

CIVIC VENTURES, dba Encore.org

FINANCIAL STATEMENTS

For The Year Ended December 31, 2013

with

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

CIVIC VENTURES, dba Encore.org
FINANCIAL STATEMENTS
DECEMBER 31, 2013

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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, 2013 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, 2013, 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 2, 2014

CIVIC VENTURES, dba Encore.org
Statement of Financial Position
As of December 31, 2013

ASSETS

Current Assets	
Cash and cash equivalents	\$8,658,877
Grants receivable in 2014	3,894,544
Advances to other organizations	99,586
Other receivables	28,349
Prepaid expenses	31,497
Total current assets	12,712,853
Grants receivable, 2015 and 2016, net of \$25,700 discounts	2,274,300
Deposits	11,520
Fixed assets, net of accumulated depreciation	16,904
TOTAL ASSETS	\$15,015,577

LIABILITIES

Current Liabilities	
Accounts payable	\$162,790
Payroll payable	97,806
Grants payable	1,375,500
Accrued compensation	116,847
Total current liabilities	1,752,943
TOTAL LIABILITIES	1,752,943

NET ASSETS

Unrestricted	2,432,140
Temporarily restricted	10,830,494
TOTAL NET ASSETS	13,262,634
TOTAL LIABILITIES AND NET ASSETS	\$15,015,577

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, 2013

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Foundation grants	\$65,000	\$7,471,170	\$7,536,170
Corporate grants		4,010,000	4,010,000
Individual contributions	27,145	2,000	29,145
Program fees	128,000		128,000
Conference fees	53,050		53,050
Honoraria	44,824		44,824
Royalties	1,469		1,469
Interest income	735		735
Net assets released from restriction	8,979,229	(8,979,229)	
Total Support and Revenue	9,299,452	2,503,941	11,803,393
EXPENSES			
Programs:			
Encore Career Campaign	8,194,290		8,194,290
Public Awareness	238,813		238,813
Total program expenses	8,433,103		8,433,103
Management and general	520,433		520,433
Fund raising	96,267		96,267
Total Expenses	9,049,803		9,049,803
Change in Net Assets	249,649	2,503,941	2,753,590
Net Assets - Beginning	2,182,491	8,326,553	10,509,044
Net Assets - Ending	\$2,432,140	\$10,830,494	\$13,262,634

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, 2013

	Encore Career Campaign	Public Awareness	Management and General	Fund Raising	Shared Operating Costs	Total Expenses
Grants to organizations	\$4,680,968					\$4,680,968
Grants and awards to individuals	177,000					177,000
Salaries	1,433,614	\$165,523	\$317,725	\$73,219	\$5,172	1,995,253
Retirement plan	96,608	8,134	20,143	5,846		130,731
Health insurance	77,469	12,176	19,737	2,378	(1,068)	110,692
Life & disability insurance	8,247	1,221	1,479	337		11,284
HSA contribution					48,013	48,013
Cash-out option & fees	7,162	606	(87)	581	(442)	7,820
Payroll taxes	105,069	12,208	22,802	5,279		145,358
Workers compensation insurance	8,566	1,043	1,452	392	(257)	11,196
Professional fees: subcontractors	738,653	12,600	46,678			797,931
Professional fees: accounting			14,675			14,675
Professional fees: temporary services	3,028					3,028
Professional fees: legal costs			8,660			8,660
Professional fees: information technology	563				1,821	2,384
Professional fees: other	15,661		2,844			18,505
Conferences & events	404,046		1,306	3,210		408,562
Staff travel	124,083	5,998	4,039	357	11,342	145,819
Consultant travel	29,811		154			29,965
Participant travel	11,149		651		165	11,965
Occupancy					62,270	62,270
Advertising	46,498					46,498
Telephone and internet	7,321	162	341		21,245	29,069
Depreciation	6,837				6,964	13,801
Publications & subscriptions	17,476	1,034	771		6,695	25,976
Board meeting expenses			24,569		2,271	26,840
Insurance			3,435		7,859	11,294
Printing & duplication	12,050	127		62	3,134	15,373
Payroll processing fees					11,589	11,589
Office supplies	384	87	540		4,770	5,781
Postage & delivery services	2,654		1,198		672	4,524
Hospitality & individual meetings	3,382	177	1,658		450	5,667
Equipment rental & maintenance					1,347	1,347
Memberships	6,258					6,258
Conference registration	3,846		-135		313	4,024
Bad debt expense	7,184					7,184
Recruitment	3,001	593	2,775		5,093	11,462
Miscellaneous expenses	815		202		20	1,037
Shared costs allocated	154,887	17,124	22,821	4,606	(199,438)	0
	\$8,194,290	\$238,813	\$520,433	\$96,267	\$0	\$9,049,803

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, 2013

Cash flows from operating activities:	
Change in net assets	\$2,753,590
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	13,801
Amortization of present value discounts on grants	(967)
Increase in grants and pledges receivable	(1,470,733)
Decrease in other receivables	73,088
Decrease in prepaid expenses	65,222
Increase in advances to other organizations	(99,586)
Increase in accounts payable	7,582
Increase in grants payable	1,033,250
Increase in payroll payable and accrued compensation	38,067
Decrease in prepaid registration fees	(49,150)
Net cash provided by operating activities	2,364,164
Cash flows from investing activities:	
Purchase of computers	(2,018)
Decrease in deposits	4,400
Net cash provided by investing activities	2,382
Change in cash and cash equivalents	2,366,546
Cash and cash equivalents - beginning of year	6,292,331
Cash and cash equivalents - end of year	\$8,658,877

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 (Encore.org) 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.

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 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 programs, 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 Encore.org program portfolio includes:

- **The Purpose Prize**[®] - 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
- **The Encore Fellowships Network**[®] - 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
- **The Encore College Initiative** - a national initiative to encourage 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 older adults 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, 2013.
- (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) **Accounts Receivable** - Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines an allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written-off when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received. In 2013, Encore.org recorded a bad debt expense of \$7,184 for uncollectible program event fees recorded in 2012. There was no provision for doubtful accounts at December 31, 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. The returns are subject to examination generally for three years after they are filed.
- (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, 2013 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, 2013 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, 2013:

Encore Career Campaign	\$8,217,812
Purpose Prize Program	984,779
Encore Fellowships Network	507,426
Sponsored Projects	<u>1,120,477</u>
	<u>\$10,830,494</u>

Note 4 - Designation of Unrestricted Net Assets

In January 2014, 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	108,478
Furniture and office equipment	<u>61,323</u>
	173,841
Less accumulated depreciation	<u>(156,937)</u>
	<u>\$16,904</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>
John Templeton Foundation	\$3,500,000	Encore Career Campaign	\$18,700)	\$3,481,300
John Templeton Foundation	379,544	Purpose Prize Program		379,544
Atlantic Philanthropies, Inc.	850,000	Encore Career Campaign		850,000
Atlantic Philanthropies, Inc.	525,000	Purpose Prize Program	(6,000)	519,000
Bechtel Foundation	325,000	Encore Career Campaign		325,000
David & Lucille Packard Foundation	250,000	Encore Career Campaign		250,000
Cleveland Foundation	125,000	Encore Career Campaign	(800)	124,200
Knight Foundation	125,000	Sponsored Projects		125,000
Intel Corporation	90,000	Encore Fellowships Network		90,000
Einhorn Foundation	<u>25,000</u>	Sponsored Projects	<u>(200)</u>	<u>24,800</u>
	6,194,544		(25,700)	6,168,844
Pledges Receivable/Individuals	<u>2,000</u>	Unrestricted		<u>2,000</u>
	<u>\$6,196,544</u>		<u>\$(25,700)</u>	<u>\$6,170,844</u>
Amounts Due in -				
Less than One Year:	\$3,896,544			
One to Two Years:	\$2,300,000			

Civic Ventures, dba Encore.org Notes to Financial Statements

Note 6 – Promises to Give (Continued)

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate of 0.58% and 0.84%. As of December 31, 2013, all pledges receivable are expected to be collected as due; therefore, no allowance for uncollectible accounts has been recorded.

During 2013, Encore.org transferred legal and fiduciary responsibility for a Sponsored Project to a separate 501(c)(3) corporation. The transfer, negotiated and accepted by management and Project donors, resulted in a cancellation of unconditional promises to give and a return of contributions previously paid to the organization. In 2013, Encore.org reduced Temporarily Restricted grant revenue (and related Grants Receivable) by \$373,030.

Encore.org has received notice of a restricted grant totaling \$25,000 that contains donor conditions (deferral of final approval of payment until the donor's evaluation of work completed). Since this grant represents a conditional promise to give, it is 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 2013 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, 2013 were as follows for year ending: 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 2, 2014, the date which the financial statements were available to be issued.