

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

**SEEDS OF AFRICA FOUNDATION AND RELATED
ENTITY**

DECEMBER 31, 2016

SEEDS OF AFRICA FOUNDATION AND RELATED ENTITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Seeds of Africa Foundation
New York, New York

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Seeds of Africa Foundation and related entity, which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statement of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Seeds of Africa Foundation as of December 31, 2016, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2016, Seeds of Africa Foundation consolidated the activities of Seeds of Africa Foundation Adama TRC, a related but separate entities into its financial statements. Our opinion is not modified with respect to this matter.

Freed Maxick CPAs, P.C.

Buffalo, New York
January 18, 2018

SEEDS OF AFRICA FOUNDATION AND RELATED ENTITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31,

ASSETS	<u>2016</u>
Current assets:	
Cash and cash equivalents	\$ 70,932
Contributions receivable - net of allowance for uncollectible contributions	205,695
Prepaid expenses and other assets	<u>3,400</u>
Total current assets	<u>280,027</u>
Property and equipment:	
Computers	19,467
Less, accumulated depreciation	<u>(3,519)</u>
Property and equipment - net	<u>15,948</u>
Long term assets:	
Contributions receivable - net of current portion	<u>197,511</u>
Total assets	<u><u>\$ 493,486</u></u>
 LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	\$ 12,298
Total current liabilities	<u>12,298</u>
Net assets:	
Unrestricted	81,188
Temporarily restricted	<u>400,000</u>
Total net assets	<u>481,188</u>
Total liabilities and net assets	<u><u>\$ 493,486</u></u>

See accompanying notes.

SEEDS OF AFRICA FOUNDATION AND RELATED ENTITY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31,

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>
Support and revenue:			
Direct public support	\$ 244,595	\$ -	\$ 244,595
Indirect public support	4,347	-	4,347
Corporate contributions	15,724	-	15,724
Subtotal	<u>264,666</u>	<u>-</u>	<u>264,666</u>
Net assets released from restriction	<u>350,000</u>	<u>(350,000)</u>	<u>-</u>
Total support and revenue	<u>614,666</u>	<u>(350,000)</u>	<u>264,666</u>
Expenses:			
Salaries and wages	197,490	-	197,490
Ethiopia expenses	33,100	-	33,100
Contract services	47,350	-	47,350
Travel and meetings	59,962	-	59,962
Equipment rental and maintenance	69,522	-	69,522
Development expenses	573	-	573
Independent contractors	56,697	-	56,697
Business expenses	10,796	-	10,796
Insurance	16,193	-	16,193
Payroll taxes	23,402	-	23,402
Other expense	5,437	-	5,437
Operations	6,425	-	6,425
Promotions and marketing	300	-	300
Depreciation	2,189	-	2,189
Total expenses	<u>529,436</u>	<u>-</u>	<u>529,436</u>
Change in net assets	<u>85,230</u>	<u>(350,000)</u>	<u>(264,770)</u>
Net assets - beginning	<u>(4,042)</u>	<u>750,000</u>	<u>745,958</u>
Net assets - ending	<u>\$ 81,188</u>	<u>\$ 400,000</u>	<u>\$ 481,188</u>

See accompanying notes

SEEDS OF AFRICA FOUNDATION AND RELATED ENTITY

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31,

	<u>2016</u>
Cash flows from operating activities:	
Change in net assets	\$ (264,770)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,189
(Increase) decrease in assets:	
Contributions receivable	335,215
Prepaid expenses	(2,000)
Increase in liabilities:	
Accounts payable	4,948
Net cash provided by operating activities:	<u>75,582</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(13,910)</u>
Cash flows from financing activities:	
Net change in due to related party	<u>(20,000)</u>
Net change in cash and cash equivalents	41,672
Cash and cash equivalents - beginning	<u>29,260</u>
Cash and cash equivalents - ending	<u><u>\$ 70,932</u></u>

See accompanying notes.

SEEDS OF AFRICA FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ORGANIZATION

Nature of Organization: Seeds of Africa Foundation ("Seeds") seeks to create a self-sustaining model for education and community development that can be replicated in other African communities by educating and nurturing gifted children, young adults and communities with support that meets basic needs, an innovative curriculum and community development programs.

These financial statements include the consolidated assets, liabilities, net assets, and activities of Seeds of Africa Foundation Adama TRC ("TRC"), a related but separate entity under common control located in Adama, Ethiopia. TRC is registered and licensed by the Charities and Societies Agency as an Ethiopian Resident Charity. TRC is focused on disadvantaged community and social structures and provides students with a learning environment that supports the growth of a healthy community through literacy.

The accompanying financial statements are presented on a consolidated basis and includes the accounts of Seeds and TRC, collectively referred to herein as the System. Prior to January 1, 2016, TRC was not a consolidated entity within the System. The consolidation of TRC resulted in an increase of \$7,075 to net assets as of January 1, 2016. All significant intra-entity balances and transactions have been eliminated in consolidation.

Basis of Accounting: The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP).

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Boards (FASB) Accounting Standards Codification (ASC) 958. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2016 all of the net assets of the Organization were reported as follows:

Unrestricted Net Assets: Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations and are generally available for support of the Organization's activities.

Temporarily Restricted Net Assets: The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. As of December 31, 2016, the Organization reported \$400,000 in temporarily restricted net assets from a single donor to be received in annual installments through 2018. The pledge is restricted for the Dream School initiative and also for time restrictions.

Cash and Cash Equivalents: The Organization considers cash and cash equivalents to include money market accounts and all highly liquid debt instruments with original maturities of three months or less, if any. The Organization maintains cash and cash equivalents at financial institutions which periodically may exceed federally insured limits.

SEEDS OF AFRICA FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ORGANIZATION (CONTINUED)

Contributions Receivable: Receivables are stated at the amount management expects to collect from balances outstanding at year end. On an annual basis, management reviews the receivable account balances and considers whether they believe that there will be issues with collection. Management includes any receivable balances that are determined to be uncollectible, along with a general reserve, if necessary, in the allowance for doubtful accounts. Receivables are written off as a charge to bad debt expense when, in management's estimation, it is probable that the receivable is not going to be collected. Based on the information available, management has did not record a reserve for uncollectible contributions as of December 31, 2016.

Fixed Assets: Property and equipment are recorded at cost or, if donated, fair value at the date of the gift. The Organization capitalizes all purchases of land, buildings and equipment in excess of \$1,000 with a useful life greater than one year. Depreciation is determined using the straight-line method over the estimated useful lives of the assets. Improvements are capitalized while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

Public Support and Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Public support and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

Income Taxes: The Organization is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code, and accordingly, is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. The Organization accounts for uncertain tax positions in accordance with US GAAP, which requires the recognition and measurement of uncertain tax positions that the Organization has taken or expects to take in the Organization's tax returns.

Foreign Currency: The accounts of TRC are measured using the Ethiopian birr as its functional currency. The translation from the Ethiopian birr to the US dollar is performed for the balance sheet accounts using current exchange rates in effect at the balance sheet date and for the revenue and expense accounts using the average rate in effect during the period.

NOTE 2. CONTRIBUTIONS RECEIVABLE

Contributions receivable are discounted to reflect the net present value of future payments. The discount is determined based on the year the pledge contribution is made. As of December 31, 2016, the Organization used a discount rate of 1.26%.

	<u>2016</u>
Gross receivables due within one year	\$ 205,695
Gross receivables due in two to five years	206,601
Less: discount to present value	<u>(9,090)</u>
Net contributions receivable due in two to five years	197,511
Less: allowance for uncollectible contributions	<u>-</u>
Contribution receivable - net	<u>\$ 403,206</u>

SEEDS OF AFRICA FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. COMMITMENTS AND CONTINGENCIES

The Organization leases office space under the terms of an operating lease agreement which requires monthly payments of \$1,400 through September 30, 2016, at which time the lease automatically extends on a month-to-month basis until terminated by the Organization or the lessor. For the years ended December 31, 2016, the Organization paid rental expense of \$16,800.

NOTE 4. FUNCTIONAL EXPENSES

The Organization's expenses by functional classification were as follows for the years ended December 31:

	<u>2016</u>
Management and general	\$ 105,887
Fundraising	42,355
Program	<u>381,194</u>
Total functional expenses	<u>\$ 529,436</u>

NOTE 5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 18, 2018, which is the date that these consolidated financial statements were available to be issued.