NEW GENERATIONS

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 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 statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows and functional expenses for the years 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 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 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.

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, 2019 and 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
March 25, 2020

EXHIBIT 1

NEW GENERATIONS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
A S S E T S		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,369,829	$ 1,193,691
Promises to give, current maturities	175,528	47,974
Investments	100,007	-
Prepaids	476,658	175,000
Total current assets	3,122,022	1,416,665
PROMISES TO GIVE, net of current maturities	125,000	-
Total assets	$ 3,247,022	$ 1,416,665
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 16,041	$ 21,888
Accrued expenses	58,889	63,262
Total liabilities	74,930	85,150
COMMITMENTS		
NET ASSETS:		
Without donor restrictions	1,927,262	1,169,135
With donor restrictions	1,244,830	162,380
Total net assets	3,172,092	1,331,515
Total liabilities and net assets	$ 3,247,022	$ 1,416,665

The accompanying notes are an integral part of this statement.

EXHIBIT 2

NEW GENERATIONS
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:						
Contributions - general public	$ 3,971,431	$ 2,135,666	$ 6,107,097	$ 1,244,638	$ 369,324	$ 1,613,962
Contributions - CityTeam	-	-	-	1,484,138	-	1,484,138
Interest and dividend income	4,960	-	4,960	350	-	350
Unrealized and realized (loss)	(10,033)	-	(10,033)	-	-	-
Other income	6,322	-	6,322	-	-	-
Net assets released from restrictions	1,053,216	(1,053,216)	-	206,944	(206,944)	-
Total operating revenue	5,025,896	1,082,450	6,108,346	2,936,070	162,380	3,098,450
EXPENSES:						
Program	3,671,267	-	3,671,267	1,491,289	-	1,491,289
Management and general	279,544	-	279,544	149,754	-	149,754
Fundraising	316,958	-	316,958	125,892	-	125,892
Total expenses	4,267,769	-	4,267,769	1,766,935	-	1,766,935
Change in net assets	758,127	1,082,450	1,840,577	1,169,135	162,380	1,331,515
NET ASSETS, beginning of year	1,169,135	162,380	1,331,515	-	-	-
NET ASSETS, end of year	$ 1,927,262	$ 1,244,830	$ 3,172,092	$ 1,169,135	$ 162,380	$ 1,331,515

The accompanying notes are an integral part of this statement.

EXHIBIT 3

NEW GENERATIONS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,840,577	$ 1,331,515
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (loss) on investments	3,478	-
(Increase) in promises to give	(252,554)	(47,974)
(Increase) in prepaid expenses	(301,658)	(175,000)
Increase (decrease) in accounts payable	(5,847)	21,888
Increase (decrease) in accrued expenses	(4,373)	63,262
Net cash provided by operating activities	1,279,623	1,193,691
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(103,485)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,176,138	1,193,691
CASH AND CASH EQUIVALENTS, beginning of year	1,193,691	-
CASH AND CASH EQUIVALENTS, end of year	$ 2,369,829	$ 1,193,691

The accompanying notes are an integral part of this statement.

NEW GENERATIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program	Management and General	Fundraising	Total Expenses
Salaries & related expenses	$ 459,165	$ 137,953	$ 192,062	$ 789,180
Contractor support expenses	434,135	1,023	16,679	451,837
Contributions	5,720	-	-	5,720
Professional fees	22,619	68,062	4,881	95,562
Telephone/internet expense	26,196	2,431	-	28,627
Bank charges and fees	16,526	15,395	11,306	43,227
Supplies	15,651	9,871	-	25,522
Licensing and subscriptions	5,040	1,018	-	6,058
Insurance	-	6,302	-	6,302
Conferences/meetings	12,836	1,216	1,993	16,045
Travel and entertainment	226,049	14,584	37,780	278,413
Rent	57,481	7,207	-	64,688
Staff training	-	1,708	-	1,708
Miscellaneous	-	1,629	-	1,629
Web/software/hardware	25,909	11,134	-	37,043
Disciple Making Movements contributions	2,106,271	-	-	2,106,271
Vehicle	18,881	-	-	18,881
Emergency and preservation needs	238,788	-	-	238,788
Promotional	-	11	52,257	52,268
Total functional expenses	$ 3,671,267	$ 279,544	$ 316,958	$ 4,267,769

The accompanying notes are an integral part of this statement.

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 and preservation needs	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, 2019 AND 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 Organization evaluated its December 31, 2019 financial statements for subsequent events through March 25, 2020. As a result of the spread of the COVID-19 virus, economic uncertainties have arisen which are likely to negatively impact contributions the organization receives from donors. Other financial impact could occur though such potential impact is unknown at this time.

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) 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, 2019. 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 2018 and 2019. 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 that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the contributions are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All contributions receivable are considered fully collectible based on past experience and management's judgment; therefore, no allowance for doubtful contribution accounts receivable is needed.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments -

The Organization invests in mutual funds. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and activities.

Investments in mutual funds are carried at fair value based on quoted market prices for those investments.

Contributions -

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

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 –

Effective January 1, 2019, The Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update provided guidance to assist in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a contribution is conditional. The ASU has been retroactively applied to all periods presented.

Reclassification –

Prior year amounts have been reclassified to be consistent with current year presentation.

(2) PROMISES TO GIVE:

At December 31, 2019 and 2018, the timing of payments of accounts and contributions receivable as determined by the underlying agreements are expected to be as follows:

	2019	2018
Receivable in less than one year	$ 175,528	$ 47,974
Receivable in greater than one year and less than five years	125,000	-
Total accounts and contributions receivable	300,528	47,974
Less unamortized discounts	-	-
Net accounts and contributions receivable	$ 300,528	$ 47,974

(3) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification for Fair Value Measurements established a framework for measuring fair value. That framework 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this codification are described as follows:

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2:

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3:

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

(3) FAIR VALUE MEASUREMENTS: (Continued)

The asset 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 methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2019 and 2018.

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Organization at year end.

The preceding method described 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 method is 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 table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	Assets at Fair Value as of December 31, 2019			
Description	Level 1	Level 2	Level 3	Total
Large cap value mutual funds	$ 100,007	$ -	$ -	$

	Assets at Fair Value as of December 31, 2018			
Description	Level 1	Level 2	Level 3	Total
Large cap value funds	$ -	$ -	$ -	$ -

(4) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following programs at December 31, 2019 and 2018:

	2019	2018
Africa	$ 140,105	$ 9,639
South East Asia	256,485	152,741
Time restricted	325,402	-
Bolthouse	517,100	-
North America	5,738	-
	$ 1,244,830	$ 162,380

(5) AVAILABILITY AND LIQUIDITY:

The following represents the New Generation's financial assets at:

	December 31, 2019	December 31, 2018
Financial assets -		
Cash and cash equivalents	$ 2,369,829	$ 1,193,691
Promises to give	300,528	47,974
Accounts receivable	-	-
Investments	100,007	-
Total financial assets	2,770,364	1,241,665
Less donor-imposed restrictions	1,244,830	162,380
Financial assets available to meet cash needs for general expenditures within one year	$ 1,525,534	$ 1,079,285

The Organization's goal is to generally maintain enough financial assets to meet 3 months of operating expenses (approximately $1,066,000).

The Organization manages its liquidity and reserves adhering to the following principles:

- operating within a prudent range of financial soundness and stability
- incurring unbudgeted costs only when such costs are funded
- maintaining adequate liquid assets to fund near-term operating needs