

**NEW JERSEY SEEDS, INC.  
DBA: SEEDS - ACCESS CHANGES EVERYTHING**

**FINANCIAL STATEMENTS**

**YEARS ENDED AUGUST 31, 2023 AND 2022**



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**NEW JERSEY SEEDS, INC. DBA: SEEDS - ACCESS CHANGES EVERYTHING**  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
New Jersey SEEDS, Inc.  
Newark, New Jersey

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of New Jersey SEEDS, Inc. DBA SEEDS – Access Changes Everything (SEEDS or the Organization), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Jersey SEEDS, Inc. DBA SEEDS – Access Changes Everything as of August 31, 2023, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, in 2023, New Jersey SEEDS, Inc. DBA SEEDS – Access Changes Everything, adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

#### ***Other Matter***

The financial statements of the Organization as of August 31, 2023 were audited by Sobel & Co., LLC, whose shareholders and professional staff joined CliftonLarsonAllen LLP as of February 1, 2023, and has subsequently ceased operations. Sobel & Co., LLC's report dated January 3, 2023, expressed an unmodified opinion on those statements.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Board of Trustees  
New Jersey SEEDS, Inc.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Livingston, New Jersey  
December 11, 2023

**NEW JERSEY SEEDS, INC. DBA: SEEDS - ACCESS CHANGES EVERYTHING**  
**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2023 AND 2022**

<b>ASSETS</b>	2023	2022
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 347,674	\$ 854,226
Accounts Receivable, Net	30,875	192,335
Pledges Receivable, Current, Net	522,929	448,418
Prepaid Expenses and Other Assets	36,896	18,939
Total Current Assets	938,374	1,513,918
<b>NONCURRENT ASSETS</b>		
Investments	6,639,922	7,065,487
Pledges Receivable, Noncurrent, Net	52,605	32,075
Fixed Assets, Net	112,012	138,659
Cash Surrender Value	108,679	103,507
Security Deposits	22,500	22,500
Operating ROU Assets	911,836	-
Total Noncurrent Assets	7,847,554	7,362,228
Total Assets	\$ 8,785,928	\$ 8,876,146
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 396,581	\$ 713,820
Deferred Rent	-	53,757
Deferred Revenue	155,732	-
Short-Term Lease Liability - Operating	165,135	-
Total Current Liabilities	717,448	767,577
Long-Term Lease Liability - Operating	804,481	-
Total Liabilities	1,521,929	767,577
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Without Donor Restrictions	3,247,631	4,080,201
With Donor Restrictions	4,016,368	4,028,368
Total Net Assets	7,263,999	8,108,569
Total Liabilities and Net Assets	\$ 8,785,928	\$ 8,876,146

See accompanying Notes to Financial Statements.

**NEW JERSEY SEEDS, INC. DBA: SEEDS - ACCESS CHANGES EVERYTHING**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions:			
Annual Campaign	\$ 1,383,078	\$ 607,187	\$ 1,990,265
Donated Stock	187,545	-	187,545
Grant Income	362	-	362
Total Contributions	1,570,985	607,187	2,178,172
 Fundraising Events:			
Special Events, Net	802,976	-	802,976
 Interest and Dividends, Net	160,906	-	160,906
Realized and Unrealized Gains on			
Investment Securities, Net	416,071	-	416,071
Investment Income, Net	576,977	-	576,977
 Net Assets Released from Restrictions	619,187	(619,187)	-
Total Support and Revenue	3,570,125	(12,000)	3,558,125
 <b>EXPENSES</b>			
Program Services	3,106,211	-	3,106,211
Management and General	686,352	-	686,352
Development	610,132	-	610,132
Total Expenses	4,402,695	-	4,402,695
 <b>CHANGES IN NET ASSETS</b>	(832,570)	(12,000)	(844,570)
Net Assets - Beginning of Year	4,080,201	4,028,368	8,108,569
 <b>NET ASSETS - END OF YEAR</b>	\$ 3,247,631	\$ 4,016,368	\$ 7,263,999

See accompanying Notes to Financial Statements.

**NEW JERSEY SEEDS, INC. DBA: SEEDS - ACCESS CHANGES EVERYTHING**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions:			
Annual Campaign	\$ 1,803,567	\$ 529,100	\$ 2,332,667
Donated Stock	230,662	-	230,662
Grant Income	432,505	-	432,505
Total Contributions	2,466,734	529,100	2,995,834
 Fundraising Events:			
Special Events, Net	739,891	-	739,891
 Interest and Dividends, Net	95,055	-	95,055
Realized and Unrealized (Loss) Gains on Investment Securities, Net	(1,219,472)	-	(1,219,472)
Investment Income, Net	(1,124,417)	-	(1,124,417)
 Net Assets Released from Restrictions	596,100	(596,100)	-
Total Support and Revenue	2,678,308	(67,000)	2,611,308
 <b>EXPENSES</b>			
Program Services	2,959,980	-	2,959,980
Management and General	480,769	-	480,769
Development	634,747	-	634,747
Total Expenses	4,075,496	-	4,075,496
 <b>CHANGES IN NET ASSETS</b>	(1,397,188)	(67,000)	(1,464,188)
Net Assets - Beginning of Year	5,477,389	4,095,368	9,572,757
 <b>NET ASSETS - END OF YEAR</b>	\$ 4,080,201	\$ 4,028,368	\$ 8,108,569

See accompanying Notes to Financial Statements.



**NEW JERSEY SEEDS, INC. DBA: SEEDS - ACCESS CHANGES EVERYTHING**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2023**

	<u>Program Services</u>	<u>Management and General</u>	<u>Development</u>	<u>Total</u>
Salaries and Related Taxes	\$ 1,749,425	\$ 264,465	\$ 361,517	\$ 2,375,407
Employee Benefits	146,941	25,926	35,440	208,307
Educational Books and Supplies	64,200	-	-	64,200
Student Educational Expenses	109,723	12,925	17,227	139,875
Student Transportation and Trips	176,531	-	-	176,531
Facility Expenses	602,793	30,329	41,198	674,320
Travel and Auto Expenses	8,375	3,294	1,785	13,454
Office Supplies and Expenses	94,528	71,129	62,224	227,881
Telephone	8,018	3,615	3,424	15,057
Printing, Publications, and Marketing	450	12,104	24,168	36,722
Professional Fees	27,108	251,943	15,716	294,767
Insurance	32,046	5,490	9,357	46,893
Postage	1,743	447	5,065	7,255
Fundraising Expense	-	-	28,326	28,326
Total Expenses Before Depreciation	<u>3,021,881</u>	<u>681,667</u>	<u>605,447</u>	<u>4,308,995</u>
Depreciation	<u>84,330</u>	<u>4,685</u>	<u>4,685</u>	<u>93,700</u>
Total Expenses by Function	<u><u>\$ 3,106,211</u></u>	<u><u>\$ 686,352</u></u>	<u><u>\$ 610,132</u></u>	<u><u>\$ 4,402,695</u></u>

See accompanying Notes to Financial Statements.

**NEW JERSEY SEEDS, INC. DBA: SEEDS - ACCESS CHANGES EVERYTHING**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2022**

	Program Services	Management and General	Development	Total
Salaries and Related Taxes	\$ 1,647,140	\$ 291,465	\$ 420,163	\$ 2,358,768
Employee Benefits	136,677	28,387	40,921	205,985
Educational Books and Supplies	56,343	-	-	56,343
Student Educational Expenses	94,174	5,143	253	99,570
Student Transportation and Trips	158,273	-	-	158,273
Facility Expenses	535,115	21,681	40,660	597,456
Travel and Auto Expenses	13,033	7,165	2,626	22,824
Office Supplies and Expenses	109,351	26,899	49,103	185,353
Telephone	17,218	2,244	4,763	24,225
Printing, Publications, and Marketing	18,788	2,184	27,071	48,043
Professional Fees	59,748	86,882	-	146,630
Insurance	33,540	4,231	8,385	46,156
Postage	4,645	1,470	1,863	7,978
Fundraising Expense	-	-	35,750	35,750
Total Expenses Before Depreciation	<u>2,884,045</u>	<u>477,751</u>	<u>631,558</u>	<u>3,993,354</u>
Depreciation	<u>75,935</u>	<u>3,018</u>	<u>3,189</u>	<u>82,142</u>
Total Expenses by Function	<u><u>\$ 2,959,980</u></u>	<u><u>\$ 480,769</u></u>	<u><u>\$ 634,747</u></u>	<u><u>\$ 4,075,496</u></u>

See accompanying Notes to Financial Statements.

**NEW JERSEY SEEDS, INC. DBA: SEEDS - ACCESS CHANGES EVERYTHING**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ (844,570)	\$ (1,464,188)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	93,700	82,142
Realized and Unrealized (Gains) Losses on Investments, Net	(416,071)	1,219,472
Changes in Operating Assets and Liabilities:		
Pledges Receivable	66,419	171,967
Amortization of right-of-use asset	4,023	-
Cash Surrender Value	(5,172)	(4,908)
Prepaid Expenses and Other Assets	(17,957)	(1,840)
Accounts Payable and Accrued Expenses	(317,239)	307,667
Deferred Rent	-	4,645
Deferred Revenue	155,732	-
Refundable Advance	-	(432,505)
Net Cash Used by Operating Activities	(1,281,135)	(117,548)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(67,052)	(42,144)
Purchases of Investments	-	(791,579)
Proceeds from Investments	841,635	1,124,937
Net Cash Provided by Investing Activities	774,583	291,214
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(506,552)	173,666
Cash and Cash Equivalents - Beginning of Year	854,226	680,560
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 347,674	\$ 854,226

See accompanying Notes to Financial Statements.

**NEW JERSEY SEEDS, INC. DBA: SEEDS - ACCESS CHANGES EVERYTHING**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2023 AND 2022**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Founded in 1992, New Jersey SEEDS, Inc. (SEEDS or Organization), is a privately funded, statewide, nonprofit organization committed to developing future leaders from the state's least privileged communities. By providing access to exceptional educational opportunities, SEEDS' programs create a viable path for students in underperforming schools to achieve their full potential. SEEDS delivers an extremely rigorous academic curriculum, inspiring cultural experiences and critical training in leadership skills followed by placement in some of the nation's most competitive independent schools and colleges. The Organization continues to guide its graduates throughout their school careers and beyond, and encourages its alumni to be ethical, engaged, responsible citizens who lead lives of contribution and give back to their communities.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation**

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets not subject to donor-imposed stipulations.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Also, other net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

**Cash and Cash Equivalents**

Cash and cash equivalents represent cash and short-term investments purchased with an original maturity of three months or less.

**NEW JERSEY SEEDS, INC. DBA: SEEDS - ACCESS CHANGES EVERYTHING**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2023 AND 2022**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investment income is presented net of investment advisory/management fees and is reflected as realized and unrealized (losses) gain on investment securities in the statements of activities. All investment income is credited directly to unrestricted net assets unless otherwise restricted by the donor. All capital appreciation/depreciation earned on investments is reported as a change in unrestricted net assets unless otherwise restricted by the donor. All investments are carried at fair value with the related gains and losses recognized in the statements of activities.

**Fair Value**

Fair value measurements are defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

*Level 1* – Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2* – Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

*Level 3* – Valuations based on unobservable inputs used when little or no market is available. The organization adopted the practical expedient and is valuing their interest in the fund based reported.

The Organization has investments in one limited partnership that are invested in diversified portfolios with no specific industry concentration or risk focus. Because of this inherent uncertainty of valuation for the Organization's investments in limited partnerships and for certain underlying investments held by them, which are not readily marketable, values for those investments may differ significantly from values that would have been used had a ready market value for them existed. Such limited partnerships are valued utilizing Level 3 inputs, whereby the acquisition cost of the investment is adjusted for the Organization's share of net income or loss of the limited partnerships.

Mutual funds are valued at the net asset value of shares held by the Organization at year-end.

*Fixed Income Mutual Funds* – Valued at quoted market prices of valuations provided by commercial pricing services or the mean of bid and ask prices by investment brokers.

**NEW JERSEY SEEDS, INC. DBA: SEEDS - ACCESS CHANGES EVERYTHING**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2023 AND 2022**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fixed Assets**

Fixed assets are recorded at cost or fair value at date of gift for donated assets. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments greater than \$2,500 that extend the useful life of the asset are capitalized. Depreciation is applied on a straight-line basis over the estimated useful lives of the assets:

Office Equipment	5 Years
Automobiles	5 Years
Computer Software	3 Years

Replacements, betterments and additions to property and equipment are capitalized if they increase the useful lives of such assets. Costs incurred for maintenance and repairs are charged to expenses as incurred. Upon the retirement of these assets, the cost and accumulated depreciation are removed from the respective accounts and any gain or loss is reflected in revenues or expenses for the period.

**Revenue and Contribution**

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as Net Assets Released from Restrictions.

**Income Taxes**

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the years ended August 31, 2023 and 2022. At August 31, 2023 and 2022, there are no significant income tax uncertainties.

**NEW JERSEY SEEDS, INC. DBA: SEEDS - ACCESS CHANGES EVERYTHING**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2023 AND 2022**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Accounts and Pledges Receivable**

The Organization charges uncollectible accounts or pledges receivable to operations when determined to be uncollectible. The allowance for uncollectible accounts and pledges receivable is based on historical experience and management's evaluation of accounts and pledges receivable at the end of the year. The allowance has been reviewed by management, and it has been determined to be adequate at August 31, 2023 and 2022.

The allowance for uncollectible accounts and pledges receivable are as follows:

	<u>2023</u>	<u>2022</u>
Allowance for Uncollectible Pledges Receivable, Short-Term	<u>\$ 32,011</u>	<u>\$ 32,011</u>

**Marketing and Public Relations**

Marketing and public relations costs are expensed as incurred and located in student educational expenses and printing, publications and marketing of the statement of functional expenses. Marketing and public relations expense for the years ended August 31, 2023 and 2022, was \$42,232 and \$54,570, respectively.

**NEW JERSEY SEEDS, INC. DBA: SEEDS - ACCESS CHANGES EVERYTHING**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2023 AND 2022**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adoption of New Accounting Standard—Leases:**

In February 2016, the Financial Accounting Standards Board issued accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent of the changes is the recognition of ROU asset and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective September 1, 2022, and has elected to apply the provision of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended August 31, 2022, are made under prior lease guidance in FASB ASC 840.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

The Organization elected the available practical expedients to account for operating leases as finance leases and operating leases, respectively, under the new guidance without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, The Organization recognized on September 1, 2022, a lease liability of \$969,616, which represents the present value of the remaining operating lease payments of \$1,069,047.



**NEW JERSEY SEEDS, INC. DBA: SEEDS - ACCESS CHANGES EVERYTHING**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2023 AND 2022**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adoption of New Accounting Standard—Leases (Continued):**

The standard had a material impact on the statements of financial position but did not have an impact on the statements of activities, nor the statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

**Leases:**

The Organization leases office space and equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in the operating lease ROU assets, long term lease liability- operating and short-term lease liability-operating, and operating leases on the statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and the lease liabilities present the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and the leases are not included as lease liabilities or right of use assets on the statements of financial position.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

**Reclassifications:**

Certain amounts have been reclassified in the fiscal year 2022 financial statement presentation to conform to the fiscal year 2023 financial statement presentation.

**Subsequent Events**

Subsequent events have been evaluated through December 11, 2023, which is the date the financial statements were available to be issued.

**NEW JERSEY SEEDS, INC. DBA: SEEDS - ACCESS CHANGES EVERYTHING**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2023 AND 2022**

**NOTE 2 PLEDGES RECEIVABLE**

Pledges receivable are due as follows:

	<u>2023</u>	<u>2022</u>
Within One Year	\$ 522,929	\$ 480,429
In One to Five Years	88,500	34,000
Over Five Years	-	-
Total	<u>611,429</u>	<u>514,429</u>
Less: Discount to Net Present Value at Rates Ranging from 2.96% to 4.70%	(3,884)	(1,925)
Less: Allowance for Uncollectible Promises to Give	(32,011)	(32,011)
Total	<u>\$ 575,534</u>	<u>\$ 480,493</u>

**NOTE 3 FIXED ASSETS**

Fixed assets are summarized as follows:

	<u>2023</u>	<u>2022</u>
Office Equipment	\$ 562,341	\$ 503,389
Automobiles	21,503	21,503
Computer Software	514,031	505,931
Total	<u>1,097,875</u>	<u>1,030,823</u>
Less: Accumulated Depreciation	(985,863)	(892,164)
Fixed Assets, Net	<u>\$ 112,012</u>	<u>\$ 138,659</u>

**NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods for the years ended August 31:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose: Scholars and Young Scholars Program	\$ -	\$ 234,000
Subject to the Passage of Time: Long-Term Pledges Receivable	549,000	342,000
Endowments	3,467,368	3,452,368
Total Net Assets with Donor Restrictions	<u>\$ 4,016,368</u>	<u>\$ 4,028,368</u>

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**NOTE 5 NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from restrictions as follows for the years ended August 31:

	<u>2023</u>	<u>2022</u>
Satisfaction of Purpose Restrictions:		
Scholars & Young Scholars	\$ 484,887	\$ 445,000
College Scholars	70,650	120,000
Allumni Relations	38,650	25,000
Guidance Program	15,000	3,000
Time Restricted	10,000	-
Student Essentials	-	600
M&T Foundation	-	2,500
Total Net Assets Released from Donor Restrictions	<u>\$ 619,187</u>	<u>\$ 596,100</u>

**NOTE 6 INVESTMENTS**

Investments consist of both donor-restricted net assets and assets designated by the board of trustees for long-term purposes. They are invested as follows:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 45,349	\$ 149,405
Equity Mutual Funds	4,424,425	4,880,325
Fixed Income Mutual Fund	2,163,537	2,029,042
Equity and Debt Securities Held Through a Family Limited Partnership Interest	6,611	6,715
Total Investments	<u>\$ 6,639,922</u>	<u>\$ 7,065,487</u>

The Organization has categorized its investments based on the priority of inputs to the valuation technique, into a three-level, fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within the different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investment.

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**NOTE 6 INVESTMENTS (CONTINUED)**

The Investment Committee periodically monitors the investment portfolios for consistency in each investment manager's investment philosophy, return relative to objectives and investment risk measured by asset concentration, exposure to extreme economic conditions, and volatility.

	Level 1	Level 2	Level 3	Total
<u>August 31, 2023</u>				
Cash and Cash Equivalents	\$ 45,349	\$ -	\$ -	\$ 45,349
Equity Mutual Funds	4,424,425	-	-	4,424,425
Fixed Income Mutual Fund	2,163,537	-	-	2,163,537
Partnership Interests	-	-	6,611	6,611
Total Investments at Fair Value	<u>\$ 6,633,311</u>	<u>\$ -</u>	<u>\$ 6,611</u>	<u>\$ 6,639,922</u>
<u>August 31, 2022</u>				
Cash and Cash Equivalents	\$ 149,405	\$ -	\$ -	\$ 149,405
Equity Mutual Funds	4,880,325	-	-	4,880,325
Fixed Income Mutual Fund	2,029,042	-	-	2,029,042
Partnership Interests	-	-	6,715	6,715
Total Investments at Fair Value	<u>\$ 7,058,772</u>	<u>\$ -</u>	<u>\$ 6,715</u>	<u>\$ 7,065,487</u>

The following table provides further details of Level 3 fair value measurements:

	2023	2022
Balance - Beginning of Year	\$ 6,715	\$ 7,705
Realized and Unrealized Loss	(104)	(990)
Balance - End of Year	<u>\$ 6,611</u>	<u>\$ 6,715</u>

**NOTE 7 RETIREMENT PLAN**

The Organization instituted an employee retirement plan under Section 401(k) of the Internal Revenue Code. The plan covers substantially all full-time employees. Under the plan, employees may voluntarily contribute a percentage of their pretax compensation to the plan subject to Internal Revenue Service limits, with SEEDS matching employee contributions by approximately 50% of the first 6% of employee-eligible compensation. Employer matching contributions to the plan amounted to \$45,157 and \$44,770 for the years ended August 31, 2023 and 2022, respectively.

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**NOTE 8 LEASES – ASC 842**

The Organization leases office space for a term under long-term non-cancelable operating lease agreements. The leases expire at various dates through 2028. In the normal course of business, it is expected that the leases will be renewed or replaced by similar leases. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The Organization’s operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreement requires the Organization to pay real estate taxes, insurance, and repairs.

The following table provides quantitative information concerning the Organization’s leases:

	<u>2023</u>
Total Operating Lease Cost	\$ 188,371
Other Information	
Operating Cash Flows from Operating Leases	186,665
Right-of-Use Assets Obtained in Exchange for	
Operating Lease Liabilities:	1,069,047
Weighted-Average Operating Leases Term:	5.3 Years
Weighted-Average Operating Leases Discount Rate:	3.00 %

The Organization classifies the total undiscounted lease payments that are used in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of August 31, 2023 is as follows:

<u>Year Ending August 31,</u>	<u>Operating</u>
	<u>Leases</u>
2024	\$ 191,510
2025	193,933
2026	196,908
2027	196,536
2028	201,777
Thereafter	68,133
Total Lease Payments	<u>1,048,797</u>
Less: Interest	<u>(79,181)</u>
Present Value of Lease Liabilities	<u>\$ 969,616</u>

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**NOTE 9 LEASES - ASC 840**

The Organization has entered into an 11-year lease agreement to lease office space located at 494 Broad Street, Newark, New Jersey. The lease provides for minimum monthly rent of \$14,000 in the first two years plus the Organization's proportionate share of operating costs and real estate taxes. Rent is subject to a step-up in basis of 5% every second year.

The Organization also leases equipment under terms of noncancellable operating leases.

At August 31, 2023, future minimum aggregate payments on all leases are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2023	\$ 188,323
2024	191,066
2025	192,277
2026	198,026
2027	196,536
Thereafter	<u>237,154</u>
Total	<u><u>\$ 1,203,382</u></u>

Lease expense under all leases was \$189,979 for the year ended August 31, 2023, respectively; such amounts are included in facility expenses on the statements of functional expenses.

**NOTE 10 CONCENTRATION OF CREDIT RISK**

SEEDS maintains cash and cash equivalent balances at several financial institutions which, in some instances, may exceed insured limits. The Organization's exposure to concentrations of credit risk is limited by its policy of investing in diverse investments.

**NOTE 11 TAXES**

At August 31, 2023, all required tax returns have been filed.

**NOTE 12 COMMITMENT AND CONTINGENCIES**

The Organization has an annual employment agreement with the executive director. The agreement provides for a base annual salary and, among other items, employee benefits; performance bonuses and reasonable expenses.

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**NOTE 13 ENDOWMENT FUND**

The Organization follows accounting standards that provide clarification on accounting for donor-restricted endowment funds. The guidance prescribes that the portion of donor-restricted endowment funds that are classified as permanently restricted should not be reduced by losses on the investment of the fund or an organization's appropriations from the fund.

The board of trustees' interpretation requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this, the Organization classifies as net assets with donor restrictions, the original value of gifts donated to the endowment and the original value of subsequent gifts to the endowment, as well as earnings on those gifts.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the principal of contributions
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The board of trustees' primary objective, in this regard, is to add value and minimize risk in managing the assets of the fund while providing a hedge against inflation into the future. It is the intent of the board of trustees to grow the endowment and utilize the total return (income plus capital change) to further the mission of the Organization. In recognition of the prudence required of fiduciaries, reasonable diversification of quality investment securities will be sought where possible, knowing that fluctuating rates of return are a characteristic of the investment market, and performance cycles cannot be accurately predicted.

The funds may be held in individual securities or mutual funds; may be comprised of domestic and international securities; and will be further diversified into asset classes by their market capitalization.

The Organization may distribute the calendar-year income (without regard to unrealized gains or losses) generated from the endowment fund. Income is defined as dividends, interest, and net realized gains.

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**NOTE 13 ENDOWMENT FUND (CONTINUED)**

Changes in endowment net assets for the years ended August 31 are as follows:

<u>August 31, 2023</u>	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 586,077	\$ 3,452,368	\$ 4,038,445
Investment Return, Net	299,278	-	299,278
Released from Donor Restrictions	(233,234)	-	(233,234)
Contributions	-	15,000	15,000
	<u>652,121</u>	<u>3,467,368</u>	<u>4,119,489</u>
Endowment Net Assets - End of Year	<u>\$ 652,121</u>	<u>\$ 3,467,368</u>	<u>\$ 4,119,489</u>
<u>August 31, 2022</u>			
Endowment Net Assets - Beginning of Year	\$ 1,628,781	\$ 3,437,368	\$ 5,066,149
Investment Return, Net	(617,704)	-	(617,704)
Released from Donor Restrictions	(425,000)	-	(425,000)
Contributions	-	15,000	15,000
	<u>586,077</u>	<u>3,452,368</u>	<u>4,038,445</u>
Endowment Net Assets - End of Year	<u>\$ 586,077</u>	<u>\$ 3,452,368</u>	<u>\$ 4,038,445</u>

Contributions include donor-restricted contributions, the change in the allowance for uncollectible pledges, and amortization of present value of pledges made for more than one year. Endowment funds are invested with operating funds and all investment income is available for operating expenses at the board of trustee's discretion.

As of August 31, 2023 and 2022, the Organization had the following endowment net asset composition by type of fund:

<u>August 31, 2023</u>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Donor-Restricted Endowment Funds:</b>			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 3,467,368	\$ 3,467,368
Accumulated Investment Gains	652,121	-	652,121
Total	<u>\$ 652,121</u>	<u>\$ 3,467,368</u>	<u>\$ 4,119,489</u>
<u>August 31, 2022</u>			
<b>Donor-Restricted Endowment Funds:</b>			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 3,452,368	\$ 3,452,368
Accumulated Investment Gains	586,077	-	586,077
Total	<u>\$ 586,077</u>	<u>\$ 3,452,368</u>	<u>\$ 4,038,445</u>



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**NOTE 13 ENDOWMENT FUND (CONTINUED)**

**Funds with Deficiencies**

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At August 31, 2023 and 2022, there were no funds with deficiencies.

**NOTE 14 FUNCTIONAL EXPENSES**

The costs of providing the Organization's program services, management and general, and development are separately summarized in the statements of functional expenses. Accordingly, certain costs have been allocated among those program services, management and general, and development. Management and general costs include those expenses that are not directly identifiable with any other specific function but do provide for the overall support and direction of the Organization.

The financial statements contain certain categories of expense that are attributed to more than one supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and related payroll expenses and fringe benefits are allocated based on position, and time and effort. In addition, facility costs and office expenses are allocated based on the same allocation used for payroll. All other categories are allocated based on direct costs.

**NOTE 15 LIQUIDITY AND AVAILABILITY**

The following represents the Organization's financial assets as of August 31, 2023 and 2022, reduced by any amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 347,674	\$ 854,226
Accounts Receivable, Net	30,875	192,335
Pledges Receivable, Net	522,929	448,418
Level 1 Investments	<u>6,633,311</u>	<u>7,058,772</u>
Total Financial Assets	7,534,789	8,553,751
Less Amounts Not Available to be Used Within One Year:		
Net Assets With Donor Restrictions	<u>(4,016,368)</u>	<u>(4,028,368)</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 3,518,421</u>	<u>\$ 4,525,383</u>

The Organization's goal is to maintain financial assets to meet operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.