

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

**Financial Statements as of  
December 31, 2019  
Together with  
Independent Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

May 15, 2020

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, 2019, 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, 2019, 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)

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, Seed Programs Inc. implemented Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, and 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and the effects have been included in these financial statements. Our opinion is not modified with respect to these matters.

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

We have previously audited Seed Programs Inc., d/b/a Seed Programs International's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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, 2019**

(With Comparative Totals for 2018)

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	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 74,058	\$ 66,107
ACCOUNTS RECEIVABLE	-	6,551
CERTIFICATES OF DEPOSIT	25,591	25,581
INVENTORY, net	244,070	170,506
OTHER ASSETS	<u>500</u>	<u>500</u>
Total assets	<u>\$ 344,219</u>	<u>\$ 269,245</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable	\$ 206	\$ 3,445
Accrued liabilities	<u>27,627</u>	<u>2,484</u>
Total liabilities	<u>27,833</u>	<u>5,929</u>
NET ASSETS:		
Without donor restrictions	302,080	252,744
With donor restrictions	<u>14,306</u>	<u>10,572</u>
Total net assets	<u>316,386</u>	<u>263,316</u>
Total liabilities and net assets	<u>\$ 344,219</u>	<u>\$ 269,245</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, 2019**

(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<b>SUPPORT AND REVENUE:</b>				
Seed revenue	\$ 27,879	\$ -	\$ 27,879	\$ 29,023
Donations	137,124	19,842	156,966	125,931
In-kind contributions	133,726	-	133,726	103,755
Interest income	22	-	22	53
Other income	-	-	-	1,089
Releases from restriction	<u>16,108</u>	<u>(16,108)</u>	<u>-</u>	<u>-</u>
Total support revenue	<u>314,859</u>	<u>3,734</u>	<u>318,593</u>	<u>259,851</u>
<b>EXPENSES:</b>				
Program services	207,548	-	207,548	214,283
Management and general	38,819	-	38,819	20,854
Fundraising	<u>19,156</u>	<u>-</u>	<u>19,156</u>	<u>8,095</u>
Total expenses	<u>265,523</u>	<u>-</u>	<u>265,523</u>	<u>243,232</u>
CHANGE IN NET ASSETS	49,336	3,734	53,070	16,619
NET ASSETS - beginning of year	<u>252,744</u>	<u>10,572</u>	<u>263,316</u>	<u>246,697</u>
NET ASSETS - end of year	<u>\$ 302,080</u>	<u>\$ 14,306</u>	<u>\$ 316,386</u>	<u>\$ 263,316</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, 2019**  
(With Comparative Totals for 2018)

	Program <u>Services</u>	Management <u>and General</u>	Fundraising	<u>Total</u>	
				<u>2019</u>	<u>2018</u>
Wages	\$ 99,388	\$ 18,995	\$ 15,841	\$ 134,224	\$ 121,231
Seeds distributed to international projects	60,162	-	-	60,162	23,678
Professional fees/accounting	3,168	8,688	1,322	13,178	19,609
Packaging	10,989	-	-	10,989	7,726
Payroll expenses - FICA	7,603	1,453	1,212	10,268	9,290
Travel	7,092	179	355	7,626	4,628
Rent	-	7,200	-	7,200	6,800
Office	6,011	155	79	6,245	2,616
Seed shipping	4,950	-	-	4,950	10,168
Grants and assistance	4,511	-	-	4,511	30,974
Seeds	2,232	-	-	2,232	1,992
Insurance	361	1,444	-	1,805	1,944
Postage and delivery	649	-	325	974	430
Telephone	432	10	22	464	816
Registrations	-	284	-	284	20
Fees	-	237	-	237	421
Bank service charges	-	174	-	174	708
Bad debt	-	-	-	-	161
Meals and entertainment	-	-	-	-	20
<b>Total</b>	<b>\$ 207,548</b>	<b>\$ 38,819</b>	<b>\$ 19,156</b>	<b>\$ 265,523</b>	<b>\$ 243,232</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, 2019**  
(With Comparative Totals for 2018)

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	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 53,070	\$ 16,619
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Changes in:		
Accounts receivable	6,551	8,517
Inventory	(73,564)	(73,450)
Accounts payable	(3,239)	(2,468)
Accrued liabilities	<u>25,143</u>	<u>(4)</u>
Net cash flow from operating activities	<u>7,961</u>	<u>(50,786)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	7,951	(50,825)
CASH AND CASH EQUIVALENTS - beginning of year	<u>66,107</u>	<u>116,932</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 74,058</u>	<u>\$ 66,107</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, 2019**

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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).

**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 accordance with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was obtained.

**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.

• **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.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Change in Accounting Principle**

In May 2014, FASB issued ASU 2014-09 amending guidance on *Revenue from Contracts with Customers* (Topic 606). The objective of the ASU is to align the recognition of revenue with the transfer of promised goods or services provided to customers in an amount that reflects the consideration which Organizations expect to be entitled in exchange for those goods or services. Policies related to recognition of revenue for the Organization is discussed in Note 2. This ASU replaces most existing revenue recognition guidance under with generally accepted accounting principles. The adoption of this standard did not have a material impact on the revenue recognized by the Organization for the period ended December 31, 2019.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, with the purpose of improving consistency in reporting whether a transfer of assets is a contribution or an exchange transaction. ASU 2018-08 clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. Additionally, ASU 2018-08 requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and whether a right of return of assets transferred exists. The Organization adopted ASU 2018-08 for the year ended December 31, 2019, using a modified prospective basis, in which the change in accounting principle is applied only to agreements that are either not completed as of, or are entered into after, the adoption date. There was no effect on total net assets or changes 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, 2019 and 2018.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **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 are valued at the lower of cost (as determined above) or market value as received. The Organization records a valuation allowance for obsolete and slow-moving inventory to write down to net realizable value. The valuation allowance is calculated based on expected usage of seed inventory. As of December 31, 2018, the Organization recorded an allowance of approximately \$24,000. There was no allowance recorded as of December 31, 2019.

### **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 the sale of seed is recognized in the period when the performance obligation is complete which is when the seed is shipped. Contributions and donations are recognized as revenue in the year an unconditional promise to give is received and are recorded at fair value. Conditional contributions and donations are not recognized as support until the conditions on which they depend are substantially met. The Organization has adopted a policy of simultaneous release option for conditional contributions.

Performance obligations for all of the Organization's services are provided and consumed at a point in time, using the output method, and therefore these types of fees allocated to performance obligations are not left unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization reviews individual contracts, at the time of performance, in order to determine estimated uncollectable accounts due and records these implicit price concessions as a direct reduction to revenue. Based on this, the Organization determined there are no implicit price concessions.

### **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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 accordance 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.

## 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 available to meet cash needs for general expenditures within one year from the balance sheet date are:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 74,058	\$ 66,107
Certificate of deposit	25,591	25,581
Accounts receivable	<u>-</u>	<u>6,551</u>
Total financial assets	<u>99,649</u>	<u>98,239</u>
Less:		
Net assets with donor restrictions	<u>14,306</u>	<u>10,572</u>
Total financial assets available to meet cash needs for general expenditure within one year	<u>\$ 85,343</u>	<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, 2019 were as follows:

	Balance at <u>January 1</u>	<u>Additions</u>	Releases from <u>Restrictions</u>	Balance at <u>December 31</u>
Global giving-supported programs	\$ <u>10,572</u>	\$ <u>19,842</u>	\$ <u>16,108</u>	\$ <u>14,306</u>

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	\$ -	\$ <u>17,280</u>	\$ <u>6,708</u>	\$ <u>10,572</u>
	\$ <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, 2019 and 2018, the Organization's cost of seed distributed to international projects was \$60,162 and \$23,678, respectively. The cost of the seeds distributed to international projects is calculated based on the value of the distributed seeds.

#### 6. CONCENTRATION

As of December 31, 2018, 55% of accounts receivable was due from Dick Watson Children's Foundation. There were no accounts receivable outstanding as of December 31, 2019.

#### 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.

During 2019, the lease agreement was formally extended for one additional year through July 2020.

Lease expense recognized under the terms of this lease agreement was approximately \$7,200 and \$6,800 in 2019 and 2018, respectively.

## **8. SUBSEQUENT EVENTS**

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID – 19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Organization and its future results and financial position is not presently determinable.

In May 2020, the Organization entered into an unsecured promissory note payable to a bank in the amount of \$27,962. This note was entered into by the Organization as part of the U.S. Small Business Administration's Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PPP provides for this borrowing, or a portion of the borrowing, to be forgiven to the extent the Organization meets defined requirements related to expenditure of the funds and management of the Company's personnel complement. Through the date the financial statements were available to be issued, the Organization is unable to determine the amount of potential loan forgiveness. If no forgiveness is granted, the terms of this agreement require the Organization to make monthly principal payments including interest at 1% through 2022.

Subsequent to December 31, 2019, the Organization received a donation from GlobalGiving Foundation Inc., in the amount of \$100,000 relating to the 2020 fiscal year. This donation is part of a sponsorship agreement with the Organization and is restricted as to use per the agreement in place.

Subsequent events have been evaluated through May 15, 2020, which is the date the financial statements were issued.