

**SEED PROGRAMS INC.,
D/B/A SEED PROGRAMS INTERNATIONAL**

**Financial Statements as of
December 31, 2015
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

August 2, 2016

To the Board of Directors of
Seed Programs Inc.,
d/b/a Seed Programs International:

Report on the Financial Statements

We have audited the accompanying financial statements of Seed Programs Inc., d/b/a Seed Programs International (a North Carolina not-for-profit corporation) which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and change in net assets, functional expenses and cash flows 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Seed Programs Inc., d/b/a Seed Programs International as of December 31, 2015, 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.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Summarized Comparative Information

We have previously audited the Seed Programs Inc., d/b/a Seed Programs International's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**SEED PROGRAMS INC.,
D/B/A SEED PROGRAMS INTERNATIONAL**

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015**

(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 71,841	\$ 61,244
ACCOUNTS RECEIVABLE	8,018	7,120
CERTIFICATES OF DEPOSIT	25,542	25,538
INVENTORY, net	118,493	265,112
PROPERTY AND EQUIPMENT, net	-	37
OTHER ASSETS	<u>500</u>	<u>500</u>
Total assets	<u>\$ 224,394</u>	<u>\$ 359,551</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 1,100	\$ 1,437
Accrued liabilities	<u>1,747</u>	<u>1,088</u>
Total liabilities	<u>2,847</u>	<u>2,525</u>
NET ASSETS:		
Unrestricted	<u>221,547</u>	<u>357,026</u>
Total liabilities and net assets	<u>\$ 224,394</u>	<u>\$ 359,551</u>

The accompanying notes are an integral part of these statements.

**SEED PROGRAMS INC.,
D/B/A SEED PROGRAMS INTERNATIONAL**

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015**

(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
SUPPORT AND REVENUE:		
Seed revenue	\$ 45,503	\$ 41,704
Donations	118,862	101,056
In-kind contributions	15,227	225,133
Interest income	21	40
	<hr/>	<hr/>
Total support revenue	179,613	367,933
EXPENSES:		
Program services	296,551	174,055
Management and general	14,509	11,701
Fundraising	4,032	4,155
	<hr/>	<hr/>
Total expenses	315,092	189,911
CHANGE IN NET ASSETS	(135,479)	178,022
NET ASSETS - beginning of year	<hr/> 357,026	<hr/> 179,004
NET ASSETS - end of year	<hr/> <u>\$ 221,547</u>	<hr/> <u>\$ 357,026</u>

The accompanying notes are an integral part of these statements.

**SEED PROGRAMS INC.,
D/B/A SEED PROGRAMS INTERNATIONAL**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

(With Comparative Totals for 2014)

	Program Services	Management and General	Fundraising	Total	
				2015	2014
Seeds distributed to international projects	\$ 121,752	\$ -	\$ -	\$ 121,752	\$ 50,150
Wages	61,124	1,314	3,286	65,724	75,816
Obsolete and discarded seed	40,094	-	-	40,094	-
Professional fees/accounting	24,744	7,630	-	32,374	22,992
Seed shipping	13,305	-	-	13,305	8,974
Grants to foreign entities	11,380	-	-	11,380	-
Packaging	8,185	-	-	8,185	11,475
Travel	6,179	115	288	6,582	4,588
Payroll expenses - FICA	4,712	101	254	5,067	5,993
Rent	-	3,510	-	3,510	1,751
Office	3,262	34	9	3,305	3,937
Insurance	295	1,178	-	1,473	1,468
Telephone	1,264	27	68	1,359	1,576
Postage and delivery	255	-	127	382	385
Bank service charges	-	348	-	348	142
Registrations	-	215	-	215	115
Depreciation	-	37	-	37	62
Seeds	-	-	-	-	487
	<u>\$ 296,551</u>	<u>\$ 14,509</u>	<u>\$ 4,032</u>	<u>\$ 315,092</u>	<u>\$ 189,911</u>
Total					

The accompanying notes are an integral part of these statements.

**SEED PROGRAMS INC.,
D/B/A SEED PROGRAMS INTERNATIONAL**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (135,479)	\$ 178,022
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	37	62
Changes in:		
Accounts receivable	(898)	12,764
Inventory	146,619	(174,863)
Other assets	-	(500)
Accounts payable	(337)	1,437
Accrued liabilities	<u>659</u>	<u>(788)</u>
Net cash flow from operating activities	<u>10,601</u>	<u>16,134</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Maturities of certificates of deposit, net	<u>(4)</u>	<u>(21)</u>
Net cash flow from investing activities	<u>(4)</u>	<u>(21)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	10,597	16,113
CASH AND CASH EQUIVALENTS - beginning of year	<u>61,244</u>	<u>45,131</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 71,841</u>	<u>\$ 61,244</u>

The accompanying notes are an integral part of these statements.

**SEED PROGRAMS INC.,
D/B/A SEED PROGRAMS INTERNATIONAL**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. NATURE OF ORGANIZATION

Seed Programs Inc., d/b/a Seed Programs International (the Organization) is a North Carolina not-for-profit corporation founded in 1998 to help existing organizations build and operate programs to provide seeds and the skills to grow gardens in communities throughout the world. The program provides packets of garden seed, planting instructions, and related information to the communities in need. The Organization is funded through procurement of donated seeds, contributions, and sale of donated seeds.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP).

Financial Reporting

The Organization categorizes net assets and activities as unrestricted, temporarily restricted, or permanently restricted. The Organization reports contributions as temporarily restricted or permanently restricted if they are received with donor stipulations that limit their use. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restriction. If applicable, contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. As of December 31, 2015 and 2014, all of the Organization's net assets were unrestricted.

Cash and Cash Equivalents

Cash and cash equivalents include bank demand and time deposit accounts. The Organization considers all highly liquid investment instruments with a maturity of three months or less to be cash equivalents. At times, the balances in these accounts may exceed federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

Certificates of Deposit

Certificates of deposit consist of bank certificates with original maturities of less than twelve months. These certificates are recorded at historical cost. The balances of these certificates may exceed federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to certificates of deposit.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The Organization sells seed inventory to other entities. The Organization does not accrue interest on these receivables. Amounts for which no payments have been received for several months are considered delinquent and when appropriate collection efforts are exhausted, the account is written-off. The Organization provides an allowance for doubtful accounts based on an analysis of amounts that may not be reimbursed by third-party payers or collected from its clients and a review of amounts currently outstanding. No such allowance was considered necessary at December 31, 2015 and 2014.

Inventory

The inventory is comprised of bulk and packaged seed. The inventory is contributed by various seed companies and is recorded as in-kind support. Inventories received on or after January 1, 2014 are valued at the lower of cost (as determined above) or market value as received. Inventory received prior to December 31, 2013 is recorded at values indicated by the donor, otherwise at fair market value of similar seed. The Organization records a valuation allowance for obsolete and slow-moving inventory to write down to net realizable value for inventory received prior to December 31, 2013. The valuation allowance is calculated based on expected usage of seed inventory. As of December 31, 2015 and 2014, the Organization recorded an allowance of approximately \$106,000 and \$117,000, respectively.

Property and Equipment

Property and equipment is stated at cost, or fair value, at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which range from three to twenty-five years. The Organization capitalizes individual property and equipment items with a cost or fair value at the date of donation greater than \$500 that have a useful life greater than one year.

Shipping and Handling

Shipping and handling costs for seed sold or donated are expensed as incurred. These expenses are included in packaging expense in the accompanying statement of functional expenses.

Support and Revenue

The Organization receives support and revenue from donors, the sale of seed, and the donation of seed. Support and revenue from these sources is recognized in the period the seed is sold or donations are received.

Donated Services

Volunteers have donated significant amounts of time in support of the Organization's program activities. The value of these services is not reflected in the accompanying financial statements as they do not meet the criteria for recognition.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was obtained.

3. SEEDS DISTRIBUTED TO INTERNATIONAL PROJECTS

The Organization provides vegetable seed combined with local training, tools and support to international projects. During the year ending December 31, 2015 and 2014, the Organization's cost of seed distributed to international projects was \$121,752 and \$50,150, respectively. The cost of the seeds distributed to international projects is calculated based on the net realizable value of the distributed seeds.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Equipment	\$ 1,361	\$ 1,361
Less: Accumulated depreciation	<u>(1,361)</u>	<u>(1,324)</u>
	<u>\$ -</u>	<u>\$ 37</u>

5. CONCENTRATION

As of December 31, 2015 and 2014, 84% and 86%, respectively, of accounts receivable were due from Lucrex and Dick Watson Children's Foundation.

6. OFFICE LEASE

During 2014, the Organization entered into a lease agreement for the use of office space with the option to renew the lease for one extended term of one year. Under the terms of the agreement, monthly payments of \$250 are to be made through July 20, 2016.

Lease expense recognized under the term of this lease agreement was approximately \$3,000 and \$1,500 in 2015 and 2014, respectively.

7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 2, 2016, which is the date the financial statements were available to be issued.