

**SEED EFFECT**  
**FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2017 (Audited)**  
**and 2016 (Reviewed)**  
**with**  
**Independent Auditors' Report**

# SEED EFFECT

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Seed Effect

We have audited the accompanying financial statements of Seed Effect (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, 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.

### **Auditors' 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 Effect as of December 31, 2017, and the changes in its net assets and its functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The 2016 financial statements were reviewed by us, and our report thereon, dated March 20, 2017, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

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

Dallas, Texas  
March 26, 2018

**SEED EFFECT**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2017 and 2016**

|                                 | <b>ASSETS</b>            |                          |
|---------------------------------|--------------------------|--------------------------|
|                                 | (Audited)                | (Reviewed)               |
|                                 | 2017                     | 2016                     |
|                                 | <u>          </u>        | <u>          </u>        |
| Cash and cash equivalents:      |                          |                          |
| Unrestricted                    | \$ 462,977               | \$ 530,846               |
| Donated stock, unrestricted     | -                        | 1,491                    |
| Temporarily restricted          | <u>39,893</u>            | <u>52,067</u>            |
| Total cash and cash equivalents | 502,870                  | 584,404                  |
| Prepaid expenses                | <u>8,759</u>             | <u>4,224</u>             |
| Total assets                    | <u><u>\$ 511,629</u></u> | <u><u>\$ 588,628</u></u> |

**LIABILITIES AND NET ASSETS**

|  |                          |                          |
|--|--------------------------|--------------------------|
| Accounts payable and accrued liabilities | \$ 11,457                | \$ 7,548                 |
| Reserve for related party                | <u>-</u>                 | <u>31,293</u>            |
| Total liabilities                        | <u>11,457</u>            | <u>38,841</u>            |
| Net assets:                              |                          |                          |
| Unrestricted                             | 460,279                  | 497,720                  |
| Temporarily restricted                   | <u>39,893</u>            | <u>52,067</u>            |
| Total net assets                         | <u>500,172</u>           | <u>549,787</u>           |
| Total liabilities and net assets         | <u><u>\$ 511,629</u></u> | <u><u>\$ 588,628</u></u> |

**See accompanying notes to financial statements.**

**SEED EFFECT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017 (Audited)**

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>      |
|--|---------------------|-----------------------------------|-------------------|
| Revenues and other support:  |                     |                                   |                   |
| Contributions  | \$ 522,625          | \$ 74,950                         | \$ 597,575        |
| Special events (less costs of direct<br>benefit to donors of \$51,155) | 46,570              | -                                 | 46,570            |
| Investment income  | 2,163               | -                                 | 2,163             |
| Net assets released from restrictions                                  | 87,124              | (87,124)                          | -                 |
| Total revenues and other support                                       | <u>658,482</u>      | <u>(12,174)</u>                   | <u>646,308</u>    |
| Expenses:  |                     |                                   |                   |
| Program services   | 471,152             | -                                 | 471,152           |
| Management and general   | 110,261             | -                                 | 110,261           |
| Fundraising  | 114,510             | -                                 | 114,510           |
| Total expenses   | <u>695,923</u>      | <u>-</u>                          | <u>695,923</u>    |
| Change in net assets   | (37,441)            | (12,174)                          | (49,615)          |
| Net assets, beginning of year  | <u>497,720</u>      | <u>52,067</u>                     | <u>549,787</u>    |
| Net assets, end of year  | <u>\$ 460,279</u>   | <u>\$ 39,893</u>                  | <u>\$ 500,172</u> |

**See accompanying notes to financial statements.**

**SEED EFFECT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2016 (Reviewed)**

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>      |
|--|---------------------|-----------------------------------|-------------------|
| Revenues and other support:  |                     |                                   |                   |
| Contributions  | \$ 569,493          | \$ 80,166                         | \$ 649,659        |
| Special events (less costs of direct<br>benefit to donors of \$28,445) | 85,360              | -                                 | 85,360            |
| Investment income  | 1,346               | -                                 | 1,346             |
| Net assets released from restrictions                                  | 169,154             | (169,154)                         | -                 |
| Total revenues and other support                                       | <u>825,353</u>      | <u>(88,988)</u>                   | <u>736,365</u>    |
| Expenses:  |                     |                                   |                   |
| Program services   | 376,737             | -                                 | 376,737           |
| Management and general   | 77,634              | -                                 | 77,634            |
| Fundraising  | 97,616              | -                                 | 97,616            |
| Total expenses   | <u>551,987</u>      | <u>-</u>                          | <u>551,987</u>    |
| Change in net assets   | 273,366             | (88,988)                          | 184,378           |
| Net assets, beginning of year  | <u>224,354</u>      | <u>141,055</u>                    | <u>365,409</u>    |
| Net assets, end of year  | <u>\$ 497,720</u>   | <u>\$ 52,067</u>                  | <u>\$ 549,787</u> |

See accompanying notes to financial statements.

## SEED EFFECT

### STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended December 31, 2017 (Audited)**

|  | Program<br>Services | Management<br>and General | Fundraising | Total      |
|--|---------------------|---------------------------|-------------|------------|
| Salaries and related expenses:   |                     |                           |             |            |
| Salaries and benefits  | \$ 158,612          | \$ 53,244                 | \$ 102,404  | \$ 314,260 |
| Total salaries and related expenses  | 158,612             | 53,244                    | 102,404     | 314,260    |
| Project expenses:  |                     |                           |             |            |
| Program related grants   | 288,622             | -                         | -           | 288,622    |
| Total project expenses   | 288,622             | -                         | -           | 288,622    |
| Other expenses:  |                     |                           |             |            |
| Advertising  | -                   | 5,111                     | 2,251       | 7,362      |
| Insurance  | -                   | 2,000                     | -           | 2,000      |
| IT   | 554                 | 12,502                    | -           | 13,056     |
| Miscellaneous  | 28                  | 2,675                     | 701         | 3,404      |
| Office   | 624                 | 5,780                     | 5,827       | 12,231     |
| Outside service  | -                   | 27,534                    | -           | 27,534     |
| Rent   | -                   | 900                       | 9           | 909        |
| Travel and meetings  | 22,712              | 515                       | 3,318       | 26,545     |
| Special events   | -                   | 119                       | 51,036      | 51,155     |
| Total other expenses   | 23,918              | 57,136                    | 63,142      | 144,196    |
| Total expenses   | 471,152             | 110,380                   | 165,546     | 747,078    |
| Less expenses included with revenues<br>on the statement of activities           | -                   | (119)                     | (51,036)    | (51,155)   |
| Total expenses included in the expense<br>section of the statement of activities | \$ 471,152          | \$ 110,261                | \$ 114,510  | \$ 695,923 |

**See accompanying notes to financial statements.**



## SEED EFFECT

### STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended December 31, 2016 (Reviewed)**

|  | Program<br>Services | Management<br>and General | Fundraising      | Total             |
|--|---------------------|---------------------------|------------------|-------------------|
| Salaries and related expenses:   |                     |                           |                  |                   |
| Salaries and benefits  | \$ 142,091          | \$ 32,480                 | \$ 82,567        | \$ 257,138        |
| Total salaries and related expenses  | 142,091             | 32,480                    | 82,567           | 257,138           |
| Project expenses:  |                     |                           |                  |                   |
| Program related grants   | 197,711             | -                         | -                | 197,711           |
| Total project expenses   | 197,711             | -                         | -                | 197,711           |
| Other expenses:  |                     |                           |                  |                   |
| Advertising  | -                   | 795                       | 3,068            | 3,863             |
| Insurance  | -                   | 2,052                     | -                | 2,052             |
| IT   | 2,888               | 1,287                     | 1,188            | 5,363             |
| Miscellaneous  | 137                 | 1,678                     | 1,057            | 2,872             |
| Office   | 2,647               | 5,445                     | 8,430            | 16,522            |
| Outside service  | 2,583               | 29,318                    | -                | 31,901            |
| Rent   | 45                  | 2,978                     | 57               | 3,080             |
| Travel and meetings  | 28,635              | 1,601                     | 1,249            | 31,485            |
| Special events   | -                   | -                         | 28,445           | 28,445            |
| Total other expenses   | 36,935              | 45,154                    | 43,494           | 125,583           |
| Total expenses   | 376,737             | 77,634                    | 126,061          | 580,432           |
| Less expenses included with revenues<br>on the statement of activities           | -                   | -                         | (28,445)         | (28,445)          |
| Total expenses included in the expense<br>section of the statement of activities | <u>\$ 376,737</u>   | <u>\$ 77,634</u>          | <u>\$ 97,616</u> | <u>\$ 551,987</u> |

**See accompanying notes to financial statements.**

**SEED EFFECT**  
**STATEMENTS OF CASH FLOWS**  
**For the Year Ended December 31, 2017 and 2016**

|   | <u>(Audited)</u><br><u>2017</u> | <u>(Reviewed)</u><br><u>2016</u> |
|---|---------------------------------|----------------------------------|
| Cash flows from operating activities:   |                                 |                                  |
| Change in net assets  | \$ (49,615)                     | \$ 184,378                       |
| Adjustments to reconcile change in net assets to<br>net cash (used) provided by operating activities: |                                 |                                  |
| Increase in prepaid expenses  | (4,535)                         | (1,445)                          |
| Increase in accounts payable and accrued liabilities  | 3,909                           | 3,398                            |
| Net cash (used) provided by operating activities  | <u>(50,241)</u>                 | <u>186,331</u>                   |
| Cash flows from financing activities:   |                                 |                                  |
| Proceeds from reserve for related party   | -                               | 11,586                           |
| Payments of reserve for related party   | <u>(31,293)</u>                 | <u>-</u>                         |
| Net cash (used) provided by financing activities  | <u>(31,293)</u>                 | <u>11,586</u>                    |
| Net (decrease) increase in cash and cash equivalents:   | (81,534)                        | 197,917                          |
| Cash and cash equivalents, beginning of year  | <u>584,404</u>                  | <u>386,487</u>                   |
| Cash and cash equivalents, end of year  | <u><u>\$ 502,870</u></u>        | <u><u>\$ 584,404</u></u>         |

**See accompanying notes to financial statements.**

# SEED EFFECT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 (Audited) and 2016 (Reviewed)

### 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. In 2016, the Organization pursued this mission by providing financial and technical support to Seed Effect Community Services (“SECS”), a South Sudanese National Organization and related party. In 2017, the Organization relocated their mission focus to Uganda 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 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, 2017 and 2016.

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.

### Donated Stock

Donated common stock is stated at fair value based on quoted prices in active markets (all level 1 measurements). The Organization initially records donated investments at the fair value as of the date of donation. Realized and unrealized gains and losses are included in investment income in the accompanying Statements of Activities. It is the Organization's policy to liquidate donated stock within three months, therefore, donated stock held at year end is classified as cash and cash equivalents on the accompanying Statements of Financial Position.

### 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, 2017 and 2016 advertising expense totals \$7,362 and \$3,863, respectively.

### Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, management has reviewed subsequent events through March 26, 2018, 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, 2017 and 2016 are as follows:

|                 | <u>2017</u>     | <u>2016</u>     |
|-----------------|-----------------|-----------------|
| Photo frames    | \$ 1,908        | \$ -            |
| Software        | -               | 1,362           |
| Bottles of wine | <u>1,752</u>    | <u>-</u>        |
| Total           | <u>\$ 3,660</u> | <u>\$ 1,362</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. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31, 2017 and 2016:

|                               | <u>2017</u>      | <u>2016</u>      |
|-------------------------------|------------------|------------------|
| Yumbe/Bidi                    | \$ 30,000        | \$ -             |
| August 2017 Trip              | 1,200            | -                |
| Savings group program         | 8,693            | 38,572           |
| Yei Savings                   | -                | 10,000           |
| Director of Programs position | <u>-</u>         | <u>3,495</u>     |
| Total                         | <u>\$ 39,893</u> | <u>\$ 52,067</u> |

The Organization’s Board of Directors has chosen to place the following limitations on unrestricted net assets as of December 31, 2017 and 2016:

|                              | <u>2017</u>       | <u>2016</u>       |
|------------------------------|-------------------|-------------------|
| Designated emergency reserve | \$ 70,000         | \$ 70,000         |
| Undesignated                 | <u>390,279</u>    | <u>427,720</u>    |
| Total                        | <u>\$ 460,279</u> | <u>\$ 497,720</u> |

#### 4. 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, 2017 and 2016 totals \$909 and \$3,080, respectively.

#### 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, 2017 and 2016, 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.

#### 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. In 2017 and 2016, two members of the Organization's Board of Directors also served on the board of directors for Empower One.

For the years ended December 31, 2017 and 2016, Empower One reimbursed the Organization for office space and related expenses and internet services totaling \$8,380 and \$10,065, respectively. The reimbursement income offsets the related expenses in the Statements of Activities and the Statements of Functional Expenses.

Contributions to the Organization by the Organization's board members totals \$14,443 and \$36,292, respectively, for the years ended December 31, 2017 and 2016.

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. During 2016, the Board of Directors approved the Organization to hold an additional \$11,586 in the account. The reserve account totaling \$31,293 was paid to SECS on January 20, 2017.

#### 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, 2017 is \$229,677.