

**NEW JERSEY SEEDS, INC. DBA
SEEDS - ACCESS CHANGES EVERYTHING
FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**



SobelCo
Certified Public Accountants & Advisors

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

AUGUST 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of New Jersey SEEDS, Inc. DBA SEEDS - Access Changes Everything, a New Jersey nonprofit organization, which comprise the statements of financial position as of August 31, 2022 and 2021, 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.

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 ("Organization"), as of August 31, 2022 and 2021, and the results of its operations and its cash flows for the years 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. 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 New Jersey SEEDS, Inc., 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.

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 New Jersey SEEDS, Inc. 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 in accordance with generally accepted 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 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 generally accepted auditing standards, 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 New Jersey SEEDS, Inc.'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 New Jersey SEEDS, Inc. ability to continue as a going concern for a reasonable period of time.

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.



Certified Public Accountants

Livingston, New Jersey
January 3, 2023

NEW JERSEY SEEDS, INC.
DBA SEEDS - ACCESS CHANGES EVERYTHING
STATEMENTS OF FINANCIAL POSITION

| | August 31, | |
|---------------------------------------|---------------------|----------------------|
| | 2022 | 2021 |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 854,226 | \$ 680,560 |
| Accounts receivable, net | 192,335 | 276,975 |
| Pledges receivable, current, net | 448,418 | 567,820 |
| Prepaid expenses and other assets | 18,939 | 17,099 |
| Total Current Assets | <u>1,513,918</u> | <u>1,542,454</u> |
| NONCURRENT ASSETS: | | |
| Investments | 7,065,487 | 8,618,317 |
| Pledges receivable, noncurrent, net | 32,075 | - |
| Fixed assets, net | 138,659 | 178,657 |
| Cash surrender value | 103,507 | 98,599 |
| Security deposits | 22,500 | 22,500 |
| Total Noncurrent Assets | <u>7,362,228</u> | <u>8,918,073</u> |
| Total Assets | <u>\$ 8,876,146</u> | <u>\$ 10,460,527</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES: | | |
| Accounts payable and accrued expenses | \$ 713,820 | \$ 406,153 |
| Deferred rent | 53,757 | 49,112 |
| Refundable advance | - | 432,505 |
| Total Liabilities | <u>767,577</u> | <u>887,770</u> |
| COMMITMENTS AND CONTINGENCIES | | |
| NET ASSETS: | | |
| Without donor restrictions | 4,080,201 | 5,477,389 |
| With donor restrictions | 4,028,368 | 4,095,368 |
| Total Net Assets | <u>8,108,569</u> | <u>9,572,757</u> |
| Total Liabilities and Net Assets | <u>\$ 8,876,146</u> | <u>\$ 10,460,527</u> |

NEW JERSEY SEEDS, INC.**DBA SEEDS - ACCESS CHANGES EVERYTHING****STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

| | Year Ended August 31, 2022 | | | Year Ended August 31, 2021 | | |
|---|---|--|--------------|---|--|--------------|
| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
| SUPPORT AND REVENUE: | | | | | | |
| Contributions: | | | | | | |
| Annual campaign | \$ 1,803,567 | \$ 529,100 | \$ 2,332,667 | \$ 2,044,386 | \$ 673,000 | \$ 2,717,386 |
| Donated stock | 230,662 | - | 230,662 | - | - | - |
| Grant income | 432,505 | - | 432,505 | 354,700 | - | 354,700 |
| | 2,466,734 | 529,100 | 2,995,834 | 2,044,386 | 673,000 | 3,072,086 |
| Fundraising Events: | | | | | | |
| Special events, net | 739,891 | - | 739,891 | 885,488 | - | 885,488 |
| Interest and dividends, net | 95,055 | - | 95,055 | 65,887 | 47,689 | 113,576 |
| Realized and unrealized (loss) gains on investment securities, net | (1,219,472) | - | (1,219,472) | 662,583 | 479,584 | 1,142,167 |
| Investment Income, Net | (1,124,417) | - | (1,124,417) | 728,470 | 527,273 | 1,255,743 |
| Total Support and Revenue before Satisfaction of Restrictions | 2,082,208 | 529,100 | 2,611,308 | 4,013,044 | 1,200,273 | 5,213,317 |
| Satisfaction of time and expense restrictions | 596,100 | (596,100) | - | 726,532 | (726,532) | - |
| Total Support and Revenue | 2,678,308 | (67,000) | 2,611,308 | 4,739,576 | 473,741 | 5,213,317 |
| EXPENSES: | | | | | | |
| Program services | 2,959,980 | - | 2,959,980 | 2,701,114 | - | 2,701,114 |
| Management and general | 480,769 | - | 480,769 | 371,397 | - | 371,397 |
| Development | 634,747 | - | 634,747 | 648,113 | - | 648,113 |
| Total Expenses | 4,075,496 | - | 4,075,496 | 3,720,624 | - | 3,720,624 |
| CHANGES IN NET ASSETS | (1,397,188) | (67,000) | (1,464,188) | 1,018,952 | 473,741 | 1,492,693 |
| NET ASSETS, Beginning of year | 5,477,389 | 4,095,368 | 9,572,757 | 4,458,437 | 3,621,627 | 8,080,064 |
| NET ASSETS, End of year | \$ 4,080,201 | \$ 4,028,368 | \$ 8,108,569 | \$ 5,477,389 | \$ 4,095,368 | \$ 9,572,757 |

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

NEW JERSEY SEEDS, INC.
DBA SEEDS - ACCESS CHANGES EVERYTHING
STATEMENTS OF FUNCTIONAL EXPENSES

| | Year Ended August 31, 2022 | | | | Year Ended August 31, 2021 | | | |
|---------------------------------------|----------------------------|---------------------------|-------------|-------------------|----------------------------|---------------------------|-------------|-------------------|
| | Program Services | Management and General | Development | Total Expenses | Program Services | Management and General | Development | Total Expenses |
| Salaries and related taxes | \$ 1,647,140 | \$ 291,465 | \$ 420,163 | \$ 2,358,768 | \$ 1,810,042 | \$ 182,054 | \$ 440,507 | \$ 2,432,603 |
| Employee benefits | 136,677 | 28,387 | 40,921 | 205,985 | 147,613 | 17,272 | 41,792 | 206,677 |
| Educational books and supplies | 56,343 | - | - | 56,343 | 30,600 | - | - | 30,600 |
| Student educational expenses | 94,174 | 5,143 | 253 | 99,570 | 80,407 | - | - | 80,407 |
| Student transportation and trips | 158,273 | - | - | 158,273 | 96,159 | - | - | 96,159 |
| Facility expenses | 535,115 | 21,681 | 40,660 | 597,456 | 303,185 | 13,466 | 30,370 | 347,021 |
| Travel and auto expenses | 13,033 | 7,165 | 2,626 | 22,824 | 3,229 | 2,319 | 268 | 5,816 |
| Office supplies and expenses | 109,351 | 26,899 | 49,103 | 185,353 | 97,873 | 21,020 | 41,684 | 160,577 |
| Telephone | 17,218 | 2,244 | 4,763 | 24,225 | 10,321 | 2,560 | 2,707 | 15,588 |
| Printing, publications, and marketing | 18,788 | 2,184 | 27,071 | 48,043 | 903 | 36,441 | 19,142 | 56,486 |
| Professional fees | 59,748 | 86,882 | - | 146,630 | 5,981 | 91,589 | 4,509 | 102,079 |
| Insurance | 33,540 | 4,231 | 8,385 | 46,156 | 38,342 | 3,046 | 6,865 | 48,253 |
| Postage | 4,645 | 1,470 | 1,863 | 7,978 | 764 | 828 | 2,916 | 4,508 |
| Fundraising expense | - | - | 35,750 | 35,750 | - | - | 54,625 | 54,625 |
| Total Expenses before Depreciation | 2,884,045 | 477,751 | 631,558 | 3,993,354 | 2,625,419 | 370,595 | 645,385 | 3,641,399 |
| Depreciation | 75,935 | 3,018 | 3,189 | 82,142 | 75,695 | 802 | 2,728 | 79,225 |
| Total Expenses | \$ 2,959,980 | \$ 480,769 | \$ 634,747 | \$ 4,075,496 | \$ 2,701,114 | \$ 371,397 | \$ 648,113 | \$ 3,720,624 |

NEW JERSEY SEEDS, INC.
DBA SEEDS - ACCESS CHANGES EVERYTHING
STATEMENTS OF CASH FLOWS

| | Year Ended August 31, | |
|--|------------------------------|--------------------------|
| | 2022 | 2021 |
| <hr/> | | |
| CASH FLOWS (USED FOR) PROVIDED BY: | | |
| <u>OPERATING ACTIVITIES:</u> | | |
| Changes in net assets | \$ (1,464,188) | \$ 1,492,693 |
| Adjustments to reconcile changes in net assets | | |
| to net cash provided by (used for) operating activities: | | |
| Depreciation | 82,142 | 79,228 |
| Realized and unrealized losses/(gains) on investments, net | 1,219,472 | (1,142,167) |
| Changes in certain assets and liabilities: | | |
| Pledges receivable | 171,967 | (579,202) |
| Cash surrender value | (4,908) | (4,448) |
| Prepaid expenses and other assets | (1,840) | (1,199) |
| Accounts payable and accrued expenses | 307,667 | (104,312) |
| Deferred rent | 4,645 | 9,306 |
| Refundable advance | (432,505) | 77,805 |
| Net Cash (Used for) Provided by Operating Activities | <u>(117,548)</u> | <u>(172,296)</u> |
| <u>INVESTING ACTIVITIES:</u> | | |
| Purchase of fixed assets | (42,144) | (35,848) |
| Purchases of investments | (791,579) | (107,451) |
| Proceeds from investments | 1,124,937 | - |
| Distributions from investments | - | 350,000 |
| Net Cash Provided by Investing Activities | <u>291,214</u> | <u>206,701</u> |
| NET INCREASE IN CASH AND CASH | | |
| EQUIVALENTS | 173,666 | 34,405 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | <u>680,560</u> | <u>646,155</u> |
| End of year | <u><u>\$ 854,226</u></u> | <u><u>\$ 680,560</u></u> |

NEW JERSEY SEEDS, INC.
DBA SEEDS - ACCESS CHANGES EVERYTHING
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 1 - NATURE OF 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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 and changes in net assets 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, 2022 AND 2021

NOTE 2 - SUMMARY OF 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 and changes in net assets. 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 and changes in net assets.

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 fair value hierarchy gives lowest priority to Level 3 inputs.

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, 2022 AND 2021

NOTE 2 - SUMMARY OF 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:

| | <u>Estimated Useful Life</u> |
|-------------------|---|
| 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 and changes in net assets as net assets released from restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as unrestricted support.

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, 2022 and 2021. At August 31, 2022 and 2021, there are no significant income tax uncertainties.

NEW JERSEY SEEDS, INC.
DBA SEEDS - ACCESS CHANGES EVERYTHING
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 - SUMMARY OF 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, 2022 and 2021.

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

| | August 31, | |
|--|-------------------|------------------|
| | 2022 | 2021 |
| Allowance for uncollectible pledges receivable short- term | <u>\$ 32,011</u> | <u>\$ 49,692</u> |

Deferred Rent:

The Organization accounts for rent expense on a straight-line basis for financial reporting purposes. The difference between cash payments and rent expense is included in deferred rent. Deferred rent as of August 31, 2022 and 2021, was \$53,757 and \$49,112, respectively.

Marketing and Public Relations:

Marketing and public relations costs are expensed as incurred. Marketing and public relations expense for the years ended August 31, 2022 and 2021, was \$54,570 and \$56,486, respectively.

Subsequent Events:

The Organization has evaluated events subsequent to the statement of financial position date after August 31, 2022, through January 3, 2023, the date that the financial statements were available to be issued.

NEW JERSEY SEEDS, INC.
DBA SEEDS - ACCESS CHANGES EVERYTHING
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Recent Accounting Pronouncements:

The Financial Accounting Standards Board issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach or a cumulative-effect adjustment transition approach may be used, and the new standard is applied to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date, or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The standard is effective for annual reporting periods beginning after December 15, 2021. The Organization is currently evaluating the effect the new standard will have on the financial statements.

NOTE 3 - PLEDGES RECEIVABLE:

Pledges receivable are due as follows:

| | August 31, 2022 | | |
|---|--------------------------|-----------------------------|-------------------|
| | Due in 1 year | Due in 1-5 years | Total |
| Gross pledges receivable | \$ 480,429 | \$ 34,000 | \$ 514,429 |
| Less: Allowance for uncollectible pledges | (32,011) | - | (32,011) |
| Less: Discount on pledge receivable | - | (1,925) | (1,925) |
| | <u>\$ 448,418</u> | <u>\$ 32,075</u> | <u>\$ 480,493</u> |

| | August 31, 2021 | | |
|---|--------------------------|-----------------------------|-------------------|
| | Due in 1 year | Due in 1-5 years | Total |
| Gross pledges receivable | \$ 617,512 | \$ - | \$ 617,512 |
| Less: Allowance for uncollectible pledges | (49,692) | - | (49,692) |
| Less: Discount on pledge receivable | - | - | - |
| | <u>\$ 567,820</u> | <u>\$ -</u> | <u>\$ 567,820</u> |

NEW JERSEY SEEDS, INC.
DBA SEEDS - ACCESS CHANGES EVERYTHING
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 4 - FIXED ASSETS:

Fixed assets are summarized as follows:

| | August 31, | |
|--------------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| Office equipment | \$ 503,389 | \$ 469,344 |
| Automobiles | 21,503 | 21,503 |
| Computer software | 505,931 | 497,831 |
| | 1,030,823 | 988,678 |
| Less: Accumulated depreciation | (892,164) | (810,022) |
| Fixed Assets, Net | <u>\$ 138,659</u> | <u>\$ 178,656</u> |

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS:

The following net assets with donor restrictions are available for the following purposes:

| | August 31, | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| Time restrictions for long-term pledges receivable | \$ 342,000 | \$ 658,000 |
| Scholars & Young Scholars program | 234,000 | - |
| Endowment | 3,452,368 | 3,437,368 |
| | <u>\$ 4,028,368</u> | <u>\$ 4,095,368</u> |

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from restrictions as follows:

| | Year Ended August 31, | |
|---------------------------------------|------------------------------|-------------------|
| | 2022 | 2021 |
| Investment income | \$ - | \$ 527,273 |
| Alumni relations | 120,000 | 97,259 |
| College preparatory program | 445,000 | 34,000 |
| Scholars & Young Scholars program | 25,000 | 68,000 |
| M&T Foundation | 2,500 | - |
| Target- Guidance program | 3,000 | - |
| Charles Hastings - Student Essentials | 600 | - |
| | <u>\$ 596,100</u> | <u>\$ 726,532</u> |

NEW JERSEY SEEDS, INC.
DBA SEEDS - ACCESS CHANGES EVERYTHING
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 7 - 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:

| | August 31, | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| Cash and cash equivalents | \$ 2,178,447 | \$ 577,870 |
| Mutual funds: | | |
| Equity mutual funds | 2,851,283 | 4,809,184 |
| Bond mutual funds | 2,029,042 | 3,223,558 |
| Equity and debt securities held through a family limited partnership interest | 6,715 | 7,705 |
| | <u>\$ 7,065,487</u> | <u>\$ 8,618,317</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.

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.

| FAIR VALUE MEASUREMENTS | | | | |
|--------------------------------|---------------------|----------------|-----------------|---------------------|
| AS OF AUGUST 31, 2022 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | \$ 2,178,447 | \$ - | \$ - | \$ 2,178,447 |
| Mutual funds: | | | | |
| Equity mutual funds | 2,851,283 | - | - | 2,851,283 |
| Bond mutual funds | 2,029,042 | - | - | 2,029,042 |
| Partnership interests | - | - | 6,715 | 6,715 |
| Investments at Fair Value | <u>\$ 7,058,772</u> | <u>\$ -</u> | <u>\$ 6,715</u> | <u>\$ 7,065,487</u> |

NEW JERSEY SEEDS, INC.
DBA SEEDS - ACCESS CHANGES EVERYTHING
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 7 - INVESTMENTS: (Continued)

| FAIR VALUE MEASUREMENTS AS OF AUGUST 31, 2021 | | | | |
|--|---------------------|-------------|-----------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | \$ 577,870 | \$ - | \$ - | \$ 577,870 |
| Mutual funds: | | | | |
| Equity mutual funds | 4,809,184 | - | - | 4,809,184 |
| Bond mutual funds | 3,223,558 | - | - | 3,223,558 |
| Partnership interests | - | - | 7,705 | 7,705 |
| Investments at Fair Value | <u>\$ 8,610,612</u> | <u>\$ -</u> | <u>\$ 7,705</u> | <u>\$ 8,618,317</u> |

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

| | | Year Ended, August 31, | |
|----------------------------|--|---------------------------|-----------------|
| | | 2022 | 2021 |
| Balance, Beginning of Year | | \$ 7,705 | \$ 12,565 |
| Realized/unrealized loss | | (990) | (4,860) |
| Balance, End of Year | | <u>\$ 6,715</u> | <u>\$ 7,705</u> |

NOTE 8 - 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 \$44,770 and \$46,670 for the years ended August 31, 2022 and 2021, respectively.

NOTE 9 - 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.

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NOTE 10 - TAXES:

At August 31, 2022, all required tax returns have been filed.

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

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, 2022, future minimum aggregate payments on all leases are as follows:

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

Lease expense under all leases was \$195,355 and \$188,840 for the years ended August 31, 2022 and 2021, respectively; such amounts are included in facility expenses on the statements of functional expenses.

Employment Agreement:

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 12 - 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:

- (1) The duration and preservation of the principal of contributions
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effects of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) 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 12 - ENDOWMENT FUND: (Continued)

Change in endowment net assets:

| | Year Ended August 31, 2022 | | |
|--|----------------------------|-------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment Net Assets, Beginning of Year 9/1/21 | \$ 1,628,781 | \$ 3,437,368 | \$ 5,066,149 |
| Investment loss, net | (617,704) | - | (617,704) |
| Release to without donor restrictions | (425,000) | - | (425,000) |
| Contributions | - | 15,000 | 15,000 |
| Endowment Net Assets, End of Year 8/31/22 | \$ 586,077 | \$ 3,452,368 | \$ 4,038,445 |

| | Year Ended August 31, 2021 | | |
|--|----------------------------|-------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment Net Assets, Beginning of Year 9/1/20 | \$ 1,628,781 | \$ 3,422,368 | \$ 5,051,149 |
| Investment return, net | - | 527,273 | 527,273 |
| Appropriated for expenditure | - | (527,273) | (527,273) |
| Contributions | - | 15,000 | 15,000 |
| Endowment Net Assets, End of Year 8/31/21 | \$ 1,628,781 | \$ 3,437,368 | \$ 5,066,149 |

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's discretion.

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NOTE 12 - ENDOWMENT FUND: (Continued)

As of August 31, 2022 and 2021, the Organization had the following endowment net asset composition by type of fund:

| | Year Ended August 31, 2022 | | |
|--|----------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| 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 |
| | <u>\$ 586,077</u> | <u>\$ 3,452,368</u> | <u>\$ 4,038,445</u> |

| | Year Ended August 31, 2021 | | |
|--|----------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | \$ - | \$ 3,437,368 | \$ 3,437,368 |
| Accumulated investment gains | 1,628,781 | - | 1,628,781 |
| | <u>\$ 1,628,781</u> | <u>\$ 3,437,368</u> | <u>\$ 5,066,149</u> |

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, 2022 and 2021, there were no funds with deficiencies.

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NOTE 13 - 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 14 - RISKS AND UNCERTAINTIES:

The Organization is actively monitoring the recent COVID-19 outbreak and its potential impact on the employees, clients, and operations. It is not known at this time how much effect the virus will have on operations and/or financial results. The potential impact of COVID-19 is not foreseeable due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.

NOTE 15 - REFUNDABLE ADVANCE:

The Organization obtained a Paycheck Protection Program ("PPP") loan under the CARES Act in May 2020 for \$354,700 and February 2021 for \$432,505. The Organization recorded the PPP funds received as a conditional government grant and recognized revenue when the conditions set forth by the U.S. Small Business Administration ("SBA") were satisfied. The Organization received formal forgiveness for the first loan in May 2021, and forgiveness for the second loan in October 2021. All amounts received under the PPP were recognized as revenue from government grants on the statements of activities and changes in net assets. The SBA reserves the right to audit loan forgiveness six years from the date loan forgiveness was awarded.

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NOTE 16 - LIQUIDITY AND AVAILABILITY:

The following represents the Organization's financial assets as of August 31, 2022 and 2021, 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.

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 854,226 | \$ 680,560 |
| Accounts receivable current, net | 192,335 | 276,975 |
| Pledges receivable, net | 448,418 | 567,820 |
| Investments (level 1) | 7,058,772 | 8,610,612 |
| Total Financial Assets | 8,553,751 | 10,135,967 |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions | (4,028,368) | (4,095,368) |
| Financial assets available to meet general expenditures over the next 12 months | <u>\$ 4,525,383</u> | <u>\$ 6,040,599</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.