

SEEDS OF PEACE, INC.

***FINANCIAL STATEMENTS
AND
AUDITORS' REPORT***

DECEMBER 31, 2011 AND 2010

SEEDS OF PEACE, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position as of December 31, 2011 and 2010	2
Statements of activities for the years ended December 31, 2011 and 2010	3
Statements of cash flows for the years ended December 31, 2011 and 2010	4
Statement of function expense for the year ended December 31, 2011 with comparative totals for 2010	5
Notes to financial statements	6 - 14

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Seeds of Peace, Inc.

We have audited the accompanying statements of financial position of Seeds of Peace, Inc., (a not-for-profit organization) as of December 31, 2011 and 2010, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seeds of Peace, Inc. at December 31, 2011 and 2010, and the results of its activities and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Skoddy Scot & Company, CPAS, P.C.

April 27, 2012

SEEDS OF PEACE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents:		
Unrestricted	\$ 1,355,137	\$ 1,136,265
Permanently restricted	343,980	343,825
Contributions receivable	646,728	626,972
Grants receivable	165,530	-
Other receivables	10,080	31,783
Inventory	12,289	16,963
Investments	3,018	5,297
Prepaid expenses	113,794	83,537
Property and equipment, net	274,292	165,489
Intangible assets, net	31,412	12,226
Security deposits	3,244	1,244
	<u> </u>	<u> </u>
Total assets	<u>\$ 2,959,504</u>	<u>\$ 2,423,601</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 314,135	\$ 217,119
Loans and notes payable	950,000	1,200,000
Deferred income and refundable advances	34,678	193,804
	<u> </u>	<u> </u>
Total liabilities	<u>1,298,813</u>	<u>1,610,923</u>
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	463,151	53,947
Temporarily restricted	853,560	414,906
Permanently restricted	343,980	343,825
	<u> </u>	<u> </u>
Total net assets	<u>1,660,691</u>	<u>812,678</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 2,959,504</u>	<u>\$ 2,423,601</u>

See accompanying notes to financial statements.

SEEDS OF PEACE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Support and Revenues:		
Unrestricted:		
Contributions (non-event)	\$ 2,044,628	\$ 2,374,353
Government grants	611,020	465,386
Contributions in-kind	114,650	97,275
Camp fees & misc. program services	572,805	487,381
Investment and other income	19,486	26,101
Release of restricted assets	410,674	344,929
Total before special events	<u>3,773,263</u>	<u>3,795,425</u>
Special events:		
Auction sales	39,801	24,900
Event related revenue and support	1,639,787	1,325,718
Less: related direct costs	<u>(240,260)</u>	<u>(208,592)</u>
Net special event income and support	<u>1,439,328</u>	<u>1,142,026</u>
Temporarily restricted:		
Contributions	849,328	252,992
Release of restricted assets	<u>(410,674)</u>	<u>(344,929)</u>
Permanently restricted:		
Investment and other income	155	212
Total support and revenues	<u>5,651,400</u>	<u>4,845,726</u>
Expenses:		
Program Expenses:		
International camp	1,525,836	1,604,854
MiddleEast/Multinational	702,187	541,017
Education/Public relations	217,557	143,463
South Asia (SA)	618,071	171,961
Program administration	250,796	240,005
Total program expenses	<u>3,314,447</u>	<u>2,701,300</u>
Supporting Services:		
Management and general	880,574	963,972
Fundraising	608,366	535,685
Total expenses	<u>4,803,387</u>	<u>4,200,957</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	409,204	736,494
Temporarily restricted	438,654	(91,937)
Permanently restricted	155	212
Increase/(decrease) in net assets	<u>848,013</u>	<u>644,769</u>
Net assets, beginning of year	812,678	167,909
Net assets, end of year	<u>\$ 1,660,691</u>	<u>\$ 812,678</u>

See accompanying notes to financial statements.

SEEDS OF PEACE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 848,013	\$ 644,769
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	67,850	79,873
Loss/(gain) on investments	214	3,111
Bad debts	82,417	28,150
Loss on disposal of assets	-	36,019
Amorization of discount on promises to give	(7,076)	(13,750)
Forgiven debt	-	(36,000)
Changes in assets and liabilities:		
Contributions receivable	(95,097)	(140,048)
Grants receivable	(165,530)	20,379
Other receivables	21,703	(15,641)
Prepaid expenses	(30,257)	(2,940)
Inventory	4,674	6,967
Security deposits	(2,000)	(376)
Accounts payable and accrued expenses	97,016	(68,091)
Deferred income and refundable advances	(159,126)	188,704
Net cash provided/(used) by operating activities	<u>662,801</u>	<u>731,126</u>
Cash flows from investing activities:		
Purchase of investments	(34,284)	(105,718)
Sale of investments	36,349	103,536
Purchase of property, equipment and intangibles	(195,839)	(10,763)
Net cash provided/(used) by investing activities	<u>(193,774)</u>	<u>(12,945)</u>
Cash flows from financing activities:	-	-
Proceeds from loans	1,050,000	650,000
Repayments of loans	(1,300,000)	(950,833)
Net cash provided/(used) by financing activities	<u>(250,000)</u>	<u>(300,833)</u>
Net increase/(decrease) in cash and cash equivalents	219,027	417,348
Cash and cash equivalents at beginning of year	<u>1,480,090</u>	<u>1,062,742</u>
Cash and cash equivalents at end of year	<u>\$ 1,699,117</u>	<u>\$ 1,480,090</u>
Supplemental information:		
Interest paid	\$ 61,024	\$ 68,223
Disposal of assets	-	174,301

See accompanying notes to financial statements.

SEEDS OF PEACE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011 WITH COMPARATIVE TOTALS FOR 2010

	2011						2010	
	Program Expenses						Total Expenses	Total Expenses
	International Camp	MiddleEast/Multinational	Education/Pub Relations	South Asia (SA)	Program Admin	Total		
Compensation & related expenses:								
Salaries	\$ 195,795	\$ 200,162	\$ 55,203	\$ 236,908	\$ 187,182	\$ 875,250	\$ 399,794	\$ 1,691,059
Payroll taxes	12,244	17,854	4,098	16,775	13,161	64,132	38,049	134,728
Employee benefits & pension	5,720	21,704	4,426	25,611	8,353	65,814	13,798	92,371
Total	213,759	239,720	63,727	279,294	208,696	1,005,196	451,641	1,918,158
Advertising and promotion	-	-	-	-	120	120	125	354
Awards	-	1,200	-	26,734	-	27,934	-	27,934
Bad debts	-	-	-	-	-	-	82,417	82,417
Camp apparel	25,959	-	-	-	-	25,959	-	25,959
Contributions	3	-	-	3,408	-	3,411	-	3,411
Credit card fees	28	260	-	6	5	299	-	26,293
Currency translation costs	-	4,104	-	1,386	-	5,490	22	12,518
Depreciation and amortization	40,125	452	2,077	-	1,411	44,065	23,785	67,850
Design fee	-	-	-	-	-	-	-	1,200
Dues, books and subscriptions	2,841	298	127	-	-	3,266	410	4,986
Equipment and vehicle rentals	29,534	814	339	3,626	2	34,315	4,632	38,989
Field trips	5,345	12,001	-	-	-	17,346	-	17,346
Insurance	119,283	4,189	77	-	10,871	134,420	23,804	158,224
Interest	-	-	-	-	-	-	61,024	61,024
Kitchen food and supplies	139,543	-	-	-	-	139,543	-	139,543
Laundry	20,009	418	-	-	-	20,427	-	20,427
Licenses, fees and permits	15,190	6,354	270	1,652	623	24,089	5,528	32,586
Loss on disposal of assets (see notes)	-	-	-	-	-	-	-	-
Meals, entertainment and hospitality	7,424	24,453	1,160	6,189	985	40,211	615	41,889
Medical supplies and expenses	1,922	2,952	-	128	72	5,074	-	5,074
Miscellaneous	3,523	792	8	779	45	5,147	1,216	6,365
Office supplies and expenses	6,643	4,146	172	22,847	3,231	37,039	81,655	122,051
Outside consultants	114,568	91,734	92,808	106,492	-	405,602	8,170	458,252
Postage and delivery	1,302	1,283	2,788	1,789	16	7,178	2,641	24,433
Printing, photos and publications	1,755	732	1,232	9,562	1	13,282	35,500	30,532
Professional services	9,000	12,140	-	3,142	-	24,282	-	59,782
Property taxes	23,689	484	-	90	-	24,263	-	24,263
Recruitment & development	-	100	30,250	-	-	30,350	2,353	32,703
Rent	1,191	53,329	500	83,090	1,842	139,952	55,251	195,203
Repairs and maintenance - facilities	34,883	-	-	-	-	34,883	-	34,883
Repairs and maintenance - other	2,230	699	-	892	-	3,821	7,987	17,493
Scholarships and education	83,129	2,048	5,752	-	-	90,929	-	90,929
Security	100,450	2,910	-	-	-	103,360	-	103,360
Sports, games and other activities	29,974	-	-	-	-	29,974	-	29,974
Supplies	10,333	1,211	97	5,555	45	17,241	365	17,761
Telephone and communications	5,398	30,932	3,331	11,102	2,923	53,686	27,418	84,183
Travel, hotels and conferences	443,441	199,872	4,123	38,084	19,908	705,428	3,054	726,893
Utilities and trash removal	33,302	2,560	-	318	-	36,180	-	36,180
Website	60	-	8,719	11,906	-	20,685	150	21,835
Total	\$1,525,836	\$702,187	\$217,557	\$618,071	\$250,796	\$3,314,447	\$880,574	\$4,803,387
							\$608,366	\$4,200,957
							\$1,000	\$7,506

See accompanying notes to financial statements.

- 5 -

Skody Scot & Company, CPAs, P.C.

SEEDS OF PEACE, INC.
NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities and Summary of Significant Accounting Policies

Organization: Seeds of Peace, Inc., (hereafter referred to as the Organization) is a not-for-profit corporation, incorporated in the State of Delaware on March 8, 1993. The primary purpose of the organization is to empower young leaders from regions of conflict with the leadership skills required to advance reconciliation and coexistence. As young teens, they live together in a summer camp for three weeks to learn conflict management skills. After attending camp, the organization provides participants with follow-up leadership training and dialogue through their college years, and after college, a graduate program to maintain cross-border network and dialogue.

Tax exempt status: The Organization has been granted tax-exempt status by the Internal Revenue Service under Internal Revenue Code Section 501(c)(3) on July 2, 1993. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements include any uncertain tax positions.

Programs and services provided: The Organization's five major program areas include the following: International Camp – Camp in Maine and other locations where teenagers from regions of conflict spend several weeks together and learn conflict resolution and coexistence techniques; Middle East/Multinational – Offices located in Tel Aviv, Ramallah and Lahore where former campers and their parents, teachers and friends can meet and engage in activities that continue to foster peace; Education/ Public Relations – Educational initiatives that include higher education scholarships to qualifying alumni, teacher training in conflict resolution and dissemination of conflict resolution techniques and peacemaking information through new media, conferences, speaking tours and other means; South Asia (SA) – Follow-up activities designed to reinforce relationships and experiences campers developed at Camp; and Program Administration – Provides program administration and review of all program activities.

Major source of income: The Organization derives most of its income from contributions from individuals, corporations, foundations, government grants, program service revenue and special events.

Basis of financial statements: In accordance with GAAP the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Cash and cash equivalents: For purposes of the statement of cash flows, cash equivalents include certificates of deposit, money market funds and all highly liquid investments with an initial maturity of three months or less.

SEEDS OF PEACE, INC.
NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Estimates and assumptions: Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions effect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Inventory: Inventory of merchandise purchased by, or donated to, the Organization for sale at the camp store, or auction at one of its special events, are valued at the lower of cost or market.

Property and equipment: Property and equipment are stated at cost. Depreciation is computed on the straight-line and accelerated basis over the respective assets' estimated useful lives of five to ten years. Expenditures for maintenance and repairs are charged to current operations.

Investments: All marketable debt and equity securities are reported at fair values based on quoted prices in active markets (all Level 1 Measurements) in the statements of financial position. Investment income (interest and dividends) is recognized as revenue in the period earned, and gains and losses (realized and unrealized) are recognized in the period they occur.

Revenue recognition: All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated services and facilities: Significant services and facilities are donated to the Organization by various individuals and organizations. Only those items whose value can be objectively determined or meet the criteria for being recognized as contributions in accordance with GAAP, are included in the accompanied financial statements. For the year ended December 31, 2011 and 2010, \$114,650 and \$97,275, respectfully, was received and reported as contributions in-kind on the accompanying statements of activities and consisted mostly of donated labor for camp security and medical services.

SEEDS OF PEACE, INC.
NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Management and general expenses: The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Grants receivable/due to grantors: The Organization received several grants from the U.S. Agency for International Development and U.S. Department of State for the International Camp and Follow-Up programs. In accordance with the grant provisions, the Organization either receives grant funds following the disbursement of approved expenses or is authorized to receive funds in advance of anticipated expenditures. All unreimbursed expenses as of period-end are recorded as grant receivables and all advanced funds not expended are recorded as either refundable advances or deferred income.

Functional expense allocation: The direct costs of providing programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The joint costs associated with the fund-raising activities are deemed negligible, and as such, have not been reported.

Advertising and promotion costs: The Organization uses advertising to promote its programs among the audience it serves. The production costs of advertising are expensed as incurred. For the years ended December 31, 2011 and 2010 advertising and promotion costs totaled \$354 and \$120, respectively.

2. Cash and Cash Equivalents

As of December 31, 2011 and 2010, the components of cash and cash equivalents are as follows:

	<u>2011</u>	<u>2010</u>
Cash	\$ 851,880	\$1,037,121
Money Market Funds	816,699	412,631
Certificates of Deposit	<u>30,538</u>	<u>30,338</u>
Total	<u>\$1,699,117</u>	<u>\$1,480,090</u>

SEEDS OF PEACE, INC.
NOTES TO FINANCIAL STATEMENTS

3. Property, Equipment and Intangibles

Property, equipment and intangibles by major class consisted of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Furniture and fixtures	\$ 26,562	\$ 26,562
Equipment & software	242,106	224,933
Leasehold improvements	619,771	461,895
Website design	35,748	14,958
Less: accumulated depreciation and amortization	<u>(618,483)</u>	<u>(550,633)</u>
	<u>\$ 305,704</u>	<u>\$ 177,715</u>

Depreciation and amortization expense amounted to \$67,850 and \$79,873 in 2011 and 2010, respectively.

4. Investments and Related Income

The Organization's investments are stated at fair values, based on quoted prices in active markets (all Level 1 Measurements), and consist of marketable securities. Fair values and unrealized appreciation/(depreciation) at December 31, 2011 and 2010 are summarized below as follows:

	<u>2011</u>	<u>2010</u>
Fair market values	\$ 3,018	\$ 5,297
Cost	<u>(3,037)</u>	<u>(5,335)</u>
Unrealized appreciation/ (Depreciation)	<u>\$ (19)</u>	<u>\$ (38)</u>

The statements of activities summarize the investment return for the years ended December 31, 2011 and 2010, as follows:

	<u>2011</u>	<u>2010</u>
Unrestricted:		
Interest/dividend income (*)	\$ 1,922	\$ 597
Gains/(losses)	(214)	(3,111)
Permanently Restricted:		
Dividend income (*)	155	212
Gains/(losses)	<u>-</u>	<u>-</u>
Total Investment income	<u>\$ 1,863</u>	<u>\$ (2,302)</u>

* Includes income earned from money market funds and certificates of deposit

SEEDS OF PEACE, INC.
NOTES TO FINANCIAL STATEMENTS

5. Restricted Assets

As of December 31, 2011 and 2010, contributions are restricted for the following activities:

	<u>2011</u>	<u>2010</u>
Temporarily restricted:		
Fund for Arabian Understanding	\$ -	\$ 39,091
Campership, Seeds and other	496,338	368,335
Facilitator training	179,923	-
Branding, marketing and website	9,477	-
Multinational programing	165,000	
Scholarships, internships mediation and education	<u>2,822</u>	<u>7,480</u>
Total	<u>\$ 853,560</u>	<u>\$ 414,906</u>
Permanently restricted:		
Endowment	<u>\$ 343,980</u>	<u>\$ 343,825</u>

6. Loans and Notes Payable

The Organization has a credit line with a financial institution that terminates on April 1, 2012, is secured by all present and future personal property and fixtures of the organization and guaranteed by members of the Organization's Board of Directors. Interest is to be paid monthly on the outstanding balance based on two percent above prime rate in effect.

The Organization also had two interest free loans - \$36,000 from a Board member and \$10,000 from the New York City Grand Central Emergency Business Loan Program. The \$36,000 loan from the Board member was forgiven in 2010 and recorded as a contribution. The \$10,000 loan from New York City was repaid in equal monthly installments over a two year period beginning March 31, 2008.

As of December 31, 2011 and 2010, the balance of all outstanding loans is \$950,000 and 1,200,000, respectively.

7. Permanently Restricted Endowment

The Organization's endowment is comprised of funds for future program support. Its endowment includes only donor-restricted funds. The fund currently consists of money market funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

SEEDS OF PEACE, INC.
NOTES TO FINANCIAL STATEMENTS

7. Permanently Restricted Endowment (continued)

The Board of Directors of the Organization has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring 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 interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of the investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income, with acceptable levels of risk.

Endowment assets are invested in money market funds. This asset mix is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, if appropriate, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 1% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed in order not to expose the fund to unacceptable levels of risk.

SEEDS OF PEACE, INC.
NOTES TO FINANCIAL STATEMENTS

7. Permanently Restricted Endowment (continued)

Spending Policy. The donor restriction states that interest and dividend income must be reinvested until the endowment fund reaches \$3,000,000. After that interest and dividend income may be used to support program activities. In establishing these policies, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 1% annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Changes in permanently restricted net assets for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Endowment net assets, beginning of year	\$ 343,825	\$ 343,613
Investment return:		
Investment income	155	212
Net gains and losses	-	-
Total investment return	<u>155</u>	<u>212</u>
Endowment net assets, end of year	<u>\$ 343,980</u>	<u>\$ 343,825</u>

8. Commitments and Contingencies

Office lease: The Organization leases office space at 370 Lexington Avenue, NY, NY, under a 10 year non-cancelable lease that was extended until October 31, 2013. In accordance with the lease agreement, the Organization has outstanding an irrevocable letter of credit with a bank in the amount of \$29,125. As security for such letter of credit, the Organization has a certificate of deposit, covering this amount, with the bank.

Camp lease: The Organization leases property located in Pleasant Lake, Otisfield, Maine, under a 10 year non-cancelable lease that was extended and set to expire on March 31, 2012. Management is currently in negotiations regarding future rentals. In lieu of rent payments, the Lessor had agreed to accept up to \$200,000 in leasehold improvements made by the Organization during the term of the lease. As of September 30, 2001 the Organization exceeded \$200,000 in capital improvements and accordingly was not required to pay the \$50,000 annual rent. During the 2002 fiscal year, the Lessor agreed to forgo receiving all future rent as long as the Organization continues to maintain and make capital improvements on the property. The Organization expects to continue making capital improvements on the property and therefore does not expect to make any future rent payment.

SEEDS OF PEACE, INC.
NOTES TO FINANCIAL STATEMENTS

8. Commitments and Contingencies (continued)

Regional leases: The Organization has several non-cancelable leases for office space in the Mideast and South Asia. The term of these leases range in length from one to three years.

Equipment leases: The Organization has several non-cancelable operating leases for office equipment.

As of December 31, 2011, the minimum aggregate annual rentals for all existing leases are as follows:

Year ended December 31,	
2012 -	\$ 145,962
2013 -	<u>106,203</u>
Total	<u>\$ 252,165</u>

Total rent expense charged to operations for the years ended December 31, 2011 and 2010 was \$195,203 and \$208,950, respectively.

Insurance coverage: The Organization maintains its bank accounts, money market funds, marketable securities and certificates of deposit with financial institutions. The combined balances that exceed the Federal Deposit Insurance Corporation's (FDIC), Security Investor Protection Corporation's (SIPC) and other insurance coverage are summarized for the years ended December 31, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Institutional balances	\$1,559,199	\$1,359,025
Less: amounts covered	<u>(877,505)</u>	<u>(970,918)</u>
Uninsured amounts	<u>\$ 681,694</u>	<u>\$ 388,107</u>

9. Pension Plan

On February 1, 2002 the Organization adopted a salary reduction, 401(K) retirement plan that is funded by voluntary employee contributions and discretionary employer contributions. Organization contributions to the plan amounted to \$0 and \$0, for the years ended December 31, 2011 and 2010, respectively.

10. Loss on Disposal of Assets

In 2010 there was a loss on the disposal of assets due to the relocation of the New York office to a smaller space. The loss amounted to \$36,019.

11. Contributions Receivable

Promises to give are unconditional and nonreciprocal. Long term pledges are not discounted as of December 31, 2011 because the discount has been deemed immaterial due to prevailing low interest rates. Contributions receivable are written-off as bad debts in the year deemed uncollectible and are reported as such in the statement of functional expenses. The amount of promised contributions and unamortized discount consisted of the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Contributions receivable:		
2011	\$ -	\$ 634,048
2012	550,061	-
2013	53,333	-
2014	<u>43,334</u>	<u>-</u>
	646,728	
Less: unamortized discount	<u>-</u>	<u>(7,076)</u>
	<u>\$ 646,728</u>	<u>\$ 626,972</u>

12. Subsequent Events

Management has evaluated subsequent events through April 27, 2012, the date the financial statements were available to be issued, to evaluate whether any such events warrant adjustment to any reported amounts or inclusion of additional disclosures. No such adjustments or disclosures were judged to be necessary.