

CIVIC VENTURES, dba ENCORE.ORG

**Financial Statements for the Year Ended
December 31, 2015
and Independent Auditors' Report**

CIVIC VENTURES, dba ENCORE.ORG

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Civic Ventures, dba Encore.org (a nonprofit corporation) (the "Organization") which comprise the statement of financial position as of December 31, 2015, 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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, 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 the Organization as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Harrison & Lane, a.c.

Pleasanton, California

May 6, 2016

CIVIC VENTURES, dba ENCORE.ORG

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 5,791,964
Contributions and grants receivable	807,750
Prepaid expenses	<u>15,575</u>

Total current assets 6,615,289

Contributions and grants receivable, net	29,400
Deposits	17,516
Property and equipment, net	<u>9,239</u>

Total assets \$ 6,671,444

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 208,870
Grants payable	35,000
Deferred revenue	108,826
Other accrued expenses	<u>134,263</u>

Total current liabilities 486,959

NET ASSETS:

Unrestricted	2,874,006
Temporarily restricted	<u>3,310,479</u>

Total net assets 6,184,485

Total liabilities and net assets \$ 6,671,444

See notes to financial statements.

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**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions and grants:			
Corporations	\$ -	\$ 752,000	\$ 752,000
Foundations	95,000	2,675,923	2,770,923
Individuals	157,490	-	157,490
Program service fees	123,425	-	123,425
Other income	3,382	-	3,382
	<u>379,297</u>	<u>3,427,923</u>	<u>3,807,220</u>
Net assets released from restrictions	<u>6,103,032</u>	<u>(6,103,032)</u>	<u>-</u>
	<u>6,482,329</u>	<u>(2,675,109)</u>	<u>3,807,220</u>
EXPENSES:			
Program services:			
Enable	1,766,708	-	1,766,708
Elevate	1,339,686	-	1,339,686
Expand	732,968	-	732,968
Encores4Youth	824,645	-	824,645
Other program	665,536	-	665,536
	<u>5,329,543</u>	<u>-</u>	<u>5,329,543</u>
Support services:			
General and administrative	666,726	-	666,726
Fundraising	324,446	-	324,446
	<u>991,172</u>	<u>-</u>	<u>991,172</u>
	<u>6,320,715</u>	<u>-</u>	<u>6,320,715</u>
CHANGE IN NET ASSETS	<u>161,614</u>	<u>(2,675,109)</u>	<u>(2,513,495)</u>
NET ASSETS, BEGINNING OF YEAR,	<u>2,712,392</u>	<u>5,985,588</u>	<u>8,697,980</u>
NET ASSETS, END OF YEAR	<u>\$ 2,874,006</u>	<u>\$ 3,310,479</u>	<u>\$ 6,184,485</u>

See notes to financial statements.

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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services						Support Services		Common Cost	Total
	Enable	Elevate	Expand	Encores 4 Youth	Other Program	Total Program	General and Administrative	Fundraising		
Salaries	\$ 829,129	\$ 491,598	\$ 303,254	\$ 248,367	\$ 382,216	\$ 2,254,564	\$ 345,333	\$ 221,061	\$ -	\$ 2,820,958
Professional fees	88,796	325,897	210,902	383,116	126,037	1,134,748	98,111	19,463	23,998	1,276,320
Grants and assistance	546,509	225,001	-	-	-	771,510	-	-	-	771,510
Other employee benefits	92,683	53,706	40,432	17,733	45,467	250,021	49,084	27,302	4,715	331,122
Travel	23,001	74,435	23,348	56,235	10,590	187,609	9,217	6,788	25,597	229,211
Payroll taxes	66,710	38,425	23,512	18,577	29,990	177,214	27,218	16,963	(82)	221,313
Conferences and meetings	14,219	11,920	87,577	57,159	-	170,875	27,012	1,102	8,144	207,133
Pension plan	16,759	25,398	15,428	19,177	30,165	106,927	16,425	10,762	-	134,114
Occupancy	-	-	-	-	-	-	-	-	106,559	106,559
Staff development	3,642	15,433	1,977	7,014	2,273	30,339	51,119	1,183	5,057	87,698
Printing and publications	6,972	2,378	1,297	31	2,239	12,917	-	6,291	19,164	38,372
Advertising	-	31,009	-	-	-	31,009	-	-	-	31,009
Telecommunications	2,097	684	1,849	560	-	5,190	-	-	15,940	21,130
Supplies	1,270	3,455	487	418	221	5,851	1,552	367	10,039	17,809
Insurance	-	-	-	-	-	-	3,842	-	7,837	11,679
Depreciation	-	-	-	-	-	-	-	-	6,315	6,315
Bank charges	-	100	36	-	-	136	-	-	3,842	3,978
Postage and delivery	145	1,668	133	112	135	2,193	86	71	1,321	3,671
Equipment rental and maintenance	-	-	-	-	-	-	-	-	644	644
Other expense	-	-	-	-	-	-	170	-	-	170
Total expenses before allocation	1,691,932	1,301,107	710,232	808,499	629,333	5,141,103	629,169	311,353	239,090	6,320,715
Common cost allocation	74,776	38,579	22,736	16,146	36,203	188,440	37,557	13,093	(239,090)	-
Total	<u>\$ 1,766,708</u>	<u>\$ 1,339,686</u>	<u>\$ 732,968</u>	<u>\$ 824,645</u>	<u>\$ 665,536</u>	<u>\$ 5,329,543</u>	<u>\$ 666,726</u>	<u>\$ 324,446</u>	<u>\$ -</u>	<u>\$ 6,320,715</u>

See notes to financial statements.

CIVIC VENTURES, dba ENCORE.ORG

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (2,513,495)
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Depreciation and amortization	6,315
Amortization of discount on long term contributions and grants receivable	(2,500)
Changes in assets and liabilities that provided (used) cash:	
Contributions and grants receivable	1,590,402
Prepaid expenses	21,763
Accounts payable	83,927
Grants payable	(149,500)
Deferred revenue	108,826
Other accrued expenses	<u>(84,821)</u>
Net cash used in operating activities	<u>(939,083)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Long term lease deposit	(2,596)
Purchases of property and equipment	<u>(3,298)</u>
Net cash used in investing activities	<u>(5,894)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS (944,977)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 6,736,941

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 5,791,964

See notes to financial statements.

CIVIC VENTURES, dba ENCORE.ORG

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

1. ORGANIZATION

Civic Ventures, dba Encore.org (the “Organization”) 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.

The Organization 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, the Organization demonstrates the value of experience in solving society’s greatest problems - from education to the environment, health care to homelessness.

The Organization’s program portfolio includes:

Elevate - Program to build encore awareness and understanding through innovative initiatives that include The Purpose Prize, Encore Story Project, and encore research and thought leadership.

Enable - Program to make encore accessible by providing pathways, tools and resources, Encore U, and the development of the Encore Fellowship Network.

Expand - Program to leverage leadership and build the movement through Encore.org convenings, Encore Network and Encore Innovation Fellows.

Encores4Youth - A national campaign designed to mobilize older adults to dedicate their time, talents, and expertise to help children thrive.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Organization uses the accrual basis of accounting, which recognizes income in the period earned and expenses when incurred.

Classification of Net Assets - The Organization reports information regarding its financial position and activities according the three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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 amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents are all highly liquid investments with an original maturity of three months or less.

Contributions and Grants Receivable - Unconditional contributions and grants receivable are reported at fair value and are recognized in the period promised. Delinquent contributions and grants receivable do not accrue interest. The Organization continually monitors the credit worthiness of each account and recognizes allowances for estimated bad debts on accounts that are no longer estimated to be collectible. The Organization regularly adjusts any allowance for subsequent collections and final determination that a receivable is no longer collectible. Bad debt recoveries are included in income as realized. The Organization had no allowance for bad debts at December 31, 2015.

Property and Equipment - The Organization 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, the Organization reports expirations of donor restrictions on restricted contributions when the donated or acquired assets are placed in service. The Organization 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.

Revenue Recognition - Contributions and grants are recognized as revenue in the period unconditionally promised or received. The Organization reports contributions in the temporarily restricted net asset class if they are received with donor stipulations as to their use, or if the contribution contains an implied time restriction. They are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period. If contributions are received without donor stipulations or an implied time restriction, they are considered unrestricted funds and are included as part of the Organization's unrestricted net assets.

Revenue from program service fees and other income are recognized as revenue when earned.

Income Taxes - Under provision of Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, the Organization is exempt from income taxes, except for net income from unrelated business income. There were no unrelated business activities in 2015. Accordingly, no tax expense was recognized.

The Organization has evaluated its tax positions for all open tax years. Currently, the 2012 through 2014 information returns are open and subject to examination. In management's judgment there are no uncertain tax positions as of December 31, 2015.

Advertising - The Organization expenses advertising costs as incurred.

Functional Expense Classification - The Organization charges and allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with the program or support service are assigned directly. Expenses common to several functions are allocated based on a measure of usage that best relates to the particular expense.

Credit Risk - Financial instruments which potentially subject the Organization to credit risk consist principally of cash and cash equivalents and contributions and grants receivable. The Organization places its cash and cash equivalent balances with high credit quality financial institutions, which at times may exceed insured limits. The Organization does not require collateral for its receivables, and has not experienced any losses in such amounts during the year ended December 31, 2015. Management believes that the organization is not exposed to any significant credit risk with respect to its cash and receivable balances.

Subsequent Events - Subsequent events have been evaluated through May 6, 2016, which is the date the financial statements were available to be issued.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional promises to give due in more than one year are recognized at fair value using present value techniques and a discount rates of 0.59%.

Contributions and grants receivable	\$ 837,750
Less unamortized discount	<u>(600)</u>
Net unconditional promises to give	<u>\$ 837,150</u>
Amounts due in:	
Less than one year	\$ 807,750
One to five years	<u>30,000</u>
Total	<u>\$ 837,750</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2015:

Furniture and equipment	\$	62,090
Computers		46,581
Leasehold improvements		<u>4,040</u>
Property and equipment at cost		112,711
Less: Accumulated depreciation		<u>(103,472)</u>
Net property and equipment	\$	<u><u>9,239</u></u>

Depreciation expense was \$6,315 for the year ended December 31, 2015.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015:

Encore Career Campaign	\$	1,255,288
Encore for Youth		1,222,490
Purpose Prize Program		366,453
Encore Fellowship Network		345,745
Bornstein Project		<u>120,503</u>
Total temporarily restricted net assets	\$	<u><u>3,310,479</u></u>

6. RETIREMENT PLAN

The Organization has a defined contribution plan (the “Plan”) covering all employees who meet minimum requirements. The Plan conforms to the provisions set by the Internal Revenue Service Code Section 403(b). The Organization contributes 9% of eligible employees’ compensation annually, which is fully vested after two years of service. The Organization contributed \$134,114 to the Plan during the year ended December 31, 2015.

7. COMMITMENTS

In April 2015, the Organization entered into an employment agreement with one of its officers to pay additional compensation with future payments of \$75,000 due in each of the years ended 2016 and 2017, respectively.

8. OPERATING LEASES

The Organization leases office space under non-cancelable and month to month lease agreements in San Francisco and New York, respectively. No lease terms extend beyond 2016. Rent expense was \$106,559 for the year ended December 31, 2015.

9. CONCENTRATIONS

Two donors comprised 81% of contributions and grants receivable, and three donors comprised 46% of contributions and grant revenue for the year ended December 31, 2015.