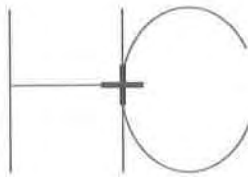


GENERATIONS INCORPORATED
FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

GENERATIONS INCORPORATED

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Certified Public Accountants

David J. McCaughin, CPA
John S. McNamara, CPA

Independent Auditor's Report

To the Board of Directors
Generations Incorporated
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Generations Incorporated, (a nonprofit organization) which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of changes in net assets, 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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.

To the Board of Directors

Page two

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 Generations Incorporated as of June 30, 2014 and 2013 , 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of Generations Incorporated's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Generations Incorporated's internal control over financial reporting and compliance.

Hughes and Company, P.C.

HUGHES AND COMPANY, P.C.
Melrose, Massachusetts
December 17, 2014

GENERATIONS INCORPORATED
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2014 AND 2013

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
Current Assets		
Cash	\$ 180,224	\$ 123,682
Accounts receivable	173,432	139,695
Unconditional promises to give, current	70,000	70,000
Contributions receivable	-	1,250
Prepaid expenses	25,344	18,790
Total Current Assets	<u>449,000</u>	<u>353,417</u>
Property and Equipment		
Furniture, fixtures and equipment	171,397	130,693
Less accumulated depreciation	<u>(128,141)</u>	<u>(100,772)</u>
Property and Equipment, Net	<u>43,256</u>	<u>29,921</u>
Other Assets		
Unconditional promises to give, long-term	30,000	50,000
Security deposit	<u>17,850</u>	<u>17,850</u>
Total Other Assets	<u>47,850</u>	<u>67,850</u>
Total Assets	<u>\$ 540,106</u>	<u>\$ 451,188</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 39,252	\$ 39,561
Deferred revenue	<u>3,750</u>	<u>10,500</u>
Total Current Liabilities	<u>43,002</u>	<u>50,061</u>
Net Assets		
Unrestricted		
Undesignated - operating	88,878	95,206
- property and equipment	10,748	2,485
Board designated for the future	<u>105,000</u>	<u>30,000</u>
Total Unrestricted	<u>204,626</u>	<u>127,691</u>
Temporarily Restricted		
Capital asset support	32,508	27,436
Program Support	<u>259,970</u>	<u>246,000</u>
Total Temporarily Restricted	<u>292,478</u>	<u>273,436</u>
Total Net Assets	<u>497,104</u>	<u>401,127</u>
Total Liabilities and Net Assets	<u>\$ 540,106</u>	<u>\$ 451,188</u>

The accompanying notes are an integral part of the financial statements.

GENERATIONS INCORPORATED
 STATEMENTS OF CHANGES IN NET ASSETS
 YEARS ENDED JUNE 30, 2014 AND 2013

	Unrestricted Net Assets	Temporarily Restricted Net Assets Capital Asset Support	Temporarily Restricted Net Assets Program Support	Total Net Assets
Net Assets, June 30, 2012	\$ 124,820	\$ 45,726	\$ 85,000	\$ 255,546
Increase (Decrease) in Net Assets	<u>2,871</u>	<u>(18,290)</u>	<u>161,000</u>	<u>145,581</u>
Net Assets, June 30, 2013	127,691	27,436	246,000	401,127
Increase in Net Assets	<u>76,935</u>	<u>5,072</u>	<u>13,970</u>	<u>95,977</u>
Net Assets, June 30, 2014	<u>\$ 204,626</u>	<u>\$ 32,508</u>	<u>\$ 259,970</u>	<u>\$ 497,104</u>

The accompanying notes are an integral part of the financial statements

GENERATIONS INCORPORATED
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Changes in Unrestricted Net Assets		
Support and Revenue		
Federal Funding		
Americorps	\$ 589	\$ 198,546
Americorps National Direct	376,613	386,499
Americorps VISTA	283,144	279,176
EDIC - Community Development Block Grant	27,000	27,000
Office of Juvenile Justice and Delinquency Prevention	95,004	109,624
Total Federal Funding	<u>782,350</u>	<u>1,000,845</u>
Corporate and private foundation grants	383,941	250,691
Contributions and gifts	68,043	60,500
Special Events:		
Revenue - Cash	74,758	84,679
Revenue - In Kind	8,488	12,445
Expenses - Cash	(12,275)	(7,492)
Expenses - In Kind	(8,488)	(12,445)
Special Events, Net	<u>62,483</u>	<u>77,187</u>
In-kind donations	618,979	804,054
Participation fees	338,019	317,583
Other income	2,757	95
Total Unrestricted Support and Revenue	<u>2,256,572</u>	<u>2,510,955</u>
Net Assets Released from Restrictions		
Corporate and private foundation grants	147,640	115,000
Capital grants support	18,290	18,290
Total Net Assets Released from Restrictions	<u>165,930</u>	<u>133,290</u>
Total Unrestricted Support, Revenue and Reclassifications	<u>2,422,502</u>	<u>2,644,245</u>
Expenses		
Program services	2,011,151	2,366,873
Management and general	176,075	133,017
Fundraising	158,341	141,484
Total Expenses	<u>2,345,567</u>	<u>2,641,374</u>
Increase in Unrestricted Net Assets	<u>76,935</u>	<u>2,871</u>
Changes in Temporarily Restricted Net Assets		
Corporate and private foundation grants	184,972	276,000
Net assets released from restrictions		
Expiration of time restrictions	(147,640)	(115,000)
Satisfaction of program restrictions	(18,290)	(18,290)
Increase in Temporarily Restricted Net Assets	<u>19,042</u>	<u>142,710</u>
Change in Net Assets	95,977	145,581
Net Assets, Beginning	401,127	255,546
Net Assets, Ending	<u>\$ 497,104</u>	<u>\$ 401,127</u>

The accompanying notes are an integral part of the financial statements

GENERATIONS INCORPORATED
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2014 AND 2013

	Management and			2014 Total	Management and			2013 Total
	Program Services	General	Fundraising		Program Services	General	Fundraising	
Salaries and wages	\$ 443,816	\$ 86,726	\$ 93,344	\$ 623,886	\$ 432,920	\$ 59,958	\$ 79,391	\$ 572,269
Payroll taxes	64,041	8,875	6,901	79,817	75,566	6,596	6,452	88,614
Employee benefits	45,774	18,404	3,803	67,981	42,498	23,601	1,676	67,775
Advertising	620	-	1,552	2,172	40	2	574	616
Auditing and tax preparation fees	7,800	7,800	-	15,600	7,980	7,810	10	15,800
Bank and credit card charges	-	176	-	176	-	47	58	105
Conferences, conventions and meetings	253	804	419	1,476	386	1,024	38	1,448
Consultants	-	250	5,000	5,250	15,210	845	845	16,900
Depreciation	24,633	1,368	1,368	27,369	18,582	1,032	1,032	20,646
Dues and subscriptions	475	875	1,227	2,577	568	119	1,298	1,985
Equipment rental and maintenance	4,860	194	194	5,248	5,572	310	309	6,191
Insurance	4,778	2,105	265	7,148	5,063	1,948	281	7,292
Miscellaneous	153	6,581	452	7,186	226	3,576	14	3,816
Occupancy	81,428	3,269	2,540	87,237	80,587	3,262	3,262	87,111
Occupancy, in-kind volunteer sites	118,500	-	-	118,500	142,500	-	-	142,500
Office expense	2,084	2,175	86	4,345	180	161	10	351
Postage and printing	7,808	1,391	3,140	12,339	375	-	2,184	2,559
Recruitment	5,222	175	-	5,397	5,850	120	-	5,970
Supplies	34,355	421	1,088	35,864	17,752	228	124	18,104
Telephone and internet usage	7,772	608	432	8,812	8,139	861	452	9,452
Training	25,278	1,791	255	27,324	20,714	29	109	20,852
Transportation	3,269	3,628	1,498	8,395	5,369	293	293	5,955
Travel	12,422	-	479	12,901	21,061	929	450	22,440
Uniforms	3,308	-	-	3,308	6,249	-	80	6,329
Volunteer background checks	4,781	-	-	4,781	6,165	-	-	6,165
Volunteer incentives and stipends	656,129	15,904	17,843	689,876	808,599	14,246	32,730	855,575
Volunteer time, in-kind	451,592	12,555	16,455	480,602	638,722	6,020	9,812	654,554
Total Functional Expenses	<u>\$ 2,011,151</u>	<u>\$ 176,075</u>	<u>\$ 158,341</u>	<u>\$ 2,345,567</u>	<u>\$ 2,366,873</u>	<u>\$ 133,017</u>	<u>\$ 141,484</u>	<u>\$ 2,641,374</u>

The accompanying notes are an integral part of the financial statements.

GENERATIONS INCORPORATED
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Changes in Net Assets	\$ 95,977	\$ 145,581
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	27,369	20,646
Donated equipment received	(29,204)	-
Changes in assets and liabilities		
(Increase) Decrease in:		
Accounts receivable	(33,737)	(16,433)
Unconditional promises to give	20,000	(65,000)
Contributions receivable	1,250	1,250
Prepaid expenses	(6,554)	(2,039)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(309)	(4,848)
Deferred revenue	(6,750)	(2,500)
Net Cash Provided by Operating Activities	<u>68,042</u>	<u>76,657</u>
Cash Flows from Investing Activities		
Purchase of equipment	<u>(11,500)</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(11,500)</u>	<u>-</u>
Net Increase in Cash	56,542	76,657
Cash, Beginning	<u>123,682</u>	<u>47,025</u>
Cash, Ending	<u>\$ 180,224</u>	<u>\$ 123,682</u>
Supplemental disclosures of cash flows information		
Cash paid during the year for		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

Non-Cash Investing Activities

The organization received donated equipment with a fair market value of \$29,204 recorded as fixed assets.

The accompanying notes are an integral part of the financial statements.

GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Note 1 - Nature of Activities

Generations Incorporated (the “Organization”) was incorporated on March 31, 1994, pursuant to the laws of the Commonwealth of Massachusetts. The Organization is a not-for-profit corporation with a mission to improve the literacy skills of young children through Grade 3 as well as provide meaningful opportunities to older adults who serve as literacy volunteers in partner schools and after school programs in low-income communities.

The Organization affiliates with a national program called AARP Experience Corps, whose mission is to create powerful opportunities for older adults to meet society’s greatest challenge and a vision which focuses on older adults as integral parts of the education strategy of America. This Affiliation is a formal partnership with specific standards, brand marketing, goals, and strong mission match.

The Organization’s primary program is therefore its AARP Experience Corps Program, which consists of two major activities:

- The *Reading Coaches Program* is a structured one-on-one literacy program, which takes place in both school and after-school settings. Trained AARP Experience Corps volunteers are paired with first through third-grade students who are struggling to read.
- The *Classroom Literacy Program* places highly trained AARP Experience Corps volunteers in classrooms to work with children either individually or in small groups to improve literacy skills.

Additionally, the Organization operates the following three programs:

- The *Americorps *VISTA Program* is a national service program that provides full-time *VISTA (Volunteers in Service to America) volunteers with the opportunity to build capacity in the nonprofit sector. We place a cadre of *VISTA members to serve at Generations Incorporated and at other education focused organizations.
- The *School Readiness Program* is a five-week summer literacy program which benefits kindergarten and first-grade students and prepares them for school. AARP Experience Corps volunteers provide classroom-based support through teacher-directed activities, and one-on-one and small group literacy support.
- The *Active Aging Program* provides our AARP Experience Corps volunteers with meaningful activities, beyond their work with students, to enhance their physical, mental, and social well-being and connect them to the community.

GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received, and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets - Net assets for which use is limited by donor-imposed restrictions that will either expire with the passage of time or be fulfilled by the Organization.

Permanently Restricted Net Assets - Net assets which must be held in perpetuity as stipulated by the donor. As of June 30, 2014 and 2013, the Organization had no permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Functional Allocation of Expenses

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

GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. All amounts outstanding as of June 30, 2014 and 2013 are considered collectible.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

Expenditures for maintenance and repairs are expensed as incurred while renewals and betterments in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5 years.

It is the Organization's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as increases in temporarily restricted net assets. The Organization reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to the donated property and equipment.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in these financial statements.

GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Uncertainty in Income Taxes

The Organization follows the *Accounting for Uncertainty in Income Taxes* standard which requires the Organization to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of June 30, 2014, the Organization determined that there are no material unrecognized tax benefits to report.

Information returns filed for the years ended June 30, 2013, 2012 and 2011 remain subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts. The Organization does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months.

Revolving Line of Credit

The organization has a \$50,000 revolving line of credit which was unused at June 30, 2014 and 2013.

GENERATIONS INCORPORATED
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014 AND 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Compensated Absences

Employees are entitled to paid personal, sick and vacation time throughout the year based on length of service. Unused vacation time is paid to employees at the end of employment. Accrued vacation pay at June 30, 2014 and 2013 was deemed immaterial and not accrued.

Fair Value of Financial Instruments

Carrying amounts of certain of the Organization's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable, approximate fair value because of their short maturities.

Subsequent Events

The Organization has evaluated subsequent events through December 17, 2014 which is the date the financial statements were available to be issued.

Advertising

Advertising costs are expensed as incurred.

Note 3 - Unconditional Promises to Give

The Organization has received various multiple year pledges to fund classroom literacy programs. Pledges receivable as of June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Classroom literacy	\$ 100,000	\$ 120,000
Total gross unconditional promises to give	<u>\$ 100,000</u>	<u>\$ 120,000</u>
Receivable in less than one year	\$ 70,000	\$ 70,000
Receivable in more than one year	30,000	50,000
Total Unconditional Promises to Give	<u>\$ 100,000</u>	<u>\$ 120,000</u>

All unconditional promises to give are considered collectible. The Organization has determined discounts on pledges to be immaterial.

GENERATIONS INCORPORATED
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014 AND 2013

Note 4 - In-Kind Donations

The value of donated services, supplies and space included as contributions in the financial statements and the corresponding functional categories for the year ended June 30, 2014 and 2013 are as follows:

	Program Services	Management and General	Fundraising	2014 Totals
AmeriCorps Volunteers	\$ 239,391	\$ -	\$ -	\$ 239,391
Experience Corps Volunteers	76,769	-	-	76,769
Volunteers in Service to America	71,430	12,555	16,455	100,440
Other Volunteers	64,000	-	-	64,000
Fundraising Consultant	-	-	834	834
Meetings	-	-	-	-
Telephone System	-	5,841	-	5,841
Program Activities	206	-	-	206
Recruitment, Training and Volunteer Incentives	360	-	-	360
Rent - Volunteer Site Locations	118,500	-	-	118,500
Supplies	12,478	80	80	12,638
Travel	-	-	-	-
Totals	<u>\$ 583,134</u>	<u>\$ 18,476</u>	<u>\$ 17,369</u>	<u>\$ 618,979</u>

	Program Services	Management and General	Fundraising	2013 Totals
AmeriCorps Volunteers	\$ 398,864	\$ -	\$ -	\$ 398,864
Experience Corps Volunteers	170,995	-	-	170,995
Volunteers in Service to America	45,063	4,100	9,812	58,975
Other Volunteers	23,800	1,920	-	25,720
Books	-	-	-	-
Consultant/Technology	-	-	-	-
Meetings	-	243	-	243
Office Furnishings	-	-	-	-
Program Activities	448	-	-	448
Recruitment, Training and Volunteer Incentives	86	1,301	-	1,387
Rent - Volunteer Site Locations	142,500	-	-	142,500
Supplies	4,795	-	-	4,795
Travel	127	-	-	127
Totals	<u>\$ 786,678</u>	<u>\$ 7,564</u>	<u>\$ 9,812</u>	<u>\$ 804,054</u>

In-kind donations of volunteer time have been valued at a range of \$11 to \$13 per hour. This estimate is well below the independent sectors estimate, which values similar volunteers in Massachusetts at \$27 per hour.

GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

Note 5 - Pro-Bono Services

Certain officers and members of the Board of Directors of Generations Incorporated provide pro-bono legal and insurance placement and consulting services to the Organization. These in-kind services have not been recorded in the financial statements.

Note 6 - Commitments

The Organization leases office facilities located in Boston, Massachusetts. Rent on the lease is payable in monthly installments of \$6,650 through June 2015.

Additional rent is assessed to cover the Organization's share of increases in real estate taxes. In addition, the rent is adjusted annually based on increases in the Consumer Price Index, as defined. Utilities, insurance and maintenance expenses are paid directly by the Organization.

The Organization estimates that its minimum future rent commitment under the lease is as follows:

Year Ending June 30, 2015 \$ 79,800

Note 7 - VISTA Program:

Following is a breakdown of expenses by natural category for the VISTA program where expenses were incurred outside of our primary program services. While some VISTA members serve at Generations Incorporated, these expenses relate to VISTA members serving outside of the Organization, and are included in the program services column of the Statement of Functional Expenses on page 6.

	<u>2014</u>	<u>2013</u>
Salaries, wages and stipends	\$ 259,316	\$ 280,054
Payroll taxes and benefits	9,066	9,505
Miscellaneous	8,137	1,652
Rent	2,904	3,019
Training	9,892	9,196
Volunteer incentives	248	6,976
Total VISTA Expenses	<u>\$ 289,563</u>	<u>\$ 310,402</u>

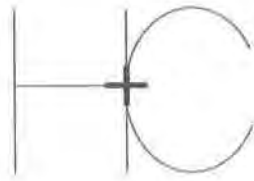
GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

Note 8 - Concentration of Risk - Cash Balances

The Organization maintains its cash balances at one financial institution. The balances are insured by the Federal Deposit Insurance Organization up to \$250,000. At June 30, 2014 and 2013, the Organization's bank balances were fully insured.

Note 9 - Retirement Plan

The Organization maintains a retirement plan where contributions were made at 3% of an employee's salary. All employees are eligible as long as they are employed by the Organization when the contribution is made. Employer contributions to the plan were \$33,431 and \$28,189 for the years ended June 30, 2014 and 2013 respectively and are included in employee benefits expense in the statement of functional expense.



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Certified Public Accountants

David J. McCaughin, CPA
John S. McNamara, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Generations Incorporated
Boston, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Generations Incorporated, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of changes in net assets, activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Generations Incorporated's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Generations Incorporated's internal control. Accordingly, we do not express an opinion on the effectiveness of Generation Incorporated's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Directors
Page Two

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Generations Incorporated's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hughes and Company, P.C.

HUGHES AND COMPANY, P.C.
Melrose, Massachusetts
December 17, 2014



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Generations Incorporated
Boston, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Generations Incorporated's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Generations Incorporated's major federal programs for the year ended June 30, 2014. Generations Incorporated's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Generations Incorporated's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Generations Incorporated's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Generations Incorporated's compliance.

Opinion on Each Major Federal Program

In our opinion, Generations Incorporated complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2014.

Report on Internal Control over Compliance

Management of Generations Incorporated is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Generations Incorporated's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Generations Incorporated's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hughes and Company, P.C.

HUGHES AND COMPANY, P.C.
Melrose, Massachusetts
December 17, 2014

GENERATIONS INCORPORATED
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>Corporation for National and Community Service</u>			
Direct Programs:			
AmeriCorps* VISTA	94.013	07VSAMA007	\$ 283,144
Volunteers in Service to America			
Pass-Through Programs From:			
Mass Service Alliance:	94.003	06AFHMA001	589
AmeriCorps - State Commissions			
AARP- Experience Corp:	94.006	11NDHDC002	376,613
AmeriCorps			<u>660,346</u>
Total Corporation for National Community Service			
<u>Office of Juvenile Justice and Delinquency Prevention</u>			
Pass-Through Programs From:			
AARP - Experience Corps	16.726	2013-JU-FX-0063	95,004
Juvenile Mentoring Program			
<u>U. S. Department of Housing and Urban Development</u>			
Pass-Through Programs From:			
City of Boston - Jobs and Community Services Department	14.218	DNDC14001	27,000
Community Development Block Grant			
Total Expenditures of Federal Awards			<u>\$ 782,350</u>

See accompanying note to Schedule of Expenditures of Federal Awards
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GENERATIONS INCORPORATED
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Generations Incorporated under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the U. S. Office of Management and Budget (*OMB*) *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Generations Incorporated, it is not intended to and does not present the financial position, results of operations, or cash flows of Generations Incorporated.

Note 2 - Summary of Significant Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in *OMB Circular A-122, Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

GENERATIONS INCORPORATED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Generations Incorporated.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Generations Incorporated were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the *Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance required by OMB Circular A133*.
5. The auditor's report on compliance for the major federal award programs for Generations Incorporated expresses an unmodified opinion.
6. There are no audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:
 - a. CFDA #94.006 - AmeriCorps
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Generations Incorporated was determined to be a low- risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No findings.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings or questioned costs.