

# **FUTURE GENERATIONS, INC.**

## *CONSOLIDATED FINANCIAL STATEMENTS*

*June 30, 2014*

# 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 financial statements of Future Generations, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of 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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Graduate School schedules on pages 15-17 are 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 22, 2014, 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.

*Martin, Beachy & Archart, PLLC*

December 22, 2014

**FUTURE GENERATIONS, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**June 30, 2014**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 297,319
Accounts receivable	57,981
Grants receivable	4,929
Program advances	73,854
Prepaid expenses	18,648
Employee advances	<u>42,505</u>

TOTAL CURRENT ASSETS 495,236

PROPERTY AND EQUIPMENT

At cost, less accumulated depreciation	242,527
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INVESTMENTS

9,104,317

TOTAL ASSETS

\$ 9,842,080

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 88,645
Accrued wages	2,388
Deferred revenue	<u>17,500</u>

TOTAL CURRENT LIABILITIES 108,533

NET ASSETS

Unrestricted	14,591
Temporarily restricted	1,641,727
Permanently restricted	<u>8,077,229</u>

TOTAL NET ASSETS 9,733,547

TOTAL LIABILITIES AND NET ASSETS \$ 9,842,080

**FUTURE GENERATIONS, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 1,336,459	\$ 505,686	\$ -	\$ 1,842,145
Tuition revenue, net of discounts	371,353	-	-	371,353
Investment income	25,845	573,176	-	599,021
Unrealized gain on investments	-	967,332	-	967,332
Other revenue	13,498	-	-	13,498
Net assets released from restrictions	<u>1,192,713</u>	<u>(1,192,713)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>2,939,868</u>	<u>853,481</u>	<u>-</u>	<u>3,793,349</u>
<b>PROGRAM SERVICES</b>				
China	131,628	-	-	131,628
India	151,905	-	-	151,905
Afghanistan	73,150	-	-	73,150
Peru	391,082	-	-	391,082
Haiti	4,096	-	-	4,096
Rural America	238,843	-	-	238,843
Graduate program	1,354,162	-	-	1,354,162
Broadband program	<u>13,492</u>	<u>-</u>	<u>-</u>	<u>13,492</u>
	<u>2,358,358</u>	<u>-</u>	<u>-</u>	<u>2,358,358</u>
<b>SUPPORTING SERVICES</b>				
Management and general	410,844	-	-	410,844
Fundraising	76,431	-	-	76,431
Facilities	<u>24,431</u>	<u>-</u>	<u>-</u>	<u>24,431</u>
	<u>511,706</u>	<u>-</u>	<u>-</u>	<u>511,706</u>
<b>TOTAL EXPENSES</b>	<u>2,870,064</u>	<u>-</u>	<u>-</u>	<u>2,870,064</u>
<b>CHANGE IN NET ASSETS</b>	69,804	853,481	-	923,285
<b>NET ASSETS (DEFICIT) AT BEGINNING OF YEAR</b>	<u>(55,213)</u>	<u>788,246</u>	<u>8,077,229</u>	<u>8,810,262</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 14,591</u>	<u>\$ 1,641,727</u>	<u>\$ 8,077,229</u>	<u>\$ 9,733,547</u>

See accompanying notes to financial statements.

**FUTURE GENERATIONS, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2014**

	Program Services							Supporting Services				Total
	China	India	Afghanistan	Peru	Haiti	Rural America	Graduate Program	Broadband	Management and General	Fund-raising	Facilities	
Wages	\$ -	\$ -	\$ -	\$ 80,308	\$ -	\$ 95,426	\$ 331,290	\$ 8,312	\$ 252,625	\$ 45,597	\$ -	\$ 813,558
Payroll taxes and benefits	-	-	-	21,063	-	23,321	37,224	3,978	26,075	6,134	-	117,795
In-country wages and taxes	-	-	-	152,398	-	-	-	-	-	-	-	152,398
International associates	-	20,700	36,150	7,509	-	-	-	-	-	-	-	64,359
Contracts and grants	131,400	131,100	30,000	-	2,000	37,252	210,600	-	2,060	-	-	544,412
Travel, meetings and conferences	218	-	-	16,031	1,604	27,877	310,310	135	24,745	9,783	74	390,777
Professional fees	-	-	7,000	17,001	-	-	153,271	590	35,348	35	-	213,245
Scholarships	-	-	-	-	-	-	266,287	-	-	-	-	266,287
Events and productions	-	-	-	12,409	-	26,980	13,448	-	129	43	-	53,009
Supplies	-	105	-	13,997	350	4,343	691	75	13,883	606	33	34,083
Printing and reproduction	-	-	-	23,442	-	-	1,405	-	4,411	2,166	-	31,424
Marketing	-	-	-	400	-	-	6,882	-	2,100	-	-	9,382
Rents	-	-	-	24,841	-	10,826	-	-	-	-	-	35,667
Utilities	-	-	-	1,190	-	875	-	-	2,609	-	1,071	5,745
Technology and communications	10	-	-	9,175	142	900	3,942	36	11,962	12,067	-	38,234
Dues and subscriptions	-	-	-	618	-	349	3,515	-	3,090	-	-	7,572
Taxes, interest, and fees	-	-	-	1,554	-	-	1,865	-	13,946	-	1,854	19,219
Depreciation	-	-	-	-	-	-	-	-	-	-	15,838	15,838
Repairs and maintenance	-	-	-	2,866	-	-	1,429	366	8,873	-	5,561	19,095
Insurance	-	-	-	-	-	750	4,884	-	2,841	-	-	8,475
Other	-	-	-	6,280	-	9,944	7,119	-	6,147	-	-	29,490
<b>Total Expenses</b>	<b>\$ 131,628</b>	<b>\$ 151,905</b>	<b>\$ 73,150</b>	<b>\$ 391,082</b>	<b>\$ 4,096</b>	<b>\$ 238,843</b>	<b>\$ 1,354,162</b>	<b>\$ 13,492</b>	<b>\$ 410,844</b>	<b>\$ 76,431</b>	<b>\$ 24,431</b>	<b>\$ 2,870,064</b>

See accompanying notes to financial statements.

**FUTURE GENERATIONS, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 923,285
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	15,838
Loss on disposal of equipment	5,669
Gain on sale of investments	(364,987)
Unrealized gain on investments	(967,332)
(Increase) decrease in:	
Accounts and grants receivable	(30,033)
Program advances	40,266
Prepaid expenses	(18,648)
Employee advances	(30,798)
Increase in:	
Accounts payable	88,395
Accrued expenses	663
Deferred revenue	<u>7,500</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u>(330,182)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	2,581,319
Purchase of investments	<u>(2,254,602)</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>326,717</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of short-term debt	<u>(50,000)</u>
 NET CASH USED BY FINANCING ACTIVITIES	 <u>(50,000)</u>
 NET DECREASE IN CASH	 (53,465)
 CASH AT BEGINNING OF YEAR	 <u>350,784</u>
 CASH AT END OF YEAR	 <u><u>\$ 297,319</u></u>

See accompanying notes to financial statements.



**FUTURE GENERATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2014**

**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 two concentrations in conservation and peace building. To date, the Organization has graduated five classes of students and currently trains peace builders from numerous countries. An alumni network continues a process of global engagement and lifelong learning.

Specific activities in the following programs included:

**China:** Provided training and mentorship for a Model Eco-Community in the Taoyuan River Watershed of Hunan Province to preserve the diverse natural habitat of the Yuan River while providing communities with the skills to create sustainable livelihoods; 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 the skills and confidence of rural mothers.

**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.

**Peru:** In the upper Amazon of Huánuco Department, Dr. Laura Altobelli launched the *Health in the Hands of Women* initiative to strengthen linkages between primary health care clinics and rural communities and promote health prevention in the home through the training of Community Health Agents. Dr. Altobelli partnered three years ago with USAID on the development and execution of this program which will come to an end in December 2014.

**Haiti:** Supported the establishment of Future Generations Haiti and launched 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. The *West Virginia Community Health Workers Network*, funded by the Health Resources and Services Administration, builds the capacity of community health workers in rural community-based organizations to develop sustainable health promotion programs in southern West Virginia. The *Supportive Services for Veteran Families* program, funded by the U.S. Department of Veterans Affairs, provided homeless veterans peer mentoring with navigating the rental housing market and public benefit programs in six Virginia and West Virginia counties. The *Shenandoah Mental Health Systems Strengthening* project, funded by the Health Resources and Services Administration, engages community members in defining mental health priorities and opportunities for new programs in Shenandoah County, Virginia.

**FUTURE GENERATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2014**

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

**Nature of Activities (Continued)**

**Graduate Program:** Partnered with the U.S. Institute of Peace to offer a Master's in Applied Community Change with a concentration in peace building to students from 12 countries. This class graduated in October 2014. Alumni networking and learning opportunities were expanded with a global engagement meeting held in Franklin WV in October 2014, attended by 25 alumni and Graduate School trustees and staff from 11 countries.

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.

**Broadband:** Continued efforts across rural West Virginia to improve access to computers, broadband connectivity, and relevant training through 60 public computer centers based in volunteer fire departments that are managed by more than 150 computer mentors statewide. The federal portion of the program was completed in September 2013.

**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, 2014, which is the date the financial statements were available to be issued.

**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.

**FUTURE GENERATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2014**

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

**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).

The Organization's federal exempt organization information returns (Form 990) are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization believes that they are no longer subject to income tax examinations for years before 2010.

**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.

Property and equipment are summarized by major classification as follows:

Land	\$ 60,075
Buildings	364,278
Furniture and equipment	<u>59,021</u>
	483,374
Accumulated depreciation	<u>(240,847)</u>
	<u>\$ 242,527</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 programs in Peru and Haiti. As of June 30, 2014, program advances totaled \$73,854.

**FUTURE GENERATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2014**

**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, 2014 are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 100,997	\$ 100,997
U.S. equities	1,293,396	1,719,789
Mutual funds	4,034,021	5,028,457
Corporate bonds	893,743	976,794
Preferred stock	575,486	605,184
Other	406,299	428,096
Real estate	338,000	245,000
	<u>\$ 7,641,942</u>	<u>\$ 9,104,317</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	\$ 2,598	\$ 276,604	\$ 279,202
Investment management fees	-	(45,168)	(45,168)
Net realized gain	23,247	341,740	364,987
Net unrealized gain	-	967,332	967,332
	<u>\$ 25,845</u>	<u>\$ 1,540,508</u>	<u>\$ 1,566,353</u>

**NOTE E – 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.

**FUTURE GENERATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE E – FAIR VALUE MEASUREMENTS (Continued)**

Fair values of assets measured on a recurring basis at June 30, 2014 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)
<b>Investments:</b>			
Cash and cash equivalents	\$ 100,997	\$ -	\$ 100,997
Corporate debt securities	976,794	976,794	-
<b>U.S. equities:</b>			
Financial	632,930	632,930	-
Industrial goods	339,979	339,979	-
Materials	387,723	387,723	-
Services	130,641	130,641	-
Technology	228,516	228,516	-
<b>Mutual funds - U.S. equity:</b>			
Small cap	304,512	304,512	-
Mid cap	847,174	847,174	-
Large cap	907,494	907,494	-
Other	312,961	312,961	-
Mutual funds - International equity	2,205,562	2,205,562	-
<b>Mutual funds - fixed income:</b>			
Intermediate term	450,754	450,754	-
Preferred stock	605,184	605,184	-
Real estate - Pendleton County, West Virginia	245,000	-	245,000
Other assets - commodities	428,096	428,096	-
	<u>\$ 9,104,317</u>	<u>\$ 8,758,320</u>	<u>\$ 345,997</u>

**NOTE F – 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.

**FUTURE GENERATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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

The Organization has a policy of appropriating for distribution each year 5% of the market value of the endowment funds as of the beginning of the year. In establishing 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 in spending, and allow the endowment corpus and revenue stream to increase over time to keep pace with inflation.

Changes in endowment net assets for the year ended June 30, 2014 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 21,485	\$ 8,077,229	\$ 8,098,714
Investment income (loss)	573,176	-	573,176
Net appreciation	967,332	-	967,332
Amounts appropriated for expenditure	(534,905)	-	(534,905)
End of year	<u>\$ 1,027,088</u>	<u>\$ 8,077,229</u>	<u>\$ 9,104,317</u>

**NOTE G – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

China	\$ 66,000
India	132,302
Haiti	4,851
Graduate school	409,269
Development	2,217
Endowment earnings	1,027,088
	<u>\$ 1,641,727</u>

**FUTURE GENERATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE I – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of the following:

Tibet endowment	\$ 701,178
Masters endowment - Fleming	1,577,984
Masters endowment - Taylor	1,690,203
Chun-Wuei Scholarship endowment	2,020,153
Masters endowment - Yeti	1,787,711
Alumni network endowment	<u>300,000</u>
	<u>\$ 8,077,229</u>

**NOTE J – CONCENTRATION OF CONTRIBUTIONS**

For the year ended June 30, 2014, the Organization received approximately 29% of its contributions and grants from one donor.

**NOTE K – CASH DEPOSITS**

The Organization maintains its cash balances in one financial institution located in Franklin, West Virginia. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2014, the Organization's uninsured cash balances totaled approximately \$110,000.

**NOTE L – SUBSEQUENT EVENT**

As noted under the Peru activity listed on page 7, the Organization is discontinuing its Peru operations effective December 2014.



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, 2014, 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, 2014.

**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*.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Martin, Beachy & Arehart, PLLC*

December 22, 2014



**FUTURE GENERATIONS GRADUATE SCHOOL  
STATEMENT OF FINANCIAL POSITION  
June 30, 2014**

ASSETS

CURRENT ASSETS

Cash	\$ 1,000
Accounts receivable	58,481
Prepaid expenses	<u>58,608</u>

TOTAL CURRENT ASSETS 118,089

INVESTMENTS

8,313,907

TOTAL ASSETS \$ 8,431,996

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Due to Future Generations	\$ 1,135,123
Accounts payable	19,496
Deferred revenue	<u>17,500</u>

TOTAL CURRENT LIABILITIES 1,172,119

NET ASSETS (DEFICIT)

Unrestricted	(1,461,099)
Temporarily restricted	1,344,925
Permanently restricted	<u>7,376,051</u>

TOTAL NET ASSETS 7,259,877

TOTAL LIABILITIES AND NET ASSETS \$ 8,431,996

**FUTURE GENERATIONS GRADUATE SCHOOL  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 333,649	\$ 308,921	\$ -	\$ 642,570
Tuition revenue, net of discounts	368,362	-	-	368,362
Investment income	1	523,419	-	523,420
Unrealized gain on investments	-	883,359	-	883,359
Net assets released from restrictions	<u>857,947</u>	<u>(857,947)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,559,959</u>	<u>857,752</u>	<u>-</u>	<u>2,417,711</u>
<b>PROGRAM EXPENSES</b>				
Graduate program	1,354,162	-	-	1,354,162
Broadband program	<u>13,492</u>	<u>-</u>	<u>-</u>	<u>13,492</u>
	<u>1,367,654</u>	<u>-</u>	<u>-</u>	<u>1,367,654</u>
<b>SUPPORTING SERVICES</b>				
Management and general	202,294	-	-	202,294
Fundraising	39,828	-	-	39,828
Facilities	<u>12,731</u>	<u>-</u>	<u>-</u>	<u>12,731</u>
	<u>254,853</u>	<u>-</u>	<u>-</u>	<u>254,853</u>
TOTAL EXPENSES	<u>1,622,507</u>	<u>-</u>	<u>-</u>	<u>1,622,507</u>
CHANGE IN NET ASSETS	(62,548)	857,752	-	795,204
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	<u>(1,398,551)</u>	<u>487,173</u>	<u>7,376,051</u>	<u>6,464,673</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ (1,461,099)</u>	<u>\$ 1,344,925</u>	<u>\$ 7,376,051</u>	<u>\$ 7,259,877</u>

**FUTURE GENERATIONS GRADUATE SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2014**

	Program Services		Supporting Services			Total
	Graduate Program	Broadband Program	Management and General	Fund-raising	Facilities	
Wages	\$ 333,592	\$ 8,312	\$ 124,821	\$ 23,761	\$ -	\$ 490,486
Payroll taxes and benefits	34,921	3,978	12,861	3,196	-	54,956
Contracts and grants	210,600	-	1,073	-	-	211,673
Travel, meetings and conferences	310,310	135	12,895	5,098	39	328,477
Professional fees	153,272	590	18,420	18	-	172,300
Scholarships	266,287	-	-	-	-	266,287
Events and productions	13,448	-	67	22	-	13,537
Supplies	691	75	7,234	316	17	8,333
Printing and reproduction	1,405	-	2,299	1,129	-	4,833
Marketing	6,882	-	1,094	-	-	7,976
Utilities	-	-	1,360	-	558	1,918
Technology and communications	3,942	36	6,233	6,288	-	16,499
Dues and subscriptions	3,515	-	1,610	-	-	5,125
Taxes, interest and fees	1,865	-	3,018	-	966	5,849
Depreciation	-	-	-	-	8,253	8,253
Repairs and maintenance	1,429	366	4,624	-	2,898	9,317
Insurance	4,884	-	1,480	-	-	6,364
Bad debts	7,341	-	-	-	-	7,341
Other	(222)	-	3,205	-	-	2,983
<b>Total Expenses</b>	<b>\$ 1,354,162</b>	<b>\$ 13,492</b>	<b>\$ 202,294</b>	<b>\$ 39,828</b>	<b>\$ 12,731</b>	<b>\$ 1,622,507</b>