

# **FUTURE GENERATIONS, INC.**

## *CONSOLIDATED FINANCIAL STATEMENTS*

*June 30, 2015*

# FUTURE GENERATIONS, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Future Generations, Inc.  
Circleville, West Virginia

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Future Generations, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated 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 audit. We conducted our audit 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.

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 Future Generations, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of Future Generations, Inc.'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 Future Generations, Inc.'s internal control over financial reporting and compliance.

**Emphasis of Matter**

As discussed in Note I to the financial statements, effective July 1, 2015, the financial operations of the two related organizations were legally separated. Our opinion is not modified with respect to this matter.

*Martin, Beachy & Archart, PLLC*

December 22, 2015

**FUTURE GENERATIONS, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**June 30, 2015**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 370,692
Accounts receivable, less allowance for doubtful accounts of \$9,732	22,751
Program advances	33,155
Prepaid expenses	12,540
Employee advances	<u>20,106</u>

TOTAL CURRENT ASSETS 459,244

PROPERTY AND EQUIPMENT

At cost, less accumulated depreciation	325,602
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INVESTMENTS 10,094,815

TOTAL ASSETS \$ 10,879,661

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 137,522
Accrued wages	11,958
Deferred revenue	<u>4,375</u>

TOTAL CURRENT LIABILITIES 153,855

NET ASSETS

Unrestricted	294,079
Temporarily restricted	618,020
Permanently restricted	<u>9,813,707</u>

TOTAL NET ASSETS 10,725,806

TOTAL LIABILITIES AND NET ASSETS \$ 10,879,661

**FUTURE GENERATIONS, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 2,034,263	\$ 14,711	\$ 1,736,478	\$ 3,785,452
Tuition revenue, net of discounts	348,400	-	-	348,400
Investment income	2,713	562,926	-	565,639
Unrealized loss on investments	-	(806,810)	-	(806,810)
Other revenue	3,847	-	-	3,847
Net assets released from restrictions	<u>794,534</u>	<u>(794,534)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>3,183,757</u>	<u>(1,023,707)</u>	<u>1,736,478</u>	<u>3,896,528</u>
<b>PROGRAM SERVICES</b>				
China	62,872	-	-	62,872
India	50,733	-	-	50,733
Afghanistan	1,115	-	-	1,115
Peru	291,821	-	-	291,821
Haiti	40,000	-	-	40,000
Rural America	328,891	-	-	328,891
Graduate program	<u>1,696,620</u>	<u>-</u>	<u>-</u>	<u>1,696,620</u>
	<u>2,472,052</u>	<u>-</u>	<u>-</u>	<u>2,472,052</u>
<b>SUPPORTING SERVICES</b>				
Management and general	365,357	-	-	365,357
Fundraising	47,375	-	-	47,375
Facilities	<u>19,485</u>	<u>-</u>	<u>-</u>	<u>19,485</u>
	<u>432,217</u>	<u>-</u>	<u>-</u>	<u>432,217</u>
<b>TOTAL EXPENSES</b>	<u>2,904,269</u>	<u>-</u>	<u>-</u>	<u>2,904,269</u>
<b>CHANGE IN NET ASSETS</b>	279,488	(1,023,707)	1,736,478	992,259
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>14,591</u>	<u>1,641,727</u>	<u>8,077,229</u>	<u>9,733,547</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 294,079</u>	<u>\$ 618,020</u>	<u>\$ 9,813,707</u>	<u>\$ 10,725,806</u>

See accompanying notes to financial statements.

**FUTURE GENERATIONS, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2015**

	Program Services						Supporting Services			Total	
	China	India	Afghanistan	Peru	Haiti	Rural America	Graduate Program	Management and General	Fund-raising		Facilities
Wages	\$ -	\$ 9,000	\$ -	\$ 46,644	\$ -	\$ 109,361	\$ 356,268	\$ 281,971	\$ 44,346	\$ -	\$ 847,590
Payroll taxes and benefits	-	762	-	15,004	-	24,198	64,079	16,292	2,869	-	123,204
In-country wages and taxes	-	-	-	56,964	-	-	-	-	-	-	56,964
International associates	-	27,234	-	29,611	-	-	15,268	-	-	-	72,113
Contracts and grants	62,700	12,000	850	26,046	40,000	112,101	262,071	-	-	-	515,768
Travel, meetings and conferences	-	1,737	265	14,457	-	20,194	342,680	5,242	-	-	384,575
Professional fees	-	-	-	46,378	-	-	262,976	34,846	-	-	344,200
Scholarships	-	-	-	-	-	-	272,480	-	-	-	272,480
Events and productions	-	-	-	-	-	24,856	578	-	-	-	25,434
Supplies	-	-	-	7,087	-	1,891	5,453	15,770	-	-	30,201
Printing and reproduction	-	-	-	13,267	-	35	5,615	975	-	-	19,892
Marketing	-	-	-	2,524	-	-	13,207	213	-	-	15,944
Rents	-	-	-	13,922	-	23,189	950	-	-	-	38,061
Utilities	-	-	-	765	-	2,347	4,203	-	-	517	7,832
Technology and communications	-	-	-	5,360	-	711	28,208	1,360	160	-	35,799
Dues and subscriptions	-	-	-	-	-	750	21,444	-	-	-	22,194
Taxes, interest, and fees	172	-	-	1,206	-	-	15,820	-	-	3,569	20,767
Depreciation	-	-	-	-	-	-	-	-	-	14,571	14,571
Repairs and maintenance	-	-	-	2,321	-	-	10,949	-	-	828	14,098
Insurance	-	-	-	-	-	-	13,387	4,261	-	-	17,648
Other	-	-	-	10,265	-	9,258	984	4,427	-	-	24,934
<b>Total Expenses</b>	<b>\$ 62,872</b>	<b>\$ 50,733</b>	<b>\$ 1,115</b>	<b>\$ 291,821</b>	<b>\$ 40,000</b>	<b>\$ 328,891</b>	<b>\$ 1,696,620</b>	<b>\$ 365,357</b>	<b>\$ 47,375</b>	<b>\$ 19,485</b>	<b>\$ 2,904,269</b>

See accompanying notes to financial statements.

**FUTURE GENERATIONS, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 992,259
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	14,571
Gain on sale of investments	(367,423)
Unrealized loss on investments	806,810
Contributions restricted for long-term purposes	(1,736,478)
(Increase) decrease in:	
Accounts and grants receivable	40,159
Program advances	40,699
Prepaid expenses	6,108
Employee advances	22,399
Increase in:	
Accounts payable	48,877
Accrued expenses	9,570
Deferred revenue	<u>(13,125)</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u>(135,574)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of land and improvements	(97,646)
Proceeds from sale of investments	1,852,893
Purchase of investments	<u>(3,282,778)</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(1,527,531)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from contributions restricted for investment in permanent endowment	<u>1,736,478</u>
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 <u>1,736,478</u>
 NET INCREASE IN CASH	 73,373
CASH AT BEGINNING OF YEAR	<u>297,319</u>
 CASH AT END OF YEAR	 <u>\$ 370,692</u>

See accompanying notes to financial statements.

**FUTURE GENERATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principals of Consolidation**

The consolidated financial statements include the accounts of Future Generations, Inc. and its related organization, Future Generations Graduate School of Applied Social Change and Conservation. All material interorganizational transactions have been eliminated.

**Nature of Activities**

**Future Generations** combines education, action, and global engagement to shape a just and lasting future for all. Founded in 1992, Future Generations partners with a global network of organizations in seven countries (Afghanistan, Canada, China, Haiti, India, Peru, and the United States) to strengthen the skills and partnerships of communities and governments to mobilize self-reliant solutions based on local priorities. The Organization specializes in community-based approaches that strengthen and sustain impacts in primary health, conservation, digital literacy, peace building, and local governance. Together the expanding network of organizations promotes cross-cultural collaboration and shares lessons on global best practices.

**The Future Generations Graduate School** began in 2003 to offer a Master's Degree in Applied Community Change designed for mid-career, international community change agents. Accredited in 2010 by the Higher Learning Commission of the North Central Association of Colleges and Schools, the Graduate School now offers a Master's in Applied Community Change with concentrations in conservation and peacebuilding. To date, seven classes of social change practitioners from 38 different countries have graduated from the Master's program. In addition to the Master's degree, the Graduate School focuses on networking and lifelong learning opportunities for alumni, faculty, and other stakeholders.

The following are some of the specific activities that have occurred in the country programs during the fiscal year. For many of these country programs the majority of funds to support the operations are raised by the respective country program and do not pass through Future Generations, Inc. Therefore, those funds are not included in the consolidated financial statements.

**China:** Partnered with Future Generations China and the Chinese Government on the Sanjiangyuan National Nature Preserve Water Conservation Project in Qinghai Province. In the Tibet Autonomous Region, supported the efforts of the Pendeba Society to strengthen a network of more than 200 community service volunteers.

**India:** In the northeastern Indian state of Arunachal Pradesh, facilitated a maternal and child health training program in seven sites utilizing empowerment-based training methods to build skills and confidence in rural mothers. Additional income generation activities, made possible through community-managed micro-credit schemes, continue to grow in all seven sites with the production of agriculture products and craft products such as garments. These activities have been mobilizing into a multi-site income generation cooperative in order to produce products locally, while exporting them to larger urban markets under the facilitation of our autonomous partner Future Generations Arunachal.

Additionally we are also reinvigorating Future Generations India as an autonomous charitable organization in central India to advance entrepreneurial opportunities for Indian youth.

**Afghanistan:** In Nangarhar Province, strengthened local governance through the training of Community Development Councils and increased options for sustainable livelihoods through the creation of three horticultural learning centers based at local high schools.

**FUTURE GENERATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Nature of Activities (Continued)**

**Peru:** In December 2014 Future Generations completed a four-year USAID-funded project in the upper Amazon of Huánuco. The “Health in the Hands of Women” initiative further developed and tested a set of organizational and capacity-building innovations for the health sector that strengthen linkages between primary health care clinics and rural communities to ensure promotion of key health practices in the home that reduce child stunting, through the training and support of female Community Health Agents. Dr. Laura Altobelli won a competitively bid contract with the Belgian Technical Cooperation Agency to design and implement a quantitative and qualitative baseline study for the national Integrated Health Insurance (SIS) Program which is oriented to the otherwise uninsured with special focus on maternal and child health (Nov. 2014 to May 2015). Currently the Peru team is bidding on new projects with USAID to scale up the “Health in Hands of Women” initiative through the Ministry of Health, and with UNDEF (United Nations Democracy Fund) to strengthen the CLAS program in Peru.

**Haiti:** Supported the establishment of Future Generations Haiti and continued the ‘success mapping’ initiative to document, promote, and build from the community-led achievements of Haiti.

**Rural America:** Its projects engage communities in filling gaps in the service environment using peer-to-peer approaches. In 2014, The Supportive Services for Veteran Families program, funded by the US Department of Veterans Affairs was completed. The program provided homeless veterans peer mentoring with navigating the rental housing market and public benefit program in six Virginia and West Virginia counties. Currently, three programs funded by the Health Resources and Services Administration are operating. These include, The West Virginia Community Health Workers Network operating in southern West Virginia; The Rural Health Care Services Outreach Grant Program for Post-Traumatic Stress Disorder operating in southern West Virginia; and The Community Services and Connections for Ex-Offenders in Western Virginia.

**Graduate Program:** The Class of 2015, the second class with a peacebuilding concentration, graduated (appropriately) on September 11, 2015, with a ceremony held at the U.S. Institute of Peace in Washington DC. The Class of 2014 graduated on November 1, 2014, in a ceremony held at the National Geographic Center in Washington DC. The Global Engagement Initiative was held in Franklin WV in October 2014, attended by 25 alumni, Graduate School trustees, faculty, and staff from 11 countries. The Future Generations Global Network offers opportunities to alumni for continued learning, professional collaboration, and project support through mini-grants.

Research and social change development conducted within the Graduate School included Professor Robert Fleming’s work on the *Macro Description and Analysis of the Natural History of the Himalaya*; Dr. Shukria Hussan’s report on the *Application of Pregnancy History Methodology for Families in Afghanistan*; and Dr. Daniel Taylor’s publication of the *2nd Edition of Just and Lasting Change* for Johns Hopkins University Press and development of a new university, University of the World.

**Financial Statement Presentation**

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

**Date of Management’s Review**

Subsequent events were evaluated through December 22, 2015, which is the date the financial statements were available to be issued.

**FUTURE GENERATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Expense Allocation**

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**Cash**

The Organization considers all unrestricted short-term investments with an original maturity of three months or less to be cash equivalents.

**Accounts Receivable**

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year end. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on the current status of individual accounts.

**Investments**

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

**Income Tax Status**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(2).

**Recognition of Donor Restrictions**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Property and Equipment**

The Organization follows the practice of capitalizing expenditures at cost for property and equipment in excess of \$5,000. The costs of additions and betterments are capitalized, and expenditures for repairs and maintenance are expensed in the period incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Contributions of property and materials are capitalized at the current fair market values. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

**FUTURE GENERATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment (Continued)**

Property and equipment are summarized by major classification as follows:

Land and improvements	\$ 96,061
Buildings	425,938
Furniture and equipment	<u>51,521</u>
	573,520
Accumulated depreciation	<u>(247,918)</u>
	<u>\$ 325,602</u>

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B – PROGRAM ADVANCES**

To maintain operating capital for its overseas operation, the Organization makes cash advances to its program in Peru. As of June 30, 2015, program advances totaled \$33,155.

**NOTE C – INVESTMENTS**

Investments are presented in the financial statements at fair value. All investments are restricted as part of the endowment funds. Cost and fair values at June 30, 2015 are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 415,050	\$ 415,050
U.S. equities	2,063,460	1,874,712
Mutual funds	5,038,034	5,591,111
Corporate bonds	1,138,602	1,242,868
Preferred stock	575,486	627,241
Other	98,833	98,833
Real estate	<u>338,000</u>	<u>245,000</u>
	<u>\$ 9,667,465</u>	<u>\$ 10,094,815</u>

The following schedule summarizes the investment return and its classification in the statement of activities:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 2,713	\$ 238,629	\$ 241,342
Investment management fees	-	(43,126)	(43,126)
Net realized gain	-	367,423	367,423
Net unrealized gain	<u>-</u>	<u>(806,810)</u>	<u>(806,810)</u>
	<u>\$ 2,713</u>	<u>\$ (243,884)</u>	<u>\$ (241,171)</u>

**FUTURE GENERATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE D – FAIR VALUE MEASUREMENTS**

**Fair Value Hierarchy**

The fair value accounting standards establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure fair value.

Investments in debt and equity securities are recorded at fair value on a recurring basis. When quoted market prices are unobservable, management uses quotes from independent pricing vendors based on independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating and other factors such as credit loss assumptions.

Management believes that the valuations used in its financial statements are reasonable and are appropriately classified in the fair value hierarchy.

Fair values of assets measured on a recurring basis at June 30, 2015 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>
Investments:			
Cash and cash equivalents	\$ 415,050	\$ -	\$ 415,050
Corporate debt securities	1,242,868	1,242,868	-
U.S. equities:			
Financial	549,033	549,033	-
Industrial goods	244,179	244,179	-
Materials	256,230	256,230	-
Services	532,670	532,670	-
Technology	292,600	292,600	-
Mutual funds - U.S. equity:			
Small cap	315,822	315,822	-
Mid cap	1,012,872	1,012,872	-
Large cap	904,454	904,454	-
Other	1,036,221	1,036,221	-
Mutual funds - International equity	2,321,742	2,321,742	-
Preferred stock	627,241	627,241	-
Real estate - Pendleton County, West Virginia	245,000	-	245,000
Other assets	98,833	-	98,833
	<u>\$ 10,094,815</u>	<u>\$ 9,335,932</u>	<u>\$ 758,883</u>

**FUTURE GENERATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE E – ENDOWMENT FUNDS**

The Organization's endowment consists of six individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted West Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets a) the original value of gifts donated to the permanent endowment, b) the original value of subsequent gifts to the permanent endowment, and c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: 1) the duration and preservation of the various funds, 2) the purposes of the donor-restricted endowment funds, 3) general economic conditions, 4) the possible effect of inflation and deflation, 5) the expected total return from income and the appreciation of investments, 6) other resources of the Organization, and 7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies.

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

On May 1, 2015, the Future Generations Graduate School board revised this policy to appropriating for distribution 5% annual of the three (3) year average market value of the endowment funds as calculated at the end of each quarter. The Organization had a policy through April 2015 of appropriating for distribution each year 5% annual of the market value of the endowment funds as of end of the fiscal year for that year. In changing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects this formula to avoid large fluctuations and allow the endowment corpus and revenue stream to keep pace with inflation.

**FUTURE GENERATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE E – ENDOWMENT FUNDS (Continued)**

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 1,027,088	\$ 8,077,229	\$ 9,104,317
Contributions	-	1,736,478	1,736,478
Investment income (loss)	562,926	-	562,926
Net depreciation	(806,810)	-	(806,810)
Amounts appropriated for expenditure	(502,096)	-	(502,096)
End of year	<u>\$ 281,108</u>	<u>\$ 9,813,707</u>	<u>\$ 10,094,815</u>

**NOTE F – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

India	\$ 67,537
Graduate school	256,535
Nepal earthquake relief	12,840
Endowment earnings	281,108
	<u>\$ 618,020</u>

**NOTE G – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of the following:

Scholarships:	
Tibet Ethnicity	\$ 701,178
Chun-Wuei	2,020,500
Tibetan scholarship endowment	895,120
Professorships:	
Carl Taylor Equity and Empowerment - Health	1,690,214
Robert Fleming Equity and Empowerment - Natural History	1,577,984
Yeti Equity and Empowerment - Social Change	1,787,711
Alumni network endowment	1,141,000
	<u>\$ 9,813,707</u>

**NOTE H – CONCENTRATION OF CONTRIBUTIONS**

For the year ended June 30, 2015, the Organization received approximately 52% of its contributions and grants from one donor.

**FUTURE GENERATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE I – SEPARATION OF ORGANIZATIONS**

During the year ended June 30, 2015, the respective governing boards of Future Generations, Inc. and Future Generations Graduate School began procedures to make each organization autonomous.

Effective July 1, 2015, the financial operations of Future Generations, Inc. and Future Generations Graduate School were legally separated. Since the organizations no longer share financial resources and have independent board of directors, consolidated financial statements will not be required for future years.

Below is a summary schedule of financial position for each entity as of July 1, 2015, the effective date of the separation:

	Future Generations, Inc.	Future Generations Graduate School
Current assets	\$ 140,986	\$ 318,258
Property and equipment	-	325,602
Investments	-	10,094,815
	<u>140,986</u>	<u>10,738,675</u>
Current liabilities	-	153,855
Net assets	<u>140,986</u>	<u>10,584,820</u>
	<u>\$ 140,986</u>	<u>\$ 10,738,675</u>



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  
Future Generations, Inc.  
Circleville, West Virginia

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 Future Generations, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of 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 22, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Future Generation'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 Future Generation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Future Generations, Inc.'s financial statements are free of 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**

This 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 purposes.

*Martin, Beachy & Archart, PLLC*

December 22, 2015