
SEEDING LABS, A NON PROFIT CORPORATION

Financial Statements

December 31, 2012

SEEDING LABS, A NON PROFIT CORPORATION

December 31, 2012

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Seeding Labs, A Non Profit Corporation, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and changes in net assets, 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.

Auditors' 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 of 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 auditors' 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012, 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.

Edelstein & Company LLP

Boston, Massachusetts
August 20, 2013

SEEDING LABS, A NON PROFIT CORPORATION

Statement of Financial Position December 31, 2012

Assets:

Cash	\$	3,394
Grants and contributions receivable		18,107
Inventory, net		714,349
Computer equipment, net		1,773
Deposit		1,986
Total assets	\$	739,609

Liabilities and net assets

Liabilities:

Accounts payable and accrued expenses	\$	4,766
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Net assets:

Unrestricted		716,009
Temporarily restricted		18,834
Total net assets		734,843

Total liabilities and net assets	\$	739,609
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SEEDING LABS, A NON PROFIT CORPORATION

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Contributions - laboratory equipment	\$ 630,057	\$ -	\$ 630,057
Grants and contributions	28,288	184,275	212,563
In-kind contributions	23,940	-	23,940
Other income	2,927	-	2,927
Interest income	17	-	17
Net assets released from restrictions	265,441	(265,441)	-
Total revenue and support	<u>950,670</u>	<u>(81,166)</u>	<u>869,504</u>
Expenses:			
Program	238,981	-	238,981
Management and general	88,159	-	88,159
Fundraising	41,255	-	41,255
Total expenses	<u>368,395</u>	<u>-</u>	<u>368,395</u>
Change in net assets before losses:	582,275	(81,166)	501,109
Loss from inventory valuation allowance	<u>(75,117)</u>	<u>-</u>	<u>(75,117)</u>
Change in net assets after losses	507,158	(81,166)	425,992
Net assets, beginning of year:			
As previously reported	219,936	-	219,936
Prior period adjustments	<u>(11,085)</u>	<u>100,000</u>	<u>88,915</u>
As restated	<u>208,851</u>	<u>100,000</u>	<u>308,851</u>
Net assets, end of year	<u>\$ 716,009</u>	<u>\$ 18,834</u>	<u>\$ 734,843</u>

SEEDING LABS, A NON PROFIT CORPORATION

Statement of Cash Flows For the Year Ended December 31, 2012

Cash flows used in operating activities:

Change in net assets	\$ 425,992
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	616
Contributions - laboratory equipment	(630,057)
Loss from inventory valuation allowance	75,117
Changes in operating assets and liabilities:	
Grants and contributions receivable	84,113
Inventory	4,085
Other assets	750
Accounts payable and accrued expenses	(1,730)
Net cash used in operating activities	<u>(41,114)</u>

Cash flows used in investing activities:

Purchase of computer equipment	<u>(912)</u>
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Net decrease in cash (42,026)

Cash, beginning of year 45,420

Cash, end of year \$ 3,394

SEEDING LABS, A NON PROFIT CORPORATION

Statement of Functional Expenses For the Year Ended December 31, 2012

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and related expenses	\$ 143,728	\$ 31,616	\$ 34,610	\$ 209,954
Professional fees	3,600	43,727	525	47,852
Rent	28,229	3,480	4,300	36,009
Stipends	30,000	-	-	30,000
Travel and meals	17,336	499	681	18,516
Shipping and logistics	11,928	-	-	11,928
Insurance	3,417	4,134	-	7,551
Technology	686	1,415	40	2,141
Miscellaneous	57	1,246	561	1,864
Advertising and marketing	-	481	538	1,019
Postage and printing	-	945	-	945
Depreciation	-	616	-	616
	<u>\$ 238,981</u>	<u>\$ 88,159</u>	<u>\$ 41,255</u>	<u>\$ 368,395</u>

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

SEEDING LABS, A NON PROFIT CORPORATION

Notes to Financial Statements

December 31, 2012

1. Organization

Nature of Activities

Seeding Labs, A Non Profit Corporation ("the Organization") was organized in January 2007 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.

The Organization receives donations of laboratory equipment from academic and corporate research institutions mainly in the Boston area, and donates the equipment to universities in developing countries. In 2012, the Organization redesigned the application process for its equipment transfer program, and therefore, there were no donations of laboratory equipment in 2012. The Organization also hosts a fellows program whereby scientists from developing countries travel to the United States to receive training in their respective fields.

2. Summary of Significant Accounting Policies

Basis of Presentation

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, the Organization determines the classification of its net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

- 1) *Unrestricted net assets* represent expendable resources available for support of the Organization's general operations.
- 2) *Temporarily restricted net assets* represent resources restricted by donors for a specific period or purpose.
- 3) *Permanently restricted net assets* represent resources which cannot be expended. Income on these invested endowment funds are utilized in accordance with the donors' stipulations.

The Organization had no permanently restricted net assets for the year ended December 31, 2012, or during the year then ended.

Revenue and Support

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions. Contributions that are classified as temporarily restricted support are reclassified to unrestricted net assets upon satisfaction of the restriction or expiration of the time restriction.

SEEDING LABS, A NON PROFIT CORPORATION

Notes to Financial Statements

December 31, 2012

2. Summary of Significant Accounting Policies (continued)

Revenue and Support (continued)

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. 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 listing for a piece of equipments, the median value of the listing is used for valuation purposes.

The Organization receives in-kind support in the form of contributed services and rent. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions are recognized at fair value when received.

Additionally, the Organization receives contributed time by volunteers which does not meet the criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Cash

Cash consists of deposits held in checking accounts at federally insured banks.

Inventory

Inventory consists of laboratory equipment donated to the Organization. Inventory is recorded at fair value at the time of donation.

The Organization records a valuation allowance based on an estimate of the decline in value of the laboratory equipment in the market over time.

Computer Equipment

Computer equipment is stated at cost, net of accumulated depreciation. Expenditures for maintenance, repairs, and renewals are charged to expense when incurred, whereas additions in excess of \$500 are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which is five years for computer equipment.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification.

SEEDING LABS, A NON PROFIT CORPORATION

Notes to Financial Statements December 31, 2012

2. Summary of Significant Accounting Policies (continued)

Use of Estimates and Subsequent Events

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Organization's valuation of its inventory of donated laboratory equipment and subsequent valuation adjustments require significant estimates. It is at least reasonably possible that management's estimates will change in the near term.

The Organization's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on August 20, 2013, the date these financial statements became available to be issued.

Income Taxes

The Organization is a publicly supported organization whose activities are described in Internal Revenue Code Section 501(c)(3) and, therefore, is exempt from income taxes. The Organization is also exempt from Massachusetts income tax under Massachusetts General Law Chapter 180.

The Organization has evaluated the tax positions taken on returns for open years and those expected to be taken on returns for the year ended December 31, 2012. It is management's belief that such tax positions are more likely than not to be sustained upon examination by tax authorities. Accordingly, no liability for uncertain tax positions has been reflected in these financial statements. Tax returns for tax years beginning with those filed for the year ended December 31, 2009 are open to examination.

3. Grants and Contributions Receivable

Grants and contributions receivable of \$18,107 at December 31, 2012 are receivable in less than one year.

4. Inventory

Inventory consisted of the following at December 31, 2012:

Laboratory equipment	\$ 811,761
Less - valuation allowance	(97,412)
	<u>\$ 714,349</u>

SEEDING LABS, A NON PROFIT CORPORATION

Notes to Financial Statements December 31, 2012

5. Computer Equipment

Computer equipment consisted of the following at December 31, 2012:

Computer equipment	\$	3,080
Less - accumulated depreciation		(1,307)
	\$	<u>1,773</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes as of December 31, 2012:

Training and equipment initiative	\$	15,000
Inventory software		3,834
	\$	<u>18,834</u>

Net assets released from restrictions for the year ended December 31, 2012 consisted of the following:

Fellows program	\$	261,475
Inventory software		3,966
	\$	<u>265,441</u>

7. In-Kind Support

During the year ended December 31, 2012, the Organization recognized income from in-kind contributions as follows:

Legal services	\$	19,969
Consulting services		1,280
Shipping and logistics		2,691
	\$	<u>23,940</u>

8. Lease

The Organization leases office space at its Boston, Massachusetts location under a tenant-at-will arrangement. Total rent expense for the office space amounted to \$25,062 for the year ended December 31, 2012. An additional \$10,947 was incurred for warehouse fees for storage of inventory for the year ended December 31, 2012.

SEEDING LABS, A NON PROFIT CORPORATION

Notes to Financial Statements December 31, 2012

9. Retirement Plan

The Organization has an employee benefit plan under Internal Revenue Service Code Section 401(k) which covers substantially all of its employees. The Organization did not make any contributions to the plan during the year ended December 31, 2012.

10. Concentrations

During the year ended December 31, 2012, the Organization received 52% of its donated laboratory equipment from one donor and 100% of its grant revenue from the same donor. Additionally as of December 31, 2012, 83% of the balance of grants and contributions receivable was due from this donor.

11. Prior Period Adjustments

During the year ended December 31, 2012, management discovered that inventory as reported at December 31, 2011 was understated. Accordingly, an adjustment of \$88,915 was made to increase the reported amount of net inventory as of the beginning of the year. A corresponding entry was made to reduce previously reported unrestricted net assets by the same amount.

In 2012, management determined that \$100,000 of revenue received under a grant agreement, which was reported as unrestricted revenue for the year ended December 31, 2011 should have been reported as temporarily restricted revenue. An adjustment was made in 2012 to reclassify \$100,000 from beginning of the year unrestricted net assets to beginning temporarily restricted net assets.

12. Subsequent Event

In February 2013, the Organization entered into a line of credit agreement with a bank. Borrowings under the line of credit are due on demand, and are collateralized by substantially all assets of the Organization. Under the line of credit agreement, the maximum borrowing limit is \$25,000. Borrowings on the line of credit bear interest at 2% over the prime rate.