

SEED EFFECT
FINANCIAL STATEMENTS
For the Year Ended December 31, 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 statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 review, 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.

Huseltan, Morgan + Maultsby, P.C.

Dallas, Texas
August 7, 2015

SEED EFFECT
STATEMENT OF FINANCIAL POSITION
December 31, 2014

ASSETS

	<u>2014</u>
Cash and cash equivalents:	
Unrestricted	\$ 206,795
Temporarily restricted	<u>625</u>
Total cash and cash equivalents	207,420
Prepaid expenses	<u>4,539</u>
Total assets	<u><u>\$ 211,959</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	<u>\$ 3,682</u>
Total liabilities	<u>3,682</u>
Net assets:	
Unrestricted	207,652
Temporarily restricted	<u>625</u>
Total net assets	<u>208,277</u>
Total liabilities and net assets	<u><u>\$ 211,959</u></u>

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>197,657</u>	<u>-</u>	<u>197,657</u>
Net assets, end of year	<u>\$ 207,652</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, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses				
Salary 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
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

Cash flows from operating activities:	
Increase in net assets	\$ 10,620
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Increase in prepaid expenses	(4,539)
Increase in accounts payable and accrued liabilities	<u>3,350</u>
Net cash provided by operating activities	<u>9,431</u>
Net increase in cash and cash equivalents:	9,431
Cash and cash equivalents, beginning of year	<u>197,989</u>
Cash and cash equivalents, end of year	<u><u>\$ 207,420</u></u>

See accompanying notes and independent accountants' review report.

SEED EFFECT
NOTES TO FINANCIAL STATEMENTS
December 31, 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, a South Sudanese National Organization and related party.

Basis of Accounting

The method of accounting for the financial statements is 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, 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 Statement 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 Statement of Activities and in the Statement 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 conformity 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.

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 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 year ended December 31, 2014 advertising expense totals \$22,792.

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.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, management has reviewed subsequent events through August 7, 2015, the date the financial statements were available to be issued. See Note 8 for further discussion.

2. IN-KIND DONATIONS

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

Donated brochures	\$ 193
Donated photo frames	<u>2,914</u>
Total	<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 year ended December 31, 2014 totals \$3,435.

4. RESTRICTIONS ON NET ASSETS

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

South Sudan trips	\$ 625
Total	<u>\$ 625</u>

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

Designated emergency reserve	\$ 20,000
Designated for The Goat Run 2015	3,500
Undesignated	<u>184,152</u>
Total	<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 year ended December 31, 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 2011. 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. Four members of the Organization's board of directors also serve on the board of directors for Empower One. Two of these board members are also employed by Empower One.

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

Cash contributed to the Organization by the Organization's board members totals \$35,193 for the year ended December 31, 2014.

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 (FDIC), the excess balances could be at risk of loss. As of December 31, 2014, no cash is at risk of loss.

8. SUBSEQUENT EVENT

On April 30, 2015, the Organization entered into a grant agreement with Seed Effect Community Services, a South Sudanese National Organization and related party, to provide financial support and no-cost technical support of up to \$300,000 for the year ended December 31, 2015.