

**SEED EFFECT**  
**FINANCIAL STATEMENTS**  
**Years Ended December 31, 2023 and 2022**  
**with**  
**Independent Auditors' Report**

# SEED EFFECT

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Seed Effect

### **Opinion**

We have audited the accompanying financial statements of Seed Effect (the "Organization"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Huseltin, Morgan + Maultsby, P.C.*

Dallas, Texas  
March 18, 2024

**SEED EFFECT**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2023 and 2022**

**ASSETS**

|                                 | 2023         | 2022         |
|---------------------------------|--------------|--------------|
| Cash and cash equivalents:      |              |              |
| Without donor restrictions      | \$ 796,312   | \$ 1,158,700 |
| With donor restrictions         | 692,293      | 575,105      |
| Total cash and cash equivalents | 1,488,605    | 1,733,805    |
| Pledges receivable              | 115,338      | 116,394      |
| Prepaid expenses                | -            | 5,074        |
| Total assets                    | \$ 1,603,943 | \$ 1,855,273 |

**LIABILITIES AND NET ASSETS**

|  |              |              |
|--|--------------|--------------|
| Accounts payable and accrued liabilities | \$ 5,431     | \$ 15,876    |
| Total liabilities                        | 5,431        | 15,876       |
| Net assets:                              |              |              |
| Without donor restrictions               | 906,219      | 1,264,292    |
| With donor restrictions                  | 692,293      | 575,105      |
| Total net assets                         | 1,598,512    | 1,839,397    |
| Total liabilities and net assets         | \$ 1,603,943 | \$ 1,855,273 |

**See accompanying notes to financial statements.**

**SEED EFFECT**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2023**

|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>        |
|--|---------------------------------------|------------------------------------|---------------------|
| Revenues, gains, and other support:                                    |                                       |                                    |                     |
| Contributions  | \$ 1,171,792                          | \$ 907,768                         | \$ 2,079,560        |
| Special events (less costs of direct<br>benefit to donors of \$12,631) | 122,694                               | -                                  | 122,694             |
| Interest income  | 23,393                                | -                                  | 23,393              |
| Other income   | 18,340                                | -                                  | 18,340              |
| Net assets released from restriction                                   | 790,580                               | (790,580)                          | -                   |
| Total revenues, gains, and other support                               | <u>2,126,799</u>                      | <u>117,188</u>                     | <u>2,243,987</u>    |
| Expenses:  |                                       |                                    |                     |
| Program services   | 1,880,851                             | -                                  | 1,880,851           |
| Management and general   | 373,928                               | -                                  | 373,928             |
| Fundraising  | 230,093                               | -                                  | 230,093             |
| Total expenses   | <u>2,484,872</u>                      | <u>-</u>                           | <u>2,484,872</u>    |
| Change in net assets   | (358,073)                             | 117,188                            | (240,885)           |
| Net assets, beginning of year  | <u>1,264,292</u>                      | <u>575,105</u>                     | <u>1,839,397</u>    |
| Net assets, end of year  | <u>\$ 906,219</u>                     | <u>\$ 692,293</u>                  | <u>\$ 1,598,512</u> |

See accompanying notes to financial statements.

**SEED EFFECT**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2022**

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>        |
|---|---------------------------------------|------------------------------------|---------------------|
| Revenues, gains, and other support:                                   |                                       |                                    |                     |
| Contributions   | \$ 1,389,948                          | \$ 883,570                         | \$ 2,273,518        |
| Special events (less costs of direct<br>benefit to donors of \$8,351) | 224,004                               | -                                  | 224,004             |
| In-kind contributions   | 10,085                                | -                                  | 10,085              |
| Interest income   | 3,565                                 | -                                  | 3,565               |
| Net assets released from restrictions                                 | 856,333                               | (856,333)                          | -                   |
| Total revenues, gains, and other support                              | <u>2,483,935</u>                      | <u>27,237</u>                      | <u>2,511,172</u>    |
| Expenses:   |                                       |                                    |                     |
| Program services  | 1,569,937                             | -                                  | 1,569,937           |
| Management and general  | 304,701                               | -                                  | 304,701             |
| Fundraising   | 252,258                               | -                                  | 252,258             |
| Total expenses  | <u>2,126,896</u>                      | <u>-</u>                           | <u>2,126,896</u>    |
| Change in net assets  | 357,039                               | 27,237                             | 384,276             |
| Net assets, beginning of year   | <u>907,253</u>                        | <u>547,868</u>                     | <u>1,455,121</u>    |
| Net assets, end of year   | <u>\$ 1,264,292</u>                   | <u>\$ 575,105</u>                  | <u>\$ 1,839,397</u> |

See accompanying notes to financial statements.

**SEED EFFECT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2023**

|  | Supporting Activities |                           |             | Total        |
|--|-----------------------|---------------------------|-------------|--------------|
|  | Program<br>Services   | Management<br>and General | Fundraising |              |
| Salaries and benefits  | \$ 224,731            | \$ 230,043                | \$ 196,553  | \$ 651,327   |
| Program related grants   | 1,595,362             | -                         | -           | 1,595,362    |
| Other expenses:  |                       |                           |             |              |
| Outside service  | -                     | 56,262                    | 2,250       | 58,512       |
| Special events   | -                     | 205                       | 24,090      | 24,295       |
| Office   | -                     | 25,239                    | 1,719       | 26,958       |
| Travel and meetings  | 58,837                | 14,314                    | 9,169       | 82,320       |
| IT   | 1,061                 | 19,800                    | 2,430       | 23,291       |
| Advertising  | 87                    | 11,140                    | 6,179       | 17,406       |
| Miscellaneous  | 773                   | 10,550                    | 334         | 11,657       |
| Insurance  | -                     | 3,327                     | -           | 3,327        |
| Rent   | -                     | 3,048                     | -           | 3,048        |
| Total other expenses   | 60,758                | 143,885                   | 46,171      | 250,814      |
| Total expenses   | 1,880,851             | 373,928                   | 242,724     | 2,497,503    |
| Less expenses included with revenues<br>on the statement of activities           | -                     | -                         | (12,631)    | (12,631)     |
| Total expenses included in the expense<br>section of the statement of activities | \$ 1,880,851          | \$ 373,928                | \$ 230,093  | \$ 2,484,872 |

**See accompanying notes to financial statements.**



**SEED EFFECT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2022**

|  | Program<br>Services | Supporting Activities     |                   | Total               |
|--|---------------------|---------------------------|-------------------|---------------------|
|  |                     | Management<br>and General | Fundraising       |                     |
| Salaries and benefits  | \$ 217,029          | \$ 145,628                | \$ 211,838        | \$ 574,495          |
| Program related grants   | 1,340,963           | -                         | -                 | 1,340,963           |
| Other expenses:  |                     |                           |                   |                     |
| Outside service  | -                   | 71,397                    | 6,642             | 78,039              |
| Special events   | -                   | 1,039                     | 34,119            | 35,158              |
| Office   | 1,338               | 31,362                    | 211               | 32,911              |
| Travel and meetings  | 9,394               | 13,731                    | 2,685             | 25,810              |
| IT   | 1,181               | 17,879                    | -                 | 19,060              |
| Advertising  | -                   | 11,458                    | 3,053             | 14,511              |
| Miscellaneous  | 32                  | 6,894                     | 1,375             | 8,301               |
| Insurance  | -                   | 3,445                     | 29                | 3,474               |
| Rent   | -                   | 2,508                     | 17                | 2,525               |
| Total other expenses   | <u>11,945</u>       | <u>159,713</u>            | <u>48,131</u>     | <u>219,789</u>      |
| Total expenses   | <u>\$ 1,569,937</u> | <u>\$ 305,341</u>         | <u>\$ 259,969</u> | <u>\$ 2,135,247</u> |
| Less expenses included with revenues<br>on the statement of activities           | <u>-</u>            | <u>(640)</u>              | <u>(7,711)</u>    | <u>(8,351)</u>      |
| Total expenses included in the expense<br>section of the statement of activities | <u>\$ 1,569,937</u> | <u>\$ 304,701</u>         | <u>\$ 252,258</u> | <u>\$ 2,126,896</u> |

See accompanying notes to financial statements.

**SEED EFFECT**  
**STATEMENTS OF CASH FLOWS**  
**For the Year Ended December 31, 2023 and 2022**

|  | 2023         | 2022         |
|--|--------------|--------------|
| Cash flows from operating activities:  |              |              |
| Change in net assets   | \$ (240,885) | \$ 384,276   |
| Adjustments to reconcile change in net assets to net cash (used) provided by operating activities: |              |              |
| Decrease in pledges receivable   | 1,056        | 83,287       |
| Decrease (increase) in prepaid expenses  | 5,074        | (414)        |
| Decrease in accounts payable and accrued liabilities   | (10,445)     | (211)        |
| Net cash (used) provided by operating activities   | (245,200)    | 466,938      |
| Net (decrease) increase in cash and cash equivalents:  | (245,200)    | 466,938      |
| Cash and cash equivalents, beginning of year   | 1,733,805    | 1,266,867    |
| Cash and cash equivalents, end of year   | \$ 1,488,605 | \$ 1,733,805 |

**See accompanying notes to financial statements.**

**SEED EFFECT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Seed Effect (the “Organization”) was founded in 2012. The Organization is a Christ-centered, economic development organization with a mission to plant the seeds that overcome poverty by providing access to economic empowerment, education, and spiritual discipleship in marginalized communities around the world. The Organization pursues this mission by providing financial and technical support to Seed Effect Uganda (“SEU”).

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with GAAP.

Recently Adopted Accounting Pronouncement

On January 1, 2023, the Organization adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost. The implementation of the standard did not have a material impact on the financial statements.

In February 2016, the FASB issued Accounting Standard Update (“ASU”) 2016-02, *Leases (Topic 842)*, which requires leases to be recorded as an asset on the balance sheet for the right of use of the leased asset and liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2021. The Organization adopted the standard using the modified retrospective approach as of January 1, 2022. The implementation of the standard did not have a material impact on the financial statements.

The Organization adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, for the year ended December 31, 2022, on a retrospective basis to all prior periods presented. The purpose of the ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the Organization.

Contributions and Promises to Give

Contributions, including unconditional promises to give, are recognized in the period received. Conditional contributions are recognized in the period the conditions have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. 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 4 for further discussion.

Functional Allocation of Expenses

Directly identifiable expenses are charged to program services or supporting activities. Categories of expenses related to more than one function are charged to program and supporting activities on the basis of periodic time and expense studies.

### Use of Estimates

The preparation of financial statements in accordance with GAAP 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 receivable, 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.

### Pledges Receivable

Pledges receivable are recorded after being discounted to the anticipated net present value of the future cash flows and stated net of an allowance for doubtful accounts. The Organization provides for losses on pledges receivable using the allowance method. The allowance is based upon an analysis of specific donors, taking into consideration the age of past due amounts and an assessment of the donor's ability to pay.

### Donated Stock

Donated common stock is stated at fair value based on quoted prices in active markets (all level 1 measurements). Donated investments are initially recorded at the fair value as of the date of donation. It is the Organization's policy to liquidate donated stock immediately. Therefore, if donated stock is held at year end it is classified as cash and cash equivalents on the accompanying Statements of Financial Position.

### Advertising

The Organization uses advertising to promote its programs among potential donors. The advertising costs are expensed in the year incurred. For the years ended December 31, 2023 and 2022, advertising expense totals \$17,406 and \$14,511, respectively.

### Subsequent Events

Management has reviewed subsequent events through March 18, 2024, the date the financial statements were available to be issued. See Note 11 for further discussion.

## 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of December 31, 2023, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the Statement of Financial Position date. The total balance includes amounts set aside for specific programs and a board designated emergency reserve.

|  |                   |
|--|-------------------|
| Financial assets as of December 31, 2023   | \$ 1,603,943      |
| Less those unavailable for general expenditures within one year, due to:               |                   |
| Contractual or donor-imposed restrictions:   |                   |
| Restricted by donor with purpose restrictions  | (692,293)         |
| Board designations:  |                   |
| Emergency reserve  | <u>(250,000)</u>  |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 661,650</u> |

In the ordinary course of operations, the Organization receives restricted contributions. Donor restrictions requires resources to be used in a particular manner therefore the Organization must maintain sufficient resources to meet the responsibilities to donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure financial assets to be available as general expenditures, liabilities, and other obligations come due. The Organization's Board of Directors has established an emergency reserve fund that may be used in the event of financial distress or immediate liquidity requirements. For the years ended December 31, 2023 and 2022, the emergency reserve fund totals \$250,000.

### 3. PLEDGES RECEIVABLE

Pledges receivable consist of the following as of December 31, 2023 and 2022:

|                     | <u>2023</u>       | <u>2022</u>       |
|---------------------|-------------------|-------------------|
| Pledges receivable: |                   |                   |
| Less than one year  | \$ 115,338        | \$ 116,394        |
| Total               | <u>\$ 115,338</u> | <u>\$ 116,394</u> |

### 4. IN-KIND DONATIONS

During the years ended December 31, 2023 and 2022, the Organization received the following in-kind donations which are reflected as contributions in the accompanying financial statements:

|                                | <u>2023</u> | <u>2022</u>      |
|--------------------------------|-------------|------------------|
| T-shirts                       | \$ -        | \$ 3,750         |
| Honey bottles                  | -           | 2,400            |
| 2020 27" iMac desktop computer | -           | 1,800            |
| Individual creamers            | -           | 1,260            |
| Notepads & pens                | -           | 625              |
| Bag clips                      | -           | 250              |
| Total                          | <u>\$ -</u> | <u>\$ 10,085</u> |

All in-kind donations are valued using estimated fair market value for identical products if purchased in the region.

There are no donor-imposed restrictions on in-kind donations. During the year ended December 31, 2023, no in-kind donations were received. During the year ended December 31, 2022, T-shirts, honey bottles, individual creamers, notepads & pens, and bag clips were included in gift bags given to the fall luncheon attendees. The 2020 27" iMac desktop computer was utilized by the Organization's staff for administrative and recordkeeping tasks.

### 5. CONDITIONAL CONTRIBUTIONS RECEIVABLE

During 2021, the Organization received a conditional promise of \$1,000,000 due in three installments contingent upon the Organization accomplishing predetermined milestones determined by the donor. The first installment of \$350,000 was received during the fourth quarter of 2021 with the launch of two new branch offices and formation of a required number of savings groups. The second installment of \$400,000 was received in the fourth quarter of 2022 upon the launch of one new branch office and continuous support of the first two expansion offices. The third and final installment of \$250,000 was received in the fourth quarter 2023 to continue support of the three expansion offices and provided a runway for the Organization to raise funding to sustain the new branches.

This final payment was received after meeting the following contingencies during 2023:

- All key staff hired and trained in the third expansion branch office,
- 8,000 savings group members served by three expansion branches,
- \$100,000 in verified group member savings and 2,500 loans issued,
- Five hundred families able to add a daily meal, and
- \$450,000 raised or pledged to date and reserved for the ongoing funding of expansion branches.

#### 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of December 31, 2023 and 2022:

|                                     | <u>2023</u>       | <u>2022</u>       |
|-------------------------------------|-------------------|-------------------|
| KGF Expansion Fund                  | \$ 616,293        | \$ 413,010        |
| Savings Program Fund                | 70,000            | 42,000            |
| TBM Fund                            | 6,000             | -                 |
| Stateside Capacity Fund Fundraising | -                 | 58,326            |
| THF Fund                            | -                 | 25,000            |
| Director of Field Operations Fund   | -                 | 22,769            |
| 4africa Partnership Designated Fund | -                 | 14,000            |
| Total                               | <u>\$ 692,293</u> | <u>\$ 575,105</u> |

#### 7. 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, 2023 and 2022, the Organization has no unrelated business income. Accordingly, no provision for income taxes is made in the accompanying financial statements.

Management has evaluated the Organization's tax positions and has not identified any material uncertain tax positions that would not be sustained in a federal or state income tax examination. Accordingly, no provision for uncertain tax positions has been made in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

#### 8. RELATED PARTY TRANSACTIONS

The Organization works closely with Empower One, a Christ-centered, nonprofit organization with a mission of empowering leaders of East Africa and South Sudan to make a disciple of Jesus and plant churches that can then transform their communities. In 2023, one member of the Organization's Board of Directors also served on the board of directors for Empower One.

Contributions from the Organization's board members totaled \$169,664 and \$34,430 respectively, for the years ended December 31, 2023 and 2022. Contributions from the Organization's employees totaled \$29,977 and \$788 respectively, for the years ended December 31, 2023 and 2022.

#### 9. CONCENTRATION OF CREDIT RISK

The cash balances of the Organization are held in three financial institutions 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.

#### 10. EMPLOYEE RETIREMENT PLAN

The Organization adopted an employee retirement plan (the “Plan”) effective January 1, 2023. Beginning September 30, 2023, eligible employees may defer up to 90 percent of their annual compensation, pursuant to Section 403(b)(7). Employees are eligible upon hire and will be auto enrolled in the plan.

The Plan contains a safe harbor provision that requires the Organization to contribute safe harbor contributions of three percent for eligible employees. The Organization’s matching and profit-sharing contributions are discretionary and determined annually by the Director of the Organization. The Organization’s contributions are considered fully vested after six years of credited service. For the years ended December 31, 2023 and 2022, the Organization’s contributions total \$3,312 and \$0, respectively.

#### 11. SUBSEQUENT EVENTS

On February 9, 2024, the Organization entered into an office lease agreement with Watermark Community Church, a Texas non-profit corporation, for 812 square feet of office space in Dallas, Texas. The lease has a one-year term and requires monthly base rent payments of \$778.