

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

**Financial Statements as of  
December 31, 2017  
Together with  
Independent Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

May 8, 2018

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, 2017, 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, 2017, 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**

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### **Report on Summarized Comparative Information**

We have previously audited the Seed Programs Inc., d/b/a Seed Programs International's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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, 2017**  
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 116,932	\$ 112,019
ACCOUNTS RECEIVABLE	15,068	17,676
CERTIFICATES OF DEPOSIT	25,542	25,542
INVENTORY, net	97,056	90,429
OTHER ASSETS	<u>500</u>	<u>500</u>
Total assets	<u>\$ 255,098</u>	<u>\$ 246,166</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable	\$ 5,913	\$ 14,000
Accrued liabilities	<u>2,488</u>	<u>2,797</u>
Total liabilities	<u>8,401</u>	<u>16,797</u>
NET ASSETS:		
Unrestricted		
Undesignated	235,434	229,369
Designated	<u>10,263</u>	<u>-</u>
Total unrestricted	245,697	229,369
Temporarily restricted	<u>1,000</u>	<u>-</u>
Total net assets	<u>246,697</u>	<u>229,369</u>
Total liabilities and net assets	<u>\$ 255,098</u>	<u>\$ 246,166</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, 2017**

(With Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
<b>SUPPORT AND REVENUE:</b>				
Seed revenue	\$ 27,401	\$ -	\$ 27,401	\$ 37,770
Donations	208,425	1,000	209,425	203,822
In-kind contributions	19,310	-	19,310	8,951
Interest income	<u>25</u>	<u>-</u>	<u>25</u>	<u>19</u>
Total support revenue	<u>255,161</u>	<u>1,000</u>	<u>256,161</u>	<u>250,562</u>
<b>EXPENSES:</b>				
Program services	212,500	-	212,500	216,421
Management and general	19,121	-	19,121	17,926
Fundraising	<u>7,212</u>	<u>-</u>	<u>7,212</u>	<u>8,393</u>
Total expenses	<u>238,833</u>	<u>-</u>	<u>238,833</u>	<u>242,740</u>
CHANGE IN NET ASSETS	16,328	1,000	17,328	7,822
NET ASSETS - beginning of year	<u>229,369</u>	<u>-</u>	<u>229,369</u>	<u>221,547</u>
NET ASSETS - end of year	<u>\$ 245,697</u>	<u>\$ 1,000</u>	<u>\$ 246,697</u>	<u>\$ 229,369</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, 2017**  
(With Comparative Totals for 2016)

	Program <u>Services</u>	Management <u>and General</u>	Fundraising	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
Wages	\$ 105,774	\$ 2,274	\$ 5,687	\$ 113,735	\$ 88,002
Professional fees/accounting	21,401	7,377	770	29,548	38,419
Packaging	20,914	-	-	20,914	11,191
Grants in assistance	19,793	-	-	19,793	34,491
Seed shipping	12,759	-	-	12,759	7,276
Seeds distributed to international projects	12,683	-	-	12,683	35,678
Payroll expenses - FICA	8,150	175	439	8,764	6,792
Rent	-	6,380	-	6,380	5,400
Office	5,019	10	25	5,054	2,691
Travel	2,648	57	142	2,847	6,547
Insurance	446	1,786	-	2,232	1,929
Seeds	1,595	-	-	1,595	1,391
Telephone	1,141	25	61	1,227	1,417
Bank service charges	-	777	-	777	675
Postage and delivery	177	-	88	265	527
Fees	-	240	-	240	124
Registrations	-	20	-	20	115
Donor gifts	-	-	-	-	75
<b>Total</b>	<b>\$ 212,500</b>	<b>\$ 19,121</b>	<b>\$ 7,212</b>	<b>\$ 238,833</b>	<b>\$ 242,740</b>

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, 2017**  
(With Comparative Totals for 2016)

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	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 17,328	\$ 7,822
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Changes in:		
Accounts receivable	2,608	(9,658)
Inventory	(6,627)	28,064
Accounts payable	(8,087)	12,900
Accrued liabilities	<u>(309)</u>	<u>1,050</u>
Net cash flow from operating activities	<u>4,913</u>	<u>40,178</u>
CHANGE IN CASH AND CASH EQUIVALENTS	4,913	40,178
CASH AND CASH EQUIVALENTS - beginning of year	<u>112,019</u>	<u>71,841</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 116,932</u>	<u>\$ 112,019</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, 2017**

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**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 of America (GAAP).

**Financial Reporting**

The Organization reports its activities and the related net assets in the following classifications:

- **Unrestricted**

Unrestricted net assets include resources available for the support of the Organization's operating activities. In addition, they include \$10,063 of resources designated by the Board for specific purpose to support programs in Guatemala.

- **Temporarily Restricted**

Temporarily restricted net assets include resources that have been donated to the Organization subject to restrictions as defined by the donor. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as releases from restrictions. Temporarily restricted contributions received in the same year in which the restrictions are met are recorded as an increase in unrestricted support at the time of receipt.

**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, 2017 and 2016.

### **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, 2017 and 2016, the Organization recorded an allowance of approximately \$75,000 and \$104,000, respectively.

The valuation allowance is calculated based on expected usage of seed inventory. As of December 31, 2017 and 2016, the Organization recorded an allowance of approximately \$73,000 and \$75,000, respectively.

### **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 shipped and donations are contributed.

### **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, 2016, from which the summarized information was obtained.

## 3. TEMPORARILY RESTRICTED NET ASSETS

Activity in temporarily restricted net assets for the following purposes for the year ended December 31, 2017 were as follows:

	Balance at <u>January 1</u>	<u>Additions</u>	Releases from <u>Restrictions</u>	Balance at <u>December 31</u>
Rotary-supported programs	\$ <u>          -</u>	\$ <u>      1,000</u>	\$ <u>          -</u>	\$ <u>      1,000</u>

There were no temporarily restricted net assets as of December 31, 2016.

## 4. 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, 2017 and 2016, the Organization's cost of seed distributed to international projects was \$12,683 and \$35,678, respectively. The cost of the seeds distributed to international projects is calculated based on the net realizable value of the distributed seeds.

## 5. CONCENTRATION

As of December 31, 2017 and 2016, 43% and 52%, respectively, of accounts receivable were due from Lucrex and Dick Watson Children's Foundation.

## 6. OFFICE LEASE

During 2017, the Organization renewed its 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 \$550 are to be made through July 14, 2018.

Lease expense recognized under the term of this lease agreement was approximately \$6,300 and \$5,000 in 2017 and 2016, respectively.

## **7. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 8, 2018, which is the date the financial statements were available to be issued.