

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

COMBINED FINANCIAL STATEMENTS

June 30, 2017

**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.
Circleville, 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, 2017, 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, 2017, 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 November 6, 2017, 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 17-22 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

November 6, 2017

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
 FUTURE GENERATIONS, INC. (FUTURE.ORG)
 COMBINED STATEMENT OF FINANCIAL POSITION
 June 30, 2017**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 216,199
Accounts receivable, less allowance for doubtful accounts of \$3,809	34,414
Grant funds receivable	151,560
Prepaid expenses	4,048
Employee advances	<u>3,287</u>

TOTAL CURRENT ASSETS 409,508

PROPERTY AND EQUIPMENT

At cost, less accumulated depreciation	1,100,152
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INVESTMENTS

10,519,016

TOTAL ASSETS

\$ 12,028,676

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 88,797
Accrued wages	20,536
Deferred revenue	<u>21,193</u>

TOTAL CURRENT LIABILITIES 130,526

NET ASSETS

Unrestricted	1,030,588
Temporarily restricted	53,855
Permanently restricted	<u>10,813,707</u>

TOTAL NET ASSETS 11,898,150

TOTAL LIABILITIES AND NET ASSETS \$ 12,028,676

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
FUTURE GENERATIONS, INC. (FUTURE.ORG)
COMBINED STATEMENT OF ACTIVITIES
Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions and grants	\$ 1,993,855	\$ -	\$ 400,000	\$ 2,393,855
Tuition revenue, net of discounts	434,147	-	-	434,147
Investment income	6,194	633,749	-	639,943
Unrealized gain (loss) on investments	(296,381)	28,806	-	(267,575)
Other revenue	6,885	-	-	6,885
Net assets released from restrictions	<u>950,342</u>	<u>(950,342)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,095,042</u>	<u>(287,787)</u>	<u>400,000</u>	<u>3,207,255</u>
PROGRAM SERVICES				
Rural America	535,315	-	-	535,315
Graduate program	1,483,393	-	-	1,483,393
Global network	68,539	-	-	68,539
International country partners	<u>265,336</u>	<u>-</u>	<u>-</u>	<u>265,336</u>
	<u>2,352,583</u>	<u>-</u>	<u>-</u>	<u>2,352,583</u>
SUPPORTING SERVICES				
Management and general	340,219	-	-	340,219
Fundraising	<u>142,651</u>	<u>-</u>	<u>-</u>	<u>142,651</u>
	<u>482,870</u>	<u>-</u>	<u>-</u>	<u>482,870</u>
TOTAL EXPENSES	<u>2,835,453</u>	<u>-</u>	<u>-</u>	<u>2,835,453</u>
CHANGE IN NET ASSETS	259,589	(287,787)	400,000	371,802
NET ASSETS AT BEGINNING OF YEAR	<u>770,999</u>	<u>341,642</u>	<u>10,413,707</u>	<u>11,526,348</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,030,588</u>	<u>\$ 53,855</u>	<u>\$ 10,813,707</u>	<u>\$ 11,898,150</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, 2017**

	Program Services				Supporting Services		Total
	Rural America	Graduate Program	Global Network	International Country Partners	Management and General	Fundraising	
Wages	\$ 214,503	\$ 371,199	\$ -	\$ -	\$ 211,353	\$ 96,667	\$ 893,722
Payroll taxes and benefits	19,740	50,523	-	-	25,432	17,451	113,146
International associates	-	69,284	-	36,068	20,704	-	126,056
Contracts and grants	165,383	18,206	54,378	228,952	19,536	-	486,455
Travel, meetings and conferences	34,340	102,692	-	-	50	28,317	165,399
Professional fees	32,324	330,733	2,500	-	2,883	-	368,440
Scholarships	-	379,757	-	-	-	-	379,757
Supplies	26,893	11,162	1,459	-	3,130	-	42,644
Printing and reproduction	-	(19)	-	-	5,115	151	5,247
Marketing	4,297	1,618	-	-	250	-	6,165
Rents	22,995	-	-	-	-	-	22,995
Utilities	1,140	-	-	-	5,267	-	6,407
Technology and communications	3,156	69,304	4,000	-	16,089	65	92,614
Dues and subscriptions	575	8,331	-	-	-	-	8,906
Taxes and fees	90	6,337	579	316	8,900	-	16,222
Depreciation	-	31,686	-	-	-	-	31,686
Repairs and maintenance	2,335	-	-	-	17,320	-	19,655
Insurance	-	8,623	5,623	-	-	-	14,246
Bad debts	-	3,050	-	-	-	-	3,050
Other	7,544	20,907	-	-	4,190	-	32,641
Total Expenses	\$ 535,315	\$ 1,483,393	\$ 68,539	\$ 265,336	\$ 340,219	\$ 142,651	\$ 2,835,453

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, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 371,802
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	31,686
Gain on sale of investments	(451,510)
Unrealized loss on investments	267,575
Contributions restricted for long-term purposes	(400,000)
(Increase) decrease in:	
Accounts and grants receivable	(145,757)
Employee advances	2,255
Increase (decrease) in:	
Accounts payable	10,993
Accrued expenses	8,463
Deferred revenue	<u>(22,232)</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u>(326,725)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(28,336)
Payments for construction in progress	(498,529)
Proceeds from sale of investments	8,192,982
Purchase of investments	<u>(8,007,768)</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(341,651)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from contributions restricted for investment in permanent endowment	<u>400,000</u>
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 <u>400,000</u>
 NET DECREASE IN CASH	 (268,376)
 CASH AT BEGINNING OF YEAR	 <u>484,575</u>
 CASH AT END OF YEAR	 <u><u>\$ 216,199</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, 2017**

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.

Merger of Operations and Name Change

Future Generations University Corporation was previously known as Future Generations Graduate School. The Organization was part of a merger that occurred on December 31, 2016.

On December 31, 2016, Future Generations Graduate School merged with and into University of the World. On the same date, University of the World changed its name to Future Generations University Corporation. Through the merger, the organizations have been able to enhance academic offerings that utilize the strengths of both institutes.

The merger did not have an impact on the financial records.

Nature of Activities

Future Generations University Corporation was chartered in 2003 to offer a Master's degree in Applied Community Change. This degree is designed for mid-career professionals from the USA and around the world. Learning centers on a student's community-based work. A specialization in either Ecosystem Resilience, Engineering Enterprise, Leadership and Development, or Linguistic Development Education and Peacebuilding can be earned in two years. The University also runs an active research program in applied community change. In addition, the University offers non-degree certificate programs. The University was accredited in 2010 by the Higher Learning Commission of the North Central Association of Colleges and Schools.

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 the fiscal year 2017 in the country programs affiliated with the above two organizations. For these various country programs, the majority of their finances to support their work are raised by these organizations themselves in their countries and do not pass through either of the USA-based Future Generations accounts. Therefore, those funds are not included in the combined financial statements.

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
FUTURE GENERATIONS, INC. (FUTURE.ORG)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Activities (Continued)

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.

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. A modest amount of continuation funds were provided for 2015, but with the conclusion of those funds, during 2016 the activities have focused on writing up the research findings and seeking new funding.

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. In early 2016, these services that had been operating out of Future Generations itself began to transition to a new ancillary nonprofit organization that was specifically created to continue such services with a priority on building peer supports for veterans. This organization is Strength in Peers.

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.

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
FUTURE GENERATIONS, INC. (FUTURE.ORG)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Date of Management's Review

Subsequent events were evaluated through November 6, 2017, 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.

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.

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
 FUTURE GENERATIONS, INC. (FUTURE.ORG)
 NOTES TO COMBINED FINANCIAL STATEMENTS
 June 30, 2017**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,000. The costs of additions and betterments are capitalized, and expenditures for repairs and maintenance are expensed in the period incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Contributions of property and materials are capitalized at the current fair market values. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

Property and equipment are summarized by major classification as follows:

Land and improvements	\$	180,761
Buildings		595,938
Furniture and equipment		129,661
Construction in progress		498,529
		1,404,889
Accumulated depreciation		(304,737)
		\$ 1,100,152

Construction in progress is for a major addition to the Organization's office on North Mountain, West Virginia. Construction was completed and the addition was placed in service in October 2017.

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, 2017.

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017**

NOTE C – INVESTMENTS

Investments are presented in the financial statements at fair value. All investments are restricted as part of the endowment funds. Cost and fair values at June 30, 2017 are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 1,347,049	\$ 1,347,049
U.S. equities	1,613,987	1,615,804
Mutual funds	4,222,182	4,788,454
Corporate bonds	1,722,581	1,833,349
Preferred stock	746,952	819,360
Other	447,250	115,000
	<u>\$ 10,100,001</u>	<u>\$ 10,519,016</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	\$ 6,194	\$ 227,518	\$ 233,712
Investment management fees	-	(45,279)	(45,279)
Net realized gain	-	451,510	451,510
Net unrealized gain (loss)	(296,381)	28,806	(267,575)
	<u>\$ (290,187)</u>	<u>\$ 662,555</u>	<u>\$ 372,368</u>

NOTE D – FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

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

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

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

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017**

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at June 30, 2017 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	\$ 1,347,049	\$ -	\$ 1,347,049	\$ -
Corporate debt securities	1,833,349	1,833,349	-	-
U.S. equities:				
Financial	500,040	500,040	-	-
Industrial goods	488,178	488,178	-	-
Materials	-	-	-	-
Services	-	-	-	-
Technology	274,366	274,366	-	-
International equities	353,220	-		
Mutual funds - U.S. equity:				
Small cap	192,467	192,467	-	-
Mid cap	608,242	608,242	-	-
Large cap	339,996	339,996	-	-
Other	1,249,788	1,249,788	-	-
Mutual funds - fixed income:				
Short-term	1,820,580	1,820,580		
Mutual funds - International equity	577,381	577,381	-	-
Preferred stock	819,360	819,360	-	-
Real estate	115,000	-	115,000	-
	<u>\$ 10,519,016</u>	<u>\$ 8,703,747</u>	<u>\$ 1,462,049</u>	<u>\$ -</u>

NOTE E – 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.

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017**

NOTE E – ENDOWMENT FUNDS (Continued)

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

Investment Return Objectives, Risk Parameters and Strategies.

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

Spending Policy

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, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ -	\$ 106,948	\$ 10,413,707	\$ 10,520,655
Contributions	-	-	400,000	400,000
Investment income (loss)	-	633,749	-	633,749
Net appreciation (depreciation)	(294,691)	28,806	-	(265,885)
Amounts appropriated for expenditure	-	(769,503)	-	(769,503)
End of year	<u>\$ (294,691)</u>	<u>\$ -</u>	<u>\$ 10,813,707</u>	<u>\$ 10,519,016</u>

As of June 30, 2017, 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 \$294,691 is reported as part of unrestricted funds.

**FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU) &
FUTURE GENERATIONS, INC. (FUTURE.ORG)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017**

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Graduate school	\$	32,678
Peacebuilding		5,266
Nepal earthquake relief		15,911
		<u>53,855</u>
	\$	<u>53,855</u>

NOTE G – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

Scholarships:		
Tibet Ethnicity	\$	801,178
Chun-Wuei		2,020,500
Tibetan scholarship endowment		895,120
Professorships:		
Carl Taylor Equity and Empowerment - Health		1,690,214
Robert Fleming Equity and Empowerment - Natural History		1,677,984
Yeti Equity and Empowerment - Social Change		1,787,711
Alumni network endowment		<u>1,941,000</u>
	\$	<u>10,813,707</u>

NOTE H – CONCENTRATION OF CONTRIBUTIONS

For the year ended June 30, 2017, Future.Edu received approximately 51% of its contributions and grants from one donor.

NOTE I – SUBSEQUENT EVENT

On September 11, 2017 Future.Edu acquired land and a building located in Franklin, West Virginia. Purchase price for the real estate was \$400,000.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2017, 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 November 6, 2017.

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

November 6, 2017

FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU)
STATEMENT OF FINANCIAL POSITION
June 30, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 190,267
Accounts receivable, less allowance for doubtful accounts of \$3,809	34,414
Prepaid expenses	4,048
Employee advances	<u>3,287</u>

TOTAL CURRENT ASSETS 232,016

PROPERTY AND EQUIPMENT

At cost, less accumulated depreciation	1,100,152
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INVESTMENTS

10,519,016

TOTAL ASSETS

\$ 11,851,184

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 26,609
Accrued wages	15,704
Deferred revenue	<u>20,693</u>

TOTAL CURRENT LIABILITIES 63,006

NET ASSETS

Unrestricted	927,929
Temporarily restricted	46,542
Permanently restricted	<u>10,813,707</u>

TOTAL NET ASSETS 11,788,178

TOTAL LIABILITIES AND NET ASSETS \$ 11,851,184

FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU)
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions and grants	\$ 1,160,660	\$ -	\$ 400,000	\$ 1,560,660
Tuition revenue, net of discounts	434,147	-	-	434,147
Investment income	6,194	633,749	-	639,943
Unrealized loss on investments	(294,334)	26,759	-	(267,575)
Other revenue	6,888	-	-	6,888
Net assets released from restrictions	<u>948,306</u>	<u>(948,306)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>2,261,861</u>	<u>(287,798)</u>	<u>400,000</u>	<u>2,374,063</u>
PROGRAM SERVICES				
Graduate program	1,628,953	-	-	1,628,953
International country partners	<u>61,121</u>	<u>-</u>	<u>-</u>	<u>61,121</u>
	<u>1,690,074</u>	<u>-</u>	<u>-</u>	<u>1,690,074</u>
SUPPORTING SERVICES				
Management and general	299,879	-	-	299,879
Fundraising	<u>142,651</u>	<u>-</u>	<u>-</u>	<u>142,651</u>
	<u>442,530</u>	<u>-</u>	<u>-</u>	<u>442,530</u>
TOTAL EXPENSES	<u>2,132,604</u>	<u>-</u>	<u>-</u>	<u>2,132,604</u>
CHANGE IN NET ASSETS	129,257	(287,798)	400,000	241,459
NET ASSETS AT BEGINNING OF YEAR	<u>798,672</u>	<u>334,340</u>	<u>10,413,707</u>	<u>11,546,719</u>
NET ASSETS AT END OF YEAR	<u>\$ 927,929</u>	<u>\$ 46,542</u>	<u>\$ 10,813,707</u>	<u>\$ 11,788,178</u>

See accompanying notes to financial statements.

FUTURE GENERATIONS UNIVERSITY CORPORATION (FUTURE.EDU)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	Program Services		Supporting Services		Total
	Graduate Program	International Country Partners	Management and General	Fundraising	
Wages	\$ 371,199	\$ -	\$ 211,353	\$ 96,667	\$ 679,219
Payroll taxes and benefits	50,523	-	25,432	17,451	93,406
International associates	69,284	36,068	-	-	105,352
Contracts and grants	164,488	24,941	-	-	189,429
Travel, meetings and conferences	102,692	-	50	28,317	131,059
Professional fees	330,733	-	2,883	-	333,616
Scholarships	379,757	-	-	-	379,757
Supplies	11,162	-	3,129	-	14,291
Printing and reproduction	(19)	-	5,115	151	5,247
Marketing	1,618	-	250	-	1,868
Utilities	-	-	5,267	-	5,267
Technology and communicatoins	69,304	-	16,089	65	85,458
Dues and subscriptions	8,331	-	-	-	8,331
Taxes and fees	5,615	112	8,900	-	14,627
Depreciation	31,686	-	-	-	31,686
Repairs and maintenance	-	-	17,320	-	17,320
Insurance	8,623	-	-	-	8,623
Bad debts	3,050	-	-	-	3,050
Other	20,907	-	4,091	-	24,998
Total Expenses	<u>\$ 1,628,953</u>	<u>\$ 61,121</u>	<u>\$ 299,879</u>	<u>\$ 142,651</u>	<u>\$ 2,132,604</u>

See accompanying notes to financial statements.

FUTURE GENERATIONS, INC. (FUTURE.ORG)
STATEMENT OF FINANCIAL POSITION
June 30, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 25,932
Grant funds receivable	<u>151,560</u>

TOTAL CURRENT ASSETS	<u>177,492</u>
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TOTAL ASSETS	<u>\$ 177,492</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 62,188
Accrued wages	4,832
Deferred revenue	<u>500</u>

TOTAL CURRENT LIABILITIES	<u>67,520</u>
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NET ASSETS

Unrestricted	104,706
Temporarily restricted	<u>5,266</u>

TOTAL NET ASSETS	<u>109,972</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 177,492</u>
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FUTURE GENERATIONS, INC. (FUTURE.ORG)
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 979,476	\$ -	\$ 979,476
Net assets released from restrictions	<u>2,036</u>	<u>(2,036)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>981,512</u>	<u>(2,036)</u>	<u>979,476</u>
PROGRAM SERVICES			
Rural America	535,315	-	535,315
Graduate program	722	-	722
Global Network	68,539	-	68,539
International country partners	<u>204,215</u>	<u>-</u>	<u>204,215</u>
	<u>808,791</u>	<u>-</u>	<u>808,791</u>
SUPPORTING SERVICES			
Management and general	<u>40,342</u>	<u>-</u>	<u>40,342</u>
TOTAL EXPENSES	<u>849,133</u>	<u>-</u>	<u>849,133</u>
CHANGE IN NET ASSETS	132,379	(2,036)	130,343
NET ASSETS AT BEGINNING OF YEAR	<u>(27,673)</u>	<u>7,302</u>	<u>(20,371)</u>
NET ASSETS AT END OF YEAR	<u>\$ 104,706</u>	<u>\$ 5,266</u>	<u>\$ 109,972</u>

See accompanying notes to financial statements.

FUTURE GENERATIONS, INC. (FUTURE.ORG)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	Program Services				Supporting Services	Total
	Rural America	Graduate Program	Global Network	International Country Partners	Management and General	
Wages	\$ 214,503	\$ -	\$ -	\$ -	\$ -	\$ 214,503
Payroll taxes and benefits	19,740	-	-	-	-	19,740
International associates	-	-	-	-	20,704	20,704
Contracts and grants	165,383	-	54,378	204,011	19,536	443,308
Travel, meetings and conferences	34,340	-	-	-	-	34,340
Professional fees	32,324	-	2,500	-	-	34,824
Supplies	26,893	-	1,459	-	-	28,352
Marketing	4,297	-	-	-	-	4,297
Rents	22,995	-	-	-	-	22,995
Utilities	1,140	-	-	-	-	1,140
Technology and communications	3,156	-	4,000	-	-	7,156
Dues and subscriptions	575	-	-	-	-	575
Taxes and fees	90	722	579	204	-	1,595
Repairs and maintenance	2,335	-	-	-	-	2,335
Insurance	-	-	5,623	-	-	5,623
Other	7,544	-	-	-	102	7,646
Total Expenses	<u>\$ 535,315</u>	<u>\$ 722</u>	<u>\$ 68,539</u>	<u>\$ 204,215</u>	<u>\$ 40,342</u>	<u>\$ 849,133</u>