

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

**SEEDS OF AFRICA FOUNDATION AND RELATED
ENTITY**

DECEMBER 31, 2017

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 statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the years 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 audits. We conducted our audits 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, 2017 and 2016 and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Freed Maxick CPAs, P.C.

Buffalo, New York
November 20, 2019

SEEDS OF AFRICA FOUNDATION AND RELATED ENTITY

STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 75,330	\$ 70,932
Contributions receivable - net of allowance for uncollectible contributions	208,029	205,695
Other receivables	14,000	2,000
Total current assets	<u>297,359</u>	<u>278,627</u>
Property and equipment - net	3,418	15,948
Other assets:		
Deposit	1,400	1,400
Contributions receivable - net of current portion	-	197,511
Total assets	<u><u>\$ 302,177</u></u>	<u><u>\$ 493,486</u></u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 14,728	\$ 12,298
Net assets:		
Unrestricted	87,449	81,188
Temporarily restricted	200,000	400,000
Total net assets	<u>287,449</u>	<u>481,188</u>
Total liabilities and net assets	<u><u>\$ 302,177</u></u>	<u><u>\$ 493,486</u></u>

See accompanying notes.

SEEDS OF AFRICA FOUNDATION AND RELATED ENTITY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31,

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>
Support and revenue:			
Direct public support	\$ 240,532	\$ -	\$ 240,532
Indirect public support	27,790	-	27,790
Corporate contributions	34,918	-	34,918
Interest income	(2,336)	-	(2,336)
Subtotal	<u>300,904</u>	<u>-</u>	<u>300,904</u>
Net assets released from restriction	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>
Total support and revenue	<u>500,904</u>	<u>(200,000)</u>	<u>300,904</u>
Expenses:			
Salaries and wages	148,810	-	148,810
Employee benefits	50,479	-	50,479
Ethiopia expenses	34,471	-	34,471
Professional fees	67,248	-	67,248
Travel and meetings	68,427	-	68,427
Rent and equipment rental	38,777	-	38,777
Development expenses	52,346	-	52,346
Depreciation	2,530	-	2,530
Bad debt expense	2,171	-	2,171
Other expense	29,384	-	29,384
Total expenses	<u>494,643</u>	<u>-</u>	<u>494,643</u>
Change in net assets	6,261	(200,000)	(193,739)
Net assets - beginning	<u>81,188</u>	<u>400,000</u>	<u>481,188</u>
Net assets - ending	<u>\$ 87,449</u>	<u>\$ 200,000</u>	<u>\$ 287,449</u>

See accompanying notes.

SEEDS OF AFRICA FOUNDATION AND RELATED ENTITY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years 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
Interest income	-	-	-
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	197,240	-	197,240
Employee benefits	29,880	-	29,880
Ethiopia expenses	32,610	-	32,610
Professional fees	91,923	-	91,923
Travel and meetings	54,924	-	54,924
Rent and equipment rental	39,011	-	39,011
Development expenses	49,808	-	49,808
Depreciation	2,189	-	2,189
Other expense	31,851	-	31,851
Total expenses	<u>529,436</u>	<u>-</u>	<u>529,436</u>
Change in net assets	85,230	(350,000)	(264,770)
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**STATEMENTS OF CASH FLOWS**
For the Years Ended December 31,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (193,739)	\$ (264,770)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,530	2,189
Bad debt expense	2,171	-
Changes in operating assets and liabilities:		
Contributions receivable	193,006	335,215
Other receivables	(12,000)	(2,000)
Accounts payable	2,430	4,948
Net cash (used in) provided by operating activities:	<u>(5,602)</u>	<u>75,582</u>
Cash flows from investing activities:		
Return of construction deposit	10,000	-
Purchases of property and equipment	-	(13,910)
Net cash provided by (used in) investing activities:	<u>10,000</u>	<u>(13,910)</u>
Cash flows from financing activities:		
Net change in due to related party	-	(20,000)
Net change in cash and cash equivalents	4,398	41,672
Cash and cash equivalents - beginning	<u>70,932</u>	<u>29,260</u>
Cash and cash equivalents - ending	<u>\$ 75,330</u>	<u>\$ 70,932</u>

See accompanying notes.

SEEDS OF AFRICA FOUNDATION AND RELATED ENTITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Nature of Organization: Seeds of Africa Foundation ("the Foundation") 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.

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.

Principles of Consolidation: The accompanying financial statements are presented on a consolidated basis and includes the accounts of Seeds and TRC, collectively referred to herein as Seeds. 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, Seeds 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, 2017 and 2016 all of the net assets of Seeds 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 Seeds' activities.

Temporarily Restricted Net Assets: Seeds 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, 2017, Seeds reported \$200,000 in temporarily restricted net assets from a single donor to be received in annual installments through 2018 (\$400,000 – 2016). The pledge is restricted for the Dream School initiative and also for time restrictions.

Cash and Cash Equivalents: Seeds 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 Foundation maintains cash and cash equivalents at financial institutions which periodically may exceed federally insured limits.

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. Management recorded a reserve for uncollectible contributions as of December 31, 2017 in the amount of \$2,171 (\$0 – 2016).

SEEDS OF AFRICA FOUNDATION AND RELATED ENTITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Other Receivables: Other receivables consist of amounts due to Seeds and are recorded at the amount management expects to collect. During the year ended December 31, 2017, Seeds provided a loan to its employee in the amount of \$12,000. The loan was provided interest free and had no stated repayment terms. As of the date of these financial statements, the outstanding balance of the loan amounted to \$8,500.

Fixed Assets: Property and equipment are recorded at cost or, if donated, fair value at the date of the gift. Seeds 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: Seeds 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. Seeds accounts for uncertain tax positions in accordance with US GAAP, which requires the recognition and measurement of uncertain tax positions that Seeds has taken or expects to take in the Foundation'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.

Recently Issued Accounting Pronouncements: In 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which clarifies the definition of an exchange transaction under not-for-profit entities. As a result, not-for-profit entities will account for most federal grants as donor-restricted conditional contributions, rather than as exchange transactions. The amendments in ASU 2018-08 are effective for interim and annual periods beginning after December 15, 2018. The amendment should be applied on a modified prospective basis, and early adoption is permitted.

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. This standard intends to make certain improvements to the current reporting requirements for not-for-profit entities. The standard changes the following aspects of the consolidated financial statements: The temporarily restricted and permanently restricted net asset classes will be combined into a single net asset class called net assets with donor restrictions, the unrestricted net asset class will be renamed net assets without donor restrictions, and the consolidated financial statements will include a disclosure about liquidity and availability of resources and certain categories of expenses that are attributable to more than one program or supporting function.

Reclassifications: Certain amounts in the prior year consolidated financial statements have been reclassified to conform with the current year presentation

SEEDS OF AFRICA FOUNDATION AND RELATED ENTITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2017, the calculation of the net present value was not required as all future payments are expected to be collected within one year. As of December 31, 2016, the Foundation used a discount rate of 1.26%.

	<u>2017</u>	<u>2016</u>
Gross receivables due within one year	\$ 210,200	\$ 205,695
Gross receivables due in two to five years	-	206,601
Less: discount to present value	<u>-</u>	<u>(9,090)</u>
Net contributions receivable due in two to five years	-	197,511
Less: allowance for uncollectible contributions	<u>(2,171)</u>	<u>-</u>
Contribution receivable - net	<u>\$ 208,029</u>	<u>\$ 403,206</u>

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at December 31:

	<u>2017</u>	<u>2016</u>
Computers	\$ 3,910	\$ 3,910
Furniture and fixtures	5,557	5,557
Construction deposit	<u>-</u>	<u>10,000</u>
	9,467	19,467
Less: Accumulated depreciation and amortization	<u>(6,049)</u>	<u>(3,519)</u>
	<u>\$ 3,418</u>	<u>\$ 15,948</u>

During 2016, Seeds made a construction deposit in the amount of \$10,000 for the design and building of a new school. The organization that received the construction deposit was dissolved and the deposit was returned to Seeds in full during the year ended December 31, 2017.

Depreciation expense amounted to \$2,530 and \$2,189 for the years ended December 31, 2017 and 2016, respectively.

NOTE 4. COMMITMENTS AND CONTINGENCIES

The Foundation leases office space under the terms of an operating lease agreement which requires monthly payments of \$1,400. The lease automatically extends on a month-to-month basis until terminated by Seeds or the lessor. For the years ended December 31, 2017 and 2016, Seeds paid rental expense of \$16,800.

SEEDS OF AFRICA FOUNDATION AND RELATED ENTITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. FUNCTIONAL EXPENSES

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

	<u>2017</u>	<u>2016</u>
Management and general	\$ 83,848	\$ 105,887
Fundraising	192,023	42,355
Program	<u>218,772</u>	<u>381,194</u>
Total functional expenses	<u>\$ 494,643</u>	<u>\$ 529,436</u>

NOTE 6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 20, 2019, which is the date that these consolidated financial statements were available to be issued.