

**FUTURE GENERATIONS UNIVERSITY CORPORATION
& FUTURE GENERATIONS, INC.**

COMBINED FINANCIAL STATEMENTS

June 30, 2018

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU)
& FUTURE GENERATIONS, INC. (FUTURE.ORG)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Each Entity
Future Generations University Corporation &
Future Generations, Inc.
Franklin, West Virginia

Report on the Financial Statements

We have audited the accompanying combined financial statements of Future Generations University Corporation and Future Generations, Inc. (both nonprofit organizations), which comprise the combined statement of financial position as of June 30, 2018, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Future Generations University Corporation and Future Generations, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2019, on our consideration of Future Generations University Corporation and 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 University Corporation's and Future Generations, Inc.'s internal control over financial reporting and compliance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The separate entity financial statements on pages 18-23 is 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.

Martin, Beachy & Archart, PLLC

Harrisonburg, Virginia
February 8, 2019

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
FUTURE GENERATIONS, INC. (FUTURE.ORG)
COMBINED STATEMENT OF FINANCIAL POSITION
June 30, 2018**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 101,850
Accounts receivable, less allowance for doubtful accounts of \$4,791	8,327
Grant funds receivable	8,097
Prepaid expenses	6,792
Employee advances	<u>14,022</u>

TOTAL CURRENT ASSETS 139,088

PROPERTY AND EQUIPMENT

At cost, less accumulated depreciation 1,488,774

INVESTMENTS 10,946,499

FUNDS HELD FOR OTHER ENTITY 223,387

TOTAL ASSETS \$ 12,797,748

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of long-term debt	\$ 10,543
Accounts payable	11,393
Accrued wages	19,280
Deferred revenue	<u>6,255</u>

TOTAL CURRENT LIABILITIES 47,471

LONG-TERM DEBT, net of current portion 478,254

FUNDS HELD FOR OTHER ENTITY 223,387

749,112

NET ASSETS

Unrestricted	822,154
Temporarily restricted	12,775
Permanently restricted	<u>11,213,707</u>

TOTAL NET ASSETS 12,048,636

TOTAL LIABILITIES AND NET ASSETS \$ 12,797,748

See accompanying notes to financial statements.

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
FUTURE GENERATIONS, INC. (FUTURE.ORG)
COMBINED STATEMENT OF ACTIVITIES
Year Ended June 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions and grants	\$ 1,666,480	\$ 12,775	\$ 400,000	\$ 2,079,255
Tuition revenue, net of discounts	315,744	-	-	315,744
Investment income	225	624,735	-	624,960
Unrealized gain (loss) on investments	27,482	70,393	-	97,875
Other revenue	17,415	-	-	17,415
Net assets released from restrictions	<u>746,936</u>	<u>(746,936)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>2,774,282</u>	<u>(39,033)</u>	<u>400,000</u>	<u>3,135,249</u>
PROGRAM SERVICES				
Rural America	417,066	-	-	417,066
Graduate program	1,651,752	-	-	1,651,752
Global network	32,911	-	-	32,911
International country partners	<u>218,442</u>	<u>-</u>	<u>-</u>	<u>218,442</u>
	<u>2,320,171</u>	<u>-</u>	<u>-</u>	<u>2,320,171</u>
SUPPORTING SERVICES				
Management and general	444,929	-	-	444,929
Fundraising	<u>324,397</u>	<u>-</u>	<u>-</u>	<u>324,397</u>
	<u>769,326</u>	<u>-</u>	<u>-</u>	<u>769,326</u>
TOTAL EXPENSES	<u>3,089,497</u>	<u>-</u>	<u>-</u>	<u>3,089,497</u>
OPERATING INCOME (LOSS)	(315,215)	(39,033)	400,000	45,752
OTHER INCOME				
Casualty gain	<u>104,734</u>	<u>-</u>	<u>-</u>	<u>104,734</u>
CHANGE IN NET ASSETS	(210,481)	(39,033)	400,000	150,486
NET ASSETS AT BEGINNING OF YEAR	<u>1,032,635</u>	<u>51,808</u>	<u>10,813,707</u>	<u>11,898,150</u>
NET ASSETS AT END OF YEAR	<u>\$ 822,154</u>	<u>\$ 12,775</u>	<u>\$ 11,213,707</u>	<u>\$ 12,048,636</u>

See accompanying notes to financial statements.

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
FUTURE GENERATIONS, INC. (FUTURE.ORG)
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018**

	Program Services				Supporting Services		Total
	Rural America	Graduate Program	Global Network	International Country Partners	Management and General	Fundraising	
Wages	\$ 137,443	\$ 495,455	\$ -	\$ -	\$ 189,028	\$ 179,650	\$ 1,001,576
Contracts and grants	109,050	95,126	-	212,208	-	-	416,384
Scholarships	-	266,229	-	-	-	-	266,229
Professional fees	39,040	183,070	3,922	-	280	29,811	256,123
Travel, meetings and conferences	21,063	152,762	-	-	-	32,270	206,095
Supplies	67,787	55,125	212	-	77,088	-	200,212
Technology and communications	3,951	124,094	4,075	-	-	24,724	156,844
International associates	-	124,218	22,005	6,000	-	-	152,223
Payroll taxes and benefits	17,653	75,169	-	-	28,674	26,905	148,401
Depreciation	-	18,632	-	-	49,313	-	67,945
Repairs and maintenance	1,430	-	-	-	60,241	-	61,671
Taxes and fees	2,055	22,997	2,058	234	297	-	27,641
Printing and reproduction	5,037	-	-	-	633	26,817	32,487
Other	3,529	14,880	-	-	-	-	18,409
Utilities	193	-	-	-	16,263	-	16,456
Rents	7,450	5,990	-	-	-	-	13,440
Insurance	-	13,194	639	-	-	-	13,833
Interest expense	-	-	-	-	11,541	-	11,541
Bad debts	-	-	-	-	10,491	-	10,491
Marketing	1,385	34	-	-	1,080	4,220	6,719
Dues and subscriptions	-	4,777	-	-	-	-	4,777
Total Expenses	\$ 417,066	\$ 1,651,752	\$ 32,911	\$ 218,442	\$ 444,929	\$ 324,397	\$ 3,089,497

See accompanying notes to financial statements.

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
FUTURE GENERATIONS, INC. (FUTURE.ORG)
COMBINED STATEMENT OF CASH FLOWS
Year Ended June 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 150,486
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	18,632
Casualty gain	(104,734)
Gain on sale of investments	(360,353)
Unrealized gain on investments	(97,875)
Contributions restricted for long-term purposes	(400,000)
(Increase) decrease in:	
Accounts and grants receivable	169,550
Employee advances	(10,735)
Increase (decrease) in:	
Accounts payable	(77,404)
Accrued expenses	(1,256)
Deferred revenue	<u>(14,938)</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u>(731,371)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from casualty sale	261,700
Purchase of property and equipment	(52,691)
Payments for construction	(159,504)
Purchase of real estate	(401,337)
Proceeds from sale of investments	4,055,837
Purchase of investments	<u>(4,025,092)</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(321,087)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from contributions restricted for investment in permanent endowment	400,000
Proceeds from long-term debt	500,000
Repayment of long-term debt	<u>(11,203)</u>
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 <u>888,797</u>
 NET DECREASE IN CASH	 (163,661)
 CASH AT BEGINNING OF YEAR	 <u>216,199</u>
 CASH AT END OF YEAR	 <u>\$ 52,538</u>
 SUPPLEMENTAL INFORMATION	
Cash paid for interest	<u><u>\$ 11,541</u></u>

See accompanying notes to financial statements.

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
FUTURE GENERATIONS, INC. (FUTURE.ORG)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

These combined financial statements include the accounts of Future Generations University Corporation and Future Generations Inc. They support also financial transactions by these two organizations with international sister organizations. All material interorganizational transactions have been eliminated.

Future Generations University Corporation (Future.EDU) and Future Generations Inc. (Future.ORG) are two legally separate nonprofit organizations with separated governance. In their financial management, the two organizations work in mutual support. Both organizations are grounded in community-based action. Future Generations University Corporation's distinctive niche is applied community learning. Future Generations Inc. distinctive niche is supporting the practice of community-based advancement of the quality of life and preservation of the natural environment. Due to the organizations working in mutual support and sharing some management functions, the presentation of combined financial statements provides the best information to the users of these financial statements.

Nature of Activities

Future Generations University Corporation was chartered in 2003 as Future Generations Graduate to offer a Master's degree in Applied Community Development. Learning centers on a student's community-based work. The University also runs an active research program. Full accreditation was awarded in 2010 by the USA's Higher Learning Commission; this is the oldest and largest accrediting body in America. In 2018, as part of the Organization's expansion into a University, the Organization significantly expanded its programs and completed construction of a 3,600 square foot addition to its main facility and purchased additional properties.

Future Generations Inc. was chartered in 1992. This organization extends action and support to partner Future Generations organizations around the world in the USA, India, China, Afghanistan, Haiti, and Peru. These services strengthen the skills and partnerships of communities and governments so they can mobilize self-reliant solutions to improve their quality of life and/or to protect their natural environment. The organization has particular expertise in community-based conservation, health, digital literacy, peace building, and local governance.

Descriptions Below: The following are some specific activities that occurred during fiscal year 2018 in the sister organizations affiliated with Future.EDU and Future.ORG. These are separate, independent organizations; therefore their respective activities are not included in the combined financial statements.

China: Partnerships continued with Future Generations China. The primary activity was collaboration to support environmental action and protection of the watershed by a village that is located adjacent to the major water supply for Beijing, China's national capital. The secondary activity was to continue the long-standing support to the Pendeba Society and its community-based work within the Qomonlangma (Mt Everest) National Nature Preserve.

India: Future Generations Arunachal operates in the northeastern state of India (Arunachal Pradesh). This local organization leads maternal and child health training programs, supports economic advancement through crafts programs, and advances community agriculture across the state. In addition, the organization runs a micro-credit program. The USA based organizations provide some modest financial support and also an on-going technical advisor. They also offer scholarship assistance in the University to several individuals working in affiliated organizations in this Indian state.

Additionally, cooperation is supported to another autonomous charitable organization, Future Generations India that is based in India's capital, New Delhi. Future Generations India's purpose is to advance entrepreneurial activity among India's youth—and it also conducts training programs for a migratory Muslim community that lives in India's jungles.

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
FUTURE GENERATIONS, INC. (FUTURE.ORG)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Activities (Continued)

Afghanistan: Since 2002, Future Generations Afghanistan has been leading courageous community-based work in the central highlands of this country where a Shiite minority population lives and also in the eastern part of the country near the Khyber Pass that has been especially troubled by the on-going insurgency. The national work is large and complex led by the Future Generations Afghanistan. The University provides scholarship help to a series of staff and partner affiliates. Future Generations Inc. provides technical assistance.

Peru: Future Generations Peru has conducted community-based health work and research in Peru since 1996. In 2014, the organization completed a four-year USAID-funded project in maternal and child health. This project studied and advanced a new method to train mothers in home-centered health.

Haiti: The country of Haiti encounters natural disasters at a higher frequency than is common to other countries, especially hurricanes and earthquakes. Future Generations Haiti focused on building community resilience and skills among especially the urban poor so that otherwise forgotten citizens will be able on their own to address the challenges that come on this unfortunately frequent basis.

Rural America/Strength in Peers: Within the USA Future Generations organizations a series of outreach services began for community capacity building around computer literacy in 2010 with West Virginia volunteer fire and rescue squads. This program grew into supportive services for US veteran families, especially homeless military veterans; funds coming from the Department of Veterans Affairs. During 2017 a new, unrelated nonprofit organization formed to continue such services with a priority on building peer supports for veterans. This organization is Strength in Peers. Effective December 31, 2017, Future Generations ended its Rural American program and Strength in Peers took over the operations.

Basis of Presentation

The organizations report information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Date of Management's Review

Subsequent events were evaluated through February 8, 2019, 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 Organizations considers all unrestricted short-term investments with an original maturity of three months or less to be cash equivalents.

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
FUTURE GENERATIONS, INC. (FUTURE.ORG)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

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

Income Tax Status

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

Recognition of Donor Restrictions

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

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.

Property and Equipment

Future.Edu and Future.Org follow the practice of capitalizing expenditures at cost for property and equipment in excess of \$500. The costs of additions and betterments are capitalized, and expenditures for repairs and maintenance are expensed in the period incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Contributions of property and materials are capitalized at the current fair market values. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
FUTURE GENERATIONS, INC. (FUTURE.ORG)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment are summarized by major classification as follows:

Land and improvements	\$ 236,234
Buildings	1,429,836
Furniture and equipment	<u>182,353</u>
	1,848,423
Accumulated depreciation	<u>(359,649)</u>
	<u>\$ 1,488,774</u>

NOTE B – SHORT-TERM DEBT

Future.Edu has available a line of credit with Pendleton Community Bank, with a maximum borrowing amount of \$400,000. Interest on the credit line is tied to the prime rate. There was no outstanding balance on the credit line as of June 30, 2018.

NOTE C – LONG-TERM DEBT

Long-term debt consists of the following notes:

Promissory note to Pendleton Community Bank with interest at 3.65%, due \$2,046 monthly, including interest, until October 2042. Secured by a \$500,000 certificate of deposit that is an asset of the endowment funds.	\$ 388,797
Promissory note to Pendleton Community Bank with interest at 3.65%, interest payable monthly, lump-sum principal due September 2042. Secured by a \$500,000 certificate of deposit that is an asset of the endowment funds.	<u>100,000</u>
	488,797
Less current portion of long-term debt	<u>(10,543)</u>
	<u>\$ 478,254</u>

Maturities of long-term debt are as follows:

Year Ended June 30,	
<u>2019</u>	\$ 10,543
2020	10,935
2021	11,341
2022	11,762
2023	12,198
Thereafter	<u>432,018</u>
	<u>\$ 488,797</u>

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
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NOTE D – FUNDS HELD FOR OTHER ENTITY

During the year ended June 30, 2018, the Organization received funds from Future Generations Afghanistan (FGA), an unrelated entity, to be held on behalf of FGA. The funds are being held in a separate investment account, and will be transferred back to FGA upon request. The Organization is not entitled to any income from the investment account.

NOTE E – 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, 2018 are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 572,924	\$ 572,924
U.S. equities	2,968,289	3,139,972
Mutual funds	3,758,996	4,369,332
Corporate bonds	1,722,003	1,752,271
Preferred stock	938,462	997,000
Other	447,250	115,000
	<u>\$ 10,407,924</u>	<u>\$ 10,946,499</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	\$ 225	\$ 294,531	\$ 294,756
Investment management fees	-	(44,210)	(44,210)
Net realized gain	-	374,414	374,414
Net unrealized gain	<u>27,482</u>	<u>70,393</u>	<u>97,875</u>
	<u>\$ 27,707</u>	<u>\$ 695,128</u>	<u>\$ 722,835</u>

NOTE F – 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.

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June 30, 2018**

NOTE F – FAIR VALUE MEASUREMENTS (Continued)

The fair value of real estate is based on an independent appraisal.

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

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments:				
Cash and cash equivalents	\$ 572,924	\$ -	\$ 572,924	\$ -
Corporate debt securities	1,752,271	1,752,271	-	-
U.S. equities:				
Financial	1,801,711	1,801,711	-	-
Technology	604,361	604,361	-	-
International equities	733,900	-		
Mutual funds - U.S. equity:				
Mid cap	735,950	735,950	-	-
Large cap	2,372,983	2,372,983	-	-
Other	434,986	434,986	-	-
Mutual funds - International equity	825,413	825,413	-	-
Preferred stock	997,000	997,000	-	-
Real estate	115,000	-	115,000	-
	<u>\$ 10,946,499</u>	<u>\$ 9,524,675</u>	<u>\$ 687,924</u>	<u>\$ -</u>

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2018**

NOTE G – ENDOWMENT FUNDS

All endowment funds are held by Future.Edu. The 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.

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

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

Investment Return Objectives, Risk Parameters and Strategies.

The Investment Committee meets at least twice a year and more often if the financial climate appears to necessitate. The committee consists of Treasurer on Board of Trustees, University President, Independent Financial Advisor, and for major decisions at his choice to join, the Board Chair; the Chief Operating Officer attends as a non-voting member. One function performed is a general review of investment climate and investment performance, updating its guidance to Management. A second function is to update the Investment Guidelines that sets investment boundaries for each asset allocation in accord with prudent financial management and the general guidelines in the paragraph below.

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.

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
FUTURE GENERATIONS, INC. (FUTURE.ORG)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2018**

NOTE G – ENDOWMENT FUNDS (Continued)

Spending Policy

Effective January 1, 2016, Future.Edu revised this policy to appropriating for distribution 4% annual of the three (3) year average market value of the endowment funds as calculated at the end of each quarter. The Organization had a policy through December 2015 of appropriating for distribution each year 5% annual of the three (3) year average market value of the endowment funds as calculated at the end of each quarter. In changing this policy, the Future.Org considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects this formula to avoid large fluctuations and allow the endowment corpus and revenue stream to keep pace with inflation.

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ (294,690)	\$ -	\$ 10,813,707	\$ 10,519,017
Contributions	-	-	400,000	400,000
Investment income	-	624,735	-	624,735
Net appreciation	27,482	70,393	-	97,875
Amounts appropriated for expenditure	-	(695,128)	-	(695,128)
End of year	<u>\$ (267,208)</u>	<u>\$ -</u>	<u>\$ 11,213,707</u>	<u>\$ 10,946,499</u>

As of June 30, 2018, the fair value of assets associated with the endowment funds was below the level of the permanently restricted funds. In accordance with accounting standards, the deficiency of \$267,208 is reported as part of unrestricted funds.

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Community Development Projects in India	\$ 6,600
Maple research	4,271
Learning Group Coordination	1,500
Southern Syrup Symposium Sponsorship	404
	<u>\$ 12,775</u>

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
 FUTURE GENERATIONS, INC. (FUTURE.ORG)
 NOTES TO COMBINED FINANCIAL STATEMENTS
 June 30, 2018**

NOTE I – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

Scholarships:	
Tibet Ethnicity	\$ 801,178
Chun-Wuei	2,420,500
Tibetan scholarship endowment	895,120
Professorships:	
Carl Taylor Equity and Empowerment - Health	1,690,214
Robert Fleming Equity and Empowerment - Natural History	1,677,984
Yeti Equity and Empowerment - Social Change	1,787,711
Alumni network endowment	1,941,000
	<u>\$ 11,213,707</u>

NOTE J – CONCENTRATION OF CONTRIBUTIONS

For the year ended June 30, 2018, Future.Edu received approximately 89% of its contributions and grants from one donor.

NOTE K – CASUALTY GAIN

In September of 2017, the Organization incurred fire damage to one of its buildings. The result of the fire was a total loss of the building. The Organization received insurance proceeds of \$261,700 for the building, resulting in a casualty gain of \$104,734.



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.
Franklin, 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 combined financial statements of Future Generations University Corporation and Future Generations, Inc. (both nonprofit organizations), which comprise the combined statement of financial position as of June 30, 2018, and the related combined 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 February 8, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered both organization'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 Organizations' 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 Generation University Corporation's and Future Generations, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organizations' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Martin, Beachy & Archart, PLLC

Harrisonburg, Virginia
February 8, 2019

FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU)
STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 22,938
Accounts receivable, less allowance for doubtful accounts of \$4,791	8,327
Grants receivable	8,097
Prepaid expenses	6,792
Employee advances	<u>14,022</u>

TOTAL CURRENT ASSETS 60,176

PROPERTY AND EQUIPMENT

At cost, less accumulated depreciation	1,488,774
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INVESTMENTS

10,946,499

TOTAL ASSETS

\$ 12,495,449

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of long-term debt	\$ 10,543
Accounts payable	7,074
Accrued wages	19,280
Deferred revenue	<u>5,755</u>

TOTAL CURRENT LIABILITIES 42,652

LONG-TERM DEBT, net of current portion

478,254

520,906

NET ASSETS

Unrestricted	748,061
Temporarily restricted	12,775
Permanently restricted	<u>11,213,707</u>

TOTAL NET ASSETS

11,974,543

TOTAL LIABILITIES AND NET ASSETS

\$ 12,495,449

FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU)
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions and grants	\$ 960,402	\$ 12,775	\$ 400,000	\$ 1,373,177
Tuition revenue, net of discounts	315,744	-	-	315,744
Investment income	225	624,735	-	624,960
Unrealized loss on investments	27,482	70,393	-	97,875
Other revenue	37,468	-	-	37,468
Net assets released from restrictions	<u>741,670</u>	<u>(741,670)</u>	<u>-</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>2,082,991</u>	 <u>(33,767)</u>	 <u>400,000</u>	 <u>2,449,224</u>
 PROGRAM SERVICES				
Graduate program	1,592,233	-	-	1,592,233
International country partners	<u>6,034</u>	<u>-</u>	<u>-</u>	<u>6,034</u>
	<u>1,598,267</u>	<u>-</u>	<u>-</u>	<u>1,598,267</u>
 SUPPORTING SERVICES				
Management and general	444,929	-	-	444,929
Fundraising	<u>324,397</u>	<u>-</u>	<u>-</u>	<u>324,397</u>
	<u>769,326</u>	<u>-</u>	<u>-</u>	<u>769,326</u>
 TOTAL EXPENSES	 <u>2,367,593</u>	 <u>-</u>	 <u>-</u>	 <u>2,367,593</u>
 OPERATING LOSS	 (284,602)	 (33,767)	 400,000	 81,631
 OTHER INCOME				
Casualty gain	<u>104,734</u>	<u>-</u>	<u>-</u>	<u>104,734</u>
 CHANGE IN NET ASSETS	 (179,868)	 (33,767)	 400,000	 186,365
 NET ASSETS AT BEGINNING OF YEAR	 <u>927,929</u>	 <u>46,542</u>	 <u>10,813,707</u>	 <u>11,788,178</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 748,061</u>	 <u>\$ 12,775</u>	 <u>\$ 11,213,707</u>	 <u>\$ 11,974,543</u>

See accompanying notes to financial statements.

FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Program Services		Supporting Services		Total
	Graduate Program	International Country Partners	Management and General	Fundraising	
Wages	\$ 495,455	\$ -	\$ 189,028	\$ 179,650	\$ 864,133
Scholarships	266,229	-	-	-	266,229
Professional fees	186,070	-	280	29,811	216,161
Travel, meetings and conferences	152,762	-	-	32,270	185,032
Technology and communicatoins	124,094	-	-	24,724	148,818
Supplies	57,126	-	77,088	-	134,214
Payroll taxes and benefits	75,169	-	28,674	26,905	130,748
International associates	124,218	6,000	-	-	130,218
Depreciation	18,632	-	49,313	-	67,945
Repairs and maintenance	-	-	60,241	-	60,241
Contracts and grants	31,272	-	-	-	31,272
Printing and reproduction	-	-	633	26,817	27,450
Taxes and fees	22,365	34	297	-	22,696
Utilities	-	-	16,263	-	16,263
Other	14,880	-	-	-	14,880
Insurance	13,194	-	-	-	13,194
Interest expense	-	-	11,541	-	11,541
Bad debts	-	-	10,491	-	10,491
Rents	5,990	-	-	-	5,990
Marketing	-	-	1,080	4,220	5,300
Dues and subscriptions	4,777	-	-	-	4,777
Total Expenses	<u>\$ 1,592,233</u>	<u>\$ 6,034</u>	<u>\$ 444,929</u>	<u>\$ 324,397</u>	<u>\$ 2,367,593</u>

See accompanying notes to financial statements.

FUTURE GENERATIONS, INC. (FUTURE.ORG)
STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 78,913
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TOTAL CURRENT ASSETS	78,913
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FUNDS HELD FOR OTHER ENTITY	<u>223,387</u>
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TOTAL ASSETS	<u>\$ 302,300</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 4,320
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Deferred revenue	<u>500</u>
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TOTAL CURRENT LIABILITIES	4,820
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FUNDS HELD FOR OTHER ENTITY	<u>223,387</u>
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	<u>228,207</u>
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NET ASSETS

Unrestricted	<u>74,093</u>
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TOTAL NET ASSETS	<u>74,093</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 302,300</u>
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FUTURE GENERATIONS, INC. (FUTURE.ORG)
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 741,558	\$ -	\$ 741,558
Other revenue	1,361	-	1,361
Net assets released from restrictions	<u>5,266</u>	<u>(5,266)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>748,185</u>	<u>(5,266)</u>	<u>742,919</u>
PROGRAM SERVICES			
Rural America	417,066	-	417,066
Graduate program	3,473	-	3,473
Global Network	102,122	-	102,122
International country partners	<u>212,408</u>	<u>-</u>	<u>212,408</u>
	<u>735,069</u>	<u>-</u>	<u>735,069</u>
SUPPORTING SERVICES			
Management and general	<u>43,729</u>	<u>-</u>	<u>43,729</u>
TOTAL EXPENSES	<u>778,798</u>	<u>-</u>	<u>778,798</u>
CHANGE IN NET ASSETS	(30,613)	(5,266)	(35,879)
NET ASSETS AT BEGINNING OF YEAR	<u>104,706</u>	<u>5,266</u>	<u>109,972</u>
NET ASSETS AT END OF YEAR	<u>\$ 74,093</u>	<u>\$ -</u>	<u>\$ 74,093</u>

See accompanying notes to financial statements.

FUTURE GENERATIONS, INC. (FUTURE.ORG)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Program Services				Supporting Services	Total
	Rural America	Graduate Program	Global Network	International Country Partners	Management and General	
Contracts and grants	\$ 109,050	\$ 2,773	\$ 69,211	\$ 212,208	\$ 43,729	\$ 436,971
Wages	137,443	-	-	-	-	137,443
Supplies	67,787	-	212	-	-	67,999
Professional fees	39,040	-	3,922	-	-	42,962
International associates	-	-	22,005	-	-	22,005
Travel, meetings and conferences	21,063	-	-	-	-	21,063
Payroll taxes and benefits	17,653	-	-	-	-	17,653
Technology and communications	3,951	-	4,075	-	-	8,026
Rents	7,450	-	-	-	-	7,450
Printing and reproduction	5,037	-	-	-	-	5,037
Taxes and fees	2,055	666	2,058	200	-	4,979
Other	3,529	-	-	-	-	3,529
Repairs and maintenance	1,430	-	-	-	-	1,430
Marketing	1,385	34	-	-	-	1,419
Insurance	-	-	639	-	-	639
Utilities	193	-	-	-	-	193
Total Expenses	<u>\$ 417,066</u>	<u>\$ 3,473</u>	<u>\$ 102,122</u>	<u>\$ 212,408</u>	<u>\$ 43,729</u>	<u>\$ 778,798</u>