

**SEED PROGRAMS INC.
D/B/A SEED PROGRAMS INTERNATIONAL**

**Financial Statements as of
December 31, 2011
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

August 8, 2012

To the Board of Directors of
Seed Programs Inc.
d/b/a Seed Program International:

We have audited the accompanying statement of financial position of Seed Programs Inc. d/b/a Seed Programs International (a North Carolina not-for-profit corporation) (the Organization) as of December 31, 2011, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seed Programs Inc. d/b/a Seed Programs International as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

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**SEED PROGRAMS INC.
D/B/A SEED PROGRAMS INTERNATIONAL**

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011**

ASSETS

CASH AND CASH EQUIVALENTS	\$	11,251
ACCOUNTS RECEIVABLE		22,026
CERTIFICATES OF DEPOSIT		55,328
INVENTORY		415,216
PROPERTY AND EQUIPMENT, net of accumulated depreciation		<u>475</u>

Total assets \$ 504,296

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$	7,823
Accrued liabilities		<u>591</u>

Total liabilities 8,414

NET ASSETS:

Unrestricted		<u>495,882</u>
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Total net assets \$ 504,296

The accompanying notes are an integral part of these statements.

**SEED PROGRAMS INC.
D/B/A SEED PROGRAMS INTERNATIONAL**

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011**

SUPPORT AND REVENUE:

Seed revenue	\$	37,837
Donations		60,859
In-kind contributions		58,110
Interest income		<u>273</u>

Total support revenue 157,079

EXPENSES:

Program services		294,621
Management and general		<u>8,205</u>

Total expenses 302,826

CHANGE IN NET ASSETS (145,747)

NET ASSETS - beginning of year, as previously stated 426,531

PRIOR PERIOD ADJUSTMENT 215,098

NET ASSETS - beginning of year, as restated 641,629

NET ASSETS - end of year \$ 495,882

The accompanying notes are an integral part of these statements.

**SEED PROGRAMS INC.
D/B/A SEED PROGRAMS INTERNATIONAL**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Donated seed distributed to others	\$ 180,765	\$ -	\$ 180,765
Wages	75,695	-	75,695
Packaging	14,300	-	14,300
Postage and delivery	12,744	-	12,744
Payroll expenses - FICA	6,373	-	6,373
Professional fees/accounting	-	4,935	4,935
Telephone	1,854	-	1,854
Insurance	-	1,575	1,575
Outside services	-	1,450	1,450
Office supplies	1,326	-	1,326
Travel	873	-	873
Registrations	525	-	525
Depreciation	161	95	256
Licenses, fees, and penalties	-	150	150
Bank service charges	<u>5</u>	<u>-</u>	<u>5</u>
Total	<u>\$ 294,621</u>	<u>\$ 8,205</u>	<u>\$ 302,826</u>

The accompanying notes are an integral part of these statements.

**SEED PROGRAMS INC.
D/B/A SEED PROGRAMS INTERNATIONAL**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011**

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (145,747)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	256
Changes in:	
Accounts receivable	(22,026)
Inventory	122,656
Other	1,313
Accounts payable	6,085
Accrued liabilities	<u>432</u>
Net cash flow from operating activities	<u>(37,031)</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Maturities of certificates of deposit, net	<u>27,737</u>
Net cash flow from investing activities	<u>27,737</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(9,294)
CASH AND CASH EQUIVALENTS - beginning of year	<u>20,545</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 11,251</u>

The accompanying notes are an integral part of these statements.

**SEED PROGRAMS INC.
D/B/A SEED PROGRAMS INTERNATIONAL**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. NATURE OF ORGANIZATION

Seed Programs Inc. d/b/a Seed Programs International (the Organization) is a North Carolina not-for-profit corporation founded in 1998 to help existing organizations build and operate programs to provide seeds and the skills to grow gardens in communities throughout the world. The program provides packets of garden seed, planting instructions, and related information to the communities in need. The Organization is funded through sale of seeds and contributions.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP).

Financial Reporting

The Organization categorizes net assets and activities as unrestricted, temporarily restricted or permanently restricted. The Organization reports contributions as temporarily restricted or permanently restricted if they are received with donor stipulations that limit their use. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restriction. If applicable, contributions received with temporary restrictions that are met in the same reporting period, are reported as unrestricted support and increase unrestricted net assets. As of December 31, 2011 all of the Organization's net assets were unrestricted.

Cash and Cash Equivalents

Cash and cash equivalents include bank demand and time deposit accounts. The Organization considers all highly liquid investment instruments with a maturity of three months or less to be cash equivalents. At times, the balances in these accounts may exceed federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

Certificates of Deposit

Certificates of deposit consists of bank certificates with original maturities of less than twelve months. These certificates are recorded at historical cost. The balances of these certificates may exceed federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to certificates of deposit.

Accounts Receivable

The Organization sells seed inventory to other entities. The Organization does not accrue interest on these receivables. Amounts for which no payments have been received for several months are considered delinquent and when appropriate collection efforts are exhausted, the account is written-off. The Organization provides an allowance for doubtful accounts based on an analysis of amounts that may not be reimbursed by third-party payers or collected from its clients and a review of amounts currently outstanding. No such allowance was considered necessary at December 31, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

The inventory is comprised of bulk and packaged seed. The inventory is contributed by various seed growers and is recorded as in-kind support at fair market value when determinable, otherwise at values indicated by the donor. Inventories are valued at the lower of cost (as determined above) or market value at year end.

Shipping and Handling

Shipping and handling costs for seed sold or donated are expensed as incurred. These expenses are included in packaging expense in the accompanying statement of functional expenses.

Property and Equipment

Property and equipment is stated at cost, or fair value at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which range from three to twenty-five years. The Organization capitalizes individual property and equipment items with a cost or fair value at the date of donation greater than \$500 that have a useful life greater than one year.

Support and Revenue

The Organization receives support and revenue from donors, the sale of seed, and the donation of seed. Support and revenue from these sources is recognized in the period the seed is sold or donated.

Donated Services

Volunteers have donated significant amounts of time in support of the Organization's program activities. The value of these services is not reflected in the accompanying financial statements as they do not meet the criteria for recognition.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Agency has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. As of December 31, 2011, the Organization does not have a liability for unrecognized tax benefits. The Agency files income tax returns in the U.S. federal jurisdiction and the State of North Carolina. The Organization is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years through 2008.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

3. PRIOR PERIOD ADJUSTMENT - CORRECTION OF AN ERROR

The net assets of the beginning of the 2011 year have been restated to reflect the correction of an error in accounting for the ending value of bulk seed inventory by \$215,098, due to an erroneous calculation of the ending value in the supporting reconciliation. In 2010, the Organization did not reflect the full value of the inventory in the financial statements for the year ended December 31, 2010. The effect of the correction was to increase net assets at the beginning of 2011.

4. DONATED SEED DISTRIBUTED TO OTHERS

During the year ending December 31, 2011, the Organization's cost of donated seed distributed to others was \$180,765 and was comprised of donations to the Organization's programs.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2011:

Equipment	\$	1,361
Less: Accumulated depreciation		<u>(886)</u>
	\$	<u>475</u>

6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 8, 2012, which is the date the financial statements were available to be issued.