

SEEDLING FOUNDATION  
DBA SEEDLING  
(Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS

JULY 31, 2019

SEEDLING FOUNDATION  
DBA SEEDLING  
(Nonprofit Corporation)

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AND FINANCIAL STATEMENTS

JULY 31, 2019

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# Allman & Associates, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

9600 GREAT HILLS TRAIL  
SUITE 150W  
AUSTIN, TX 78759  
(512) 502-3077  
FAX: 888-512-7990  
WWW.ALLMANCPAS.COM

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Seedling Foundation, dba Seedling

We have audited the accompanying financial statements of Seedling Foundation, dba Seedling, (a nonprofit corporation), which comprise the statement of financial position as of July 31, 2019, 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.

### 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 that 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 Seedling Foundation, dba Seedling, as of July 31, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Allman & Associates, Inc.*

Austin, Texas  
December 16, 2019

SEEDLING FOUNDATION  
DBA SEEDLING  
(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

AS OF JULY 31, 2019

<b>Assets</b>	
Current Assets:	
Cash and cash equivalents (Note I)	\$ 654,266
Accounts receivable (Note I)	548
Contributions receivable (Notes G and I)	48,317
Prepaid expenses	23,914
Total Current Assets	<u>727,045</u>
Fixed Assets:	
Furniture, fixtures, and equipment	12,543
Less: accumulated depreciation	<u>(7,563)</u>
Total Fixed Assets	<u>4,980</u>
Other Assets:	
Contributions receivable - long-term (Note G)	5,000
Investments - endowment (Notes F and H)	951,307
Investments - other (Note F)	249,600
Deposit	2,716
Total Other Assets	<u>1,208,623</u>
Total Assets	<u><u>\$ 1,940,648</u></u>
<b>Liabilities and Net Assets</b>	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 13,435
Deferred revenue	2,019
Scholarships payable, current portion (Note B)	58,425
Total Current Liabilities	<u>73,879</u>
Scholarships payable, less current portion (Note B)	<u>90,000</u>
Total Liabilities	<u>163,879</u>
Net Assets:	
Without donor restrictions - undesignated	550,907
Without donor restrictions - designated for endowment (Note H)	951,307
With donor restrictions (Notes E and I)	274,555
Total Net Assets	<u>1,776,769</u>
Total Liabilities and Net Assets	<u><u>\$ 1,940,648</u></u>

See accompanying notes and independent auditors' report.

SEEDLING FOUNDATION  
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STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JULY 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues:			
Contributions	\$ 265,227	\$ 79,947	\$ 345,174
Federal grant	-	46,916	46,916
City and county grants	10,000	-	10,000
School district grants	410,000	-	410,000
Special events, net of \$77,027 costs	164,764	-	164,764
In-kind contributions	1,615	-	1,615
Other	659	-	659
Investment income, net of fees of \$10,663	<u>41,365</u>	<u>771</u>	<u>42,136</u>
 Total Public Support and Revenues	 893,630	 127,634	 1,021,264
Net assets released from restrictions	<u>187,682</u>	<u>(187,682)</u>	<u>-</u>
 Total revenues and net assets released from restrictions	 <u>1,081,312</u>	 <u>(60,048)</u>	 <u>1,021,264</u>
 Expenses:			
Program Services:			
Mentoring	656,820	-	656,820
Scholarships	39,876	-	39,876
Outreach	25,991	-	25,991
Mentor Appreciation	<u>22,891</u>	<u>-</u>	<u>22,891</u>
Total Program Services	745,578	-	745,578
 Supporting Services:			
General and administrative	85,646	-	85,646
Fundraising	<u>149,820</u>	<u>-</u>	<u>149,820</u>
 Total Expenses	 <u>981,044</u>	 <u>-</u>	 <u>981,044</u>
 Change in net assets	 100,268	 (60,048)	 40,220
 Net assets, beginning of year:	 <u>1,401,946</u>	 <u>334,603</u>	 <u>1,736,549</u>
 Net assets, end of year	 <u>\$ 1,502,214</u>	 <u>\$ 274,555</u>	 <u>\$ 1,776,769</u>

See accompanying notes and independent auditors' report.

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STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JULY 31, 2019

Expense Category	Program Services				Supporting Services		Total
	Mentoring	Scholar- ships	Outreach	Mentor Appreciation	General and Administrative	Fundraising	
Grants and scholarships	\$ 5,000	\$ 32,500	\$ -	\$ -	\$ -	\$ -	\$ 37,500
Salaries and wages	459,911	6,041	22,270	-	49,403	105,469	643,094
Payroll taxes	39,546	463	1,704	-	4,091	8,908	54,712
Employee benefits	24,663	326	1,986	-	2,337	4,172	33,484
Depreciation	689	9	31	-	74	161	964
Professional fees	18,612	350	-	16,677	12,062	4,344	52,045
Stipends	14,725	-	-	-	-	-	14,725
Consultants and contractors	27,440	-	-	-	372	-	27,812
Operational expenses	8,503	41	-	4,140	4,450	5,393	22,527
Facility and equipment	30,413	-	-	2,027	6,408	7,819	46,667
Travel and meeting expenses	15,313	146	-	47	2,513	2,365	20,384
Other expenses	12,005	-	-	-	3,936	11,189	27,130
<b>Total</b>	<b>\$ 656,820</b>	<b>\$ 39,876</b>	<b>\$ 25,991</b>	<b>\$ 22,891</b>	<b>\$ 85,646</b>	<b>\$ 149,820</b>	<b>\$ 981,044</b>

Note: Please see the section Donated Materials, Facilities, and Services on page 9 regarding Seedling's use of volunteers.

See accompanying notes and independent auditors' report.

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JULY 31, 2019

Cash Flows From Operating Activities:	
Change in Net Assets	\$ 40,220
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	964
Interest income reinvested, net of fees	(11,973)
Realized and unrealized gain on investments	(3,624)
(Increase) Decrease in Operating Assets:	
Contribution receivable	64,166
Accounts receivable	48,142
Prepaid expenses	(12,434)
Deposit	1,004
Increase (Decrease) in Operating Liabilities:	
Accounts payable and accrued liabilities	(282)
Deferred revenue	2,019
Scholarships payable	2,842
	<hr/>
Net Cash Flows From Operating Activities	131,044
	<hr/>
Cash Flows From Investing Activities:	
Proceeds from investments	376,044
Purchases of investments	(376,044)
	<hr/>
Net Cash Provided by Investing Activities	-
	<hr/>
Net Change in Cash and Cash Equivalents	131,044
	<hr/>
Cash and Cash Equivalents, beginning of year	523,222
	<hr/>
Cash and Cash Equivalents, end of year	\$ 654,266
	<hr/> <hr/>
Supplementary Information:	
Cash paid for interest expense	\$ -
Cash paid for income taxes	\$ -
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See accompanying notes and independent auditors' report.

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Seedling Foundation, dba Seedling, (hereafter referred to as Seedling) is presented to assist in understanding Seedling's financial statements. The financial statements and notes are representations of Seedling's management who is responsible for their integrity and objectivity. These accounting policies and principles conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Activities

Seedling has a long history of providing support to Austin area public schools. In 2006, concerned school principals requested help for a growing population in their schools of children who had an incarcerated parent. In response, the Seedling Mentor Program was launched. The vision was to provide support, encouragement, information, and a nonjudgmental adult role model for children separated from one or both of their parents as a result of a prison sentence.

From the beginning, Seedling set the standard very high: The Seedling Mentor Program would be a research informed mentor program, serving only children of incarcerated parents, doing so only in a school setting, and providing the kind of support volunteer mentors would need to cultivate impactful, long-term relationships.

During the 2018/2019 school year, Seedling matched and supported 653 students in grades K-12. 63% of these children were in elementary school, 29% in middle school and 8% in high school. The children mentored were overwhelmingly financially disadvantaged. In all, during the school year, Seedling mentors served in 122 schools in the greater Austin area.

Researchers have found that higher-risk students in mentoring relationships improved in their emotional or psychological well-being, peer relationships, academic attitudes and self-reported grades. In all measures of match persistence, Seedling exceeds national benchmarks for school-based mentoring. In any given year, over 72% of Seedling mentors return after the summer break to continue. Seedling mentors average 30 months of volunteer time in the program and 24 months in the same mentoring relationship compared to the national mentoring average of 12 months.

For the past eleven years, Seedling has hired an evaluator to provide an independent analysis of the impact of its program on students. The evaluations have shown that Seedling has the following proven results in impacting children of incarcerated parents:



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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Nature of Activities (continued)

Seedling's most recent independent evaluation found that a significant majority of mentees reported positive changes in their interest in activities (97%), relationships with others (91%), and the ability to talk about their feelings (84%) since they started meeting with their mentor, and 63% of surveyed mentees reported that they planned to enroll in college. Additionally, 81% of caregivers indicated that their child's participation in the Seedling Mentor Program resulted in the benefits that were hoped for, and positively influenced their child's relationships with teachers, self-esteem, and desire to set goals for their future.

Seedling helps children of incarcerated parents cope with a complex, emotionally challenging issue, often in situations where there are few, if any, other resources available to them that are catered to the specific issue of parental arrest and incarceration. A student with a Seedling mentor is better equipped to navigate school and interpersonal relationships successfully, positioning them for more optimistic futures.

Basis of Accounting

The accompanying financial statements of Seedling have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Seedling considers all cash and other highly liquid investments with maturity of three months or less when purchased to be cash equivalents, unless designated for investment or endowment purposes.

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Receivables

Seedling's accounts receivable are valued using an allowance for uncollectible accounts. Under this method, a provision for uncollectible accounts based on management estimate is charged to expense and the allowance account is increased. Seedling's management considers all receivables to be 100% collectible as of July 31, 2019.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives. Any donated items are recorded at their estimated fair value. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the period. Maintenance and repairs are charged to expense as incurred, and significant renewals and betterments are capitalized. Seedling has a policy of only capitalizing depreciable assets purchased at or over \$1,000, expensing items falling below that amount. Depreciation is provided using the straight-line method over the estimated useful lives of the assets generally as follows:

Furniture and Equipment	3-7 years
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Promises to Give - Receivable

Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realized value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Any allowance for doubtful accounts is based on prior years' experience and management's analysis of possible bad debts.

Investments

Seedling accounts for its investments in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities* and FASB ASC 958-325, *Not-for-Profit Entities – Investments – Other*. Under ASC 958-320, Seedling is required to report investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. The fair value is based on quoted market prices. Under FASB ASC 958-325, partnership interests and stocks in closely held companies are recorded at cost or fair value at

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments – continued

the dates the investments are donated and, are periodically revalued through the use of a third-party. Changes in value are shown as unrealized gains or losses on the statement of activities. FASB ASC 958-325 allows the fair value of a cost method investment to be excluded from estimation if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value and Seedling does not estimate the fair value of financial instruments either because (1) it is not practicable to estimate fair value or (2) Seedling is exempt from estimating fair value. Additionally, Seedling reviews all its investments and makes a determination if any is considered impaired for reporting purposes.

Financial Statement Presentation

Financial statement presentation follows the recommendation of the “Financial Statements of Not-For-Profit Organizations” section of the Accounting Standards Codification (ASC). Under the ASC, Seedling is required to report information regarding its financial position and activities according to two classes of net assets as applicable.

- a) *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions include the revenues and expenses of the primary operations of Seedling.
- b) *Net assets with donor restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time as elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donated Materials, Facilities, and Services

Donated property and services are recorded at fair market value on the date of the donation as in-kind contributions if all qualifications for reporting have been met. For donated services those requirements include enhancing a nonfinancial asset or services that require specialized skills. The value of Seedling’s volunteer services is not recorded in these financial statements because they do not meet the criteria. However, Seedling receives a significant amount of donated services from unpaid volunteers who assist in direct services, fund-raising, and special projects. During the 2018/2019 school year, Seedling had 15,648 volunteer hours which amounts to \$397,928 based on the Independent Sector’s estimate for volunteer hours of \$25.43 per hour.

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Compensated Absences

All full-time employees were given 15 days of paid time off, if employed for a year. Employees working less than full-time were given paid time off proportionate to time worked. Employees are given one additional day per additional year of employment. Seedling has a use it or lose it policy. All days are to be utilized by July 31 of each year and then it resets on August 1.

Functional Allocation of Expenditures

The costs of providing the various programs and activities of Seedling have been summarized on a functional basis in the statement of activities. The statement of functional expenses reports the natural classification detail of expenses by function. Expenses that can be identified with a specific program or relate to a specific source of revenue are allocated directly to that program. Indirect expenses have been allocated based on management's estimates.

Fair Value Measurements

The requirements of *Fair Value Measurements and Disclosures* of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price). *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs – Unobservable inputs for the asset or liability.

Public Support and Revenue

Seedling receives grant and contract revenue from nonprofit foundations as well as governmental entities. Revenue recognition depends on the terms of the contract. Seedling also receives contributions from the general public.

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JULY 31, 2019

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Public Support and Revenue (continued)

Under FASB ASC 958-605, *Revenue Recognition*, contributions received are recorded as support with and without donor restrictions depending on the existence or nature of any donor restrictions. Contributions that are reported as with donor restrictions are reclassified to net assets without donor restrictions upon expiration of the time or purpose restriction. Contributions and grant restrictions that are satisfied in the year of receipt are reported as unrestricted revenue in the same year.

Income Tax Status

Seedling is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and therefore has made no provision for federal income taxes in the accompanying financial statements. Seedling has also been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Seedling has adopted the recognition requirements for uncertain income tax positions as required by GAAP, 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. Seedling has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. Seedling believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on Seedling's financial position, changes in net assets or cash flows. Accordingly, Seedling has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at July 31, 2019. Seedling is subject to income tax audits for the previous three years which are open. There are currently no income tax audits for any tax periods in progress.

Concentration of Credit Risk

Financial instruments which potentially subject Seedling to credit risk consist of cash and cash equivalents, and investments. All depositor accounts at an insured depository institution are insured by the FDIC up to the maximum deposit insurance amount (\$250,000). As of July 31, 2019, Seedling had \$23,298 of uninsured cash balances. Seedling has not experienced any losses in any of these accounts in the past.

Seedling is subject to market risk related to its investments. Seedling's investments are exposed to various risks, such as interest rate, market and credit risks.

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Change in Not-for-Profit Accounting Standards

On August 18, 2016, FASB issued accounting standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information about expenses and investment return. ASU 2016-14 has been implemented and the presentation in these financial statements has been adjusted accordingly.

**NOTE B - SCHOLARSHIPS PAYABLE**

Scholarships payable is the amount of scholarships that Seedling has committed to give to students upon their graduation from high school and acceptance to a facility of higher learning. Seedling recognizes the scholarships expense in the year the students are notified of the awards and recognizes the scholarships as an unconditional promise to give since the likelihood of the students not graduating is believed to be remote. No discount or allowance has been recorded in the amounts below as the amount, if recorded, would be considered immaterial to the financial statements.

Seedling has segregated the cash for future scholarship payments in a separate cash account.

The following is a summary of the scholarships payable as of July 31, 2019:

2020	\$	58,425
2021		15,000
2022		20,000
2023		25,000
2024		30,000
Total scholarships payable	\$	148,425

**NOTE C - LEASES**

Seedling leases the following facilities and equipment in its operations under operating leases:

Item Under Lease	Base Monthly Lease Payment	Lease Commencement	Lease Expiration
Copier	\$ 215	June, 2016	June, 2021
Facility	Adjusted	August, 2015	July, 2022

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019

**NOTE C – LEASES (Continued)**

Seedling entered into a new lease for office space in Austin, Texas beginning August 2015. Base rent escalates from an initial rate of \$2,119 per month to \$2,578 per month at the end of the term, July, 2022. Additional rent might be payable over the term for actual building operating expenses over a certain dollar threshold.

The total future minimum lease payments under operating leases as of July 31, 2019, are as follows:

Year Ending July 31	
2020	\$ 31,932
2021	32,727
2022	30,941
Total	<u>\$ 95,600</u>

Rental expense total \$38,561 for the year ended July 31, 2019.

**NOTE D - CONCENTRATIONS AND CONTINGENCIES**

Seedling solicits contributions from various companies and individuals and conducts various fundraisers throughout the year. It is possible due to variations in the economic climate of the region in which it solicits contributions that future contributions could be reduced or not fully realized due to the limitations of contributors and the companies in which Seedling is partnered.

Seedling is exposed to various risks of loss related to tort, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, environmental liabilities and natural disasters. During the year ended July 31, 2019, management believes Seedling is covered by insurance for these risks, and there were no unsettled claims for the year ended July 31, 2019.

**NOTE E – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions comprised the following at July 31, 2019:

Scholarships (Restricted to specific services)	\$ 149,129
Contributions receivable (Time restricted to future periods)	53,317
Opportunity grant (Restricted to specific services)	6,908
Austin ISD Mentoring Program (Restricted to specific services)	45,201
Del Valle ISD Mentoring Program (Restricted to specific services)	<u>20,000</u>
Net assets with donor restrictions	<u>\$ 274,555</u>

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019

**NOTE E – NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

Net assets with donor restrictions of \$187,682 were released from restrictions due to satisfaction of time restrictions of \$64,166 and for specific services of \$123,516.

**NOTE F - FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments are stated at fair market value and summarized as follows:

Description	Fair Value	Fair Value Measurements Using:		
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable inputs (Level 3)
Cash and cash equivalents	\$ 25,811	\$ -	\$ 25,811	\$ -
Fixed income bonds	356,165	356,165	-	-
Equity securities	477,448	477,448	-	-
Exchange traded funds	69,658	69,658	-	-
REIT fund	22,225	22,225	-	-
Other investments	249,600	-	-	249,600
<b>Total Investments</b>	<b>\$ 1,200,907</b>	<b>\$ 925,496</b>	<b>\$ 25,811</b>	<b>\$ 249,600</b>

The following is a reconciliation of Other investments:

Balance at July 31, 2018	\$ 249,600
Change in value	-
Balance at July 31, 2019	<u>\$ 249,600</u>

Other investments consist of 128,000 shares of A series stock in a privately owned company. The fair value of the shares was \$1.95 per share at the date of contribution that occurred in a prior year. The value per share was determined by the company's sale of its A series stock to raise capital. Nothing has occurred to the company that would require a downward adjustment to Seedling's other investment's fair value as of July 31, 2019.



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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019

**NOTE G – CONTRIBUTIONS RECEIVABLE**

The contributions receivable at July 31, 2019 were considered fully collectible. No allowances have been recorded in these financial statements. Due to immaterial amount of discount calculated as of July 31, 2019, no discounts to present value are reflected in the financial statements. Contributions receivable comprised the following as of July 31, 2019:

Due in less than one year	\$ 48,317
Due in one to five years	5,000
Contributions receivable	<u>\$ 53,317</u>

**NOTE H – ENDOWMENT**

During the year ended July 31, 2015, Seedling created the Seedling Foundation Endowment (Endowment) to provide a long-term source of funds for the operations of Seedling. The Endowment consists of funds designated as net assets without donor restrictions and can be used to meet withdrawals authorized by the Board of Directors of Seedling. The Board of Directors of Seedling interpret the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original designation as of the date of the designated endowment funds absent explicit Board stipulations to the contrary. Net assets with donor restrictions are classified at the original value of gifts donated to the permanent endowment, plus the original value of subsequent gifts to the endowment. Also included are accumulations to the permanent endowment if directed by the donor gift instrument. The remaining portion of the donor restricted endowment fund is classified as net assets with donor restrictions until those funds are appropriated for expenditure by Seedling in a manner consistent with the standard of prudence prescribed by UPMIFA. Currently, the Endowment includes only Board designated funds.

Seedling has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under the endowment policy approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results as stated in Seedling’s policy while assuming a moderate level of investment risk. Seedling expects its endowment funds, over time, to provide a rate of return of approximately 300 basis points over the Consumer Price Index (“CPI”) over a rolling three year period. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, Seedling relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Seedling targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

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**NOTE H – ENDOWMENT (Continued)**

Seedling has a policy to withdraw funds from the portion without donor restrictions of the Endowment each year to support the operations of Seedling. The withdrawals can be lump sum or spread out over the fiscal year. In determining the total amount to withdraw from the Endowment in any given year, the Board of Directors incorporates the seven factors outlined in the UPMIFA. The Board of Directors approves the spending amount at the beginning of each fiscal year based on a documented analysis of all seven factors.

During the year ended July 31, 2016, Seedling designated an additional \$50,000 to be included as part of the Seedling Foundation Endowment.

Changes in endowment net assets were as follows for the year ended July 31, 2019:

Endowment net assets at July 31, 2018	\$ 935,710
Investment income, net of fees of \$10,663	15,597
Appropriated for expense	-
Endowment net assets at June 30, 2019	<u>\$ 951,307</u>

**NOTE I – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 654,266
Accounts receivable	548
Contributions receivable	53,317
Less net assets with donor restrictions	<u>(274,555)</u>
Financial assets available for general expenditures within one year	<u>\$ 433,576</u>

Seedling does not have a formal liquidity policy, but intends to meet cash needs through contributions, grants, special events and meeting budget expectations. With approval of the Board of Directors, Seedling may use designated net assets without donor restrictions (endowment) for costs of operations.

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**NOTE J - SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Management has evaluated subsequent events through December 16, 2019, the date the financial statements were available for issuance, and there were no subsequent events to be disclosed.