

AUDITED FINANCIAL STATEMENTS

SEEDS OF AFRICA FOUNDATION

DECEMBER 31, 2015

SEEDS OF AFRICA FOUNDATION

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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 Financial Statements

We have audited the accompanying financial statements of Seeds of Africa Foundation, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets 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.

Auditor's 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 qualified audit opinion.

Basis for Qualified Opinion

As discussed in Note 1 to the financial statements, these financial statements were prepared to present the financial position, change in net assets and cash flows of Seeds of Africa Foundation and do not include the financial position, change in net assets and cash flows of Seeds of Africa Foundation Adama TRC, a related but separate entity under common control. Accounting principles generally accepted in the United States of America require that when a common control relationship exists, an organization should consolidate the activities of related but separate entities into its financial statements. The preparation of financial statements without the consolidation of related but separate entities is not in accordance with accounting principles generally accepted in the United States of America. The effects on the financial statements of not consolidating have not been determined.

Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Seeds of Africa Foundation as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Seeds of Africa Foundation as of and for the year ended December 31, 2014, were audited by other auditors, whose report, dated July 13, 2015, expressed an unmodified opinion on those statements.

Freed Maxick CPAs, P.C.

Buffalo, New York
November 15, 2016

SEEDS OF AFRICA FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS	2015	2014
Current assets:		
Cash and cash equivalents	\$ 22,185	177,102
Contributions receivable - net of allowance for uncollectible contributions	200,000	200,000
Prepaid expenses and other assets	1,400	735
Total current assets	<u>223,585</u>	<u>377,837</u>
Property and equipment:		
Computers	5,557	-
Less, accumulated depreciation	<u>(1,330)</u>	-
Property and equipment - net	<u>4,227</u>	-
Contributions receivable - net of current portion	<u>538,421</u>	<u>581,756</u>
Total assets	<u>\$ 766,233</u>	<u>\$ 959,593</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 7,350	\$ -
Due to related party	20,000	-
Total current liabilities	<u>27,350</u>	<u>-</u>
Net assets:		
Unrestricted	(11,117)	159,593
Temporarily restricted	750,000	800,000
Total net assets	<u>738,883</u>	<u>959,593</u>
Total liabilities and net assets	<u>\$ 766,233</u>	<u>\$ 959,593</u>

See accompanying notes.

SEEDS OF AFRICA FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31,

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>
Support and revenue:						
Direct public support	\$ 165,180	\$ -	\$ 165,180	\$ 119,216	\$ 1,000,000	\$ 1,119,216
Indirect public support	39,245	-	39,245	49,332	-	49,332
Corporate contributions	18,700	-	18,700	15,000	-	15,000
In-kind contributions	11,340	-	11,340	-	-	-
Interest income	48	-	48	22	-	22
Subtotal	<u>234,513</u>	<u>-</u>	<u>234,513</u>	<u>183,570</u>	<u>1,000,000</u>	<u>1,183,570</u>
Net assets released from restriction	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>
Total support and revenue	<u>284,513</u>	<u>(50,000)</u>	<u>234,513</u>	<u>383,570</u>	<u>800,000</u>	<u>1,183,570</u>
Expenses:						
Salaries and wages	117,421	-	117,421	55,000	-	55,000
Ethiopia expenses	116,652	-	116,652	73,646	-	73,646
Contract services	61,100	-	61,100	17,243	-	17,243
Travel and meetings	42,547	-	42,547	30,893	-	30,893
Equipment rental and maintenance	30,613	-	30,613	975	-	975
Development expenses	20,650	-	20,650	25,967	-	25,967
Independent contractors	16,330	-	16,330	45,450	-	45,450
Business expenses	11,953	-	11,953	1,922	-	1,922
In-kind expenses	11,340	-	11,340	-	-	-
Insurance	9,221	-	9,221	3,846	-	3,846
Payroll taxes	6,235	-	6,235	3,294	-	3,294
Other expense	3,526	-	3,526	1,028	-	1,028
Operations	2,943	-	2,943	10,901	-	10,901
Promotions and marketing	2,587	-	2,587	4,976	-	4,976
Depreciation	1,330	-	1,330	-	-	-
Bad debt expense	775	-	775	-	-	-
Total expenses	<u>455,223</u>	<u>-</u>	<u>455,223</u>	<u>275,141</u>	<u>-</u>	<u>275,141</u>
Change in net assets	(170,710)	(50,000)	(220,710)	108,429	800,000	908,429
Net assets - beginning	<u>159,593</u>	<u>800,000</u>	<u>959,593</u>	<u>51,164</u>	<u>-</u>	<u>51,164</u>
Net assets - ending	<u>\$ (11,117)</u>	<u>\$ 750,000</u>	<u>\$ 738,883</u>	<u>\$ 159,593</u>	<u>\$ 800,000</u>	<u>\$ 959,593</u>

See accompanying notes.

SEEDS OF AFRICA FOUNDATION**STATEMENTS OF CASH FLOWS**
For the Years Ended December 31,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (220,710)	\$ 908,429
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,330	-
Bad debt expense	775	-
(Increase) decrease in assets:		
Contributions receivable	42,560	(781,756)
Prepaid expenses	(665)	(735)
Increase (decrease) in liabilities:		
Accounts payable	7,350	(5,257)
Net cash provided (used) by operating activities:	<u>(169,360)</u>	<u>120,681</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(5,557)</u>	<u>-</u>
Cash flows from financing activities:		
Net change in due to related party	<u>20,000</u>	<u>(2,650)</u>
Net change in cash and cash equivalents	(154,917)	118,031
Cash and cash equivalents - beginning	<u>177,102</u>	<u>59,071</u>
Cash and cash equivalents - ending	<u>\$ 22,185</u>	<u>\$ 177,102</u>

See accompanying notes.

SEEDS OF AFRICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

Nature of Organization: Seeds of Africa Foundation ("the Organization") 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 do not include the 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. As of December 31, 2015, the financial position and results of operations of TRC were as follows:

	<u>2015</u>
Assets	\$ 12,410
Liabilities	\$ 1,647
Net assets	\$ 10,763
Revenue	\$ 95,816
Expenses	\$ 94,240
Change in net assets	\$ 1,576

All of the disbursements paid to TRC by the Organization are reported in the accompanying financial statements. The expenditures of TRC are detailed separately in financial statements that were audited in accordance with International Auditing Standards. The audit of TRC as of and for the year ended December 31, 2015 was conducted by Solomon Demena & Co who issued their report on March 1, 2016. This report is available for inspection upon request.

Basis of Accounting: Except for not consolidating a related, but separate party under common control, 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, 2015 and 2014, 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, 2015, the Organization reported \$750,000 in temporarily restricted net assets from a single donor to be received in annual installments through 2018. There are no purpose restrictions on these funds, only the aforementioned timing restriction.

SEEDS OF AFRICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

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.

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 recorded a reserve for uncollectible contributions of \$775 as of December 31, 2015 (\$0 – 2014).

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.

Reclassifications: Certain 2014 amounts have been reclassified to conform to 2015 presentation.

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, 2015 and 2014, the Organization used a discount rate of 1.31% and 1.56%, respectively.

SEEDS OF AFRICA FOUNDATION**NOTES TO FINANCIAL STATEMENTS**

NOTE 2. CONTRIBUTIONS RECEIVABLE (CONTINUED)

	<u>2015</u>	<u>2014</u>
Gross receivables due within one year	\$ 200,775	\$ 200,000
Gross receivables due in two to five years	550,000	600,000
Less: discount to present value	<u>(11,579)</u>	<u>(18,244)</u>
Net contributions receivable due in two to five years	538,421	581,756
Less: allowance for uncollectible contributions	<u>(775)</u>	-
Contribution receivable - net	<u>\$ 738,421</u>	<u>\$ 781,756</u>

NOTE 3. RELATED PARTY TRANSACTIONS

During September 2015, the Organization was loaned \$20,000 by a member of the Board of Directors. The repayment terms require two monthly installments of \$10,000 on November 30, 2015 and December 30, 2015, respectively. The loan bears no interest for the full term. If payments are not made in accordance with the agreement, the full amount becomes immediately due and payable.

Subsequent to 2015, the Organization made payments amounting to \$16,500 on this obligation, through November 15, 2016; however, as no repayments were made by the dates stipulated in the loan agreement, the balance is still considered in default and is currently due and payable.

NOTE 4. 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, 2015 and 2014, the Organization paid rental expense of \$4,200 and \$975, respectively.

NOTE 5. FUNCTIONAL EXPENSES

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

	<u>2015</u>	<u>2014</u>
Management and general	\$ 80,844	\$ 44,313
Fundraising	157,964	108,970
Program	<u>216,415</u>	<u>121,858</u>
Total functional expenses	<u>\$ 455,223</u>	<u>\$ 275,141</u>

NOTE 6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 15, 2016, which is the date that these financial statements were available to be issued.