

**SEEDS OF LEARNING
SONOMA, CALIFORNIA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Seeds of Learning
Sonoma, California

Report on the Financial Statements

We have audited the accompanying financial statements of Seeds of Learning (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses 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 opinions 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 organization'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 organization'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 audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seeds of Learning as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Seeds of Learning's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
August 1, 2017

Seeds of Learning
STATEMENTS OF FINANCIAL POSITION
December 31, 2016
(With Comparative Totals for December 31, 2015)

ASSETS

	2016	2015
Current assets:		
Cash and cash equivalents	\$ 32,719	\$ 27,229
Marketable securities	144,067	196,419
Other assets	650	650
Total current assets	177,436	224,298
Non-current assets:		
Restricted marketable securities	57,917	54,736
Fixed assets, net of accumulated depreciation	50,394	43,728
Total non-current assets	108,311	98,464
Total assets	\$ 285,747	\$ 322,762

LIABILITIES AND NET ASSETS

Current liabilities:		
Payroll liabilities	\$ 13,931	\$ 20,931
Total current liabilities	13,931	20,931
Net assets - Exhibit A:		
Unrestricted	164,985	195,230
Temporarily restricted	48,914	51,865
Permanently restricted	57,917	54,736
Total net assets	271,816	301,831
Total liabilities and net assets	\$ 285,747	\$ 322,762

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Revenues:					
Contributions	\$ 163,237	\$ 19,137	\$ -	\$ 182,374	\$ 206,696
Fundraisers	88,965	-	-	88,965	65,936
Fees	503,594	-	-	503,594	566,949
Other income	6,552	-	495	7,047	10,742
Unrealized gain/(loss) on investments	1,474	-	2,686	4,160	(9,345)
Net assets released from restrictions	22,088	(22,088)	-	-	-
Total revenues	<u>785,910</u>	<u>(2,951)</u>	<u>3,181</u>	<u>786,140</u>	<u>840,978</u>
Expenses:					
Program services:					
Matagalpa, Nicaragua program	213,795	-	-	213,795	265,048
Ciudad Dario, Nicaragua program	150,145	-	-	150,145	178,505
Managua, Nicaragua program	205,668	-	-	205,668	199,616
El Salvador program	2,474	-	-	2,474	4,592
General program	166,261	-	-	166,261	191,438
General and administrative	33,847	-	-	33,847	41,464
Fundraising	43,965	-	-	43,965	50,605
Total expenses	<u>816,155</u>	<u>-</u>	<u>-</u>	<u>816,155</u>	<u>931,268</u>
Change in net assets	(30,245)	(2,951)	3,181	(30,015)	(90,290)
Net assets, beginning of period	<u>195,230</u>	<u>51,865</u>	<u>54,736</u>	<u>301,831</u>	<u>392,121</u>
Net assets, end of period	<u>\$ 164,985</u>	<u>\$ 48,914</u>	<u>\$ 57,917</u>	<u>\$ 271,816</u>	<u>\$ 301,831</u>

The accompanying notes are an integral part of these financial statements.

Seeds of Learning
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	Ciudad			El Salvador Program	General Program	Total Programs	General & Admin	Fundraising	2016 Total	2015 Total
	Matagalpa, Nicaragua Program	Dario, Nicaragua Program	Managua, Nicaragua Program							
Expenses:										
Salaries	\$ 57,184	\$ 62,955	\$ 39,838	\$ -	\$ 118,025	\$ 278,002	\$ 22,148	\$ 19,688	\$ 319,838	\$ 337,863
Employee benefits	13,890	13,637	8,861	-	9,128	45,516	1,956	1,956	49,428	51,062
Payroll taxes	-	-	-	-	12,028	12,028	2,287	2,001	16,316	18,008
Fundraising expenses	(12)	1,250	-	-	1,010	2,248	188	9,913	12,349	12,153
Travel & meetings	2,910	2,547	1,209	-	2,915	9,581	797	96	10,474	5,941
Office supplies	2,161	1,788	2,494	-	2,895	9,338	620	620	10,578	10,314
Postage	-	-	-	-	864	864	185	185	1,234	1,966
Printing, copying, & promotional	1,224	40	202	-	232	1,698	50	4,746	6,494	14,805
Professional services	3,900	404	-	-	6,596	10,900	1,413	1,413	13,726	15,956
Rent & utilities	4,442	1,000	3,477	-	5,670	14,589	1,215	1,215	17,019	17,573
Communications	1,917	2,104	1,701	-	1,739	7,461	222	222	7,905	7,191
Building & vehicle maintenance	8,430	2,368	3,875	-	-	14,673	-	-	14,673	15,868
Insurance	-	-	-	-	1,323	1,323	1,829	284	3,436	5,043
Building expenses	35,000	8,328	35,000	584	-	78,912	-	-	78,912	93,491
Educational Advancement program expenses	-	14,588	-	1,800	-	16,388	-	-	16,388	18,706
Other program expenses	13,997	10,737	24,520	-	-	49,254	-	-	49,254	33,029
Work group expenses	62,945	23,235	80,071	-	-	166,251	-	-	166,251	253,002
Depreciation expense	4,328	4,920	3,486	-	-	12,734	-	-	12,734	11,388
Other expenses	1,479	244	934	90	3,836	6,583	937	1,626	9,146	7,909
Total expenses	<u>\$ 213,795</u>	<u>\$ 150,145</u>	<u>\$ 205,668</u>	<u>\$ 2,474</u>	<u>\$ 166,261</u>	<u>\$ 738,343</u>	<u>\$ 33,847</u>	<u>\$ 43,965</u>	<u>\$ 816,155</u>	<u>\$ 931,268</u>

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (30,015)	\$ (90,290)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,734	11,388
Unrealized (gain)/loss on investments	(4,160)	9,345
Changes in certain assets and liabilities:		
Payroll liabilities	<u>(7,000)</u>	<u>7,283</u>
Net cash provided by operating activities	<u>(28,441)</u>	<u>(62,274)</u>
Cash flows from investing activities:		
Purchase of marketable securities	-	(20,742)
Sale of marketable securities	43,331	-
Acquisition of fixed assets	(19,400)	(14,500)
Disposition of fixed assets	<u>10,000</u>	<u>-</u>
Net cash used in investing activities	<u>33,931</u>	<u>(35,242)</u>
Net increase (decrease) in cash	5,490	(97,516)
Cash balance, beginning of period	<u>27,229</u>	<u>124,745</u>
Cash balance, end of period	<u><u>\$ 32,719</u></u>	<u><u>\$ 27,229</u></u>

The accompanying notes are an integral part of these financial statements.

Seeds of Learning
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1- GENERAL

A. Organization

Seeds of Learning (the Organization) is a non-profit organization formed in 1991 that is dedicated to promoting conditions for quality learning in developing communities of the Americas while educating its North American constituents about the rich cultural diversity and the educational and social needs of the poorly resourced communities in Central America. The Organization works with North and Central Americans to build and equip schools in rural Nicaragua and El Salvador, educate adults and children, and promote cross-cultural understanding. The Organization has offices in Matagalpa, Nicaragua, Ciudad Dario, Nicaragua, Managua, Nicaragua, and its administration office in Sonoma, California. However, there are no foreign earnings received in the United States.

Matagalpa, Nicaragua Program – Operates a school construction program, and receives and hosts work group volunteers from the United States. This office also manages the operations and finances of all three offices in Nicaragua.

Ciudad Dario, Nicaragua Program – Operates a school construction program, learning resource centers, scholarship program, and receives and hosts work group volunteers from the United States.

Managua, Nicaragua Program – Operates a school construction program and receives and hosts work group volunteers from the United States.

El Salvador Program – Operates a scholarship program.

General Program – Operates a work group program; coordinating and arranging for all volunteers from North America to travel to and work alongside Central Americans to build schools. Further, the general program consists of overall support and supervision of the programs in Central America.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements and records of the Organization are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether these support and revenues or expenses were received or paid as of the end of the period.

B. Basis of Presentation

Financial statement presentation follows the financial statement presentation prescribed by FASB ASC 958-205. Under ASC 958-205, 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.

C. Unrestricted Net Assets

Unrestricted net assets generally result from revenues obtained by providing services, receiving unrestricted contributions, and receiving interest and dividends from income-producing assets. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization and the purposes specified in its Articles of Incorporation or Bylaws and limits resulting from contractual agreements entered into by the Organization in the course of its operations.

Seeds of Learning
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Temporarily Restricted Net Assets

The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities.

E. Permanently Restricted Net Assets

The Organization currently has a permanently restricted endowment that was established in November of 2000. The endowment has been invested and is to be held indefinitely in the Permanently Restricted Net Assets Fund. In no case will the assets of the endowment be sold, traded, or reduced, other than due to market fluctuations that affect the fair market value of the assets.

F. Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions and short-term marketable securities with a maturity of three months or less.

G. Marketable Securities

Marketable securities are recorded at fair market value.

H. Fixed Assets

The aggregate cost of assets acquired through unrestricted funding resources is capitalized in the statement of financial position. Fixed assets are stated at cost and depreciation is computed on the straight-line basis of accounting over the estimated useful lives of the assets.

I. Donated Goods and Services

No amounts have been reflected for donated goods and services in the financial statements as no objective basis is available to measure the value of such goods and services.

J. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

K. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Organization carries commercial insurance. Furthermore, the Organization has annual risk assessment procedures performed by the Board of Directors.

Seeds of Learning
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

L. Contingencies

The Organization occasionally participates in grants. Disbursement of funds received under these grants requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed costs resulting from such an audit could become a liability of the general fund or other applicable funds.

M. Concentrations of Risk

The Organization maintains a portfolio of financial instruments that potentially expose the Organization to concentrations of investment risk. To limit the amount of risk exposure, the Organization diversifies its portfolio by asset class and by depository. Subject to market fluctuations, management does not consider this risk a particular concern at this time.

NOTE 3 - INCOME TAXES

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation code and, therefore, has made no provision for Federal or California income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2016. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 4 - CASH AND CASH EQUIVALENTS

The Organization maintains cash balances at various financial institutions. Cash balances as of December 31, were as follows:

	<u>2016</u>	<u>2015</u>
Bank of America Checking	\$ 24,895	\$ 14,301
Nicaragua Bank Accounts	<u>7,824</u>	<u>12,928</u>
Total	<u>\$ 32,719</u>	<u>\$ 27,229</u>

The bank balances were insured under the \$250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2016, there were no bank balances which were deemed to be at risk. It is the opinion of the management that the solvency of the financial institutions is not of particular concern at this time.

Seeds of Learning
NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 5 - MARKETABLE SECURITIES

The Organization invested in marketable securities and money market funds with readily determinable fair values in the statement of financial position as listed below for the year ended December 31.

Balances on investments as of December 31, were as follows:

	<u>2016</u>	<u>2015</u>
Charles Schwab	\$ 1,978	\$ 28,101
Reliance Standard Annuity	142,010	139,912
Sonoma County Community Foundation	57,917	54,736
Green Century Balance Fund	<u>79</u>	<u>28,406</u>
Total	<u>\$ 201,984</u>	<u>\$ 251,155</u>

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE

FASB ASC 820-10 and subsections, *Fair Value Measurements and Disclosures* clarifies the definition of fair value for financial reporting, established a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted FASB ASC 820-10 for its financial assets and liabilities measured on a recurring and nonrecurring basis.

FASB ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those investments.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31:

	<u>Investment in Securities</u>	
	<u>2016</u>	<u>2015</u>
Level 1: Quoted prices	\$ 201,984	\$ 251,155
Level 2: Other significant observable inputs	-	-
Level 3: Significant unobservable inputs	<u>-</u>	<u>-</u>
Total	<u>\$ 201,984</u>	<u>\$ 251,155</u>

Seeds of Learning
NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE (concluded)

The above investments for December 31, 2016 are further classified as follows:

	Total Investment	Level 1	Level 2	Level 3
Cash	\$ 6	\$ 6	\$ -	\$ -
Fixed Income	142,010	142,010	-	-
ETF's and Mutual Funds	59,968	59,968	-	-
Equities	-	-	-	-
Total	\$ 201,984	\$ 201,984	\$ -	\$ -

NOTE 7 - FIXED ASSETS

	Useful Life	2016	2015
Building	25	\$ 48,000	\$ 48,000
Computers	3	6,500	6,500
Vehicles	7	113,000	103,600
Subtotal		167,500	158,100
Less: accumulated depreciation		(117,106)	(114,372)
Total		\$ 50,394	\$ 43,728

Depreciation expense for the years ended December 31, 2016 and December 31, 2015, was \$12,734 and \$11,388, respectively.

NOTE 8 - CONCENTRATIONS

The Organization receives a substantial amount of revenue from its program fees. During the years ended December 31, 2016 and December 31, 2015, the Organization received \$503,594 and \$566,949, respectively from program fees and building fund income. This amounts to 64% and 68% of total revenue for the years ended December 31, 2016 and December 31, 2015, respectively.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31 were available for the following purposes:

	2016	2015
Douglas Thompson Scholarship	\$ 28,800	\$ 21,750
Mary Lee Goodwin Scholarship Fund	19,363	28,101
Matt Schekel Scholarship Fund	751	514
Pascale I. Goslain Fund	-	1,500
Total	\$ 48,914	\$ 51,865

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS

The Sonoma County Community Foundation Endowment of \$57,917 and \$54,736 for the years ended December 31, 2016 and December 31, 2015, respectively, enhances the programs and operational capacity of the Organization by providing supplementary income to the general fund.

Seeds of Learning
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 11 - FOREIGN OPERATIONS

The Organization carries out their scholarship programs and other related activities in El Salvador and Nicaragua as stated in Note 1. The operations in Nicaragua are carried out under the name of Seeds of Learning, which is registered with the Nicaraguan government as a foreign nonprofit organization. Transfers and reimbursements are made between Seeds of Learning (USA) and the entity in Nicaragua to carry out the daily operations. The operations in El Salvador are carried out under the name of Seeds of Learning. The income essentially comprises reimbursements from USA operations, exclusive of airfare, which are paid from USA funds. Any excess cash balance refers to amounts transferred from USA operations for expenses to be incurred.

NOTE 12 - LEASES

The Organization has various operating leases. The leases are primarily for office spaces. The lease terms of offices are month-to-month at this time, except the one located in Sonoma, California. Renewals of leases are negotiated with the lessor when appropriate.

In July 2016, the Organization re-entered into an operating lease for their office at 926 First Street West, Sonoma, California, under a two year term commencing on the 1st day of July, 2016 and continuing through the 30th day of June, 2018. The Organization has the option to exercise the lease for an additional two years once the lease term expires. Future lease payments under this agreement are as follows:

Year Ending December 31, 2017	\$ 9,000
Year Ending December 31, 2018	<u>4,500</u>
Total	<u><u>\$ 13,500</u></u>

Occupancy expense for the years ended December 31, 2016 and 2015 totaled \$17,018 and \$17,573, respectively.

NOTE 13 - SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 1, 2017, the date the financial statements were available to be issued.