

H E A L Y A N D A S S O C I A T E S

C E R T I F I E D P U B L I C A C C O U N T A N T

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

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016)

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INDEPENDENT AUDITOR'S REPORT

October 16, 2017

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

I have audited the financial statements of Generation Citizen, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Board of Directors
Generation Citizen, Inc.
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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Generation Citizen, Inc. as of June 30, 2017, 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

Generation Citizen, Inc.'s 2016 financial statements were audited by me, and in my opinion dated November 10, 2016 I expressed an unmodified audit opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Healy and Associates

Healy and Associates
Concord, California

GENERATION CITIZEN, INC.**STATEMENT OF FINANCIAL POSITION**

JUNE 30, 2017

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)

ASSETS

CURRENT ASSETS	2017	2016
Cash and cash equivalents (Note B)	\$ 186,711	\$ 286,776
Grants and accounts receivable (Note C)	244,957	356,559
Prepaid expenses	11,154	5,493
TOTAL CURRENT ASSETS	442,822	648,828
Intangible assets, net of amortization	3,337	5,157
Deposits	18,825	15,525
TOTAL ASSETS	\$ 464,984	\$ 669,510

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 46,944	\$ 43,364
Accrued vacation payable	38,076	-
TOTAL LIABILITIES	85,020	43,364
COMMITMENTS AND CONTINGENCIES (Note E)		
NET ASSETS		
Unrestricted	(114,916)	(128,607)
Temporarily restricted (Note D)	494,880	754,753
TOTAL NET ASSETS	379,964	626,146
TOTAL LIABILITIES AND NET ASSETS	\$ 464,984	\$ 669,510

GENERATION CITIZEN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
REVENUE AND SUPPORT				
Support:				
Grants and awards	\$ 215,670	\$ 599,500	\$ 815,170	\$ 1,131,049
Donation and contributions	1,020,112		1,020,112	614,295
In-Kind Services	539,997		539,997	309,620
Total Support	<u>1,775,779</u>	<u>599,500</u>	<u>2,375,279</u>	<u>2,054,964</u>
Revenue:				
Event revenue	11,334		11,334	35,351
Program service revenue	656,026		656,026	239,760
Other income	2,762		2,762	74
Total Revenue	<u>670,122</u>	<u>-</u>	<u>670,122</u>	<u>275,185</u>
Net assets released from restriction	<u>859,373</u>	<u>(859,373)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>3,305,274</u>	<u>(259,873)</u>	<u>3,045,401</u>	<u>2,330,149</u>
EXPENDITURES				
Program Services	2,421,008		2,421,008	1,290,069
Administrative Services	148,008		148,008	157,425
Fundraising	722,567		722,567	410,581
Total Expenses	<u>3,291,583</u>	<u>-</u>	<u>3,291,583</u>	<u>1,858,075</u>
Change in net assets	13,691	(259,873)	(246,182)	472,074
NET ASSETS, beginning of year	<u>(128,607)</u>	<u>754,753</u>	<u>626,146</u>	<u>154,072</u>
NET ASSETS, end of year	<u>\$ (114,916)</u>	<u>\$ 494,880</u>	<u>\$ 379,964</u>	<u>\$ 626,146</u>

GENERATION CITIZEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	Program Expenses	Administrative Services	Fundraising	Total	
				2017	2016
EXPENSES:					
Salaries	\$ 1,082,245	\$ 83,117	\$ 384,215	\$ 1,549,577	\$ 888,773
In-kind services	386,400	19,919	133,678	539,997	309,620
Professional fees	245,661	11,264	53,020	309,945	160,673
Travel	114,637	4,818	40,805	160,260	94,947
Rent	98,259	8,153	35,968	142,380	84,629
School support	137,276	-	-	137,276	80,719
Democracy coach	124,394	-	-	124,394	15,282
Payroll taxes	85,107	6,846	30,181	122,134	82,880
Employee benefits	70,691	5,516	24,360	100,567	63,043
Bank fees and taxes	14,067	2,163	6,630	22,860	5,586
Evaluation	15,678	-	-	15,678	30,600
Telecommunications	10,983	726	3,280	14,989	8,320
Miscellaneous	4,145	2,026	4,856	11,027	5,176
Insurance	5,244	2,261	1,905	9,410	8,436
Dues, memberships and subscriptions	6,649	674	1,251	8,574	2,950
Equipment rental/ maintenance	8,117	-	-	8,117	1,327
Office supplies	3,739	251	1,518	5,508	1,244
Printing and copying	4,660	-	96	4,756	3,930
Postage and shipping	995	274	804	2,073	1,064
Amortization	1,820	-	-	1,820	303
Curriculum development	241	-	-	241	248
Bad debt	-	-	-	-	8,325
TOTAL	\$ 2,421,008	\$ 148,008	\$ 722,567	\$ 3,291,583	\$ 1,858,075

GENERATION CITIZEN, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (246,182)	\$ 472,074
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	1,820	303
CHANGES IN ASSETS AND LIABILITIES:		
Grants, contracts and accounts receivable	111,602	(207,666)
Prepaid expenses	(5,661)	(5,229)
Deposits	(3,300)	(5,775)
Accounts payable and accrued expenses	<u>41,656</u>	<u>(32,837)</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(100,065)</u>	<u>220,870</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of intangible asset	<u>-</u>	<u>(5,460)</u>
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>(5,460)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(100,065)	215,410
CASH AND CASH EQUIVALENTS, beginning of year	<u>286,776</u>	<u>71,366</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 186,711</u>	<u>\$ 286,776</u>

GENERATION CITIZEN, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

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, Providence, Oklahoma City, and Austin.

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

Under FASB ASC Subtopic 958-205, *Not-For-Profit Entities—Presentation of Financial Statements*, the Agency is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Organization does not have any 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. As permitted by ASC 958, donor-restricted contributions whose restrictions are met in the same year are reported as unrestricted support.

GENERATION CITIZEN, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

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.

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.

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

GENERATION CITIZEN, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The Organization evaluates the collectability of its receivables on an ongoing basis and has no allowance for doubtful accounts at June 30, 2017.

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 is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related states filings. The Organization has no unrelated business income. Management has analyzed tax positions taken by the Organization and has concluded that, as of June 30, 2017, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization's returns 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.

Reclassifications

Certain reclassifications have been made in the 2016 comparative totals to conform to the classifications used in 2017.

Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

GENERATION CITIZEN, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE C – GRANTS AND ACCOUNTS RECEIVABLE

At June 30, 2017, accounts and grants are expected to be received as follows:

Grants and Accounts Receivable	Amount Due
Within One Year	<u>\$244,957</u>

NOTE D – 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, 2017:

Foundations	<u>\$859,373</u>
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The nature and amount of temporarily restricted net assets at June 30, 2017 is:

Foundations	<u>\$494,880</u>
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NOTE E – 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, 2017 is \$142,380.

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 F – SUBSEQUENT EVENTS

In July 2017, the Organization obtained a secured line of credit in the amount of \$150,000. The line carries an interest rate of the lender's index plus 1.5%.

Management has evaluated subsequent events for recognition and disclosure through October 16, 2017, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2017 that required recognition or disclosure in the financial statements.