for millions of people to pursue second acts for the greater good. These acts are referred to as *encore careers* – jobs that combine personal meaning, continued income and social impact – in the second half of life. Through an inventive program portfolio, original research, strategic alliances and the power of people's life stories, Encore.org demonstrates the value of experience in solving society's greatest problems – from education to the environment, health care to homelessness.

The Encore.org program portfolio includes:

- **The Encore Career Campaign** is a multi-year initiative that aims to define the decades between the end of midlife careers and true retirement as a time to do paid work for the greater good. The campaign involves research, analysis, partnerships, publications and communications. By accelerating the development of a new stage of paid work in fields with looming labor shortages – such as education, health care, the nonprofit sector and government work – Encore.org hopes to deliver the experience and energy of tens of millions of people now entering their 50s and 60s to help tackle society's greatest challenges. www.encore.org
- **The Purpose Prize®** is a multi-year initiative to invest in older social innovators by recognizing outstanding achievements, creating a network of people wanting to use their retirement years for the greater good, and channeling funds and assistance to these new pioneers. www.purposeprize.org
- **Encore Fellowships Network™** is a national initiative to work with corporations, organizations and individuals who are interested in creating Encore Fellowships in communities across the U.S. Encore Fellowships are an innovative new way for experienced, highly skilled employees to transition from midlife careers to encore careers that combine personal meaning, continued income and social impact. www.encore.org/fellowships
- **Encore College Initiative** encourages colleges to create and promote educational pathways to encore careers. The project invests in innovation and encourages colleges and social sector employers to work together to unleash the potential of boomers as a new workforce for social change. www.encore.org/colleges

Note 2 – Significant Accounting Policies

- (a) **Promises to Give** - Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. In addition, an allowance for uncollectible pledges is recorded as determined by management.
- (b) **Contributions** - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Encore.org had no permanently restricted net assets as of December 31, 2012.
- (c) **Contributed Services** - While Encore.org does receive benefit from services donated, the estimated cost of these services is not included in the financial statements because the services provided did not 1) create or enhance a non-financial asset or 2) require special skills, or were provided by individuals with those skills, that would otherwise be purchased by Encore.org and are material to the financial statements.

Civic Ventures, dba Encore.org
Notes to Financial Statements

Note 2 – Significant Accounting Policies (Continued)

- (d) **Deferred Revenue** - If revenues are collected but not earned as of an accounting period end, deferred revenue is recorded. As of December 31, 2012, Encore.org had collected \$49,150 in registration fees from individuals in advance of a multi-day program event held in February 2013.
- (e) **Estimates** - Preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (f) **Property and Equipment** - Encore.org capitalizes property and equipment over \$1,000. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations, if restricted to a specific purpose by the donor, are reported as unrestricted contributions if the restrictions expire and the donated or acquired assets are placed in service in the fiscal period in which the contributions are recognized. All other assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Encore.org reports expirations of donor restrictions on restricted contributions when the donated or acquired assets are placed in service. Encore.org reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to five years.
- (g) **Income Tax Status** - Encore.org is exempt from Federal and State income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State Revenue and Taxation Code, whereby only unrelated business income is subject to Federal and State income tax. Management believes that all revenues received by Encore.org are in keeping with the organization's exempt purposes and that Encore.org continues to qualify and to operate as a tax-exempt organization. Accordingly, no provision of income taxes is included in these financial statements.
- (h) **Advertising** - Advertising is expensed as it occurs.
- (i) **Investments** - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. As of December 31, 2012 Encore.org held no investments in marketable securities.
- (j) **Cash and Cash Equivalents** - Cash and cash equivalents include funds in demand deposit accounts and short term, highly liquid investments that are readily convertible to known amounts of cash. As of December 31, 2012 cash was held in demand deposit accounts with quality financial institutions, and primarily in money market accounts that are not FDIC insured. The Organization has not experienced any losses in such accounts.
- (k) **Allocation of Expenses** – Salaries and prorata share of payroll taxes and employee benefits are allocated to program and supporting services based on management's estimate of the time worked in various programs and supporting services.

Civic Ventures, dba Encore.org
Notes to Financial Statements

Note 3 - Temporarily Restricted Net Assets

Temporarily restricted net assets (net of discounts for non-current portions) were available for the following purposes at December 31, 2012:

Encore Career Campaign	\$5,180,001
Purpose Prize Program	1,722,904
Encore Fellowships Network	385,122
Sponsored Projects	<u>1,038,526</u>
	<u>\$8,326,553</u>

Note 4 - Designation of Unrestricted Net Assets

In February 2013, the Board of Directors designated the balance of \$1,000,000 of unrestricted net assets for economic uncertainties.

Note 5 - Fixed Assets and Depreciation

Fixed assets consist of:

Leasehold improvements	\$4,040
Computers	115,611
Furniture and office equipment	<u>61,323</u>
	180,974
Less accumulated depreciation	<u>(152,287)</u>
	<u>\$28,687</u>

Note 6 - Promises to Give

Unconditional promises to give consist of:

<u>Grantor</u>	<u>Gross Promise to Give</u>	<u>Restriction</u>	<u>Less: Unamortized Discount</u>	<u>Net Promise to Give</u>
Atlantic Philanthropies, Inc.	\$2,000,000	Encore Career Campaign		\$2,000,000
Atlantic Philanthropies, Inc.	775,000	Purpose Prize Program		775,000
David & Lucille Packard Foundation	750,000	Encore Career Campaign	\$(4,000)	746,000
Einhorn Family Charitable Trust	475,000	Sponsored Projects	(3,400)	471,600
John Templeton Foundation	379,544	Purpose Prize Program		379,544
Intel Corporation	210,000	Encore Fellowships Network		210,000
Rockefeller Foundation	62,500	Sponsored Projects		62,500
Agilent Technologies	30,000	Encore Fellowships Network		30,000
Robin Hood Foundation	<u>20,000</u>	Encore Fellowships Network		<u>20,000</u>
	4,702,044		(7,400)	4,694,644
Pledges Receivable/Individuals	<u>2,500</u>	Unrestricted		<u>2,500</u>
	<u>\$4,704,544</u>		<u>\$(7,400)</u>	<u>\$4,697,144</u>
Amounts Due in -				
Less than one year:	\$4,179,544			
One to five Years:	\$525,000			

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate of 0.84%. As of December 31, 2012, all pledges receivable are expected to be collected during the next year; therefore, no allowance for uncollectible accounts has been recorded.

Civic Ventures, dba Encore.org
Notes to Financial Statements

Note 6 – Promises to Give (Continued)

During 2012, Encore.org received notice of restricted grants, designated for Sponsored Projects, totaling \$325,000 that contained donor conditions (primarily deferral of final approval of payments until the donor's evaluation of work completed). Since these grants represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met. Funds received from donors in advance of the conditions being met are recorded as deferred revenue and would subsequently be recognized as contribution revenue when donor conditions are met. No funds were received by Encore.org in 2012 from donors in advance of conditions being met.

Note 7 – Employee Benefit Plan

Encore.org employees with six months or more of service per employment year are covered by a 403(b) tax-sheltered annuity retirement plan. Eligible employees must contribute 3% of their compensation to the plan as a condition of employment. Encore.org contributes 9% of the employee's compensation, which is fully vested after two years of service. Employees may also participate in a supplemental plan funded by the employee.

Note 8 – Contingencies and Commitments

Encore.org entered into a non-cancelable lease agreement for its San Francisco office facility. The minimum future payments on this lease arrangement at December 31, 2012 were as follows for year ending: 2013 - \$64,197; 2014 - \$66,571; 2015 - \$65,977.

The Organization receives a substantial portion of its grants through a few core contributors, a reduction in which could have a significant effect on its operations and programs.

Note 9 – Evaluation of Subsequent Events

Encore.org has evaluated subsequent events through April 15, 2013, the date which the financial statements were available to be issued.