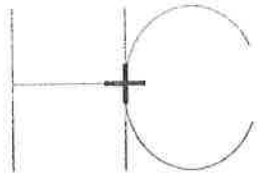


GENERATIONS INCORPORATED
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

GENERATIONS INCORPORATED

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Certified Public Accountants

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

Independent Auditor's Report

To the Board of Directors
Generations Incorporated
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Generations Incorporated, (a nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of changes in net assets, activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors
Page two

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Generations Incorporated as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hughes and Company, P.C.

HUGHES AND COMPANY, P.C.
Melrose, Massachusetts
November 13, 2018

GENERATIONS INCORPORATED
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2018 AND 2017

<u>ASSETS</u>		
	<u>2018</u>	<u>2017</u>
Current Assets		
Cash	\$ 271,697	\$ 329,381
Accounts receivable	101,000	119,756
Unconditional promises to give, current	400,790	154,690
Contributions receivable	5,107	4,645
Prepaid expenses	19,591	15,384
Total Current Assets	798,185	623,856
Property and Equipment		
Furniture, fixtures and equipment	121,962	121,962
Less accumulated depreciation	(116,597)	(105,392)
Property and Equipment, Net	5,365	16,570
Other Assets		
Long-term unconditional promises to give, net	679,595	563,500
Security deposit paid	17,850	17,850
Total Other Assets	697,445	581,350
Total Assets	\$ 1,500,995	\$ 1,221,776
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 58,403	\$ 72,049
Deferred revenue	7,800	18,500
Security deposit held	2,500	2,500
Loan payable	5,526	-
Total Current Liabilities	74,229	93,049
Net Assets		
Unrestricted		
Undesignated - operating	167,423	161,877
Undesignated - property and equipment	-	2,301
Board designated for the future	91,685	100,390
Total Unrestricted	259,108	264,568
Temporarily Restricted		
Capital asset support	5,365	14,269
Program Support	1,162,293	849,890
Total Temporarily Restricted	1,167,658	864,159
Total Net Assets	1,426,766	1,128,727
Total Liabilities and Net Assets	\$ 1,500,995	\$ 1,221,776

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

GENERATIONS INCORPORATED
 STATEMENTS OF CHANGES IN NET ASSETS
 YEARS ENDED JUNE 30, 2018 AND 2017

	Unrestricted Net Assets	Temporarily Restricted Net Assets-Capital Asset Support	Temporarily Restricted Net Assets-Program Support	Total Net Assets
Net Assets, June 30, 2016	\$ 247,149	\$ 11,681	\$ 177,382	\$ 436,212
Change in Net Assets	<u>17,419</u>	<u>2,588</u>	<u>672,508</u>	<u>692,515</u>
Net Assets, June 30, 2017	264,568	14,269	849,890	1,128,727
Change in Net Assets	<u>(5,460)</u>	<u>(8,904)</u>	<u>312,403</u>	<u>298,039</u>
Net Assets, June 30, 2018	<u>\$ 259,108</u>	<u>\$ 5,365</u>	<u>\$ 1,162,293</u>	<u>\$ 1,426,766</u>

The accompanying notes are an integral part of the financial statements

GENERATIONS INCORPORATED
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Changes in Unrestricted Net Assets		
Support and Revenue		
Federal Funding		
Americorps National Direct	\$ 198,677	\$ 317,522
Office of Juvenile Justice and Delinquency Prevention	64,053	169,369
U.S. Department of Health and Human Services	16,304	20,147
Social Innovation Fund	141,076	140,746
Total Federal Funding	<u>420,110</u>	<u>647,784</u>
Corporate and private foundation grants	267,016	309,440
Contributions and gifts	101,423	72,380
Special Events:		
Revenue - Cash	130,653	103,712
Revenue - In Kind	-	175
Expenses - Cash	(14,414)	(14,604)
Expenses - In Kind	-	(175)
Special Events, Net	<u>116,239</u>	<u>89,108</u>
In-kind donations	768,314	670,769
Participation fees	264,875	223,050
Rental income, sublease	30,075	16,800
Other income	10	111
Total Unrestricted Support and Revenue	<u>1,968,062</u>	<u>2,029,442</u>
Net Assets Released from Restrictions		
Corporate and private foundation grants	253,292	124,000
Capital grants support	8,904	59,222
Total Net Assets Released from Restrictions	<u>262,196</u>	<u>183,222</u>
Total Unrestricted Support, Revenue and Reclassifications	<u>2,230,258</u>	<u>2,212,664</u>
Expenses		
Program services	1,925,783	1,921,799
Management and general	154,092	152,416
Fundraising	155,843	121,030
Total Expenses	<u>2,235,718</u>	<u>2,195,245</u>
Change in Unrestricted Net Assets	<u>(5,460)</u>	<u>17,419</u>
Temporarily Restricted Net Assets		
Corporate and private foundation grants	565,695	858,318
Net assets released from restrictions		
Expiration of time restrictions	(253,292)	(124,000)
Satisfaction of program restrictions	(8,904)	(59,222)
Change in Temporarily Restricted Net Assets	<u>303,499</u>	<u>675,096</u>
Change in Net Assets	<u>\$ 298,039</u>	<u>\$ 692,515</u>

The accompanying notes are an integral part of the financial statements

GENERATIONS INCORPORATED
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2018 AND 2017

	Management			2018 Total	Management			2017 Total
	Program Services	and General	Fundraising		Program Services	and General	Fundraising	
Salaries and wages	\$ 595,642	\$ 54,362	\$ 88,034	\$ 738,038	\$ 618,229	\$ 46,179	\$ 60,890	\$ 725,298
Payroll taxes	62,152	5,026	7,572	74,750	69,099	4,459	5,396	78,954
Employee benefits	49,176	7,012	9,524	65,712	47,777	9,247	8,895	65,919
Advertising	961	14	151	1,126	266	250	1,359	1,875
Auditing and tax preparation fees	-	13,825	-	13,825	-	13,850	-	13,850
Bank and credit card charges	-	380	21	401	-	324	-	324
Conferences, conventions and meetings	33	61	81	175	64	494	65	623
Consultants	2,556	917	22,517	25,990	3,497	7,658	3,259	14,414
Depreciation	10,085	560	560	11,205	8,017	445	445	8,907
Dues and subscriptions	241	441	265	947	464	105	236	805
Equipment rental and maintenance	3,655	2,563	541	6,759	3,390	2,048	479	5,917
Insurance	7,362	409	409	8,180	6,756	375	375	7,506
Legal	-	-	-	-	-	50	-	50
Miscellaneous	-	7,224	99	7,323	-	7,018	105	7,123
Occupancy	66,507	42,295	9,462	118,264	74,546	31,439	9,427	115,412
Occupancy, in-kind volunteer sites	321,340	-	-	321,340	227,554	-	-	227,554
Office expense	3,031	1,378	89	4,498	32,449	5,066	5,423	42,938
Postage and printing	4,611	239	1,817	6,667	4,517	397	2,235	7,149
Recruitment	10,621	194	209	11,024	10,246	-	90	10,336
Supplies	16,762	1,085	137	17,984	9,588	147	112	9,847
Telephone and internet usage	4,873	2,561	598	8,032	4,438	2,401	624	7,463
Training	15,584	306	443	16,333	23,079	663	379	24,121
Transportation	1,715	2,579	1,039	5,333	547	2,460	601	3,608
Travel	9,572	221	1,475	11,268	10,109	1,465	1,391	12,965
Uniforms	4,225	-	-	4,225	5,636	-	-	5,636
Volunteer background checks	3,450	-	-	3,450	6,704	-	-	6,704
Volunteer incentives and stipends	298,735	8,570	3,516	310,821	334,095	9,678	4,912	348,685
Volunteer time, in-kind	432,894	1,870	7,284	442,048	420,732	6,198	14,332	441,262
Total Functional Expenses	\$ 1,925,783	\$ 154,092	\$ 155,843	\$ 2,235,718	\$ 1,921,799	\$ 152,416	\$ 121,030	\$ 2,195,245

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

GENERATIONS INCORPORATED
 STATEMENTS OF CASH FLOWS
 YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 298,039	\$ 692,515
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	11,205	8,907
Changes in assets and liabilities		
(Increase) Decrease in:		
Accounts receivable	18,756	26,041
Unconditional promises to give	(362,195)	(683,190)
Contributions receivable	(462)	(2,270)
Prepaid expenses	(4,207)	8,428
Increase (Decrease) in:		
Accounts payable and accrued expenses	(13,646)	17,911
Deferred revenue	(10,700)	6,000
Security deposit held	-	100
Net Cash Provided by (Used in) Operating Activities	<u>(63,210)</u>	<u>74,442</u>
Cash Flows from Investing Activities		
Purchase of equipment	-	(9,123)
Net Cash Provided by (Used in) Investing Activities	<u>-</u>	<u>(9,123)</u>
Cash Flows from Financing Activities		
Drawdowns on line of credit	34,000	-
Payments on line of credit	(28,474)	-
Net Cash Provided by Financing Activities	<u>5,526</u>	<u>-</u>
Net Increase (Decrease) in Cash	(57,684)	65,319
Cash, Beginning	<u>329,381</u>	<u>264,062</u>
Cash, Ending	<u>\$ 271,697</u>	<u>\$ 329,381</u>
Supplemental disclosures of cash flows information		
Cash paid during the year for		
Interest	<u>\$ 347</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

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

GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 1 - Nature of Activities

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

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

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

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

Additionally, the Organization operates the following two programs:

- The *Summer School Program* is a five-week summer literacy program which benefits kindergarten and first-grade students and prepares them for school. AARP Foundation Experience Corps volunteers provide classroom-based support through teacher-directed activities, and one-on-one and small group literacy support.
- The *Active Aging Program* provides our AARP Foundation Experience Corps volunteers with meaningful activities, beyond their work with students, to enhance their physical, mental, and social well-being and connect them to the community.

GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Presentation

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

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

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

Permanently Restricted Net Assets - Net assets which must be held in perpetuity as stipulated by the donor. As of June 30, 2018 and 2017, the Organization had no permanently restricted net assets.

Contributions

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

Functional Allocation of Expenses

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

GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. All amounts outstanding as of June 30, 2018 and 2017 are considered collectible.

Promises to Give

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

Property and Equipment

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

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

GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. In addition, the Organization qualifies as a charity under Section 170(b)(1)(A) and is not a private foundation, so contributions to the Organization are deductible as charitable contributions.

The Organization files its Form 990 with federal and state authorities in the Commonwealth of Massachusetts. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2015.

Donated Services

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

Reclassifications

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

Use of Estimates

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

Compensated Absences

Employees are entitled to paid personal, sick and vacation time throughout the year based on length of service. Unused vacation time is paid to employees at the end of employment. The Organization has not accrued compensated absences because the amount cannot be reasonably estimated.

GENERATIONS INCORPORATED
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018 AND 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

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

Date of Management's Review

The Organization has evaluated subsequent events through November 13, 2018 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

Advertising

Advertising costs are expensed as incurred.

Note 3 - Unconditional Promises to Give

The Organization has received various multiple year pledges to fund literacy programs. Unconditional promises to give as of June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Gross unconditional promises to give	\$ 1,147,885	\$ 784,690
Less: Discount to present value	(67,500)	(66,500)
Total gross unconditional promises to give	<u>\$ 1,080,385</u>	<u>\$ 718,190</u>
Receivable in less than one year	\$ 400,790	\$ 154,690
Receivable in one-five years	553,595	397,500
Receivable in more than five years	126,000	166,000
Total Unconditional Promises to Give	<u>\$ 1,080,385</u>	<u>\$ 718,190</u>

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

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

GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

Note 4 - In-Kind Donations

The value of donated services, supplies and space are recorded at cost or estimated fair value determined at the date of donation. These items are included as contributions in the financial statements and the corresponding functional categories for the year ended June 30, 2018 and 2017 are as follows:

	Program Services	Management and General	Fundraising	2018 Totals
Experience Corps Volunteers	\$ 432,894	\$ 1,870	-	\$ 434,764
Volunteers in Service to America	-	-	7,284	7,284
Materials and supplies	4,926	-	-	4,926
Rent - Volunteer Site Locations	321,340	-	-	321,340
Totals	<u>\$ 759,160</u>	<u>\$ 1,870</u>	<u>\$ 7,284</u>	<u>\$ 768,314</u>

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

In-kind donations of volunteer time have been valued at a range of \$11 to \$13 per hour. This estimate is well below the independent sectors estimate, which values similar volunteers in Massachusetts at \$30 per hour.

Note 5 - Pro-Bono Services

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

GENERATIONS INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

Note 6 - Commitments

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

Additional rent is assessed to cover the Organization's share of increases in real estate taxes. In addition, the rent is adjusted annually based on increases in the Consumer Price Index, as defined. During 2017 and 2016, the Organization paid rent totaling \$113,462 and \$109,745, respectively. Utilities, insurance and maintenance expenses are paid directly by the Organization.

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

Year Ending June 30, 2019	104,664
Year Ending June 30, 2020	106,722
	<u>\$ 211,386</u>

In January, 2016 the Organization entered into a one year sub lease with another not -for-profit organization for 650 square feet of office space. Monthly payments under the sub lease which was renewable on an annual basis were \$2,400. A security deposit of \$2,400 was required. That tenant vacated the space in January 2017. Rental income for the year ended June 30, 2017, including retention of the security deposit totaled \$16,800. The Organization entered into a new lease with a different not-for-profit which commenced July 1, 2017 and is also renewable on an annual basis. A security deposit of \$2,500 was required. The Organization collected \$30,075 for the year ended June 30, 2018.

Note 7 - Concentration of Risk - Cash Balances

The Organization maintains its cash balances at one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018, and 2017 the Organization had uninsured bank balances totaling \$41,301 and \$86,098, respectively.

Note 9 - Retirement Plan

The Organization maintains a retirement plan where contributions were made at 3% of an employee's salary. All employees are eligible as long as they are employed by the Organization when the contribution is made. Employer contributions to the plan were \$19,714 and \$31,985 for the years ended June 30, 2018 and 2017 respectively and are included in employee benefits expense in the statement of functional expense.

Note 10 - Revolving Line of Credit

The organization has a \$50,000 revolving line of credit. The Organization drew down \$34,000 and repaid \$28,474 on the line during the year leaving a balance due of \$5,526 as of June 30, 2018. Interest is charged on the loan balance at 5%. The balance was paid off in July 2018.