

**SEEDS OF LEARNING
SONOMA, CALIFORNIA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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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, 2018, 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 Seeds of Learning'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, 2018, 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.

Emphasis of Matter

As discussed in Note 2B, Seeds of Learning adopted the Financial Accounting Standards Board's Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the Accounting Standards Update have been applied retrospectively to all years presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Seeds of Learning's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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
July 8, 2019

Seeds of Learning
STATEMENTS OF FINANCIAL POSITION
December 31, 2018
(With Comparative Totals for December 31, 2017)

ASSETS

	2018	2017
Current assets:		
Cash and cash equivalents	\$ 23,491	\$ 78,771
Marketable securities	128,264	148,116
Other assets	650	650
Total current assets	152,405	227,537
Non-current assets:		
Restricted marketable securities	54,279	60,145
Fixed assets, net of accumulated depreciation	13,897	37,660
Total non-current assets	68,176	97,805
Total assets	\$ 220,581	\$ 325,342

LIABILITIES AND NET ASSETS

Current liabilities:		
Payroll liabilities	\$ 11,670	\$ 14,597
Total current liabilities	11,670	14,597
Net assets - Exhibit A:		
Without donor restrictions:		
Undesignated	108,005	206,524
Total without donor restrictions	108,005	206,524
With donor restrictions:		
Scholarship funds	46,627	44,076
Endowment fund	54,279	60,145
Total with donor restrictions	100,906	104,221
Total net assets	208,911	310,745
Total liabilities and net assets	\$ 220,581	\$ 325,342

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

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Revenues:				
Contributions	\$ 248,339	\$ 27,355	\$ 275,694	\$ 231,046
Fundraisers	63,384	-	63,384	26,654
Fees	237,987	-	237,987	690,787
Other income	7,147	-	7,147	11,822
Investment return, net	3,918	(3,766)	152	2,228
Net assets released from restrictions	26,904	(26,904)	-	-
Total revenues	<u>587,679</u>	<u>(3,315)</u>	<u>584,364</u>	<u>962,537</u>
Expenses:				
Program services:				
Matagalpa, Nicaragua program	110,176	-	110,176	229,870
Ciudad Dario, Nicaragua program	125,184	-	125,184	185,117
Managua, Nicaragua program	172,579	-	172,579	280,714
Mexico / Puerto Rico program	72,055	-	72,055	-
General program	127,591	-	127,591	143,556
Total program services:	<u>607,585</u>	<u>-</u>	<u>607,585</u>	<u>839,257</u>
Supportive services:				
General and administrative	34,100	-	34,100	38,640
Fundraising	44,513	-	44,513	45,711
Total supportive services:	<u>78,613</u>	<u>-</u>	<u>78,613</u>	<u>84,351</u>
Total expenses	<u>686,198</u>	<u>-</u>	<u>686,198</u>	<u>923,608</u>
Change in net assets	(98,519)	(3,315)	(101,834)	38,929
Net assets, beginning of period	<u>206,524</u>	<u>104,221</u>	<u>310,745</u>	<u>271,816</u>
Net assets, end of period	<u>\$ 108,005</u>	<u>\$ 100,906</u>	<u>\$ 208,911</u>	<u>\$ 310,745</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, 2018
 (With Comparative Totals for the Year Ended December 31, 2017)

	Program Services					Supportive Services			2018 Total	2017 Total	
	Ciudad				General Program	Subtotal	General &				Subtotal
	Matagalpa, Nicaragua Program	Dario, Nicaragua Program	Managua, Nicaragua Program	Mexico / Puerto Rico Program			Admin	Fundraising			
Expenses:											
Salaries	\$ 63,961	\$ 64,285	\$ 53,011	\$ -	\$ 98,716	\$ 279,973	\$ 22,843	\$ 24,159	\$ 47,002	\$ 326,975	\$ 355,363
Employee benefits	8,432	14,467	6,974	-	1,226	31,099	684	409	1,093	32,192	48,934
Payroll taxes	-	-	-	-	9,113	9,113	2,040	2,185	4,225	13,338	14,160
Special event expenses	-	-	-	-	-	-	-	5,382	5,382	5,382	4,745
Travel & meetings	523	1,362	1,594	2,958	1,368	7,805	521	356	877	8,682	5,877
Office supplies	300	669	214	-	2,258	3,441	753	754	1,507	4,948	4,805
Postage	-	20	-	-	808	828	269	269	538	1,366	1,246
Printing, copying, & promotional	91	45	80	-	-	216	-	3,476	3,476	3,692	6,399
Professional services	4,513	1,826	5,400	1,800	5,806	19,345	1,935	2,860	4,795	24,140	18,874
Rent & utilities	1,610	892	2,278	-	5,850	10,630	1,950	1,950	3,900	14,530	17,028
Communications	1,430	2,229	1,343	-	1,326	6,328	342	342	684	7,012	8,520
Building & vehicle maintenance	2,753	6,509	3,763	-	-	13,025	-	-	-	13,025	24,775
Insurance	-	-	-	-	1,073	1,073	1,655	358	2,013	3,086	3,272
Building expenses	13,913	-	45,691	3,824	-	63,428	-	-	-	63,428	91,279
Educational Advancement program expenses	-	15,604	-	-	-	15,604	-	-	-	15,604	19,583
Other program expenses	10,742	8,562	14,705	-	(3,053)	30,956	-	-	-	30,956	20,635
Work group expenses	(2,000)	3,303	32,870	63,280	-	97,453	-	-	-	97,453	251,673
Depreciation expense	2,814	4,920	3,485	-	-	11,219	-	-	-	11,219	12,734
Other expenses	1,094	491	1,171	193	3,100	6,049	1,108	2,013	3,121	9,170	13,706
Total expenses	<u>\$ 110,176</u>	<u>\$ 125,184</u>	<u>\$ 172,579</u>	<u>\$ 72,055</u>	<u>\$ 127,591</u>	<u>\$ 607,585</u>	<u>\$ 34,100</u>	<u>\$ 44,513</u>	<u>\$ 78,613</u>	<u>\$ 686,198</u>	<u>\$ 923,608</u>

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

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (101,834)	\$ 38,929
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,219	12,734
Unrealized (gain)/loss on investments	11,124	(6,739)
Changes in certain assets and liabilities:		
Payroll liabilities	<u>(2,927)</u>	<u>666</u>
Net cash provided (used) by operating activities	<u>(82,418)</u>	<u>45,590</u>
Cash flows from investing activities:		
Purchase of marketable securities	(5,290)	(5,825)
Sale of marketable securities	19,884	6,287
Disposition of fixed assets	19,150	-
(Gain)/loss on disposition of fixed assets	<u>(6,606)</u>	<u>-</u>
Net cash provided by investing activities	<u>27,138</u>	<u>462</u>
Net increase (decrease) in cash during the year	(55,280)	46,052
Cash balance, beginning of period	<u>78,771</u>	<u>32,719</u>
Cash balance, end of period	<u>\$ 23,491</u>	<u>\$ 78,771</u>
Supplemental disclosure of cash flow information:		
Noncash activities:		
Disposition of fixed assets	<u>\$ -</u>	<u>\$ 23,500</u>

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

Seeds of Learning
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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, 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, learning resource center and receives and hosts work group volunteers from the United States.

Mexico / Puerto Rico Program – Partners to offer a summer camp program for students and a school rehabilitation program (Mexico). Partners to work on agroecology farms (Puerto Rico) and hosts work group volunteers from the United States in both places.

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. New Accounting Pronouncements

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit organization's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses.

Seeds of Learning
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. New Accounting Pronouncements (concluded)

The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

Net assets have been reclassified for 2017 due to the adoption of ASU 2016-14 as of December 31, 2018 as follows:

<u>Net Asset Classification</u> <u>December 31, 2017</u>	<u>Without donor</u> <u>restrictions</u>	<u>With donor</u> <u>restrictions</u>	<u>Total Net</u> <u>Assets</u>
Unrestricted	\$ 206,524	\$ -	\$ 206,524
Temporarily restricted	-	44,076	44,076
Permanently restricted	-	60,145	60,145
	<u>\$ 206,524</u>	<u>\$ 104,221</u>	<u>\$ 310,745</u>

C. Description of Net Assets

Without donor restrictions is defined as that portion of net assets that has no use or time restrictions. The Organization's bylaws include a variance provision giving the Board of Directors the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board of Directors (without the necessity of the approval of any other party), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Based on that provision, the Organization classifies contributions, except as noted below, as without donor restriction for financial statement presentation.

With donor restrictions is defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Contributions unconditionally promised, including irrevocable planned gifts, which are scheduled to be received more than one year in the future, are recorded at fair value, classified as with donor restriction until the funds are received, and are discounted at a rate commensurate with the risks involved. Net assets consisting of the initial fair value of the gifts where the donor has specified that the assets donated are to be retained in an endowment, providing a permanent source of revenue for charitable purposes are classified as with donor restriction. The accumulation of assets, above historic gift value, in donor restricted endowment funds is classified as with donor restriction until appropriated for use based on the Organization's spending policy. The Organization also receives grants from charitable foundations and local agencies for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as with donor restriction until the purpose restrictions are met. When the purpose restriction is accomplished, with donor restriction net assets are reclassified to without donor restriction net assets and reported as net assets released from restrictions.

Seeds of Learning
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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.

E. Marketable Securities

Marketable securities consisting of certificates of deposit, money market funds, fixed income obligations and equities are recorded at their estimated fair market value based on quoted market values. Interest and dividend income is recognized as it is earned. Investment return is presented net of investment fees.

F. Fixed Assets

The aggregate cost of assets greater than \$5,000 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.

G. Revenue Recognition

Contributions are recognized at their fair value when the donor makes an unconditional promise to give to the Organization. Contributions restricted by the donor are reported as an increase in without donor restricted net assets if the restriction is released in the same reporting period in which the support is received. All other contributions with donor restrictions are reported as an increase in with donor restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restricted net assets are reclassified to without donor restricted net assets and reported in the statement of activities as net assets released from restrictions.

H. 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.

I. Functional Expenses

The Organization charges directly identifiable expenditures to program services. Expenses related to more than one function are charged to program services on the basis of periodic time and expense studies. The Organization's employees will track their time spent on each program (Matagalpa, Ciudad Dario, Managua Nicaragua, Mexico/Puerto Rico, Fundraising or Administration) and this will determine a percentage of how to allocate a portion of salaries to each specific program. The same percentage is used to allocate other expenses to each specific program. Administration services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

J. Fundraising Expenses

Fundraising expenses are recognized when incurred, regardless of the campaign year to which they relate.

Seeds of Learning
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

K. 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.

L. 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.

M. 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.

N. 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, 2018. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Seeds of Learning
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	2018	2017
Bank of America Checking	\$ 19,912	\$ 63,145
Nicaragua Bank Accounts	3,579	15,626
Total	\$ 23,491	\$ 78,771

The bank balances were insured under the \$250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2018 and December 31, 2017, 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.

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:

	2018	2017
Charles Schwab	\$ 7,132	\$ 2,299
Reliance Standard Annuity	121,045	145,728
Sonoma County Community Foundation - restricted	54,279	60,145
Green Century Balance Fund	87	89
Total	\$ 182,543	\$ 208,261

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).

Seeds of Learning
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE (concluded)

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:

	Investment in Securities	
	2018	2017
Level 1: Quoted prices	\$ 182,543	\$ 208,261
Level 2: Other significant observable inputs	-	-
Level 3: Significant unobservable inputs	-	-
Total	\$ 182,543	\$ 208,261

The above investments for December 31, 2018 are further classified as follows:

	Total Investment	Level 1	Level 2	Level 3
Cash	\$ 212	\$ 212	\$ -	\$ -
Fixed Income	121,045	121,045	-	-
ETF's and Mutual Funds	56,554	56,554	-	-
Equities	4,732	4,732	-	-
Total	\$ 182,543	\$ 182,543	\$ -	\$ -

NOTE 7 - LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and accumulated earnings net of appropriations within one year and board designated endowments. These board designations could be drawn upon if the board approves that action.

Financial assets

Cash and cash equivalents	\$ 23,491
Marketable securities	128,264
Restricted marketable securities	54,279
Total financial assets as of December 31, 2018	206,034

Less those unavailable for general expenditures within one year due to:

Marketable securities less 10% without penalty	
Restricted scholarship funds	(46,627)
Board designated reserves	(68,811)
Total marketable securities less 10% without penalty	(115,438)
Restricted marketable securities	(54,279)

Financial assets available to meet cash needs for general expenditures within one year	\$ 36,317
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Seeds of Learning
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - FIXED ASSETS

	Useful Life	2018	2017
Building	25	\$ 48,000	\$ 48,000
Vehicles	7	66,400	96,000
Subtotal		114,400	144,000
Less: accumulated depreciation		(100,503)	(106,340)
Total		\$ 13,897	\$ 37,660

Depreciation expense for the years ended December 31, 2018 and December 31, 2017, was \$11,219 and \$12,734, respectively.

NOTE 9 - RELATED PARTY TRANSACTION

The Organization entered into a short-term, 0% annual interest rate loan with the Executive Director in the amount of \$3,000. This agreement was consummated on terms equivalent to those that prevail in arm's-length transactions. This note has been repaid in full as of December 31, 2018.

NOTE 10 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The Organization had accumulated vacation of \$9,278 and \$9,296 for the years ended December 31, 2018 and December 31, 2017, respectively.

NOTE 11 - CONCENTRATIONS

The Organization receives a substantial amount of revenue from its program fees. During the years ended December 31, 2018 and December 31, 2017, the Organization received \$237,987 and \$690,787, respectively, from program fees and building fund income. This amounts to 41% and 72% of total revenue for the years ended December 31, 2018 and December 31, 2017, respectively.

The Organization provides a substantial amount of program services in Nicaragua. Nicaragua has recently suffered from political unrest, threatening the possible safety and well-being of civilians as well as service providers. As a result, this may restrict the Organization's operations and/or ability to send volunteers to Nicaragua for the foreseeable future.

NOTE 12 - WITH DONOR RESTRICTIONS NET ASSETS

Scholarship funds as of December 31 were available for the following purposes:

Program Activities	Beginning Balance	Contributions	Releases	Ending Balance
Subject to Expenditure for Specific Purpose				
Douglas Thompson Scholarship	\$ 27,356	\$ -	\$ 7,700	\$ 19,656
Mary Lee Goodwin Scholarship Fund	13,786	250	-	14,036
Matt Schekel Scholarship Fund	2,359	2,320	1,500	3,179
EAP Primary, High School and University Fund	-	24,785	15,604	9,181
Brandon Barmore Memorial Fund	575	-	-	575
	\$ 44,076	\$ 27,355	\$ 24,804	\$ 46,627

Seeds of Learning
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 12 - WITH DONOR RESTRICTIONS NET ASSETS (concluded)

The Sonoma County Community Foundation Endowment of \$54,279 and \$60,145 for the years ended December 31, 2018 and December 31, 2017, respectively, enhances the programs and operational capacity of the Organization by providing supplementary income to the general fund.

NOTE 13 - FOREIGN OPERATIONS

The Organization carries out their scholarship programs and other related activities in 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 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 14 - 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 for the office space 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 exercised their option to renew the lease for an additional two years terminating June 30, 2020.

Future lease payments under this agreement are as follows:

Year Ending December 31, 2019	\$	9,000
Year Ending December 31, 2020		<u>4,500</u>
Total		<u><u>13,500</u></u>

Occupancy expense for the years ended December 31, 2018 and December 31, 2017 totaled \$14,530 and \$17,028, respectively.

NOTE 15 - EMPLOYEE BENEFIT PLAN

The Organization allows eligible employees to enroll in an Internal Revenue Code Section 403(b) salary deferral plan. The Organization may make discretionary contributions to these plans. The Organization made the following contributions for the year ending December 31:

	2018	2017
PFS Investments, Inc.	\$ 1,091	\$ 4,133
Vanguard	<u>521</u>	<u>1,587</u>
Total	<u><u>\$ 1,612</u></u>	<u><u>\$ 5,720</u></u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 16 - COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

NOTE 17 - RECLASSIFICATIONS

Certain amounts in the December 31, 2017 financial statements have been reclassified to conform to the December 31, 2018 presentation. These reclassifications have no effect on the change in net assets as previously reported.

NOTE 18 - SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 8, 2019, the date the financial statements were available to be issued.

On January 29, 2019, the Organization cancelled their current operating lease for office space at 926 First Street West, Sonoma, California and entering into a sublease with Wine County Group by Better Homes and Garden Real Estate ("Sublessor"). Sublessor is a lessee under a lease dated February 1, 2000. The terms of the least will commence February 1, 2019 and will continue on a "Month to Month" basis until terminated by either party. Rent will be \$150 per month.