NEW GENERATIONS

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018

TOGETHER WITH AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
New Generations:

We have audited the accompanying financial statements of New Generations (the Organization) (a non-profit organization) which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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.

MEMBER INPACT INTERNATIONAL ALLIANCE OF PROFESSIONAL ACCOUNTANTS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Generations as of December 31, 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.

Dugan + Lopatka

DUGAN & LOPATKA

Warrenville, Illinois
April 23, 2019

EXHIBIT 1

NEW GENERATIONS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$ 1,193,691
Promises to give	47,974
Prepaids	175,000
Total current assets	1,416,665
Total assets	$ 1,416,665

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accounts payable	$ 21,888
Accrued expenses	63,262
Total liabilities	85,150
COMMITMENTS	
NET ASSETS:	
Without donor restrictions	1,081,091
With donor restrictions	250,424
Total net assets	1,331,515
Total liabilities and net assets	$ 1,416,665

The accompanying notes are an integral part of this statement.

EXHIBIT 2

NEW GENERATIONS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:			
Contributions - general public	$ 885,586	$ 728,376	$ 1,613,962
Contributions - CityTeam	1,484,138	-	1,484,138
Interest income	350	-	350
Net assets released from restrictions	477,952	(477,952)	-
Total operating revenue	2,848,026	250,424	3,098,450
EXPENSES:			
Program	1,491,289	-	1,491,289
Management and general	149,754	-	149,754
Fundraising	125,892	-	125,892
Total expenses	1,766,935	-	1,766,935
Change in net assets	1,081,091	250,424	1,331,515
NET ASSETS, beginning of year	-	-	-
NET ASSETS, end of year	$ 1,081,091	$ 250,424	$ 1,331,515

The accompanying notes are an integral part of this statement.

EXHIBIT 3

NEW GENERATIONS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 1,331,515
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) in accounts receivable	(47,974)
(Increase) in prepaid expenses	(175,000)
Increase in accounts payable	21,888
Increase in accrued expenses	63,262
Net cash provided by operating activities	1,193,691
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,193,691
CASH AND CASH EQUIVALENTS, beginning of year	-
CASH AND CASH EQUIVALENTS, end of year	$ 1,193,691

The accompanying notes are an integral part of this statement.

EXHIBIT 4

NEW GENERATIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program	Management and General	Fundraising	Total Expenses
Salaries & related expenses	$ 187,630	$ 96,781	$ 82,652	$ 367,063
Contractor support expenses	275,514	1,588	7,227	284,329
Contributions	26,955	-	-	26,955
Professional fees	-	15,221	-	15,221
Special ministry projects	166,762	-	-	166,762
Telephone/internet expense	14,063	905	226	15,194
Bank charges and fees	2,684	8,158	5,227	16,069
Postage and printing	-	3,153	-	3,153
Supplies	9,278	2,680	-	11,958
Licensing and subscriptions	2,901	977	-	3,878
Insurance	-	3,629	-	3,629
Conferences/meetings	1,641	1,658	3,867	7,166
Travel and entertainment	21,284	9,238	3,746	34,268
Rent	27,717	400	-	28,117
Recruiting	-	1,809	-	1,809
Staff training	68,433	-	-	68,433
Miscellaneous	14,089	2,916	15,391	32,396
Web/software/hardware	1,290	531	5,300	7,121
Equipment rental	90,589	110	-	90,699
Disciple Making Movements contributions	529,537	-	-	529,537
Vehicle	10,986	-	-	10,986
Emergency	39,936	-	-	39,936
Promotional	-	-	2,256	2,256
Total functional expenses	$ 1,491,289	$ 149,754	$ 125,892	$ 1,766,935

The accompanying notes are an integral part of this statement.

NEW GENERATIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

New Generations (the Organization) is a non-profit organization that is an international Christian ministry that partners with God and national leaders to launch Disciple Making Movements among the world's least reached people. The Organization hopes to increase the movements of obedient disciples that can virally reproduce within their natural networks as a way to engage the billions of people that are outside the reach of traditional missions.

The Organization was recognized as a 501(c)(3) entity in September, 2017. All revenue and expenses received/incurred by the Organization from September, 2017 through June 30, 2018 was part of CityTeam (another NFP organization). The Organization was considered a division of CityTeam from March 2005 until it was officially spun off from CityTeam in June, 2018. When the Organization was a division of CityTeam they were responsible to raise funds for their program. The prior two years the Organization raised on average approximately $3 million to cover expenses. The Organization recognizes all assets transferred from CityTeam as a contribution (approximately $1.4 million), as the Organization did not provide any consideration to CityTeam.

The financial statements were available to be issued on April 23, 2019, with subsequent events being evaluated through this date.

The following summarizes the significant accounting policies and practices reflected in the accompanying financial statements:

Basis of Accounting -

The Organization maintains its financial statements on the accrual basis of accounting which recognizes the support and revenue as it is earned and expenses as they are incurred.

Financial Statement Presentation -

The financial statements of the Organization have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Under GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

With donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Prepaids -

Prepaids consist of advances to various individuals for the Disciple Making Movements expenses.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes -

The Organization has been determined by the Internal Revenue Service to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal income taxes, except for taxes on unrelated business income generated from unrelated trade or business activities. The Organization did not have unrelated business income for the year ended December 31, 2018. Accordingly, no provision for income tax has been established.

The Organization files informational returns in the U.S. federal jurisdiction and various states. The Organization is subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years 2017 and 2018. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

Use of Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may vary from those estimates.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk -

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash.

The Organization places its cash and deposits with high quality financial institutions; however, deposits may exceed the federally insured limits from time to time.

Promises to Give -

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional. There are no conditional promises to give for the year ended December 31, 2018.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue With and Without Donor Restrictions -

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts of cash and other assets that is restricted by a donor is responded as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the gift is recognized.

Functional Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed a program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, travel and entertainment, miscellaneous, and telephone which are allocated on the basis of estimates of time and effort.

New Accounting Pronouncement –

During 2018, the Organization adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* This update to ASU 958 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

(2) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following programs at December 31, 2018:

Living Stones Africa	$ 63,643
Go North Ministry	17,609
South East Asia	152,741
Curriculum Development	8,283
Church Partnership	8,148
	$ 250,424

(3) AVAILABILITY AND LIQUIDITY:

The following represents the New Generation's financial assets at December 31, 2018:

Financial assets at year end:	
Cash and cash equivalents	$ 1,193,691
Promises to give	47,974
Total financial assets	1,241,665
Less donor imposed restrictions	250,424
Financial assets available to meet general expenditures that is without donor restrictions limiting their use within one year	$ 991,241

The Organization's goal is to generally maintain enough financial assets to meet 3 months of operating expenses (approximately $435,000).