

SEED EFFECT
FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014
with
Independent Accountants' Review Report

SEED EFFECT

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Seed Effect

We have reviewed the accompanying financial statements of Seed Effect (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications

that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Huselton, Morgan + Maultsby, P.C.

Dallas, Texas
April 1, 2016

SEED EFFECT
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	ASSETS	
	2015	2014
Cash and cash equivalents:		
Unrestricted	\$ 243,032	\$ 206,795
Temporarily restricted	141,055	625
Total cash and cash equivalents	384,087	207,420
Prepaid expenses	2,779	4,539
Stock	2,400	-
Total assets	\$ 389,266	\$ 211,959

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	\$ 4,150	\$ 3,682
Reserve for related party	19,707	-
Total liabilities	23,857	3,682
Net assets:		
Unrestricted	224,354	207,652
Temporarily restricted	141,055	625
Total net assets	365,409	208,277
Total liabilities and net assets	\$ 389,266	\$ 211,959

See accompanying notes and independent accountants' review report.

SEED EFFECT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 405,164	\$ 249,781	\$ 654,945
Special events (less costs of direct benefit to donors of \$32,679)	57,498	-	57,498
Other	33	-	33
Net assets released from restrictions	<u>109,351</u>	<u>(109,351)</u>	<u>-</u>
Total revenues and other support	<u>572,046</u>	<u>140,430</u>	<u>712,476</u>
Expenses:			
Program services	406,739	-	406,739
Management and general	54,279	-	54,279
Fundraising	<u>94,326</u>	<u>-</u>	<u>94,326</u>
Total expenses	<u>555,344</u>	<u>-</u>	<u>555,344</u>
Change in net assets	16,702	140,430	157,132
Net assets, beginning of year	<u>207,652</u>	<u>625</u>	<u>208,277</u>
Net assets, end of year	<u><u>\$ 224,354</u></u>	<u><u>\$ 141,055</u></u>	<u><u>\$ 365,409</u></u>

(Continued)

See accompanying notes and independent accountants' review report.

SEED EFFECT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 449,460	\$ 8,817	\$ 458,277
Special events (less costs of direct benefit to donors of \$36,372)	52,689	-	52,689
Other	415	-	415
Net assets released from restrictions	8,192	(8,192)	-
Total revenues and other support	<u>510,756</u>	<u>625</u>	<u>511,381</u>
Expenses:			
Program services	330,741	-	330,741
Management and general	30,761	-	30,761
Fundraising	139,259	-	139,259
Total expenses	<u>500,761</u>	<u>-</u>	<u>500,761</u>
Change in net assets	9,995	625	10,620
Net assets, beginning of year	<u>197,567</u>	<u>-</u>	<u>197,657</u>
Net assets, end of year	<u>\$ 207,562</u>	<u>\$ 625</u>	<u>\$ 208,277</u>

See accompanying notes and independent accountants' review report.

SEED EFFECT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses				
Salaries and benefits	\$ 69,706	\$ 28,486	\$ 74,795	\$ 172,987
Total salaries and related expenses	<u>69,706</u>	<u>28,486</u>	<u>74,795</u>	<u>172,987</u>
Project expenses				
Program related grants	258,812	-	-	258,812
Total project expenses	<u>258,812</u>	<u>-</u>	<u>-</u>	<u>258,812</u>
Other expenses:				
Advertising	-	1,183	3,673	4,856
Insurance	-	1,770	-	1,770
IT	10,954	(2,283)	5,289	13,960
Miscellaneous	120	1,392	886	2,398
Office	2,504	4,141	8,359	15,004
Outside service	-	16,769	-	16,769
Rent	-	2,629	-	2,629
Travel and meetings	64,643	192	1,324	66,159
Total other expenses	<u>78,221</u>	<u>25,793</u>	<u>19,531</u>	<u>123,545</u>
Total	<u>\$ 406,739</u>	<u>\$ 54,279</u>	<u>\$ 94,326</u>	<u>\$ 555,344</u>

(Continued)

See accompanying notes and independent accountants' review report.

SEED EFFECT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses				
Salaries and benefits	\$ 54,699	\$ 12,778	\$ 98,411	\$ 165,888
Total salaries and related expenses	<u>54,699</u>	<u>12,778</u>	<u>98,411</u>	<u>165,888</u>
Project expenses				
Program related grants	247,550	-	-	247,550
Total project expenses	<u>247,550</u>	<u>-</u>	<u>-</u>	<u>247,550</u>
Other expenses:				
Advertising	-	359	22,433	22,792
Insurance	-	1,703	-	1,703
IT	7,087	1,069	1,188	9,344
Miscellaneous	47	458	1,159	1,664
Office	595	5,822	5,032	11,449
Outside service	-	4,775	1,500	6,275
Rent	-	3,435	-	3,435
Travel and meetings	20,763	362	9,536	30,661
Total other expenses	<u>28,492</u>	<u>17,983</u>	<u>40,848</u>	<u>87,323</u>
Total	<u>\$ 330,741</u>	<u>\$ 30,761</u>	<u>\$ 139,259</u>	<u>\$ 500,761</u>

See accompanying notes and independent accountants' review report.

SEED EFFECT
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Increase in net assets	\$ 157,132	\$ 10,620
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Decrease (increase) in prepaid expenses	1,760	(4,539)
Increase in stock	(2,400)	-
Increase in accounts payable and accrued liabilities	468	3,350
Net cash provided by operating activities	156,960	9,431
Cash flows from financing activities:		
Proceeds from reserve for related party	19,707	-
Net cash provided by financing activities	19,707	-
Net increase in cash and cash equivalents:	176,667	9,431
Cash and cash equivalents, beginning of year	207,420	197,989
Cash and cash equivalents, end of year	\$ 384,087	\$ 207,420

See accompanying notes and independent accountants' review report.

SEED EFFECT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Seed Effect (the “Organization”) was founded in 2012. The Organization is a Christ-centered, nonprofit microfinance organization with a mission to plant the seeds that overcome poverty by providing access to microloans, education, and spiritual discipleship in marginalized communities around the world. The Organization currently pursues this mission by providing financial and technical support to Seed Effect Community Services (“SECS”), a South Sudanese National Organization and related party.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization’s net assets, revenues, gains and losses, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Unrestricted net assets – net assets not subject to donor-imposed restrictions.
- Temporarily restricted net assets – net assets subject to donor-imposed restrictions that may or will be met by the occurrence of a specific event or the passage of time.
- Permanently restricted net assets – net assets subject to donor-imposed stipulations that will never lapse thus requiring the funds to be maintained permanently by the Organization. There are no permanently restricted net assets as of December 31, 2015 and 2014.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law. Expirations of temporary restrictions on net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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.

Fair Value of Financial Instruments

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Organization's financial instruments are cash and cash equivalents, accounts payable, and accrued liabilities. For these financial instruments, carrying values approximate fair value.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. The Organization does not solicit conditional promises to give.

In-kind support arising from donated materials and services is recorded as both revenues and expenses based on the fair market value of the donated materials and services. See Note 2 for further discussion.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed in the year incurred. For the years ended December 31, 2015 and 2014 advertising expense totals \$4,856 and \$22,792, respectively.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, management has reviewed subsequent events through April 1, 2016, the date the financial statements were available to be issued, and determined there were no other items to disclose.

2. IN-KIND DONATIONS

Donated materials and services recognized in the financial statements for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Photo frames	\$ 2,400	\$ 2,914
Software	5,392	-
Brochures	-	193
Total	<u>\$ 7,792</u>	<u>\$ 3,107</u>

The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or, b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. In addition, numerous volunteers have donated significant amounts of their time to advance the Organization’s program and objectives. However, these donated services are not reflected in the accompanying financial statements since these services do not meet the criteria for recognition.

3. OPERATING LEASE

The Organization leases office space on a month to month basis. In addition, a related party reimburses the Organization for a portion of the rent expense for partial use of the office space. See Note 6 for further information. Rent expense for the years ended December 31, 2015 and 2014 totals \$2,629 and \$3,435, respectively.

4. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Director of Programs position	\$ 75,000	\$ -
Savings group program	25,000	-
Microfinance branch in Yei	19,504	-
Loan funds for microfinance program	16,551	-
Loan funds for microfinance program in Yei	3,000	-
Loan funds for female clients	2,000	-
South Sudan trips	-	625
Total	<u>\$ 141,055</u>	<u>\$ 625</u>

The Organization's board of directors has chosen to place the following limitations on unrestricted net assets as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Designated emergency reserve	\$ 30,000	\$ 20,000
Designated for The Goat Run 2015	-	3,500
Undesignated	194,354	184,152
Total	<u>\$ 224,354</u>	<u>\$ 207,652</u>

5. INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code, except on net income derived from unrelated business activity. A favorable determination related to tax exempt status was received July 23, 2012 from

the Internal Revenue Service. For the years ended December 31, 2015 and 2014, the Organization has no unrelated business income. Accordingly, no provision for income taxes is made in the accompanying financial statements.

In addition, the Organization applies FASB ASC 740, *Accounting for Uncertainties in Income Taxes*. The Organization has evaluated its tax positions and has not identified any material uncertain tax positions that would not be sustained in a federal or state income tax examination for years ending subsequent to 2012. Accordingly, no provision for uncertain tax positions has been made in the accompanying financial statements.

6. RELATED PARTY TRANSACTIONS

The Organization works closely with Empower One, a Christ-centered, nonprofit organization with a mission of empowering leaders of South Sudan to know how to make a disciple of Jesus, who can start a church that can then transform their community. Three members of the Organization's board of directors also serve on the board of directors for Empower One. One of these board members is also employed by Empower One.

The Organization partnered with Empower One to co-host The Goat Run fundraising event during 2015 and 2014. Revenues and expenses related to the event are split evenly. For the years ended December 31, 2015 and 2014, Empower One reimbursed the Organization for office space and related expenses, internet services, and travel expenses totaling \$8,130 and \$8,226, respectively. The reimbursement income offsets the related expenses in the Statements of Activities and the Statements of Functional Expenses.

Cash contributed to the Organization by the Organization's board members totals \$24,566 and \$35,193, respectively, for the years ended December 31, 2015 and 2014.

During 2015, the Board of Directors approved the Organization to hold \$19,707 in a reserve account for SECS until December 31, 2018, or until otherwise directed by the Board of Directors. This reserve account is reflected within total liabilities on the accompanying Statements of Financial Position.

7. CONCENTRATION OF CREDIT RISK

The cash balances of the Organization are held in a financial institution located in the North Texas area. If cash balances exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation, the excess balances could be at risk of loss. The total amount of cash at risk of loss at December 31, 2015 is \$68,152.