

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

**Financial Statements as of  
December 31, 2018  
Together with  
Independent Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

May 14, 2019

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, 2018, 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, 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.

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## **INDEPENDENT AUDITOR'S REPORT**

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### **Change in Accounting Principle**

As described in Note 2 to the financial statements, Seed Programs Inc. implemented Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of January 1, 2018, and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

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

We have previously audited Seed Programs Inc., d/b/a Seed Programs International's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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, 2018**

(With Comparative Totals for 2017)

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	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 66,107	\$ 116,932
ACCOUNTS RECEIVABLE	6,551	15,068
CERTIFICATES OF DEPOSIT	25,581	25,542
INVENTORY, net	170,506	97,056
OTHER ASSETS	<u>500</u>	<u>500</u>
Total assets	<u>\$ 269,245</u>	<u>\$ 255,098</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable	\$ 3,445	\$ 5,913
Accrued liabilities	<u>2,484</u>	<u>2,488</u>
Total liabilities	<u>5,929</u>	<u>8,401</u>
NET ASSETS:		
Without donor restrictions		
Undesignated	252,744	235,434
Board Designated	<u>-</u>	<u>10,263</u>
Total net assets without donor restrictions	252,744	245,697
With donor restrictions	<u>10,572</u>	<u>1,000</u>
Total net assets	<u>263,316</u>	<u>246,697</u>
Total liabilities and net assets	<u>\$ 269,245</u>	<u>\$ 255,098</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, 2018**

(With Comparative Totals for 2017)

	Without Donor Restriction	With Donor Restriction	Total	
			2018	2017
<b>SUPPORT AND REVENUE:</b>				
Seed revenue	\$ 29,023	\$ -	\$ 29,023	\$ 27,401
Donations	108,651	17,280	125,931	209,425
In-kind contributions	103,755	-	103,755	19,310
Interest income	53	-	53	25
Other income	1,089	-	1,089	-
Releases from restriction	<u>7,708</u>	<u>(7,708)</u>	<u>-</u>	<u>-</u>
Total support revenue	<u>250,279</u>	<u>9,572</u>	<u>259,851</u>	<u>256,161</u>
<b>EXPENSES:</b>				
Program services	214,283	-	214,283	212,500
Management and general	20,854	-	20,854	19,121
Fundraising	<u>8,095</u>	<u>-</u>	<u>8,095</u>	<u>7,212</u>
Total expenses	<u>243,232</u>	<u>-</u>	<u>243,232</u>	<u>238,833</u>
CHANGE IN NET ASSETS	7,047	9,572	16,619	17,328
NET ASSETS - beginning of year	<u>245,697</u>	<u>1,000</u>	<u>246,697</u>	<u>229,369</u>
NET ASSETS - end of year	<u>\$ 252,744</u>	<u>\$ 10,572</u>	<u>\$ 263,316</u>	<u>\$ 246,697</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, 2018**  
(With Comparative Totals for 2017)

	Program <u>Services</u>	Management <u>and General</u>	Fundraising	<u>Total</u>	
				<u>2018</u>	<u>2017</u>
Wages	\$ 112,745	\$ 2,424	\$ 6,062	\$ 121,231	\$ 113,735
Grants and assistance	30,974	-	-	30,974	19,793
Seeds distributed to international projects	23,678	-	-	23,678	12,683
Professional fees/accounting	9,947	8,529	1,133	19,609	29,548
Seed shipping	10,168	-	-	10,168	12,759
Payroll expenses - FICA	8,639	186	465	9,290	8,764
Packaging	7,726	-	-	7,726	20,914
Rent	-	6,800	-	6,800	6,380
Travel	4,304	93	231	4,628	2,847
Office	2,514	102	-	2,616	5,054
Seeds	1,992	-	-	1,992	1,595
Insurance	389	1,555	-	1,944	2,232
Telephone	759	16	41	816	1,227
Bank service charges	-	708	-	708	777
Postage and delivery	287	-	143	430	265
Fees	-	421	-	421	240
Bad debt	161	-	-	161	-
Registrations	-	20	-	20	20
Meals and entertainment	-	-	20	20	-
<b>Total</b>	<b>\$ 214,283</b>	<b>\$ 20,854</b>	<b>\$ 8,095</b>	<b>\$ 243,232</b>	<b>\$ 238,833</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, 2018**  
(With Comparative Totals for 2017)

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	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 16,619	\$ 17,328
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Changes in:		
Accounts receivable	8,517	2,608
Inventory	(73,450)	(6,627)
Accounts payable	(2,468)	(8,087)
Accrued liabilities	<u>(4)</u>	<u>(309)</u>
Net cash flow from operating activities	<u>(50,786)</u>	<u>4,913</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(50,825)	4,913
CASH AND CASH EQUIVALENTS - beginning of year	<u>116,932</u>	<u>112,019</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 66,107</u>	<u>\$ 116,932</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, 2018**

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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, grants and contributions, and sale of donated seeds.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements have been prepared in accordance 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:

• **Net Assets Without Donor Restrictions**

Net assets without donor restrictions include resources available for the support of the Organization's operating activities. In addition, as of December 31, 2017, they include \$10,063 of resources designated by the Board for specific purpose to support programs in Guatemala. There were not net assets without donor restrictions designated by the Board as of December 31, 2018.

• **Net Assets With Donor Restrictions**

Net assets with donor restrictions include resources that have been donated to the Organization subject to restrictions as defined by the donor. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as releases from restrictions. Donor Restricted contributions received in the same year in which the restrictions are met are recorded as an increase in without donor restricted support.

**Change in Accounting Principle**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, with the purpose of improving financial reporting by not-for-profit (NFP) entities. ASU 2016-14 changes the presentation and accounting for non-profit organization's financial statements including:

- Reducing the number of classes of net assets from three to two (net assets with donor restrictions and net assets without donor restrictions);
- Requiring the presentation of expenses in both natural and functional classifications; and
- Requiring qualitative and quantitative disclosure regarding an entity's liquidity and availability of resources (Note 3).

## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Change in Accounting Principle (Continued)**

ASU 2016-14 is effective for the Organization's fiscal year ending December 31, 2018 and was applied retrospectively with the exception of the presentation of expenses in both natural and functional classifications and the disclosures regarding liquidity and availability of resources, which are presented for the current year only. The effects of this ASU have been included in these financial statements. There was no effect on the total net assets or change in net assets.

### **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.

### **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 collected from these entities and a review of amounts currently outstanding. No such allowance was considered necessary at December 31, 2018 and 2017.

### **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, 2018 and 2017, the Organization recorded an allowance of approximately \$24,000 and \$73,000, 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, grantors, 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### Allocation of Certain Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. Those expenses include payroll and benefits. Payroll and benefits are allocated based on time spent on the function.

Expenses not mentioned above are direct charged to the appropriate function on a transactional basis.

### 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.

### 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, 2017, from which the summarized information was obtained.

## 3. LIQUIDITY

The Organization has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash flow is monitored on a monthly basis.

The Organization's financial assets at December 31, 2018, available to meet cash needs for general expenditures within one year from the balance sheet date are:

Cash and cash equivalents	\$ 66,107
Certificate of deposit	25,581
Accounts receivable	<u>6,551</u>
Total financial assets available within one year	<u>98,239</u>
Less:	
Net assets with donor restrictions	<u>10,572</u>
Total financial assets available to meet cash needs for general expenditure within one year	<u>\$ 87,667</u>

#### 4. NET ASSETS WITH DONOR RESTRICTIONS

Activity in Net assets with donor restrictions for the following purposes for the year ended December 31, 2018 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	\$ 1,000	\$ -	\$ 1,000	\$ -
Global giving-supported programs	\$ -	\$ 17,280	\$ 6,708	\$ 10,572
	<u>\$ 1,000</u>	<u>\$ 17,280</u>	<u>\$ 7,708</u>	<u>\$ 10,572</u>

#### 5. 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, 2018 and 2017, the Organization's cost of seed distributed to international projects was \$23,678 and \$12,683, respectively. The cost of the seeds distributed to international projects is calculated based on the net realizable value of the distributed seeds.

#### 6. CONCENTRATION

As of December 31, 2018 and 2017, 55% and 43%, respectively, of accounts receivable were due from Lucrex and Dick Watson Children's Foundation.

#### 7. OFFICE LEASE

During 2018, the Organization renewed its lease agreement for the use of office space. Under the terms of the agreement, monthly payments of \$600 are to be made through July 2019.

Lease expense recognized under the term of this lease agreement was approximately \$6,800 and \$6,300 in 2018 and 2017, respectively.

#### 8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 14, 2019, which is the date the financial statements were available to be issued.