
SEEDING LABS, A NON PROFIT CORPORATION

Financial Statements

December 31, 2013 and 2012

SEEDING LABS, A NON PROFIT CORPORATION

December 31, 2013 and 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 statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 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 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Edelstein & Company LLP

Boston, Massachusetts
July 17, 2014

SEEDING LABS, A NON PROFIT CORPORATION

Statements of Financial Position December 31,

	2013	2012
Assets:		
Cash	\$ 8,570	\$ 3,394
Grants and contributions receivable	46,011	18,107
Other receivables	3,929	-
Inventory	427,177	714,349
Prepaid expenses	1,035	-
Computer equipment, net	1,157	1,773
Deposit	1,986	1,986
Total assets	<u>\$ 489,865</u>	<u>\$ 739,609</u>
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 6,872	\$ 400
Accrued expenses	36,836	4,366
Laboratory equipment due to grantee	27,405	-
Line of credit	12,000	-
Total liabilities	<u>83,113</u>	<u>4,766</u>
Net assets:		
Unrestricted	365,918	716,009
Temporarily restricted	40,834	18,834
Total net assets	<u>406,752</u>	<u>734,843</u>
Total liabilities and net assets	<u>\$ 489,865</u>	<u>\$ 739,609</u>

SEEDING LABS, A NON PROFIT CORPORATION

**Statement of Activities and Changes in Net Assets
For the Years Ended December 31,**

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Contributions - laboratory equipment	\$ 503,501	\$ -	\$ 503,501	\$ 630,057	\$ -	\$ 630,057
Grants and contributions	54,083	65,861	119,944	28,288	184,275	212,563
Government grant	38,103	-	38,103	-	-	-
In-kind contributions	58,621	-	58,621	23,940	-	23,940
Freight and equipment handling fees	133,631	-	133,631	2,927	-	2,927
Interest income	-	-	-	17	-	17
Net assets released from restrictions	43,861	(43,861)	-	265,441	(265,441)	-
Total revenue and support	<u>831,800</u>	<u>22,000</u>	<u>853,800</u>	<u>950,670</u>	<u>(81,166)</u>	<u>869,504</u>
Expenses:						
Program	1,014,218	-	1,014,218	238,981	-	238,981
Management and general	95,216	-	95,216	88,159	-	88,159
Fundraising	30,676	-	30,676	41,255	-	41,255
Total expenses	<u>1,140,110</u>	<u>-</u>	<u>1,140,110</u>	<u>368,395</u>	<u>-</u>	<u>368,395</u>
Change in net assets before other losses	(308,310)	22,000	(286,310)	582,275	(81,166)	501,109
Other losses:						
Loss from sale of inventory	(41,781)	-	(41,781)	-	-	-
Loss from inventory valuation allowance	-	-	-	(75,117)	-	(75,117)
Total other losses	<u>(41,781)</u>	<u>-</u>	<u>(41,781)</u>	<u>(75,117)</u>	<u>-</u>	<u>(75,117)</u>
Change in net assets after other losses	(350,091)	22,000	(328,091)	507,158	(81,166)	425,992
Net assets, beginning of year	<u>716,009</u>	<u>18,834</u>	<u>734,843</u>	<u>208,851</u>	<u>100,000</u>	<u>308,851</u>
Net assets, end of year	<u>\$ 365,918</u>	<u>\$ 40,834</u>	<u>\$ 406,752</u>	<u>\$ 716,009</u>	<u>\$ 18,834</u>	<u>\$ 734,843</u>

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,

2013

2012

Cash flows used in operating activities:

Change in net assets	\$ (328,091)	\$ 425,992
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	616	616
Contributions - laboratory equipment	(503,501)	(630,057)
Donated laboratory equipment	732,392	-
Loss from inventory valuation allowance	-	75,117
Loss from sale of inventory	41,781	-
Changes in operating assets and liabilities:		
Grants and contributions receivable	(27,904)	84,113
Other receivables	(3,929)	-
Inventory	16,500	4,085
Prepaid expenses	(1,035)	-
Deposit	-	750
Accounts payable	6,472	(2,445)
Accrued expenses	32,470	715
Laboratory equipment due to grantee	27,405	-
Net cash used in operating activities	<u>(6,824)</u>	<u>(41,114)</u>

Cash flows used in investing activities:

Purchase of computer equipment	-	(912)
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Cash flows provided by financing activities:

Net borrowing on line of credit	12,000	-
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Net increase (decrease) in cash

5,176 (42,026)

Cash, beginning of year

3,394 45,420

Cash, end of year

\$ 8,570 \$ 3,394

Supplemental disclosure of cash flows information:

Cash paid during the year for interest	\$ 666	\$ -
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SEEDING LABS, A NON PROFIT CORPORATION

**Statements of Functional Expenses
For the Years Ended December 31,**

	2013				2012			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Donated laboratory equipment	\$ 759,797	\$ -	\$ -	\$ 759,797	\$ -	\$ -	\$ -	\$ -
Salaries and related expenses	135,106	43,693	25,983	204,782	143,728	31,616	34,610	209,954
Professional fees	52,759	34,566	-	87,325	3,600	43,727	525	47,852
Rent	36,131	5,187	3,085	44,403	28,229	3,480	4,300	36,009
Shipping and logistics	25,394	-	-	25,394	11,928	-	-	11,928
Insurance	3,410	2,937	-	6,347	3,417	4,134	-	7,551
Technology	335	4,512	20	4,867	686	1,415	40	2,141
Miscellaneous	1,025	1,348	664	3,037	57	1,246	561	1,864
Travel and meals	261	1,282	414	1,957	17,336	499	681	18,516
Interest	-	666	-	666	-	-	-	-
Depreciation	-	616	-	616	-	616	-	616
Advertising and marketing	-	30	510	540	-	481	538	1,019
Postage and printing	-	379	-	379	-	945	-	945
Stipends	-	-	-	-	30,000	-	-	30,000
	<u>\$ 1,014,218</u>	<u>\$ 95,216</u>	<u>\$ 30,676</u>	<u>\$ 1,140,110</u>	<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

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 underwent a redesign of its application process for the equipment transfer program, and therefore there were no donations of laboratory equipment in 2012. The donation program resumed in 2013.

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 as of December 31, 2013 and 2012, or during the years 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

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, grants these donated goods to scientists and scientific institutions in developing nations. In addition, from time to time the Organization will sell some of the equipment.

The Organization receives freight and equipment handling fees from the recipients of the donated laboratory equipment. Revenue from these fees is recognized on the date that equipment is shipped.

Revenue from government grants is recognized as expenses are incurred.

The Organization receives in-kind support in the form of contributed services. 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.

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 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.

SEEDING LABS, A NON PROFIT CORPORATION

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Donated Laboratory Equipment

Donated laboratory equipment is recognized as expense when the equipment is selected and ready to be shipped. Reversals of previously recognized losses from the inventory valuation allowance are included in donated laboratory equipment expense on the statements of functional expenses.

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.

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 July 17, 2014, 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, 2013. 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, 2010 are open to examination.

Reclassifications

Certain amounts from 2012 have been reclassified on these financial statements in order to conform to 2013 presentation.

3. Grants and Contributions Receivable

Grants and contributions receivable of \$46,011 and \$18,107 at December 31, 2013 and 2012, respectively, are receivable in less than one year.

SEEDING LABS, A NON PROFIT CORPORATION

Notes to Financial Statements

4. Inventory

Inventory consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Laboratory equipment	\$ 485,429	\$ 811,761
Less - valuation allowance	<u>(58,252)</u>	<u>(97,412)</u>
	<u>\$ 427,177</u>	<u>\$ 714,349</u>

5. Computer Equipment

Computer equipment consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Computer equipment	\$ 3,080	\$ 3,080
Less - accumulated depreciation	<u>(1,923)</u>	<u>(1,307)</u>
	<u>\$ 1,157</u>	<u>\$ 1,773</u>

6. Temporarily Restricted Net Assets

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

	<u>2013</u>	<u>2012</u>
Equipment shipping costs	\$ 40,000	\$ -
Inventory software	834	3,834
Training and equipment initiative	<u>-</u>	<u>15,000</u>
	<u>\$ 40,834</u>	<u>\$ 18,834</u>

Net assets released from restrictions for the years ended December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Training and equipment initiative	\$ 15,000	\$ -
Equipment shipping costs	18,661	-
Intern services	7,200	-
Inventory software	3,000	3,966
Fellows program	<u>-</u>	<u>261,475</u>
	<u>\$ 43,861</u>	<u>\$ 265,441</u>

SEEDING LABS, A NON PROFIT CORPORATION

Notes to Financial Statements

7. Government Grant

In November 2013, the Organization entered into a grant agreement with the United States Agency for International Development (“USAID”). The grant provides for a total of \$3,000,000 through November 2016. The Organization recognized \$38,103 of revenue under this agreement during the year ended December 31, 2013, which was included in grants and contributions receivable on the statement of financial position as of December 31, 2013.

8. In-Kind Support

During the years ended December 31, 2013 and 2012, the Organization recognized income from in-kind contributions as follows:

	<u>2013</u>	<u>2012</u>
Legal services	\$ 58,621	\$ 19,969
Consulting services	-	1,280
Shipping and logistics	-	2,691
	<u>\$ 58,621</u>	<u>\$ 23,940</u>

9. Line of Credit

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. The balance outstanding on the line of credit at December 31, 2013 was \$12,000.

10. 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 \$24,312 and \$25,062 for the years ended December 31, 2013 and 2012, respectively. An additional \$20,091 and \$10,947 was incurred for warehouse fees for storage of inventory for the years ended December 31, 2013 and 2012, respectively.

11. 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 years ended December 31, 2013 and 2012.

SEEDING LABS, A NON PROFIT CORPORATION

Notes to Financial Statements

12. Concentrations

During the year ended December 31, 2013, the Organization received approximately 71% in contributions of laboratory equipment from two donors.

During the year ended December 31, 2012, the Organization received approximately 52% in contributions of 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.