

SEED EFFECT
FINANCIAL STATEMENTS
Six-Month Period Ended June 30, 2024
with
Independent Auditors' Report

SEED EFFECT

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



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 statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the six-month period 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 June 30, 2024, and the changes in its net assets and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit 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 audit. 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.

ATM&M Group, LLC

Dallas, Texas
February 28, 2025

SEED EFFECT
STATEMENT OF FINANCIAL POSITION
June 30, 2024

ASSETS

Cash and cash equivalents:	
Without donor restrictions	\$ 613,302
With donor restrictions	<u>405,083</u>
Total cash and cash equivalents	1,018,385
 Pledges receivable, net	 258,243
Prepaid expenses	<u>1,150</u>
Total assets	<u><u>\$ 1,277,778</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	\$ 29,067
Total liabilities	<u>29,067</u>
Net assets:	
Without donor restrictions	843,628
With donor restrictions	<u>405,083</u>
Total net assets	<u>1,248,711</u>
Total liabilities and net assets	<u><u>\$ 1,277,778</u></u>

See accompanying notes to financial statements.

SEED EFFECT
STATEMENT OF ACTIVITIES
Six-Month Period Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Contributions	\$ 696,167	\$ 411,750	\$ 1,107,917
Interest income	12,781	-	12,781
Other income	500	-	500
Net assets released from restriction	698,960	(698,960)	-
Total revenues, gains, and other support	1,408,408	(287,210)	1,121,198
Expenses:			
Program services	1,165,636	-	1,165,636
Management and general	252,552	-	252,552
Fundraising	52,811	-	52,811
Total expenses	1,470,999	-	1,470,999
Change in net assets	(62,591)	(287,210)	(349,801)
Net assets, December 31, 2023	906,219	692,293	1,598,512
Net assets, June 30, 2024	\$ 843,628	\$ 405,083	\$ 1,248,711

See accompanying notes to financial statements.

SEED EFFECT
STATEMENT OF FUNCTIONAL EXPENSES
Six-Month Period Ended June 30, 2024

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 126,019	\$ 121,196	\$ 48,486	\$ 295,701
Program related grants	1,025,093	-	-	1,025,093
Other expenses:				
Outside service	-	62,412	-	62,412
Special events	-	595	4,282	4,877
Office	-	16,971	-	16,971
Travel and meetings	14,083	26,202	-	40,285
IT	441	5,345	-	5,786
Advertising	-	9,755	-	9,755
Miscellaneous	-	5,098	43	5,141
Rent	-	4,978	-	4,978
Total other expenses	<u>14,524</u>	<u>131,356</u>	<u>4,325</u>	<u>150,205</u>
Total expenses included in the expense section of the statement of activities	<u><u>\$ 1,165,636</u></u>	<u><u>\$ 252,552</u></u>	<u><u>\$ 52,811</u></u>	<u><u>\$ 1,470,999</u></u>

See accompanying notes to financial statements.

SEED EFFECT
STATEMENT OF CASH FLOWS
Six-Month Period Ended June 30, 2024

Cash flows from operating activities:	
Change in net assets	\$ (349,801)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Increase in pledges receivable	(142,905)
Increase in prepaid expenses	(1,150)
Increase in accounts payable and accrued liabilities	23,636
Net cash used by operating activities	<u>(470,220)</u>
Net decrease in cash and cash equivalents:	(470,220)
Cash and cash equivalents, December 31, 2023	<u>1,488,605</u>
Cash and cash equivalents, June 30, 2024	<u><u>\$ 1,018,385</u></u>

See accompanying notes to financial statements.

SEED EFFECT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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”) and Seed Effect South Sudan (“SESS”).

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 (“GAAP”).

Recently Adopted Accounting Pronouncement

The Organization transitioned its fiscal year end from December 31 to June 30. Consequently, these financial statements reflect the organization's activities, functional expenses, and cash flows for the short fiscal year ended June 30, 2024, covering the six-month period from January 1 to June 30, 2024.

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.

Leases

The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term.

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 Statement 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 six month period ended June 30, 2024, advertising expense totals \$9,755.

Subsequent Events

Management has reviewed subsequent events through February 28, 2025, the date the financial statements were available to be issued, and determined there were no other items to be disclosed.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of June 30, 2024, 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 June 30, 2024	\$ 1,276,628
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with purpose restrictions	(405,083)
Pledges receivable, net due in one to three years	(123,128)
Board designations:	
Emergency reserve	<u>(250,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 498,417</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 six-month period ended June 30, 2024, the emergency reserve fund totals \$250,000.

3. PLEDGES RECEIVABLE

Pledges receivable consist of the following as of June 30, 2024:

Pledges receivable:	
Less than one year	\$ 135,115
One to three years	135,000
	<hr/> 270,115
Less:	
Discount, 4.71 percent	(11,872)
Total	<hr/> <hr/> \$ 258,243

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of June 30, 2024:

KGF Expansion Fund	\$ 299,910
Savings Program Fund	93,500
TBM Fund	11,673
Total	<hr/> <hr/> \$ 405,083

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 six-month period ended June 30, 2024, 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 provides program related grants to SEU and SESS in order to fulfill its mission. Program related grant expense totals \$1,025,093 for the six-month period ended June 30, 2024.

Contributions from the Organization's voting board members totaled \$2,878, for the six-month period ended June 30, 2024. Contributions from the Organization's employees totaled \$22,784, for the six-month period ended June 30, 2024.

7. 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.

8. EMPLOYEE RETIREMENT PLAN

The Organization sponsors an employee retirement plan (the "Plan") pursuant to Section 403(b)(7) of the Internal Revenue Code. All employees are eligible to participate upon hire and are automatically enrolled in the Plan. Eligible employees may elect to defer up to 90 percent of their annual compensation to 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 matching and profit-sharing contributions are considered fully vested after six years of credited service. For the six-month period ended June 30, 2024, the Organization's contributions total \$6,546. As of June 30, 2024, the Organization's contributions payable to the Plan total \$3,177.

9. LEASES

On February 9, 2024, the Organization entered into a short-term lease for office space through February 8, 2025. Short term lease cost totals \$4,978 for the six-month period ended June 30, 2024.