

FUTURE GENERATIONS, INC.

FINANCIAL STATEMENTS

June 30, 2008

FUTURE GENERATIONS, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Future Generations, Inc., (a nonprofit organization) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Future Generations, Inc., as of June 30, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Martin, Beachy & Arehart, PLLC

January 6, 2009

FUTURE GENERATIONS, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 474,947
Accounts receivable	555,758
Program advances	270,202
Prepaid insurance	4,405
Employee advances	<u>12,379</u>

TOTAL CURRENT ASSETS 1,317,691

PROPERTY AND EQUIPMENT

At cost, less accumulated depreciation	345,050
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INVESTMENTS

4,779,170

TOTAL ASSETS

\$ 6,441,911

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Short-term notes payable	\$ 350,000
Current portion of long-term debt	102,797
Accounts payable	34,562
Accrued expenses	<u>2,490</u>

TOTAL CURRENT LIABILITIES 489,849

LONG-TERM DEBT, net of current portion

1,197,203

1,687,052

NET ASSETS

Unrestricted	(740,573)
Temporarily restricted	735,914
Permanently restricted	<u>4,759,518</u>

TOTAL NET ASSETS 4,754,859

TOTAL LIABILITIES AND NET ASSETS \$ 6,441,911

See accompanying notes to financial statements.

FUTURE GENERATIONS, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions and grants	\$ 3,466,436	\$ 694,636	\$ 550,000	\$ 4,711,072
Program service fees	313,625	-	-	313,625
Investment income	798	284,640	-	285,438
Unrealized gains (losses)	-	(426,862)	-	(426,862)
Net assets released from restrictions	<u>274,760</u>	<u>(274,760)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>4,055,619</u>	<u>277,654</u>	<u>550,000</u>	<u>4,883,273</u>
PROGRAM SERVICES				
China	676,249	-	-	676,249
India	174,992	-	-	174,992
Afghanistan	1,239,529	-	-	1,239,529
Peru	506,331	-	-	506,331
Masters program	868,801	-	-	868,801
Research	<u>270,568</u>	<u>-</u>	<u>-</u>	<u>270,568</u>
	<u>3,736,470</u>	<u>-</u>	<u>-</u>	<u>3,736,470</u>
SUPPORTING SERVICES				
Management and general	405,472	-	-	405,472
Fundraising	141,491	-	-	141,491
Facilities	<u>38,747</u>	<u>-</u>	<u>-</u>	<u>38,747</u>
	<u>585,710</u>	<u>-</u>	<u>-</u>	<u>585,710</u>
TOTAL EXPENSES	<u>4,322,180</u>	<u>-</u>	<u>-</u>	<u>4,322,180</u>
CHANGE IN NET ASSETS	(266,561)	277,654	550,000	561,093
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	<u>(474,012)</u>	<u>458,260</u>	<u>4,209,518</u>	<u>4,193,766</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ (740,573)</u>	<u>\$ 735,914</u>	<u>\$ 4,759,518</u>	<u>\$ 4,754,859</u>

See accompanying notes to financial statements.

FUTURE GENERATIONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2008

	Program Services						Supporting Services			Total
	China	India	Afghanistan	Peru	Graduate Program	Research	Management and General	Fund-raising	Facilities	
Wages	\$ 80,050	\$ 4,265	\$ 1,312	\$ 85,305	\$ 267,798	\$ 113,610	\$ 208,451	\$ 81,748	\$ -	\$ 842,539
Payroll taxes and benefits	10,452	605	186	12,094	38,864	16,107	29,616	11,589	-	119,513
In-country wages and taxes	-	-	6,902	-	-	-	-	-	-	6,902
International associates	96,007	-	467,981	225,513	-	-	-	-	-	789,501
Contracts and grants	281,000	145,905	5,987	41	17,648	27,179	5,782	-	-	483,542
Travel, meetings and conferences	37,613	19,698	122,130	50,693	192,269	32,038	26,389	28,556	-	509,386
Professional fees	4,233	3,333	123,346	1,597	40,938	80,275	12,500	-	-	266,222
Scholarships	-	-	-	-	269,750	-	-	-	-	269,750
Events and productions	13,085	-	-	26,697	570	-	430	-	-	40,782
Supplies	103,578	980	284,015	39,878	17,537	3,287	16,680	561	750	467,266
Printing and reproduction	2,394	-	3,780	19,035	2,712	-	467	14,310	-	42,698
Marketing	-	-	-	-	-	-	330	-	-	330
Rents	39,004	-	90,533	17,266	-	-	365	-	5,312	152,480
Utilities	83	-	31,678	1,750	-	-	-	-	5,421	38,932
Technology and communications	4,256	206	47,444	13,177	7,110	1,407	25,820	3,881	-	103,301
Dues and subscriptions	-	-	710	39	9,364	-	255	-	-	10,368
Taxes, interest, and fees	1,452	-	27,229	2,431	-	-	61,319	846	1,567	94,844
Depreciation	-	-	-	-	-	-	-	-	22,219	22,219
Repairs and maintenance	-	-	9,510	2,865	-	-	-	-	3,478	15,853
Insurance	42	-	-	31	4,241	-	17,022	-	-	21,336
Other	3,000	-	16,786	7,919	-	(3,335)	46	-	-	24,416
Total Expenses	\$ 676,249	\$ 174,992	\$ 1,239,529	\$ 506,331	\$ 868,801	\$ 270,568	\$ 405,472	\$ 141,491	\$ 38,747	\$ 4,322,180

See accompanying notes to financial statements.

FUTURE GENERATIONS, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 561,093
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	22,220
Unrealized loss on investments	426,862
Contributions restricted for long-term purposes	(550,000)
Increase in:	
Accounts receivable	(520,258)
Other receivables	(31,628)
Prepaid expenses	(4,405)
Increase in:	
Accounts payable	9,973
Accrued expenses	<u>2,490</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u>(83,653)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	618,960
Purchase of investments	<u>(1,846,759)</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(1,227,799)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of short-term debt	(101,765)
Proceeds from contributions restricted for investment in permanent endowment	550,000
Proceeds from long-term debt	<u>1,300,000</u>
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 <u>1,748,235</u>
 NET INCREASE IN CASH	 436,783
 CASH AT BEGINNING OF YEAR	 <u>38,164</u>
 CASH AT END OF YEAR	 <u>\$ 474,947</u>
 SUPPLEMENTAL INFORMATION	
Cash paid for interest	<u>\$ 36,576</u>

See accompanying notes to financial statements.

FUTURE GENERATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Future Generations advances research and understanding in a process of equitable and sustainable community change, and offers academic training through a Master's Degree in Applied Community Change & Conservation.

Afghanistan: the Organization partners with communities and government to establish a national network of learning centers, which extend local successes in mother and child health, education and literacy, local governance, the reintegration of ex-combatants and the empowerment of women.

China: In the Tibet Autonomous Region, the Future Generations helps to protect over 40% of the land area through a people-based approach to nature conservation. Nationally across China, the Organization helps to advance nature conservation through initiating and promoting the Green Long March, China's largest youth environmental movement.

India: the Organization coordinates community-based expansion across an entire state promoting both social development and network of biosphere reserves.

Peru: the Organization demonstrates and expands the knowledge of how communities, government, and civil society can form effective partnerships that improve health and human welfare at the household and community level.

Financial Statement Presentation

The Organization follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Contributions

The Organization follows SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Cash

The Organization considers all unrestricted short-term investments with an original maturity of three months or less to be cash equivalents.

Investments

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

Income Tax Status

The Organization is a not-for-profit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

FUTURE GENERATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Organization follows the practice of capitalizing expenditures at cost for property and equipment in excess of \$5,000. The costs of additions and betterments are capitalized, and expenditures for repairs and maintenance are expensed in the period incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Contributions of property and materials are capitalized at the current fair market values. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

Property and equipment are summarized by major classification as follows:

Land	\$	60,075
Buildings		364,278
Furniture and equipment		141,842
		566,195
Accumulated depreciation		(221,145)
		\$ 345,050

Use of Estimates

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

NOTE B – PROGRAM ADVANCES

To maintain operating capital for its overseas operations, the Organization makes cash advances to programs in Afghanistan, China, and Peru. As of June 30, 2008, program advances totaled \$270,202.

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, 2008 and 2007 are as follows:

	Cost	Fair Value
Money market accounts	\$ 585,753	\$ 585,753
Certificates of deposit	65,235	65,235
Common stocks	99,125	100,650
Mutual funds	4,468,519	4,027,532
	\$ 5,218,632	\$ 4,779,170

Investment income is reported net of investment management fees, which totaled \$40,262 for the year ended June 30, 2008.

FUTURE GENERATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE D – SHORT TERM NOTES PAYABLE

The Organization has an unsecured, demand note payable to an individual at 0% interest. As of June 30, 2008, the outstanding balance was \$350,000. The individual is also a major contributor to the Organization.

NOTE E – SHORT-TERM LOAN FROM ENDOWMENT

During the year ended June 30, 2007, to assist with temporary cash flow shortages the board of directors approved a short-term loan from the endowment fund. The loan was also approved by the donor of the endowment fund. The total of the loan was \$500,000, and includes simple interest at the annual rate of 18%. During the year ended June 30, 2008, the loan was repaid.

NOTE F – LONG-TERM DEBT

Long-term debt consists of the following:

Term note payable to an individual with interest at 5.0%, due in installments totaling \$13,789 monthly, including interest, until June 2018. Secured by all real estate and equipment. The individual is also a major contributor to the Organization.

\$ 1,300,000

Maturities of long-term debt are as follows:

Year Ended June 30,	
2009	\$ 102,797
2010	108,056
2011	113,584
2012	119,396
2013	125,504
Thereafter	<u>730,663</u>
	<u>\$ 1,300,000</u>

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

China	\$ 183,788
Afghanistan	48,875
India	20,871
Research	192,363
Graduate program	114,250
Development	147,220
Endowment earnings	<u>28,547</u>
	<u>\$ 735,914</u>

FUTURE GENERATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE H – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

Tibet Endowment	\$ 701,178
Masters endowment - Fleming	1,047,984
Masters endowment - Taylor	1,590,203
Chun-Wuei Scholarship endowment	920,153
Masters endowment - Yeti	<u>500,000</u>
	<u>\$ 4,759,518</u>

NOTE I – CONCENTRATION OF CONTRIBUTIONS

For the year ended June 30, 2008, the organization received approximately 33% of its contributions and grants from one donor.

NOTE J – DEPOSITS WITH FINANCIAL INSTITUTIONS

The Organization maintains its cash accounts at one local bank. Cash accounts at banks are insured by the FDIC. As of June 30, 2008, amounts in excess of insured limits totaled \$374,945.

NOTE K – PRIOR PERIOD ADJUSTMENT

Certain errors resulting in an understatement of program advances as of June 30, 2007 were discovered during the current year. Accordingly, an adjustment of \$228,953 was made to record program advances as of the beginning of the year. A corresponding entry was made to increase previously reported unrestricted net assets.

NOTE L – SUBSEQUENT EVENTS

Subsequent to June 30, 2008, to assist with temporary cash flow shortages, the board of directors approved a short-term margin loan secured by the endowment fund. As of December 31, 2008, the outstanding loan balance was \$125,000.

As of December 31, 2008, investments had declined in value by approximately \$1,100,000.