

CIVIC VENTURES, dba ENCORE.ORG

**Financial Statements for the Years Ended
December 31, 2017 and 2016
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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, 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.

Auditors' 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. 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, 2017 and 2016, 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.

Harlsson & Lane, a.c.

Pleasanton, California

May 23, 2018

CIVIC VENTURES, dba ENCORE.ORG

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,580,822	\$ 7,292,839
Contributions and grants receivable	2,751,669	3,564,568
Prepaid expenses	23,765	19,114
Total current assets	7,356,256	10,876,521
Contributions and grants receivable, net	1,046,880	3,389,329
Deposits	16,865	18,815
Property and equipment, net	94,820	91,211
Total assets	<u>\$ 8,514,821</u>	<u>\$ 14,375,876</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 141,922	\$ 168,853
Grants payable	49,500	2,635,376
Other accrued expenses	177,109	187,720
Total current liabilities	368,531	2,991,949
NET ASSETS:		
Unrestricted	2,644,397	2,874,006
Temporarily restricted	5,501,893	8,409,232
Total net assets	8,146,290	11,383,927
Total liabilities and net assets	<u>\$ 8,514,821</u>	<u>\$ 14,375,876</u>

See notes to financial statements.

CIVIC VENTURES, dba ENCORE.ORG

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions and grants:			
Corporations	\$ 250	\$ 1,222,000	\$ 1,222,250
Foundations	30,000	1,259,711	1,289,711
Individuals	50,872	-	50,872
Program service fees	366,595	-	366,595
Membership	39,550	-	39,550
Other income	17,950	-	17,950
	<u>505,217</u>	<u>2,481,711</u>	<u>2,986,928</u>
Net assets released from restrictions	<u>5,389,050</u>	<u>(5,389,050)</u>	<u>-</u>
	<u>5,894,267</u>	<u>(2,907,339)</u>	<u>2,986,928</u>
EXPENSES:			
Program services:			
Generation to Generation	2,473,552	-	2,473,552
Catalyze Pathways & Opportunities	1,850,599	-	1,850,599
Change the Narrative	226,187	-	226,187
Build the Field	493,444	-	493,444
Other programs	140,736	-	140,736
	<u>5,184,518</u>	<u>-</u>	<u>5,184,518</u>
Support services:			
General and administrative	795,882	-	795,882
Fundraising	244,165	-	244,165
	<u>1,040,047</u>	<u>-</u>	<u>1,040,047</u>
	<u>6,224,565</u>	<u>-</u>	<u>6,224,565</u>
CHANGE IN NET ASSETS	<u>(330,298)</u>	<u>(2,907,339)</u>	<u>(3,237,637)</u>
NET ASSETS, BEGINNING OF YEAR,	<u>2,974,695</u>	<u>8,409,232</u>	<u>11,383,927</u>
NET ASSETS, END OF YEAR	<u>\$ 2,644,397</u>	<u>\$ 5,501,893</u>	<u>\$ 8,146,290</u>

See notes to financial statements.

CIVIC VENTURES, dba ENCORE.ORG

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions and grants:			
Corporations	\$ -	\$ 21,351,500	\$ 21,351,500
Foundations	637,600	9,128,973	9,766,573
Individuals	30,635	-	30,635
Program service fees	241,276	-	241,276
Other income	9,973	-	9,973
	<u>919,484</u>	<u>30,480,473</u>	<u>31,399,957</u>
Net assets released from restrictions	<u>25,381,720</u>	<u>(25,381,720)</u>	<u>-</u>
	<u>26,301,204</u>	<u>5,098,753</u>	<u>31,399,957</u>
EXPENSES:			
Program services:			
Catalyze Pathways & Opportunities	21,133,854	-	21,133,854
Generation to Generation	1,743,608	-	1,743,608
Change the Narrative	945,923	-	945,923
Build the Field	813,320	-	813,320
Other programs	323,804	-	323,804
	<u>24,960,509</u>	<u>-</u>	<u>24,960,509</u>
Support services:			
General and administrative	956,828	-	956,828
Fundraising	283,178	-	283,178
	<u>1,240,006</u>	<u>-</u>	<u>1,240,006</u>
	<u>26,200,515</u>	<u>-</u>	<u>26,200,515</u>
CHANGE IN NET ASSETS	<u>100,689</u>	<u>5,098,753</u>	<u>5,199,442</u>
NET ASSETS, BEGINNING OF YEAR,	<u>2,874,006</u>	<u>3,310,479</u>	<u>6,184,485</u>
NET ASSETS, END OF YEAR	<u>\$ 2,974,695</u>	<u>\$ 8,409,232</u>	<u>\$ 11,383,927</u>

See notes to financial statements.

CIVIC VENTURES, dba ENCORE.ORG

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services						Support Services			Total
	Catalyze Pathways & Opportunities	Change the Narrative	Build the Field	Generation to Generation	Other Programs	Total Program	General and Administrative	Fundraising	Common Cost	
Salaries	\$ 717,354	\$ 154,544	\$ 315,295	\$ 1,343,811	\$ 36,867	\$ 2,567,871	\$ 516,142	\$ 149,092	\$ -	\$ 3,233,105
Grants and assistance	615,552	-	-	90,800	-	706,352	-	-	-	706,352
Professional fees	203,664	-	35,813	298,404	73,000	610,881	36,054	42,012	3,750	692,697
Other employee benefits	61,919	14,492	32,289	148,482	6,059	263,241	70,017	16,913	946	351,117
Payroll taxes	54,068	15,717	25,742	114,027	3,832	213,386	50,611	12,752	-	276,749
Conferences and meetings	31,207	-	39,097	100,672	563	171,539	39,571	299	515	211,924
Travel	15,741	33,255	9,523	74,650	8,320	141,489	6,772	9,474	16,579	174,314
Pension plan	30,631	7,582	14,903	54,514	2,141	109,771	26,889	5,835	-	142,495
Occupancy	-	-	-	22,713	-	22,713	-	-	98,128	120,841
Printing and publications	26,045	2,651	1,089	44,065	4,343	78,193	1,487	208	20,311	100,199
Staff development	43,237	(9,670)	806	29,056	1,063	64,492	2,172	67	3,656	70,387
Supplies	1,657	47	848	27,165	33	29,750	124	92	8,744	38,710
Advertising	10,000	-	-	21,878	243	32,121	-	-	-	32,121
Depreciation	-	-	-	16,045	-	16,045	-	-	13,762	29,807
Telecommunications	3,280	600	1,043	3,955	1,003	9,881	2,393	410	10,153	22,837
Insurance	-	-	-	-	-	-	4,178	-	8,189	12,367
Postage and delivery	519	-	364	2,737	106	3,726	180	34	1,014	4,954
Bank charges	-	-	30	-	-	30	-	-	1,755	1,785
Other expense	-	55	-	-	-	55	1,096	-	-	1,151
Equipment rental and maintenance	-	-	-	-	-	-	-	-	653	653
Total expenses before allocation	1,814,874	219,273	476,842	2,392,974	137,573	5,041,536	757,686	237,188	188,155	6,224,565
Common cost allocation	35,725	6,914	16,602	80,578	3,163	142,982	38,196	6,977	(188,155)	-
Total	\$ 1,850,599	\$ 226,187	\$ 493,444	\$ 2,473,552	\$ 140,736	\$ 5,184,518	\$ 795,882	\$ 244,165	\$ -	\$ 6,224,565

See notes to financial statements.

CIVIC VENTURES, dba ENCORE.ORG

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services						Support Services			
	Catalyze Pathways & Opportunities	Change the Narrative	Build the Field	Generation to Generation	Other Programs	Total Program	General and Administrative	Fundraising	Common Cost	Total
Grants and assistance	\$ 20,363,851	\$ 10,000	\$ -	\$ -	-	\$ 20,373,851	\$ -	\$ -	\$ -	\$ 20,373,851
Salaries	494,591	546,149	294,502	648,516	\$ 193,891	2,177,649	652,855	94,895	5,550	2,930,949
Professional fees	78,575	44,166	69,710	739,301	43,210	974,962	39,115	145,293	2,650	1,162,020
Conferences and meetings	10,394	147,130	327,415	52,704	850	538,493	44,158	4,748	2,465	589,864
Other employee benefits	52,617	31,704	32,677	47,055	30,751	194,804	68,383	7,404	703	271,294
Payroll taxes	38,409	35,380	23,072	43,683	14,864	155,408	49,350	8,006	-	212,764
Travel	9,315	54,655	11,407	59,258	5,928	140,563	8,943	6,964	17,067	173,537
Pension plan	26,255	25,496	16,401	23,489	10,975	102,616	33,814	1,908	-	138,338
Occupancy	-	-	-	-	-	-	103	-	120,801	120,904
Printing and publications	14,625	11,964	13,597	18,123	3,144	61,453	(4,409)	2,455	23,750	83,249
Advertising	-	-	-	55,595	-	55,595	-	-	-	55,595
Telecommunications	3,035	640	845	1,459	1,200	7,179	2,375	275	11,780	21,609
Staff development	300	2,637	164	7,472	823	11,396	1,763	723	7,032	20,914
Supplies	187	620	656	4,790	240	6,493	435	257	11,239	18,424
Insurance	-	101	-	-	-	101	4,047	-	8,286	12,434
Depreciation	-	-	-	-	-	-	-	-	7,935	7,935
Bank charges	-	-	-	-	-	-	26	-	3,010	3,036
Postage and delivery	87	831	77	432	-	1,427	105	295	715	2,542
Equipment rental and maintenance	-	-	-	-	-	-	-	-	779	779
Other expense	-	39	75	63	-	177	300	-	-	477
Total expenses before allocation	21,092,241	911,512	790,598	1,701,940	305,876	24,802,167	901,363	273,223	223,762	26,200,515
Common cost allocation	41,613	34,411	22,722	41,668	17,928	158,342	55,465	9,955	(223,762)	-
Total	\$ 21,133,854	\$ 945,923	\$ 813,320	\$ 1,743,608	\$ 323,804	\$ 24,960,509	\$ 956,828	\$ 283,178	\$ -	\$ 26,200,515

See notes to financial statements.

CIVIC VENTURES, dba ENCORE.ORG

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (3,237,637)	\$ 5,199,442
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	29,807	7,935
Amortization of discount on long term contributions and grants receivable	(24,400)	32,400
Changes in assets and liabilities that provided (used) cash:		
Contributions and grants receivable	3,179,748	(6,149,147)
Prepaid expenses	(4,651)	(3,539)
Accounts payable	(26,931)	(40,017)
Grants payable	(2,585,876)	2,600,376
Deferred revenue	-	(108,826)
Other accrued expenses	(10,611)	53,457
	<u>(2,680,551)</u>	<u>1,592,081</u>
Net cash (used in) provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Return of long term lease deposits	1,950	12,266
Payment of long term lease deposits	-	(13,565)
Purchases of property and equipment	(33,416)	(89,907)
	<u>(31,466)</u>	<u>(91,206)</u>
Net cash used in investing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,712,017)	1,500,875
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,292,839</u>	<u>5,791,964</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,580,822</u>	<u>\$ 7,292,839</u>

See notes to financial statements.

CIVIC VENTURES, dba ENCORE.ORG

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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:

Change the Narrative - Program to build encore awareness and understanding through innovative initiatives that include Storytelling and Thought Leadership

Catalyze Pathways and Opportunities - Program to make encore accessible by providing pathways, tools and resources and includes Research, The Encore Prize, and Encore Fellowship Network.

Build the Field - Program to leverage leadership and build the movement through Convenings, Innovation Fellows, Encore Network, and the Conference.

Generation to Generation - 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, 2017 and 2016, respectively.

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 2017 or 2016. Accordingly, no tax expense was recognized.

The Organization has evaluated its tax positions for all open tax years. Currently, the 2014 through 2016 information returns are open and subject to examination. In management's judgment there are no uncertain tax positions as of December 31, 2017 and 2016.

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 years ended December 31, 2017 and 2016. 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 23, 2018, 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 rate of 0.85%.

	<u>2017</u>	<u>2016</u>
Contributions and grants receivable	\$ 3,807,149	\$ 6,986,897
Less: unamortized discount	<u>(8,600)</u>	<u>(33,000)</u>
Net contributions and grants receivable	<u>\$ 3,798,549</u>	<u>\$ 6,953,897</u>
Amounts due in:		
Less than one year	\$ 2,751,669	
One to five years	<u>1,055,480</u>	
Total	<u>\$ 3,807,149</u>	

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Technology	\$ 161,456	\$ 128,040
Furniture and equipment	<u>36,901</u>	<u>36,901</u>
Property and equipment at cost	198,357	164,941
Less: Accumulated depreciation	<u>(103,537)</u>	<u>(73,730)</u>
Net property and equipment	<u>\$ 94,820</u>	<u>\$ 91,211</u>

Depreciation expense was \$29,807 and \$7,935 for the years ended December 31, 2017 and 2016.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Generation to Generation	\$ 3,029,708	\$ 5,070,806
Encore Movement Initiative	1,526,617	2,546,723
Encore Fellowship Network	807,843	471,200
The Encore Prize	137,723	200,000
Bornstein Project	<u>2</u>	<u>120,503</u>
Total temporarily restricted net assets	<u>\$ 5,501,893</u>	<u>\$ 8,409,232</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 may make discretionary contributions based on eligible employees’ annual compensation, which are fully vested upon contribution. The Organization contributed \$142,495 and \$138,338 to the Plan during the years ended December 31, 2017 and 2016.

7. COMMITMENTS

In April 2015, the Organization entered into an employment agreement with one of its officers to pay additional compensation with a future payment of \$60,000 due during the year ending December 31, 2018.

8. OPERATING LEASES

The Organization leases office space under non-cancelable and month to month lease agreements in San Francisco and New York, respectively.

Rent expense totaled \$120,156 and \$115,083 for the years ended December 31, 2017 and 2016. Future minimum lease payments are as follows:

<u>Year end December 31,</u>	
2018	74,732
2019	76,616
2020	78,500
2021	<u>39,564</u>
Total	<u>\$ 269,412</u>

9. CONCENTRATIONS

Two donors comprised 87% of contributions and grants receivable, and three donors comprised 89% of contributions and grant revenue for the year ended December 31, 2017.