

GENERATIONS UNITED
DECEMBER 31, 2011 AND 2010

SARFINO AND RHOADES, LLP

Certified
Public Accountants

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Certified Public Accountants
and Business Advisors

INDEPENDENT AUDITORS' REPORT

Board of Directors
Generations United
Washington, D.C.

We have audited the accompanying statements of financial position of Generations United as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 Generations United as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Sarfino and Rhoades LLP

April 17, 2012

GENERATIONS UNITED
STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash (Note 1)	\$ 482,885	\$ 441,949
Grant receivable (Note 2)	10,860	16,419
Accounts receivable	5,367	-
Accrued interest receivable	1,815	2,607
TOTAL CURRENT ASSETS	\$ 500,927	\$ 460,975
INVESTMENTS (Notes 1, 3 and 4)	118,602	217,528
PROPERTY AND EQUIPMENT (Notes 1 and 5)	6,909	10,600
DEPOSITS	13,056	13,056
TOTAL ASSETS	\$ 639,494	\$ 702,159
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 15,093	\$ 15,718
Accrued expenses	60,837	58,377
Deferred revenue (Note 1)	139,785	170,925
Sublease deposit	2,500	2,500
TOTAL CURRENT LIABILITIES	\$ 218,215	\$ 247,520
COMMITMENTS (Note 7)		
NET ASSETS (Notes 1 and 6):		
Unrestricted	\$ 349,089	\$ 273,782
Temporarily restricted	72,190	180,857
TOTAL NET ASSETS	\$ 421,279	\$ 454,639
TOTAL LIABILITIES AND NET ASSETS	\$ 639,494	\$ 702,159

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

GENERATIONS UNITED
STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,

2011

2010

	2011		2010		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
SUPPORT AND REVENUE (Note 1):					
Grants, contracts, and contributions	\$ 36,899	\$ 1,007,345	\$ 1,044,244	\$ 27,250	\$ 1,071,494
Membership dues	129,925	-	129,925	148,265	148,265
Conference	81,505	-	81,505	3,623	3,623
Other income	16,065	-	16,065	16,481	16,481
Interest income	9,266	-	9,266	10,000	10,000
Net realized and unrealized gain on investments	1,074	-	1,074	1,071	1,071
Net assets released from restrictions	1,116,012	(1,116,012)	-	984,886	(984,886)
TOTAL SUPPORT AND REVENUE	<u>\$ 1,390,746</u>	<u>\$ (108,667)</u>	<u>\$ 1,282,079</u>	<u>\$ 1,191,576</u>	<u>\$ 1,257,053</u>
EXPENSES:					
Program services:					
Public education	\$ 333,205	-	\$ 333,205	\$ 329,210	\$ 329,210
Shared sites and photography contest	236,768	-	236,768	274,784	274,784
Grandfamilies projects	222,949	-	222,949	62,138	62,138
Developing promising practices	106,336	-	106,336	11,145	11,145
Social Security education	67,166	-	67,166	43,293	43,293
High quality pre-Kindergarten for all	66,788	-	66,788	215,118	215,118
Conference	56,059	-	56,059	980	980
Membership	21,753	-	21,753	121,861	121,861
Multigenerational and civic engagement	-	-	-	4,420	4,420
Total program services	<u>\$ 1,111,024</u>	<u>-</u>	<u>\$ 1,111,024</u>	<u>\$ 1,062,949</u>	<u>\$ 1,062,949</u>
Supporting services:					
General and administrative	\$ 202,833	-	\$ 202,833	\$ 197,046	\$ 197,046
Fundraising	1,532	-	1,532	2,291	2,291
Staff development	50	-	50	4,527	4,527
Total supporting services	<u>\$ 204,415</u>	<u>-</u>	<u>\$ 204,415</u>	<u>\$ 203,864</u>	<u>\$ 203,864</u>
TOTAL EXPENSES	<u>\$ 1,315,439</u>	<u>-</u>	<u>\$ 1,315,439</u>	<u>\$ 1,266,813</u>	<u>\$ 1,266,813</u>
CHANGE IN NET ASSETS	<u>\$ 75,307</u>	<u>\$ (108,667)</u>	<u>\$ (33,360)</u>	<u>\$ (75,237)</u>	<u>\$ (9,760)</u>
NET ASSETS, BEGINNING OF YEAR	<u>273,782</u>	<u>180,857</u>	<u>454,639</u>	<u>349,019</u>	<u>464,399</u>
NET ASSETS, END OF YEAR	<u>\$ 349,089</u>	<u>\$ 72,190</u>	<u>\$ 421,279</u>	<u>\$ 273,782</u>	<u>\$ 454,639</u>

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

GENERATIONS UNITED
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (33,360)	\$ (9,760)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,691	6,999
Net realized and unrealized gain on investments	(1,074)	(1,071)
Changes in assets and liabilities:		
Grant receivable	5,559	(4,255)
Accounts receivable	(5,367)	-
Accrued interest receivable	792	-
Accounts payable	(625)	(5,673)
Accrued expenses	2,460	16,525
Deferred revenue	(31,140)	80,266
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (59,064)	\$ 83,031
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investment	\$ 100,000	\$ -
Purchases of equipment	-	(8,775)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ 100,000	\$ (8,775)
NET CHANGE IN CASH	\$ 40,936	\$ 74,256
CASH, BEGINNING OF YEAR	441,949	367,693
CASH, END OF YEAR	\$ 482,885	\$ 441,949

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

GENERATIONS UNITED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 1. Organization and Summary of Significant Accounting Policies

Organization - Generations United (“the Organization”) is a nonprofit organization focused on promoting intergenerational strategies, programs, and public policies. The Organization represents more than 100 national, state, and local organizations representing more than 70 million Americans and is the only national organization advocating for the mutual well-being of children, youth, and older adults. The Organization serves as a resource for educating policymakers and the public about the economic, social, and personal imperatives of intergenerational cooperation. The Organization provides a forum for those working with children, youth, and the elderly to explore areas of common ground while celebrating the richness of each generation.

Basis of Presentation - The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues and expenses are recognized and recorded when earned or incurred. The financial statements reflect unrestricted, temporarily restricted, and permanently restricted net assets and activities. Assets are temporarily restricted to the extent that their availability is restricted by donors, conditional upon the passage of time or the occurrence of certain events. Such restrictions apply only to contributions and to grants considered contributions, and not to “exchange” transactions in which the Organization provides a service or product to the funding agency. The Organization has no permanently restricted net assets.

Revenue Recognition - Contributions are recognized as support at the earlier of when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Membership dues for core sustaining organizational members are recognized based upon the Organization’s calendar year fiscal period. Dues for certain other organizational members are assessed upon each member’s renewal date, and management has determined that any portion deferred to future periods is immaterial.

Revenue received, but not earned, is classified as deferred revenue in the statements of financial position.

Use of Estimates - 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.

GENERATIONS UNITED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 1. Organization and Summary of Significant Accounting Policies - (Continued)

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of less than ninety days to be cash equivalents.

Investments - Investments in marketable securities are measured at fair value at the statement of financial position date. The change in the differences between the fair value and the cost of investments is reflected in the statements of activities as realized and unrealized gains and losses on investments.

Property and Equipment - Property and equipment exceeding \$1,000 is capitalized at cost and depreciated over the estimated useful lives of the assets using the straight-line method. When properties are disposed of or otherwise retired, the cost, and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income. Maintenance and repairs are expensed in the year incurred.

Concentration of Credit Risk - Financial instruments, which potentially subject the Organization to concentrations of credit risk, include cash accounts with financial institutions. Cash balances with commercial banks are covered by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. The Organization does not believe it is exposed to a significant risk on its cash accounts.

Income Tax Status - The Organization is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code, other than on unrelated business income. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal information returns (Form 990, Return of Organization Exempt from Income Tax) are not subject to examination by the IRS for the years ended December 31, 2007 and prior.

Functional Expense Allocations - The costs of providing various programs have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among programs and supporting services.

Note 2. Grant Receivable - Grant receivable represents reimbursable grant costs. This item, which is generally uncollateralized, is stated at the amount management expects to collect from the balance outstanding at year-end. Based on management's assessment of the payment history and current relationship with the grantor having an outstanding balance, management concludes that realization losses, if any, on the balance outstanding at year-end would be immaterial.

GENERATIONS UNITED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 3. **Investments** - Investments consisted of the following at December 31, 2011:

	2011	
	Fair Value	Cost
U.S. Treasury Notes, due 8/15/16	\$ 118,602	\$ 102,163

Investments consisted of the following at December 31, 2010:

	2010	
	Fair Value	Cost
U.S. Treasury Notes:		
due 10/31/11	\$ 103,551	\$ 100,313
due 8/15/16	113,977	102,163
Totals	\$ 217,528	\$ 202,476

Note 4. **Fair Value Measurement** - A framework for measuring fair value as established in the Fair Value Measurements and Disclosures Topic of the Accounting Standards Codification of the Financial Accounting Standards Board (FASB) provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows: level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets; level 2 inputs are observable market data, generally other than quoted prices; level 3 inputs are significant unobservable data.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets at fair value.

U.S. government obligations - Valued at the closing price reported in the active market in which the individual security is traded.

GENERATIONS UNITED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 4. **Fair Value Measurement** - (Continued)

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value:

		As of December 31, 2011			
		Level 1	Level 2	Level 3	Total
	U.S. government obligations	\$ -	\$ 118,602	\$ -	\$ 118,602
		As of December 31, 2010			
		Level 1	Level 2	Level 3	Total
	U.S. government obligations	\$ -	\$ 217,528	\$ -	\$ 217,528

Note 5. **Property and Equipment** - Property and equipment consists of the following as of December 31:

	2011	2010
Furniture and equipment	\$ 46,786	\$ 46,786
Less, Accumulated depreciation	39,877	36,186
Totals	\$ 6,909	\$ 10,600

Depreciation expense for the years ended December 31, 2011 and 2010 was \$3,691 and \$6,999, respectively.

GENERATIONS UNITED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 6. **Temporarily Restricted Net Assets** - Net assets were temporarily restricted for the following purposes at December 31:

	2011	2010
Shared sites and photography contest	\$ 69,758	\$ 72,494
High Quality Pre-Kindergarten for All	2,432	-
Expanding and Implementing Best Practices for Intergenerational Programs	-	100,140
Public Education	-	8,223
Totals	\$ 72,190	\$ 180,857

Note 7. **Commitments** - The Organization entered into a lease agreement for office space that expires July 31, 2014. Monthly lease payments increase 2.5% on each anniversary of the lease. The Organization is responsible for paying an estimate of real estate taxes and other operating expenses of the building during the year.

Rent expense for the years ended December 31, 2011 and 2010 was \$176,065 and \$166,321, respectively.

The Organization has an operating lease for a copier. The monthly lease payments total \$422.

The future minimum lease payments are as follows:

Years ending December 31,	Office Lease	Copier Lease	Totals
2012	\$ 175,551	\$ 4,980	\$ 180,531
2013	181,074	-	181,074
2014	107,151	-	107,151
Totals	\$ 463,776	\$ 4,980	\$ 468,756

GENERATIONS UNITED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 8. **Retirement Plan** - The Organization maintains a defined contribution pension plan covering substantially all employees. Under this plan the Organization matches employee contributions, up to six percent of the annual compensation for each participating employee, after one year of employment. Total pension expense incurred for the years ended December 31, 2011 and 2010 was \$19,804 and \$25,110, respectively.

Note 9. **In-Kind Contributions** - The Organization received \$1,987 of donated services and materials in 2010, which is included in the statements of activities as contributions and program expense. The Organization did not receive any in-kind contributions in 2011.

Note 10. **Subsequent Events** - Subsequent events have been evaluated through April 17, 2012, which is the date the financial statements were available to be issued.

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Certified Public Accountants
and Business Advisors

April 17, 2012

To the Board of Directors
Generations United

We have audited the financial statements of Generations United for the year ended December 31, 2011, and have issued our report thereon dated April 17, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you previously in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Generations United are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 17, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

This information is intended solely for the use of Board of Directors and management of Generations United and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Sarfino and Rhoades LLP

Sarfino and Rhoades, LLP