

GENERATION CITIZEN, INC.
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE
YEAR ENDED JUNE 30, 2014)

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INDEPENDENT AUDITORS' REPORT

September 11, 2015

Board of Directors
Generation Citizen, Inc.
San Francisco, California

We have audited the financial statements of Generation Citizen, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of control relevant to the preparation and fair presentation of the 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 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 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 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.

Board of Directors
Generation Citizen, Inc.
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

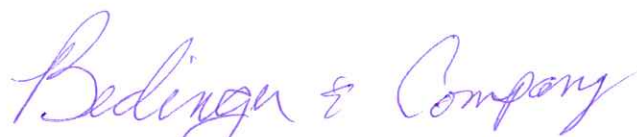
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Generation Citizen, Inc. as of June 30, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Generation Citizen, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants
Concord, CA

GENERATION CITIZEN, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2014)

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents (Note B)	\$ 71,366	\$ 18,017
Grants and accounts receivable (Note C)	148,893	64,550
Prepaid expenses	<u>264</u>	<u>-</u>
TOTAL CURRENT ASSETS	220,523	82,567
Long term portion of grants and accounts receivable (Note C)	-	100,000
Deposits	<u>9,750</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 230,273</u>	<u>\$ 182,567</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 76,201	\$ 73,966
Loan payable - related party (Note H)	<u>-</u>	<u>11,500</u>
TOTAL LIABILITIES	<u>76,201</u>	<u>85,466</u>
COMMITMENTS AND CONTINGENCIES (Note G)		
NET ASSETS		
Unrestricted	(145,389)	(254,242)
Temporarily restricted (Note E)	<u>299,461</u>	<u>351,343</u>
TOTAL NET ASSETS	<u>154,072</u>	<u>97,101</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 230,273</u>	<u>\$ 182,567</u>

See Notes to Financial Statements

GENERATION CITIZEN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

	Unrestricted	Temporarily Restricted	Total	
			2015	2014
REVENUE AND SUPPORT				
Support:				
Foundation grants and awards	\$ 99,000	\$ 493,729	\$ 592,729	\$ 538,508
Donation and contributions	524,562		524,562	312,283
In-Kind Services	595,934		595,934	611,684
Total Support	<u>1,219,496</u>	<u>493,729</u>	<u>1,713,225</u>	<u>1,462,475</u>
Revenue:				
Event revenue	43,211		43,211	8,253
Program service revenue	187,046		187,046	74,663
Other income	450		450	2,294
Total Revenue	<u>230,707</u>	<u>-</u>	<u>230,707</u>	<u>85,210</u>
Net assets released from restriction	<u>545,611</u>	<u>(545,611)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>1,995,814</u>	<u>(51,882)</u>	<u>1,943,932</u>	<u>1,547,685</u>
EXPENDITURES				
Program Services	1,361,431		1,361,431	1,456,361
Administrative Services	208,783		208,783	139,943
Fundraising	316,747		316,747	194,870
Total Expenses	<u>1,886,961</u>	<u>-</u>	<u>1,886,961</u>	<u>1,791,174</u>
Increase <decrease> in net assets	108,853	(51,882)	56,971	(243,489)
NET ASSETS, beginning of year	<u>(254,242)</u>	<u>351,343</u>	<u>97,101</u>	<u>340,590</u>
NET ASSETS, end of year	<u>\$ (145,389)</u>	<u>\$ 299,461</u>	<u>\$ 154,072</u>	<u>\$ 97,101</u>

See Notes to Financial Statements

GENERATION CITIZEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

EXPENSES:	Program	Administrative	Fundraising	Total	
	Expenses	Services		2015	2014
Salaries	\$ 490,810	\$ 132,138	\$ 221,568	\$ 844,516	\$ 761,425
Employee benefits	22,840	8,233	11,071	42,144	42,548
Payroll taxes	44,074	11,694	19,715	75,483	47,899
In-kind services	576,000	19,934	-	595,934	611,684
Professional fees	5,806	14,740	545	21,091	70,565
Rent	41,848	14,569	18,971	75,388	80,780
Travel	25,592	2,380	31,558	59,530	58,696
School support	42,383	-	1,619	44,002	43,157
Evaluation	38,709	13	20	38,742	26,896
Democracy coach	15,615	-	-	15,615	19,062
Curriculum development	30,698	(333)	-	30,365	(6)
Telecommunications	5,588	1,580	2,539	9,707	9,009
Office supplies	871	247	742	1,860	2,970
Insurance	6,275	2,509	2,810	11,594	3,518
Bank fees and taxes	1,260	791	657	2,708	1,609
Dues, memberships and subscriptions	4,613	363	1,005	5,981	2,746
Miscellaneous	2,537	(839)	1,753	3,451	3,580
Printing and copying	477	19	1,504	2,000	2,245
Postage and shipping	715	245	670	1,630	1,901
Equipment rental/ maintenance	4,720	500	-	5,220	890
TOTAL	\$ 1,361,431	\$ 208,783	\$ 316,747	\$ 1,886,961	\$ 1,791,174

GENERATION CITIZEN, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 56,971	\$ (243,489)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
CHANGES IN ASSETS AND LIABILITIES:		
Grants, contracts and accounts receivable	15,657	228,050
Prepaid expenses	(264)	1,260
Deposits	(9,750)	-
Accounts payable and accrued expenses	<u>2,235</u>	<u>11,336</u>
NET CASH PROVIDED <USED> BY OPERATING ACTIVITIES	<u>64,849</u>	<u>(2,843)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowing from related party	-	11,500
Repayment to related party	<u>(11,500)</u>	<u>-</u>
NET CASH PROVIDED <USED> BY FINANCING ACTIVITIES	<u>(11,500)</u>	<u>11,500</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	53,349	8,657
CASH AND CASH EQUIVALENTS, beginning of year	<u>18,017</u>	<u>9,360</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 71,366</u>	<u>\$ 18,017</u>

See Notes to Financial Statements

GENERATION CITIZEN, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

NOTE A – GENERAL

Operations

Generation Citizen, Inc. (the Organization) is a Massachusetts nonprofit public benefit corporation, founded in 2010 to provide programs and services supporting the education of youth and teens regarding Democracy. The Organization has offices in New York City, Boston, San Francisco and Providence.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The Organization uses the accrual basis of accounting, which recognizes income in the period earned and expense when incurred, regardless of the timing of payments.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Financial Statement Presentation

The Financial Accounting Standards Board under ASC 958 requires the Organization to report information regarding its financial position and activities for three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2015 the Organization had no permanently restricted net assets.

Revenue Recognition

Under ASC 958, contributions and grants received are recorded as unrestricted or temporarily restricted depending on the existence and nature of grantor restrictions. Contributions and grants are recorded as restricted support if they are received with grantor stipulations that limit the use of the contributed assets. When a grantor restriction expires, that is, when a stipulated purpose restriction is accomplished or a time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

GENERATION CITIZEN, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

Accounting principles generally accepted in the United States of America require that contributions be recorded at the present value of the estimated future cash flows. However, the effect of not recording the contributions at the present value of the estimated future cash flows is not materially different from the result that would have been obtained had the contribution been recorded at the present value of the estimated future cash flows.

Program revenue is recognized as earned. Amounts received (advances) but not yet earned are reported as deferred revenue.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts and in time deposits with a maturity of three months or less as well as cash on hand. The Organization may occasionally maintain cash on deposit at banks in excess of the Federal Deposit Insurance Corporation limit. The Organization has not experienced any losses in such accounts and believes that it is not currently exposed to any significant risks of loss.

Fair Value Measurements

The Organization's financial instruments include cash and cash equivalents. The carrying amount of these financial instruments has been estimated by management to approximate fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." When determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement*, establishes a fair value hierarchy to prioritize the inputs used in measuring fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1— Quoted prices for identical assets and liabilities in active markets.

Level 2—Observable inputs other than Level 1, which quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets and liabilities.

GENERATION CITIZEN, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (continued)

The Organization measured the fair value of cash and cash equivalents using Level 1 inputs.

Accounts Receivable

The Organization evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate.

Contributed Goods and Services

The Organization receives goods and services, which are donated for carrying out the mission of the Organization. The amounts reflected in the accompanying financial statements meet the criteria for recognition under ASC 958 and are reflected at fair market value at the time of the contribution or performance of the service.

Income Tax Status

The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the California Revenue and the state of Massachusetts Taxation Code.

The Organization has adopted the accounting guidance related to uncertain tax positions, and has evaluated its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns for years ended June 30, 2014, 2013, and 2012 are subject to examination by federal and state taxing authorities generally for three years after they are filed.

Functional Allocation of Expenses

The costs for providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

GENERATION CITIZEN, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

NOTE C – GRANTS AND ACCOUNTS RECEIVABLE

At June 30, 2015, accounts and grants are expected to be received as follows:

<u>Grants and Accounts Receivable</u>	<u>Amount Due</u>
Within One Year	<u>\$148,893</u>

NOTE D – CONCENTRATION OF CREDIT RISK

Accounts receivable constitute a concentration of credit risk as approximately 54% is due from two funders. The liquidity of these funders is not a concern to management at this time. No allowance for doubtful accounts is deemed necessary as of June 30, 2015.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

The following temporarily restricted net assets were released from donor restrictions satisfied by the passage of time or other occurrences during the fiscal year ended June 30, 2015:

Foundations	<u>\$545,611</u>
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The nature and amount of temporarily restricted net assets at June 30, 2015 is:

Foundations	<u>\$299,461</u>
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GENERATION CITIZEN, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

NOTE G – COMMITMENTS AND CONTINGENCIES

The Organization is a party to leases for office space in Boston New York, San Francisco and Providence, which are on a month-to-month basis.

Rent expense for the year ended June 30, 2015 is \$75,388.

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE H – RELATED PARTY LOAN PAYABLE

During the year ended June 30, 2014, the Organization borrowed a total of \$14,000 from its Executive Director. The loan was repaid during the fiscal year ended June 30, 2015. At June 30, 2015 the remaining balance is \$0.

NOTE I – SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure through September 11, 2015, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2015 that required recognition or disclosure in the financial statements.