

GENERATIONS INCORPORATED
FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

GENERATIONS INCORPORATED

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Certified Public Accountants

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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, 2017 and 2016, 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. 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

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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 Generations Incorporated as of June 30, 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.

Hughes and Company, P.C.

HUGHES AND COMPANY, P.C.

Melrose, Massachusetts

November 13, 2017

GENERATIONS INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

<u>ASSETS</u>		<u>2017</u>	<u>2016</u>
Current Assets			
Cash		\$ 329,381	\$ 264,062
Accounts receivable		119,756	145,797
Unconditional promises to give, current		154,690	35,000
Contributions receivable		4,645	2,375
Prepaid expenses		15,384	23,812
Total Current Assets		<u>623,856</u>	<u>471,046</u>
Property and Equipment			
Furniture, fixtures and equipment		121,962	171,397
Less accumulated depreciation		<u>(105,392)</u>	<u>(155,043)</u>
Property and Equipment, Net		<u>16,570</u>	<u>16,354</u>
Other Assets			
Long-term unconditional promises to give, net		563,500	-
Security deposit paid		<u>17,850</u>	<u>17,850</u>
Total Other Assets		<u>581,350</u>	<u>17,850</u>
Total Assets		<u>\$ 1,221,776</u>	<u>\$ 505,250</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities			
Accounts payable and accrued expenses		\$ 72,049	\$ 54,138
Deferred revenue		18,500	12,500
Security deposit held		<u>2,500</u>	<u>2,400</u>
Total Current Liabilities		<u>93,049</u>	<u>69,038</u>
Net Assets			
Unrestricted			
Undesignated - operating		161,877	137,184
Undesignated - property and equipment		2,301	4,673
Board designated for the future		<u>100,390</u>	<u>105,292</u>
Total Unrestricted		<u>264,568</u>	<u>247,149</u>
Temporarily Restricted			
Capital asset support		14,269	11,681
Program Support		<u>849,890</u>	<u>177,382</u>
Total Temporarily Restricted		<u>864,159</u>	<u>189,063</u>
Total Net Assets		<u>1,128,727</u>	<u>436,212</u>
Total Liabilities and Net Assets		<u>\$ 1,221,776</u>	<u>\$ 505,250</u>

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

GENERATIONS INCORPORATED
 STATEMENTS OF CHANGES IN NET ASSETS
 YEARS ENDED JUNE 30, 2017 AND 2016

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets-Capital Asset Support</u>	<u>Temporarily Restricted Net Assets-Program Support</u>	<u>Total Net Assets</u>
Net Assets, June 30, 2015	\$ 295,211	\$ 17,522	\$ 157,000	\$ 469,733
Change in Net Assets	<u>(48,062)</u>	<u>(5,841)</u>	<u>20,382</u>	<u>(33,521)</u>
Net Assets, June 30, 2016	247,149	11,681	177,382	436,212
Change in Net Assets	<u>17,419</u>	<u>2,588</u>	<u>672,508</u>	<u>692,515</u>
Net Assets, June 30, 2017	<u>\$ 264,568</u>	<u>\$ 14,269</u>	<u>\$ 849,890</u>	<u>\$ 1,128,727</u>

The accompanying notes are an integral part of the financial statements

GENERATIONS INCORPORATED
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Changes in Unrestricted Net Assets		
Support and Revenue		
Federal Funding		
Americorps National Direct	\$ 317,522	\$ 313,134
Americorps VISTA	-	6,270
Office of Juvenile Justice and Delinquency Prevention	169,369	104,212
U.S. Department of Health and Human Services	20,147	17,576
Social Innovation Fund	140,746	40,049
Total Federal Funding	<u>647,784</u>	<u>481,241</u>
Corporate and private foundation grants	309,440	377,031
Contributions and gifts	72,380	88,591
Special Events:		
Revenue - Cash	103,712	50,529
Revenue - In Kind	175	853
Expenses - Cash	(14,604)	(3,583)
Expenses - In Kind	(175)	(853)
Special Events, Net	<u>89,108</u>	<u>46,946</u>
In-kind donations	670,769	682,092
Participation fees	223,050	243,675
Rental income, sublease	16,800	14,563
Other income	111	309
Total Unrestricted Support and Revenue	<u>2,029,442</u>	<u>1,934,448</u>
Net Assets Released from Restrictions		
Corporate and private foundation grants	124,000	107,000
Capital grants support	59,222	5,841
Total Net Assets Released from Restrictions	<u>183,222</u>	<u>112,841</u>
Total Unrestricted Support, Revenue and Reclassifications	<u>2,212,664</u>	<u>2,047,289</u>
Expenses		
Program services	1,921,799	1,795,008
Management and general	152,416	164,917
Fundraising	121,030	135,426
Total Expenses	<u>2,195,245</u>	<u>2,095,351</u>
Change in Unrestricted Net Assets	<u>17,419</u>	<u>(48,062)</u>
Temporarily Restricted Net Assets		
Corporate and private foundation grants	858,318	127,382
Net assets released from restrictions		
Expiration of time restrictions	(124,000)	(107,000)
Satisfaction of program restrictions	(59,222)	(5,841)
Change in Temporarily Restricted Net Assets	<u>675,096</u>	<u>14,541</u>
Change in Net Assets	<u>\$ 692,515</u>	<u>\$ (33,521)</u>

The accompanying notes are an integral part of the financial statements

GENERATIONS INCORPORATED
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEARS ENDED JUNE 30, 2017 AND 2016

	Management			2017 Total	Management			2016 Total
	Program Services	and General	Fundraising		Program Services	and General	Fundraising	
Salaries and wages	\$ 618,229	\$ 46,179	\$ 60,890	\$ 725,298	\$ 460,714	\$ 77,999	\$ 77,858	\$ 616,571
Payroll taxes	69,099	4,459	5,396	78,954	55,081	8,094	6,676	69,851
Employee benefits	47,777	9,247	8,895	65,919	38,057	7,874	6,187	52,118
Advertising	266	250	1,359	1,875	460	-	556	1,016
Auditing and tax preparation fees	-	13,850	-	13,850	8,425	8,940	-	17,365
Bank and credit card charges	-	324	-	324	-	168	-	168
Conferences, conventions and meetings	64	494	65	623	813	528	-	1,341
Consultants	3,497	7,658	3,259	14,414	2,320	14,383	5,390	22,093
Depreciation	8,017	445	445	8,907	7,960	442	442	8,844
Dues and subscriptions	464	105	236	805	548	199	765	1,512
Equipment rental and maintenance	3,390	2,048	479	5,917	4,186	523	523	5,232
Insurance	6,756	375	375	7,506	6,545	364	364	7,273
Legal	-	50	-	50	496	27	27	550
Miscellaneous	-	7,018	105	7,123	-	6,333	-	6,333
Occupancy	74,546	31,439	9,427	115,412	90,233	11,279	11,279	112,791
Occupancy, in-kind volunteer sites	227,554	-	-	227,554	180,000	-	-	180,000
Office expense	32,449	5,066	5,423	42,938	18,552	781	3,484	22,817
Postage and printing	4,517	397	2,235	7,149	2,322	90	2,097	4,509
Recruitment	10,246	-	90	10,336	7,182	-	290	7,472
Supplies	9,588	147	112	9,847	30,652	-	453	31,105
Telephone and internet usage	4,438	2,401	624	7,463	6,411	801	801	8,013
Training	23,079	663	379	24,121	20,275	159	214	20,648
Transportation	547	2,460	601	3,608	2,985	1,794	409	5,188
Travel	10,109	1,465	1,391	12,965	10,746	2,009	1,149	13,904
Uniforms	5,636	-	-	5,636	1,650	-	-	1,650
Volunteer background checks	6,704	-	-	6,704	8,737	-	-	8,737
Volunteer incentives and stipends	334,095	9,678	4,912	348,685	376,125	5,352	2,300	383,777
Volunteer time, in-kind	420,732	6,198	14,332	441,262	453,533	16,778	14,162	484,473
Total Functional Expenses	\$ 1,921,799	\$ 152,416	\$ 121,030	\$ 2,195,245	\$ 1,795,008	\$ 164,917	\$ 135,426	\$ 2,095,351

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

GENERATIONS INCORPORATED
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 692,515	\$ (33,521)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	8,907	8,844
Changes in assets and liabilities		
(Increase) Decrease in:		
Accounts receivable	26,041	(14,656)
Unconditional promises to give	(683,190)	15,000
Contributions receivable	(2,270)	(122)
Prepaid expenses	8,428	17,165
Increase (Decrease) in:		
Accounts payable and accrued expenses	17,911	(33,844)
Deferred revenue	6,000	12,500
Security deposit held	100	2,400
Net Cash Provided by (Used in) Operating Activities	<u>74,442</u>	<u>(26,234)</u>
Cash Flows from Investing Activities		
Purchase of equipment	<u>(9,123)</u>	<u>-</u>
Net Cash Provided by (Used in) Investing Activities	<u>(9,123)</u>	<u>(27,791)</u>
Net Increase (Decrease) in Cash	65,319	(26,234)
Cash, Beginning	<u>264,062</u>	<u>290,296</u>
Cash, Ending	<u>\$ 329,381</u>	<u>\$ 264,062</u>
Supplemental disclosures of cash flows information		
Cash paid during the year for		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

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

GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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 Foundation 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 Foundation 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 Foundation Experience Corps volunteers are paired with first through third-grade students who are struggling to read.
- The *Classroom Literacy Program* places highly trained AARP Foundation 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 two programs:

- The *Summer School Program* is a five-week summer literacy program which benefits kindergarten and first-grade students and prepares them for school. AARP Foundation 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 Foundation 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, 2017 AND 2016

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, 2017 and 2016, 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, 2017 AND 2016

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, 2017 and 2016 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, 2017 AND 2016

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, 2017, the Organization determined that there are no material unrecognized tax benefits to report.

Information returns filed for the years ended June 30, 2016, 2015 and 2014 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, 2017 and 2016.

GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

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, 2017 and 2016 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 November 13, 2017 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 literacy programs. Unconditional promises to give as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Gross unconditional promises to give	\$ 784,690	\$ 35,000
Less: Discount to present value	(66,500)	-
Total gross unconditional promises to give	<u>\$ 718,190</u>	<u>\$ 35,000</u>
Receivable in less than one year	\$ 154,690	\$ 35,000
Receivable in one-five years	397,500	-
Receivable in more than five years	166,000	-
Total Unconditional Promises to Give	<u>\$ 718,190</u>	<u>\$ 35,000</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2%.

Uncollectible amounts for unconditional promises to give are expected to be insignificant. Accordingly, no provision is made for uncollectible amounts.

GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

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, 2017 and 2016 are as follows:

	Program Services	Management and General	Fundraising	2017 Totals
Experience Corps Volunteers	\$ 418,895	\$ 3,258	\$ -	\$ 422,153
Volunteers in Service to America	1,837	2,940	14,332	19,109
Materials and supplies	71	-	-	71
Recruitment, Training and Volunteer Incentives	1,882	-	-	1,882
Rent - Volunteer Site Locations	227,554	-	-	227,554
Totals	<u>\$ 650,239</u>	<u>\$ 6,198</u>	<u>\$ 14,332</u>	<u>\$ 670,769</u>

	Program Services	Management and General	Fundraising	2016 Totals
Experience Corps Volunteers	\$ 368,650	\$ -	\$ -	\$ 368,650
Volunteers in Service to America	29,884	16,778	14,162	60,824
Other Volunteers	55,000	-	-	55,000
Program Activities	17,118	250	-	17,368
Recruitment, Training and Volunteer Incentives	250	-	-	250
Rent - Volunteer Site Locations	180,000	-	-	180,000
Totals	<u>\$ 650,902</u>	<u>\$ 17,028</u>	<u>\$ 14,162</u>	<u>\$ 682,092</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 \$30 per hour.

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.

GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

Note 6 - Commitments

The Organization leases office facilities located in Boston, Massachusetts. The lease has been extended through June, 2020, and is payable in monthly installments of \$8,225.

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. During 2017 and 2016, the Organization paid rent totaling \$109,745 and \$107,615, respectively. 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, 2018	102,648
Year Ending June 30, 2019	104,664
Year Ending June 30, 2020	106,722
	<u>\$ 314,034</u>

In January, 2016 the Organization entered into a one year sub lease with another not -for-profit organization for 650 square feet of office space. Monthly payments under the sub lease which was renewable on an annual basis were \$2,400. A security deposit of \$2,400 was also required. That tenant vacated the space in January 2017. Rental income for the year ended June 30, 2017, including retention of the security deposit totaled \$16,800. The Organization entered into a new lease with a different not-for-profit which commenced July 1, 2017. The Organization expects to collect a minimum of \$30,000 for the year ended June 30, 2018.

Note 7 - Concentration of Risk - Cash Balances

The Organization maintains its cash balances at one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2017, and 2016 the Organization had uninsured bank balances totaling \$86,098 and \$43,396, respectively.

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 \$31,985 and \$29,418 for the years ended June 30, 2017 and 2016 respectively and are included in employee benefits expense in the statement of functional expense.