

GENERATIONS INCORPORATED

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED JUNE 30, 2020 AND 2019

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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GENERATIONS INCORPORATED
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019



Mission Statement

Generations Incorporated improves the literacy skills of young children through Grade 3 by engaging professionally trained older adult volunteers as literacy coaches in our partner schools and after-school programs. We serve communities where opportunity gaps exist to ensure all students have the resources to become literacy proficient.

GENERATIONS INCORPORATED
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Generations Incorporated
Boston, Massachusetts

We have audited the accompanying financial statements of Generations Incorporated (a Massachusetts nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 Generations Incorporated as of June 30, 2020 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Generations Incorporated

Other Matters

The financial statements of Generations Incorporated as of June 30, 2019, were audited by other auditors whose report dated November 4, 2019 expressed an unmodified opinion on those financial statements. As discussed in Note 6 to the financial statements, the Organization has adjusted its fiscal year 2019 financial statements to reflect two conditional grants which were incorrectly recorded. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the fiscal year 2020 financial statements, we also audited the adjustments to the fiscal year 2019 financial statements to retrospectively apply the change in accounting as described in Note 6. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to Generations Incorporated's fiscal year 2019 financial statements other than with respect to these adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2019 financial statements as a whole.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
November 2, 2020

GENERATIONS INCORPORATED

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 289,259	\$ 191,820
Cash - Conditional Grant Advances	155,900	67,869
Accounts Receivable, Program Services	82,461	75,044
Gifts, Grants and Contributions Receivable	241,919	170,288
Prepaid Expenses	<u>25,019</u>	<u>13,909</u>
Total Current Assets	<u>794,558</u>	<u>518,930</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Furniture, Fixtures and Equipment	121,962	121,962
Less: Accumulated Depreciation	<u>(121,962)</u>	<u>(119,662)</u>
Net Property and Equipment	<u>-</u>	<u>2,300</u>
<u>NON-CURRENT ASSETS:</u>		
Board Designated Reserves	81,811	83,766
Gifts, Grants and Contributions Receivable	-	30,000
Security Deposit	<u>17,850</u>	<u>17,850</u>
Total Non-Current Assets	<u>99,661</u>	<u>131,616</u>
<u>TOTAL ASSETS</u>	<u>\$ 894,219</u>	<u>\$ 652,846</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 17,825	\$ 35,082
Accrued Payroll and Related Costs	62,117	31,065
Conditional Grant Advances	155,900	67,869
Deferred Revenue	-	12,750
Security Deposit Held	<u>3,100</u>	<u>2,500</u>
Total Current Liabilities	<u>238,942</u>	<u>149,266</u>
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions:		
Undesignated	228,466	172,966
Board Designated Reserve	<u>81,811</u>	<u>83,766</u>
Total Net Assets Without Donor Restrictions	<u>310,277</u>	<u>256,732</u>
Net Assets With Donor Restrictions:		
Program Restricted	115,000	95,948
Time Restricted	<u>230,000</u>	<u>150,900</u>
Total Net Assets With Donor Restrictions	<u>345,000</u>	<u>246,848</u>
Total Net Assets	<u>655,277</u>	<u>503,580</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 894,219</u>	<u>\$ 652,846</u>

GENERATIONS INCORPORATED

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	JUNE 30, 2020			JUNE 30, 2019		
	<u>WITHOUT</u>	<u>WITH</u>	<u>TOTAL</u>	<u>WITHOUT</u>	<u>WITH</u>	<u>TOTAL</u>
	<u>DONOR</u>	<u>DONOR</u>		<u>DONOR</u>	<u>DONOR</u>	
	<u>RESTRICTIONS</u>	<u>RESTRICTIONS</u>		<u>RESTRICTIONS</u>	<u>RESTRICTIONS</u>	
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>						
<i>Support and Revenues:</i>						
Government Contracts	\$ 305,353	\$ -	\$ 305,353	\$ 289,635	\$ -	\$ 289,635
Participation Fees	218,625	-	218,625	268,500	-	268,500
Foundation and Corporate Grants	514,172	285,000	799,172	200,041	311,850	511,891
Gifts and Contributions	92,646	-	92,646	110,123	-	110,123
Paycheck Protection Program Grant	-	50,000	50,000	-	-	-
Donated Goods, Services and Facilities	370,527	-	370,527	739,042	-	739,042
Special Event Proceeds	112,848	-	112,848	114,265	-	114,265
Less: Cost of Direct Benefit to Donors	(2,932)	-	(2,932)	(13,971)	-	(13,971)
Rental Income, Sublease	25,450	-	25,450	33,600	-	33,600
Other Income	974	-	974	292	-	292
<i>Reclassification of Net Assets - Released from Restriction:</i>						
Satisfaction of Donor Restrictions	236,848	(236,848)	-	488,065	(488,065)	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>1,874,511</u>	<u>98,152</u>	<u>1,972,663</u>	<u>2,229,592</u>	<u>(176,215)</u>	<u>2,053,377</u>
<u>EXPENSES:</u>						
Program Services	1,462,516	-	1,462,516	1,914,543	-	1,914,543
Administrative	199,852	-	199,852	175,109	-	175,109
Fund Raising	158,598	-	158,598	142,316	-	142,316
<u>TOTAL EXPENSES</u>	<u>1,820,966</u>	<u>-</u>	<u>1,820,966</u>	<u>2,231,968</u>	<u>-</u>	<u>2,231,968</u>
<u>CHANGE IN NET ASSETS</u>	53,545	98,152	151,697	(2,376)	(176,215)	(178,591)
<u>NET ASSETS - BEGINNING OF YEAR - AS RESTATED</u> (See Note 6)	<u>256,732</u>	<u>246,848</u>	<u>503,580</u>	<u>259,108</u>	<u>423,063</u>	<u>682,171</u>
<u>NET ASSETS - END OF YEAR - AS RESTATED</u> (See Note 6)	<u>\$ 310,277</u>	<u>\$ 345,000</u>	<u>\$ 655,277</u>	<u>\$ 256,732</u>	<u>\$ 246,848</u>	<u>\$ 503,580</u>

GENERATIONS INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

(With Summarized Comparative Totals for 2019)

	<u>PROGRAM</u>	<u>ADMINI-</u>	<u>FUND-</u>		<u>TOTAL</u>	
	<u>SERVICES</u>	<u>STRATIVE</u>	<u>RAISING</u>	<u>EVENTS</u>	<u>FUNCTIONAL EXPENSES</u>	
					<u>2020</u>	<u>2019</u>
Salaries and Wages	\$ 606,233	\$ 85,096	\$ 111,335	\$ -	\$ 802,664	\$ 771,677
Payroll Taxes	59,534	5,615	9,390	-	74,539	76,813
Fringe Benefits	42,932	8,227	8,770	-	59,929	71,970
Staff Training and Development	13,877	1,041	1,434	-	16,352	19,914
Consultants and Professional Fees	22,665	20,175	6,225	-	49,065	56,620
Event Costs	-	-	-	2,932	2,932	13,971
Volunteer Background Checks	3,511	-	-	-	3,511	2,680
Volunteer Incentives and Stipends	237,345	9,000	-	-	246,345	289,710
Volunteer Time, In-Kind	192,316	1,985	-	-	194,301	395,006
Program Supplies and Activities	8,695	457	482	-	9,634	14,561
Depreciation Expense	2,070	115	115	-	2,300	3,065
Equipment Rental and Maintenance	4,273	2,719	777	-	7,769	7,092
General and Professional Liability Insurance	6,382	788	1,012	-	8,182	7,403
Occupancy	67,771	41,881	12,193	-	121,845	119,844
Occupancy, In-Kind Volunteer Sites	173,215	-	-	-	173,215	339,095
Office Supplies and Expenses	1,413	9,618	2,231	-	13,262	8,060
Printing and Postage	3,290	1,124	766	-	5,180	4,333
Recruitment	3,979	190	-	-	4,169	6,554
Telephone and Communications	5,142	3,586	919	-	9,647	8,272
Staff Travel	5,263	1,013	1,402	-	7,678	15,767
Advertising	132	-	1,114	-	1,246	1,635
Miscellaneous Expense	2,478	7,222	433	-	10,133	11,897
Total Functional Expenses	1,462,516	199,852	158,598	2,932	1,823,898	2,245,939
Less: Cost of Direct Benefits to Donors	-	-	-	(2,932)	(2,932)	(13,971)
Total Expenses Per Statement of Activities	\$ 1,462,516	\$ 199,852	\$ 158,598	\$ -	\$ 1,820,966	\$ 2,231,968

GENERATIONS INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND-</u> <u>RAISING</u>	<u>EVENTS</u>	<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
Salaries and Wages	\$ 607,804	\$ 63,435	\$ 100,438	\$ -	\$ 771,677
Payroll Taxes	62,173	5,976	8,664	-	76,813
Fringe Benefits	52,839	9,485	9,646	-	71,970
Staff Training and Development	17,740	1,706	468	-	19,914
Consultants and Professional Fees	34,515	18,612	3,493	-	56,620
Event Costs	-	-	-	13,971	13,971
Volunteer Background Checks	2,578	102	-	-	2,680
Volunteer Incentives and Stipends	281,013	8,697	-	-	289,710
Volunteer Time, In-Kind	393,926	1,080	-	-	395,006
Program Supplies and Activities	13,925	449	187	-	14,561
Depreciation Expense	2,759	153	153	-	3,065
Equipment Rental and Maintenance	4,127	2,415	550	-	7,092
General and Professional Liability Insurance	5,718	1,152	533	-	7,403
Occupancy	67,555	42,323	9,966	-	119,844
Occupancy, In-Kind Volunteer Sites	339,095	-	-	-	339,095
Office Supplies and Expenses	718	3,175	4,167	-	8,060
Printing and Postage	2,541	201	1,591	-	4,333
Recruitment	6,464	-	90	-	6,554
Telephone and Communications	4,477	3,134	661	-	8,272
Staff Travel	12,626	2,100	1,041	-	15,767
Advertising	977	59	599	-	1,635
Miscellaneous Expense	973	10,855	69	-	11,897
Total Functional Expenses	<u>1,914,543</u>	<u>175,109</u>	<u>142,316</u>	<u>13,971</u>	<u>2,245,939</u>
Less: Cost of Direct Benefits to Donors	-	-	-	(13,971)	(13,971)
Total Expenses Per Statement of Activities	<u>\$ 1,914,543</u>	<u>\$ 175,109</u>	<u>\$ 142,316</u>	<u>\$ -</u>	<u>\$ 2,231,968</u>

GENERATIONS INCORPORATED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 151,697	\$ (178,591)
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Depreciation Expense	2,300	3,065
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable, Program Services	(7,417)	25,956
Gifts, Grants and Contributions Receivable	(71,631)	110,609
Prepaid Expenses	(11,110)	5,682
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	(17,257)	7,744
Accrued Payroll and Related Costs	31,052	-
Conditional Grant Advances	88,031	67,869
Deferred Revenue	(12,750)	4,950
Security Deposit Held	600	-
<i>(Increase) Decrease in Non-Current Assets:</i>		
Gifts, Grants and Contributions Receivable	30,000	30,000
Net Adjustment	<u>31,818</u>	<u>255,875</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>183,515</u>	<u>77,284</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Payments on Line-of-Credit	-	(5,526)
Net Cash Flows from Financing Activities	<u>-</u>	<u>(5,526)</u>
<u>NET INCREASE IN CASH BALANCES</u>	183,515	71,758
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>343,455</u>	<u>271,697</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 526,970</u>	<u>\$ 343,455</u>
<i>Supplemental Disclosures :</i>		
Interest Paid	<u>\$ -</u>	<u>\$ 95</u>
<i>Cash Balances :</i>		
Cash	\$ 289,259	\$ 191,820
Cash-Conditional Grant Advances	155,900	67,869
Board Designated Reserves	<u>81,811</u>	<u>83,766</u>
Total Cash Balances	<u>\$ 526,970</u>	<u>\$ 343,455</u>

GENERATIONS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 ORGANIZATION

Generations Incorporated (“Generations” or the “Organization”) was incorporated in March 1994, under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. Generations Incorporated is not classified as a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 PROGRAM SERVICES AND AFFILIATIONS

Generations Incorporated’s mission is to improve the literacy skills of young children through Grade 3 by engaging professionally trained older adult volunteers as literacy coaches in our partner schools and after-school programs. Generations serves communities where opportunity gaps exist to ensure all students have the resources to become literacy proficient.

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.

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.

Due to the COVID-19 pandemic, Generations Incorporated suspended in-person programming on March 11, 2020. For the remainder of the school year, many volunteers continued to work with their students and teachers, when possible. Volunteer tutors were invited into the Zoom Classroom at many sites and others found innovative ways to stay connected and support their students.

To ensure the safety of the older adult volunteers and students, the Organization has decided to provide a virtual tutoring program for the 2020-2021 school year. This program will allow students to be tutored one-to-one and provide flexibility for our school partners.

GENERATIONS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. 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; however, adherence to generally accepted accounting principles has, in the management's opinion, resulted in reliable and consistent financial reporting by the Organization.

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - consists of assets, public support and program revenues which are available and used for operations and programs. Net assets without donor restrictions represents the portion of net assets of the Organization that are not restricted by donor-imposed stipulations. Contributions are considered available for use unless specifically restricted by the donor. In addition, net assets within this classification includes funds which represent resources designated by the Board of Directors for specific purposes.

Net Assets With Donor Restrictions - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants or bequests and may include investment income earned on restricted funds. These net assets may also include resources which have a donor-imposed restriction which stipulates that a portion of the assets are to be maintained in perpetuity, but permits the Organization to expend part or all of the income derived from the donated assets.

Accounts Receivable, Program Services:

Accounts Receivable, Program Services represents amounts which are due from government funded program service contracts. These amounts are considered fully collectible; consequently, these financial statements do not contain a provision for uncollectible accounts receivable. Therefore, if accounts become uncollectible, a provision will be recorded at that time. For the years presented, there were no bad debts from program service revenues.

GENERATIONS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 3 *(Continued)*

Gifts, Grants and Contributions Receivable:

Gifts, Grants and Contributions Receivable represent amounts due from individual and corporate donors as well as foundation grants which are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. Promises to give with expected payment dates that extend beyond one year are discounted to their present value when such amounts are considered material. Management believes that all such commitments are collectible, and therefore, no allowance for doubtful amounts has been established. If commitments from gifts and grants are determined to be uncollectible in subsequent periods, an allowance will be established at that time. For the years presented, there were no uncollectible gifts, grants or contributions.

Property and Equipment:

Generations Incorporated records all property and equipment at cost, if purchased (exceeding \$1,000), or if donated, at the fair value on the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment. Depreciation is computed using the straight-line method, and is charged against activities over the estimated useful lives of the assets, as expressed in terms of years.

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues, and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give. Occasionally, Generations Incorporated receives donations of stocks which are recorded as contribution revenue at the fair value of the stock received.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met. When the conditions are met, the corresponding support is reported as contributions with donor restrictions with the exception of conditional grants and contracts from government agencies, which are recognized as support without donor restrictions. Conditional grants which have been received and not yet recognized are recorded as *Conditional Grant Advances* on the Statements of Financial Position.

Multi-year commitments are recognized in the year during which the initial commitment was made. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restriction expires, at which time the assets are reclassified as net assets without donor restrictions.

GENERATIONS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 3 *(Continued)*

Revenue Recognition:

Cost-Reimbursement Agreements

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants through AmeriCorps and the Office of Juvenile Justice and Delinquency Prevention ("OJJDP") which are conditional upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization invoices AmeriCorps and OJJDP after such expenses have been incurred and does not receive payment in advance of service delivery; accordingly, there is no obligation for deferred revenue or conditional grant advances arising from these agreements in the accompanying financial statements. As of June 30, 2020, the aggregate conditional remaining balance on these agreements amounted to \$120,949.

Participation Fees

Generations receives participation fees for the delivery of literacy and tutoring programs which is recognized as services are delivered. When applicable, deposits received in advance are recognized as *Deferred Revenue*, a contract liability, in the accompanying Statements of Financial Position.

Donated Goods, Services and Facilities:

Generations Incorporated maintains a policy to record certain in-kind transactions as required by the *FASB Accounting Standards Codification*TM. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received and are recognized as revenue and expense on the Statements of Activities and Statement of Functional Expenses.

Functional Expenses:

As required by the *FASB Accounting Standards Codification*TM, the Organization allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated using space and time usage formulas. In the accompanying Statements of Functional Expenses, *Salaries and Wages, Payroll Taxes, Fringe Benefits, Consultants and Professional Fees, Depreciation Expense, Occupancy, General and Professional Liability Insurance, Office Supplies and Expenses and Telephone and Communications* are allocated based on estimates of time and effort. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Generations Incorporated's internal management and accounting for program services.

GENERATIONS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 3 *(Continued)*

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, distribution of materials and other similar projects related to the procurement of funds.

Events - includes the direct cost of special fund raising events which reflects the value of goods and services received by the donors.

Recent Accounting Guidance:

Recently Implemented Standards

In June 2019, the FASB issued ASC Update No. 2018-08, (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU also provides additional guidance to help determine whether a contribution is conditional or unconditional. This standard was adopted by the Organization effective July 1, 2019. This ASU provides organizations with the option of applying the clarified guidance in the initial year of implementation on a prospective basis; therefore, the Organization has not restated its FY 2019 revenue balances or opening net assets for the years presented with respect to the implementation of this standard.

Recently Issued Standards

In May 2014, the FASB issued ASC Update No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts not-for-profit entities that have revenue transactions other than contributions. In August 2015, the FASB deferred the effective date of ASC Update No. 2014-09 by one year when it issued ASC Update No. 2015-14, (Topic 606) *Revenue from Contracts with Customers*. This standard is effective for the Organization for the fiscal year beginning July 1, 2020.

Reclassifications:

Certain amounts in the prior year have been reclassified to conform to the current year presentation. Reclassifications made to the prior year have no impact on total net assets or changes in net assets.

NOTE 4 GIFTS, GRANTS AND CONTRIBUTIONS RECEIVABLE

The Organization has received various multi-year pledges to fund literacy programs. Included within *Gifts, Grants and Contributions Receivable* as of June 30, 2020 and 2019, Generations Incorporated recorded unconditional promises to give due as follows:

	<u>2020</u>	<u>2019</u>
Receivable in Less Than One Year	\$224,780	\$154,500
Receivable in One to Five Years	<u>-</u>	<u>30,000</u>
Total Unconditional Promises to Give	<u>\$224,780</u>	<u>\$184,500</u>

GENERATIONS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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NOTE 5 DEBT

Line-of-Credit:

The Organization has a \$50,000 working capital line-of-credit. Outstanding borrowings are subject to interest at the annual rate of 5%. The line-of-credit was not used in the years presented and carried a zero balance as of June 30, 2020 and 2019.

NOTE 6 RESTATEMENT OF NET ASSETS

During fiscal year 2018, the Organization recognized two conditional grants and incorrectly recorded revenue for these grants. In accordance with generally accepted accounting principles, these conditional grants should not have been recognized until the conditions were met. To retroactively adjust the revenue recognition, the Organization has restated its fiscal year 2019 Statement of Activities and adjusted its opening net assets with donor restrictions as of July 1, 2018.

Management has restated its net assets in the accompanying Statements of Activities as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
Net Assets as of June 30, 2018	\$259,108	\$1,167,658	\$1,426,766
Restatement of Conditional Grant	<u>-</u>	<u>(744,595)</u>	<u>(744,595)</u>
Net Assets as Restated as of June 30, 2018	<u>\$259,108</u>	<u>\$ 423,063</u>	<u>\$ 682,171</u>

The fiscal year 2019 financial statements have been restated to retrospectively reverse the recording of two conditional grants and the fair value discount. The effect of this correction is an increase in *Gifts, Grants and Contributions* of \$270,000, an additional release of net assets from restriction of \$23,900, and a decrease in net assets with donor restrictions as of June 30, 2018 of \$744,595.

Although these two, multi-year grants have been reclassified for accurate representation of their conditions, the Organization continues to maintain strong relationships with both funders and fully anticipates meeting the conditions. Please see Note 9 for additional detail regarding these grants.

NOTE 7 RESTRICTIONS AND DESIGNATIONS OF NET ASSETS

Board Designated Net Assets:

Board Designated Net Assets include net assets without donor restrictions designated by the Board of Directors to establish an operating reserve more fully described in Note 15.

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NOTES TO FINANCIAL STATEMENTS

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(Continued)

NOTE 7 *(Continued)*

Net Assets With Donor Restrictions:

Net assets with donor restrictions consists of unexpended donor designated grants and contributions with the following restrictions as of June 30, 2020 and 2019:

<u>Nature of Restriction</u>	<u>2020</u>	<u>2019</u>
Structured Tutoring Program	\$115,000	\$ -
Classroom Literacy Program	-	83,948
Cultural Responsiveness Workshops	-	7,000
Reading Coaches Program	-	5,000
Time Restricted	<u>230,000</u>	<u>150,900</u>
Total	<u>\$345,000</u>	<u>\$246,848</u>

Net assets released from restrictions by incurring expenses which satisfied the restricted purposes or by occurrence of events specified by the donors were as follows:

<u>Nature of Restriction</u>	<u>2020</u>	<u>2019</u>
Structured Tutoring Program	\$ -	\$ 30,000
Classroom Literacy Program	83,948	347,700
Cultural Responsiveness Workshops	7,000	-
Reading Coaches Program	5,000	35,000
Paycheck Protection Program Loan Release	50,000	-
Expiration of Time Restrictions	<u>90,900</u>	<u>75,365</u>
Total	<u>\$236,848</u>	<u>\$488,065</u>

NOTE 8 GOVERNMENT FUNDED PROGRAM SERVICE CONTRACTS

The Organization was the recipient of government funded service contracts for the years ended June 30, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
<i>Federal Funding:</i>		
AmeriCorps National Direct	\$177,031	\$197,567
Office of Juvenile Justice and Delinquency Prevention	96,123	66,688
U.S. Department of Health and Human Services	<u>14,199</u>	<u>15,380</u>
Total Federal Funding	287,353	279,635
<i>State Funding:</i>		
Massachusetts Mentoring Partnership	<u>18,000</u>	<u>10,000</u>
Total Government Contracts	<u>\$305,353</u>	<u>\$289,635</u>

NOTE 9 CONDITIONAL GRANTS

As of June 30, 2020 and 2019, the aggregate conditional amount of the following Cummings and AARP commitments was \$300,000 and \$592,095, respectively. As the terms of the conditions had not been met, the support has not been recognized in the accompanying financial statements. Refer to Note 14 for information pertaining to Generations' Paycheck Protection Program Loan.

GENERATIONS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 9 *(Continued)*

Cummings Foundation:

In FY 2017, Generations received a \$50,000 sustaining grant from the Cummings Foundation (the “Foundation”) which provides for up to nine annual renewals, conditional upon the sole discretion of the Foundation. During FY 2020, Generations had received its third year of funding, with six remaining annual installments available under the grant.

The Organization has a long standing relationship with the Cummings Foundation and feels confident that they will continue to meet the conditions of this multi-year grant. The total conditional amount of this 10-year sustaining grant is \$500,000. As of June 30, 2020, the Organization had received a total of \$200,000 in annual installments of \$50,000.

AARP Foundation:

In FY 2018, Generations received a \$412,095 Social Innovation Fund grant from the AARP Foundation, which was conditional upon certain matching requirements and the incurrence of qualifying allowable costs. In FY 2018, Generations received an advance payment on the grant, and the unexpended portion of \$67,869 is reported within *Conditional Grant Advances* in the accompanying Statements of Financial Position as of June 30, 2019.

As of June 30, 2020, the grant period for the Social Innovation funding has been completed. The Organization had fully met the conditions of the AARP Foundation Social innovation Fund grant and received a total of \$396,665 to fund grant purposes.

NOTE 10 DONATED GOODS, SERVICES AND FACILITIES

The following donated goods, services and facilities have been recognized as revenues with offsetting expenses in the accompanying financial statements:

	<u>2020</u>	<u>2019</u>
Experience Corps Volunteers	\$194,301	\$395,006
Materials and Supplies	3,011	4,941
Rent - Volunteer Site Locations	<u>173,215</u>	<u>339,095</u>
Total In-Kind Donations	<u>\$370,527</u>	<u>\$739,042</u>

In-kind donations of volunteer time have been valued at \$13 per hour for the year ended June 30, 2020 and \$12 per hour for the year ended June 30, 2019, which management considers to be a very conservative estimate.

Due to the COVID-19 pandemic, volunteers were unable to be in person at their program locations for three and a half months of fiscal year 2020. This resulted in fewer total hours served by volunteers and a smaller donation of space from partner sites. Given the virtual program being offered in the 2020-2021 school year, the Organization anticipates another decrease in overall in-kind donations for fiscal year 2021.

GENERATIONS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 11 EMPLOYEE BENEFIT PLAN

The Organization maintains a retirement plan qualified under Section 403(b) of the Internal Revenue Code. Employer contributions were made at 2% of an employee's salary for the year ended June 30, 2019. No contributions were made for the year ended June 30, 2020. All employees are eligible as long as they are employed by the Organization when the contribution is made. Employer contributions to the plan amounted to \$19,714 for the year ended June 30, 2019 and is included in *Fringe Benefits* expense in the accompanying Statement of Functional Expenses.

NOTE 12 OPERATING LEASE COMMITMENTS

Office Space:

The Organization leases office facilities located in Boston, Massachusetts pursuant to a lease that expires on June 30, 2021. Additional rent is assessed to cover the Organization's share of increases in real estate taxes. Rent is adjusted annually based on increases in the Consumer Price Index ("CPI"), as defined. During FY 2020 and FY 2019, the Organization paid rent totaling \$118,221 and \$114,964, 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 \$126,000 due in fiscal year 2021.

Sublease Agreements:

The Organization entered into a sublease agreement with a nonprofit organization which commenced July 1, 2017, requiring monthly payments of \$2,800, which was renewable on an annual basis and required a security deposit of \$2,500. The Organization collected \$5,600 and \$33,600 for the years ended June 30, 2020 and 2019, respectively. The tenant vacated the space in August 2019.

The Organization entered into a new sublease agreement with another nonprofit organization which commenced January 1, 2020 and required monthly payments of \$3,100 through June 30, 2020. Monthly rent payments increase to \$3,500 through June 30, 2021, coinciding with the expiration of the lease. Additional rent of \$250 is collected to cover internet and phone expenses. A security deposit of \$3,100 was required. The Organization collected \$19,850 for the year ended June 30, 2020.

NOTE 13 CONCENTRATIONS

Cash Balances:

Generations maintains its cash balances at one financial institution, which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of June 30, 2020 and 2019, the Organization had deposits of \$271,371 and \$96,534 in excess of the \$250,000 limit, respectively. Although at times the balance in these accounts may exceed the federally insured limit, the Organization has never experienced any losses on uninsured cash balances and Management considers credit risk on cash to be low.

Gifts, Grants and Contributions Receivable:

Approximately 61% and 88% of *Gifts, Grants and Contributions Receivable* represent balances due from four donors and three donors as of June 30, 2020 and 2019, respectively.

GENERATIONS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 14 CONTINGENCIES

Paycheck Protection Program Loan:

The Organization received a loan in the amount of \$205,900 from First Republic Bank through the Paycheck Protection Program established by the U.S. CARES Act (the “PPP Loan”) on April 20, 2020. The Organization has elected to account for the expected forgivable portion of this loan as a conditional grant commitment as permitted by the AICPA, and intends to apply for and receive full forgiveness of the loan, while any remaining balance would be repayable over a five-year term and subject to interest at the annual rate of 1%. The amount forgiven equals the amount incurred on qualifying costs (payroll, mortgage interest, rent utilities, as defined and subject to limitations) during the covered period. The amount forgiven is reduced if a) the Organization decreases its staffing levels during the covered period, or b) reduces salaries/wages during the covered period; however, those reductions are subject to certain exemptions. Generations expects to meet the requirements for loan forgiveness. The Organization must prepare and submit a loan forgiveness application to the lender, which is then reviewed by both the bank and the Small Business Administration (SBA) and then approved. Generations elects to use a 24-week covered period which will expire on October 5, 2020. As of June 30, 2020, Generations has incurred \$50,000 of qualifying costs which has been recognized as grant income for the fiscal year then ended. The unexpended funds totaling \$155,900 are reported on the accompanying Statements of Financial Position within *Conditional Grant Advances*, a current liability, as of June 30, 2020.

Impact of COVID-19 Pandemic:

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The related financial impact on the Organization and duration of the pandemic cannot be reasonably estimated at this time.

The Organization's in-person programming was suspended in March 2020 and all staff began working remotely. The focus of the final quarter of fiscal year 2020 was to continue to support the volunteers and students while ensuring the long-term financial health of the Organization.

The staff made an early decision to transition all in-person tutoring to a virtual platform for the Fall of 2020. This early decision allowed the staff to focus on setting up a virtual platform that would effectively support the partners no matter what schools looked like in September 2020.

The staff of Generations Incorporated have successfully been working remotely since March 2020. This has allowed the Organization to make a decision to downsize office space in July 2021, significantly decreasing facilities expenses in future years. Six months into the pandemic, management and the Board of Directors continue to make conservative financial decisions to ensure Generations Incorporated remains financially healthy, continuing to operate programs and serving the community.

GENERATIONS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 15 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts which are not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year of the Statement of Financial Position date or when restricted by donors or the board of directors for purposes more limited than general expenditures.

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash	\$289,259	\$191,820
Cash - Conditional Grant Advances	155,900	67,869
Accounts Receivable, Program Services	82,461	75,044
Gifts, Grants and Contributions Receivable	241,919	200,288
Board Designated Reserves	<u>81,811</u>	<u>83,766</u>
Total Financial Assets as of June 30	851,350	618,787
Less Amounts Not Available to be Used Within One Year:		
Board Designated Reserves	(81,811)	(83,766)
Grants Receivable After One Year	<u>-</u>	<u>(30,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$769,539</u>	<u>\$505,021</u>

For the purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to their ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Generations Incorporated currently has a \$50,000 line-of-credit that can be drawn down to meet cash flow needs (*See Note 5*). This line-of-credit is for one-time uses to cover delayed receivables and is not used consistently.

The Organization manages its liquid assets with three main objectives – operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Financial staff forecast cash flow on a daily basis and accurately report on cash projections to the Board of Directors monthly.

The target minimum for the total of the operating reserve and the board designated fund is equal to three months of average operating costs; approximately \$380,000. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation.

As of June 30, 2020 and 2019, the Organization had \$81,811 and \$83,766, respectively, in a board designated reserve account. The current strategic goal is to raise \$170,000 through a five-year plan, which would build the reserve funds to 67% towards the overall goal. Strategies have been laid out and budgeted for raising this additional revenue.

GENERATIONS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

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(Continued)

NOTE 15 *(Continued)*

Currently, the Organization does not have an operating or working capital reserve. Funds raised through the strategic plan will be distributed between the two reserve fund accounts as decided by the Board of Directors. The finance committee will urge the members to focus on building back the operating reserves first.

NOTE 16 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through November 2, 2020, the date which the financial statements were available for issue, and noted no events which met the recognition criteria.