

Seeding Labs, A Non Profit Corporation

Financial Statements

For the Years Ended
December 31, 2011 and 2010

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Seeding Labs, A Non Profit Corporation
Cambridge, Massachusetts

We have audited the accompanying statements of financial position of **Seeding Labs, A Non Profit Corporation** as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years 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 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 audits 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 audits provide 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 **Seeding Labs, A Non Profit Corporation** as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Braver PC
Needham, Massachusetts
July 26, 2012

Seeding Labs, A Non Profit Corporation

Statements of Financial Position

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<i>Assets</i>		
Cash	\$ 45,420	\$ 66,199
Accounts receivable	102,220	-
Inventory	74,579	-
Property and equipment, net	1,477	1,026
Other assets	2,736	750
	<u>226,432</u>	<u>67,975</u>
Total assets	<u>\$ 226,432</u>	<u>\$ 67,975</u>
<i>Liabilities and Net Assets</i>		
Liabilities		
Accounts payable	\$ 2,845	\$ 3,742
Accrued expenses	3,651	-
	<u>6,496</u>	<u>3,742</u>
Total liabilities	6,496	3,742
Net assets, unrestricted	<u>219,936</u>	<u>64,233</u>
Total liabilities and net assets	<u>\$ 226,432</u>	<u>\$ 67,975</u>

Seeding Labs, A Non Profit Corporation

Statements of Activities For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted revenue		
Contributions - laboratory equipment	\$ 389,258	\$ 640,157
Fellows program	375,000	110,284
Contributions - cash	120,925	89,930
In-kind contributions	28,399	16,055
Interest and dividend income	158	50
	<u>913,740</u>	<u>856,476</u>
Expenses		
Program	607,902	782,645
Management and general	114,778	72,386
Fundraising	35,357	13,538
	<u>758,037</u>	<u>868,569</u>
Change in net assets	155,703	(12,093)
Net assets at beginning of period	<u>64,233</u>	<u>76,326</u>
Net assets at end of period	<u><u>\$ 219,936</u></u>	<u><u>\$ 64,233</u></u>

Seeding Labs, a Non Profit Corporation

Statement of Functional Expenses For the Year Ended December 31, 2011

	Program	Management and General	Fundraising	Total
Donated laboratory equipment	\$ 314,679	\$ -	\$ -	\$ 314,679
Compensation	186,204	49,654	12,414	248,272
Professional fees	42,170	11,245	2,812	56,227
Travel and meals	-	36,853	-	36,853
Rent	17,606	4,695	1,173	23,474
Payroll taxes	13,714	3,657	915	18,286
Advertising and marketing	-	-	12,250	12,250
Shipping and logistics	11,857	-	-	11,857
Employee benefits	10,428	2,781	695	13,904
Insurance	6,067	1,618	404	8,089
Photo and video	-	-	4,144	4,144
Printing	2,042	545	137	2,724
Conferences and meetings	-	2,488	-	2,488
Telecommunications	1,173	313	78	1,564
IT and database	713	-	-	713
Miscellaneous	500	-	-	500
Office expense	-	438	-	438
Depreciation	326	87	21	434
Supplies	250	67	16	333
Fees	-	291	-	291
Fundraising fees	-	-	286	286
Postage	173	46	12	231
	\$ 607,902	\$ 114,778	\$ 35,357	\$ 758,037

The accompanying notes are an integral part of these financial statements

Seeding Labs, a Non Profit Corporation

Statement of Functional Expenses For the Year Ended December 31, 2010

	Program	Management and General	Fundraising	Total
Donated laboratory equipment	\$ 640,157	\$ -	\$ -	\$ 640,157
Compensation	102,539	27,344	6,836	136,719
Travel and meals	-	36,020	-	36,020
Professional fees	13,549	3,613	903	18,065
Shipping and logistics	7,769	-	-	7,769
Payroll taxes	5,800	1,547	387	7,734
Rent	4,699	1,253	313	6,265
Insurance	4,194	1,118	280	5,592
Photo and video	-	-	3,800	3,800
Employee benefits	2,043	545	136	2,724
Printing	745	199	50	994
Advertising and marketing	-	-	750	750
Conferences and meetings	-	570	-	570
IT and database	513	-	-	513
Depreciation	193	51	13	257
Supplies	138	37	9	184
Telecommunications	108	29	7	144
Postage	91	24	6	121
Miscellaneous	85	-	-	85
Fundraising fees	-	-	46	46
Fees	-	30	-	30
Volunteer expenses	22	6	2	30
	\$ 782,645	\$ 72,386	\$ 13,538	\$ 868,569
	\$ 782,645	\$ 72,386	\$ 13,538	\$ 868,569

The accompanying notes are an integral part of these financial statements

Seeding Labs, A Non Profit Corporation

Statements of Cash Flows For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ 155,703	\$ (12,093)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	434	257
Changes in operating assets and liabilities		
Increase in pledges receivable	(102,220)	-
Increase in inventory	(74,579)	-
Increase in other assets	(1,986)	(750)
Decrease in accounts payable	(897)	(2,487)
Increase in accrued expenses	3,651	-
Total adjustments	<u>(175,597)</u>	<u>(2,980)</u>
Net cash used in operating activities	<u>(19,894)</u>	<u>(15,073)</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(885)</u>	<u>(1,283)</u>
Net cash used in investing activities	<u>(885)</u>	<u>(1,283)</u>
Net decrease in cash	(20,779)	(16,356)
Cash at beginning of period	<u>66,199</u>	<u>82,555</u>
Cash at end of period	<u>\$ 45,420</u>	<u>\$ 66,199</u>

Seeding Labs, A Non Profit Corporation

Notes to Financial Statements For the Years Ended December 31, 2011 and 2010

1. Organization

Seeding Labs, a Non Profit Corporation (the “Organization”) was organized under the laws of the Commonwealth of Massachusetts for the purpose of developing the infrastructure of scientific research labs and the research capacity of local scientific networks in developing countries so that they may conduct first-rate scientific research.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements of the Organization are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

The Organization is required by GAAP 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.

Unrestricted Net Assets

Unrestricted net assets represent those assets which the Organization may use at its discretion.

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. When a donor restriction expires or the purpose of the 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 restrictions. There were no temporarily restricted net assets for the years ended December 31, 2011 and 2010.

Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of those assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets for the years ended December 31, 2011 and 2010.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Seeding Labs, A Non Profit Corporation

Notes to Financial Statements For the Years Ended December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no valuation allowance as of December 31, 2011 and 2010. The entire balance in accounts receivable on the accompanying statement of financial position represents amounts due within one year of December 31, 2011.

Inventory

Inventory consists of laboratory equipment donated to the Organization that the Organization intends to sell on the open market. Inventory is stated at fair market value at the time of donation.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are five years for office equipment and ten years for furniture and fixtures.

Donated Laboratory Equipment

The Organization receives donations of new and used surplus laboratory equipment from scientists and scientific institutions in the United States. The Organization in turn, gives these donated goods, at no charge, to scientists and scientific institutions in developing nations. The Organization records the donated goods at their estimated fair value on the date of donation. During the years ended December 31, 2011 and 2010, the Organization received donations of laboratory equipment with an estimated fair value of \$389,258 and \$640,157, respectively.

To determine fair value, the Organization gathers as much information as possible on each piece of equipment, including the manufacturer, model number, age, condition, and other factors. The value is obtained by researching websites of equipment resellers with the exact piece of equipment, based on make, model number, and other characteristics. If the value for the exact piece cannot be obtained, then the value for a comparable piece of equipment can be substituted. If there are multiple listings for a piece of equipment, the median value of the listings is used for valuation purposes.

Donated Services

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under GAAP were not met.

Seeding Labs, A Non Profit Corporation

Notes to Financial Statements For the Years Ended December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (Continued)

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

Advertising

The Organization expenses advertising costs as incurred. Advertising expenses amounted to \$12,250 and \$750, respectively, for the years ended December 31, 2011 and 2010.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from Massachusetts state income taxes under Massachusetts General Law 180. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income at both the federal and state levels. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization evaluates all significant tax positions as required by GAAP. As of December 31, 2011 and 2010, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Organization's tax returns are subject to examination by the appropriate taxing jurisdictions. As of December 31, 2011 and 2010, the Organization's federal and state tax returns generally remain open for examination for three years from the date filed with each taxing jurisdiction.

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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Seeding Labs, A Non Profit Corporation

Notes to Financial Statements For the Years Ended December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Organization has evaluated all subsequent events through July 26, 2012, the date the financial statements were available to be issued.

3. Property and Equipment

Property and equipment consists of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Computer equipment	\$ 2,168	\$ 1,283
Accumulated depreciation	<u>(691)</u>	<u>(257)</u>
	<u>\$ 1,477</u>	<u>\$ 1,026</u>

4. Donated Services

The value of donated services recorded as in-kind contributions in the financial statements for the years ended December 31, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
Legal services	\$ 26,024	\$ 16,055
Rent	<u>2,375</u>	<u>-</u>
	<u>\$ 28,399</u>	<u>\$ 16,055</u>

5. Collaborative Program

In November 2011 and February 2010, the Organization entered into collaborative agreements with Novartis Institutes for BioMedical Research (NIBR) to develop scientific exchange programs for Kenyan scientists. The programs will offer Kenyan scientific investigators an opportunity to participate in ten week exchange programs. The agreements call for NIBR to reimburse the Organization for certain costs of the programs. The organization recognizes revenue under the terms of these agreements as the reimbursement becomes due from NIBR.

Seeding Labs, A Non Profit Corporation

Notes to Financial Statements For the Years Ended December 31, 2011 and 2010

6. Concentrations

The Federal Deposit Insurance Corporation insures cash balances in interest-bearing accounts up to \$250,000, which is applied per depositor, per insured depository institution for each account ownership category. Non-interest bearing transaction deposit accounts are provided unlimited insurance coverage through December 31, 2012. At certain times during the year, cash may have exceeded the insured limits. Management monitors, on a regular basis, the financial condition of the financial institutions, along with their balances, to keep this potential risk to a minimum. Management believes that its credit risk from these accounts is not significant.

For the year ended December 31, 2011, the Organization received 66% of its donated laboratory equipment from two donors and 76% of its cash contributions and program service revenue from one entity. Additionally, as of December 31, 2011, 98% of the balance of accounts receivable is due from one entity.

For the year ended December 31, 2010, the Organization received 40% of its donated laboratory equipment from two donors and 55% of its cash contributions and program service revenue from one entity.