

SEEDS OF PEACE, INC.

*FINANCIAL STATEMENTS,
AND
AUDITORS' REPORTS*

DECEMBER 31, 2013 AND 2012

SEEDS OF PEACE, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Seeds of Peace, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seeds of Peace, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Skody Scot & Company, CPAs, P.C.

New York, NY
September 10, 2014

SEEDS OF PEACE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents:		
Unrestricted	\$ 1,553,404	\$ 1,619,441
Permanently restricted	344,180	344,113
Contributions receivable	612,614	672,285
Grants receivable	69,419	55,470
Other receivables	19,153	8,013
Inventory	8,036	8,706
Prepaid expenses	116,459	111,622
Investments	2,749	-
Property and equipment, net	194,610	225,702
Intangible assets, net	56,658	56,209
Security deposits	2,389	4,291
Total assets	<u>\$ 2,979,671</u>	<u>\$ 3,105,852</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 394,858	\$ 402,782
Loans and notes payable	465,000	700,000
Deferred income and refundable advances	-	6,001
Total liabilities	859,858	1,108,783
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	1,182,515	919,035
Temporarily restricted	593,118	733,921
Permanently restricted	344,180	344,113
Total net assets/(deficit)	2,119,813	1,997,069
Total liabilities and net assets/(deficit)	<u>\$ 2,979,671</u>	<u>\$ 3,105,852</u>

See accompanying notes to financial statements.

SEEDS OF PEACE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Support and Revenues:		
Unrestricted:		
Contributions (non-event)	\$ 2,072,723	\$ 2,232,301
Government grants	494,717	323,665
Contributions in-kind	135,472	155,222
Camp fees and misc. program services	661,612	580,635
Investment and other income	26,336	10,380
Release of restricted assets	643,849	647,915
Special events:		
Auction sales	37,075	39,701
Event related revenue and support	2,096,377	1,813,001
Less: related costs	(351,907)	(288,540)
Net special event income and support	1,781,545	1,564,162
Temporarily restricted:		
Contributions	503,046	528,276
Release of restricted assets	(643,849)	(647,915)
Permanently restricted:		
Investment and other income	67	133
Total support and revenues	5,675,518	5,394,774
Expenses:		
Program Expenses:		
International camp	1,859,507	1,880,364
MiddleEast/Multinational	1,290,433	919,207
Public relations	303,502	212,593
South Asis (SA)	104,476	118,181
Program administration	427,587	420,458
Total program expenses	3,985,505	3,550,803
Supporting Services:		
Management and general	952,182	899,847
Fundraising	615,087	607,746
Total expenses	5,552,774	5,058,396
Increase/(Decrease) In Net Assets:		
Unrestricted	263,480	455,884
Temporarily restricted	(140,803)	(119,639)
Permanently restricted	67	133
Increase/(decrease) in net assets	122,744	336,378
Net assets, beginning of year	1,997,069	1,660,691
Net assets, end of year	\$ 2,119,813	\$ 1,997,069

See accompanying notes to financial statements.

SEEDS OF PEACE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash Flows From Operating Activities:		
Increase/(decrease) in net assets	\$ 122,744	\$ 336,378
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	47,533	65,455
Loss/(gain) on investments	(38)	1,212
Bad debts	50,683	400
Changes in assets and liabilities:		
Contributions receivable	8,988	(25,957)
Grants receivable	(13,949)	110,060
Other receivables	(11,140)	2,067
Inventory	670	3,583
Prepaid expenses	(4,837)	2,172
Security deposits	1,902	(1,047)
Accounts payable & accrued expenses	(7,925)	88,647
Deferred income and refundable advances	(6,001)	(28,677)
Net cash provided/(used) by operating activities	188,630	554,293
Cash Flows From Investing Activities:		
Donation of investments	(487,790)	(437,824)
Sale of investments	485,079	439,629
Purchase of property, equipment and intangibles	(16,889)	(41,661)
Net cash provided/(used) by investing activities	(19,600)	(39,856)
Cash Flows From financing activities:		
Proceeds from loans		475,000
Repayment of loans	(235,000)	(725,000)
Net cash provided/(used) by investing activities	(235,000)	(250,000)
Net increase/(decrease) in cash and cash equivalents	(65,970)	264,437
Cash and cash equivalents at beginning of year	1,963,554	1,699,117
Cash and cash equivalents at end of year	\$ 1,897,584	\$ 1,963,554
Supplemental information:		
Interest paid	\$ 34,208	\$ 51,162
Disposal of assets	\$ 11,424	\$ 57,559

See accompanying notes to the financial statements.

SEEDS OF PEACE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013 WITH COMPARATIVE TOTALS FOR 2012

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	Program Expenses					Support Services					Total	
	International Camp	MiddleEast/ Multinational	Public Relations	South Asia (SA)	Program Admin.	Total	Management & General	Fundraising	Total Expenses	Total Expenses	Total Expenses	
Compensation and related expenses:												
Salaries	\$ 271,448	\$ 369,032	\$ 96,352	\$ -	\$ 276,774	\$ 1,013,606	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,814,861
Payroll taxes	21,154	29,357	7,613	-	30,206	88,330	35,872	32,948	157,150	35,872	32,948	135,308
Employee benefits & pension	13,598	38,418	12,289	-	29,421	93,726	28,480	30,679	152,885	28,480	30,679	133,031
Total	306,200	436,807	116,254	-	336,401	1,195,662	535,854	472,084	2,203,600	535,854	472,084	2,083,200
Advertising & promotion	-	-	-	-	-	-	-	-	-	-	-	1,215
Awards	20	35,950	-	-	-	35,970	-	-	-	-	-	3,100
Bad debts	-	-	-	-	-	-	50,683	-	-	-	-	400
Camp apparel	24,608	229	-	-	-	24,837	-	341	-	-	-	30,211
Contributions	-	259	-	-	-	259	-	-	259	-	-	-
Credit card fees	-	127	-	-	-	127	100	22,174	22,401	-	-	21,763
Currency translation costs	35	15,430	-	198	511	16,174	-	1,536	17,710	-	-	10,130
Depreciation and amortization	31,439	320	4,844	-	922	37,525	10,008	-	47,533	-	-	65,455
Design fee	-	-	-	-	-	-	-	300	300	-	-	9,618
Dues, books and subscriptions	3,746	190	239	22	667	4,864	1,599	1,295	7,758	-	-	8,652
Equipment and vehicle rentals	26,883	3,320	-	47	-	30,250	4,802	-	35,052	-	-	49,408
Field trips	11,205	1,939	-	-	-	13,144	437	-	13,581	-	-	9,136
Insurance	121,983	13,555	-	-	2,110	137,648	29,069	-	166,717	-	-	162,117
Interest	-	-	-	-	-	-	34,208	-	34,208	-	-	51,162
Kitchen food and supplies	148,232	11	-	-	-	148,243	-	-	148,243	-	-	147,915
Laundry	26,291	-	-	-	-	26,291	-	-	26,291	-	-	25,163
License, fees and permits	10,365	4,073	-	1,811	2,882	19,131	7,227	2,632	28,990	-	-	25,792
Meals, entertainment and hospitality	8,508	61,584	1,116	5,081	3,361	79,650	5,164	1,240	86,054	-	-	49,372
Medical supplies and expenses	302	2,687	-	-	-	2,989	-	-	2,989	-	-	2,282
Miscellaneous	4,614	6,675	746	1,564	34	13,633	-	-	13,633	-	-	10,582
Office expenses	7,138	25,200	2,515	3,040	144	38,037	75,006	2,051	115,094	-	-	122,955
Outside consultants	201,086	320,057	113,960	62,360	16,734	714,197	5,777	23,660	743,634	-	-	617,824
Postage and delivery	963	196	3,894	56	174	5,283	2,412	15,504	23,199	-	-	25,333
Printing, photos & publications	1,149	335	28,331	171	159	30,145	1,062	22,656	53,863	-	-	41,994
Professional fees	8,000	4,220	-	720	6,334	19,274	32,000	-	51,274	-	-	62,136
Property taxes	25,057	831	-	-	-	25,888	-	-	25,888	-	-	25,537
Recruitment & development	-	-	-	-	-	-	-	-	-	-	-	725
Rent	9,038	56,266	4,633	6,058	5,184	81,179	96,820	13,282	191,281	-	-	180,479
Repairs and maintenance - facilities	31,442	-	-	-	-	31,442	-	-	31,442	-	-	45,683
Repairs and maintenance - other	1,987	4,173	-	389	17	6,566	8,479	7,639	22,684	-	-	18,348
Scholarships and education	157,148	11,000	-	95	-	168,243	-	-	168,243	-	-	107,901
Security	78,325	-	-	-	-	78,325	-	-	78,325	-	-	80,203
Sports, games and other activities	61,230	39	-	-	31	61,300	-	-	61,300	-	-	34,712
Supplies	5,786	5,977	359	1,722	1,283	15,127	2,507	544	18,178	-	-	37,178
Telephone & communications	5,665	38,195	2,343	1,930	4,421	52,554	39,417	1,871	93,842	-	-	77,655
Travel, hotels and conferences	506,618	233,657	2,490	18,966	46,218	807,949	4,724	18,132	830,805	-	-	762,115
Utilities and trash removal	34,444	2,731	-	235	-	37,410	-	-	37,410	-	-	32,162
Website	-	4,400	21,778	11	-	26,189	3,532	6,781	36,502	-	-	18,783
Total direct expenses	1,553,307	853,826	187,248	104,476	91,186	2,789,843	416,328	143,003	3,349,174	-	-	2,975,196
Total expenses	\$ 1,859,507	\$ 1,290,433	\$ 303,502	\$ 104,476	\$ 427,587	\$ 3,985,505	\$ 952,182	\$ 615,087	\$ 5,552,774	\$ -	\$ -	\$ 5,058,396

See accompanying notes to financial statements.

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; MiddleEast/Multinational – Offices located in Tel Aviv, Ramallah, Lahore and Mumbai where former campers and their parents, teachers and friends can meet and engage in activities that continue to foster peace; Public Relations – Outreach to Seeds, Educators, and beyond includes efforts via social media, online platforms like the www.seedsofpeace.org website, and publications like the Annual Report and quarterly Seeds of Peace In Action newsletters; 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 accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of presentation: 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.

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.

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.

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: The Organization capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost or donated value, less accumulated depreciation. 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.

Program service revenue relates to fees received in exchange for program services. Revenue is recognized when the program service is provided. Any revenue received which has not been earned is recorded as deferred income.

**SEEDS OF PEACE, INC.
NOTES TO FINANCIAL STATEMENTS**

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

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 years ended December 31, 2013 and 2012, \$135,472 and \$155,222, respectfully, was received and reported as contributions in-kind on the accompanying statements of activities and consisted mostly of donated labor for camp security, consulting, medical services, and independent impact evaluation.

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, 2013 and 2012 advertising and promotion costs totaled \$0 and \$1,215, respectively.

2. Cash and Cash Equivalents

As of December 31, 2013 and 2012, the components of cash and cash equivalents are as follows:

	<u>2013</u>	<u>2012</u>
Cash	\$ 741,366	\$ 991,158
Money Market Funds	1,156,218	941,744
Certificates of Deposit	-	30,652
Total	<u>\$ 1,897,584</u>	<u>\$1,963,554</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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Furniture and fixtures	\$ 26,562	\$ 26,562
Equipment & software	190,935	197,598
Leasehold improvements	627,079	619,771
Website design	69,178	64,358
Less: accumulated depreciation and amortization	<u>(662,486)</u>	<u>(626,378)</u>
	<u>\$ 251,268</u>	<u>\$ 281,911</u>

Depreciation and amortization expense amounted to \$47,533 and \$65,455 in 2013 and 2012, 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, 2013 and 2012 are summarized below as follows:

	<u>2013</u>	<u>2012</u>
Fair market values	\$ 2,749	\$ -
Cost	<u>(2,745)</u>	<u>(-)</u>
Unrealized appreciation/ (Depreciation)	<u>\$ - 4</u>	<u>\$ -</u>

The statements of activities summarize the investment return for the years ended December 31, 2013 and 2012, as follows:

	<u>2013</u>	<u>2012</u>
Unrestricted:		
Interest/dividend income (*)	\$ 1,493	\$ 2,858
Gains/(losses)	38	(1,212)
Permanently Restricted:		
Dividend income (*)	<u>67</u>	<u>133</u>
Total Investment income	<u>\$ 1,598</u>	<u>\$ 1,779</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, 2013 and 2012, contributions are restricted for the following activities:

	<u>2013</u>	<u>2012</u>
Temporarily restricted:		
Campership, Seeds and other	\$ 473,880	\$ 437,867
Facilitator training	23,703	84,542
Branding, marketing and website	19,942	642
Multinational programing	17,192	182,469
Scholarships, internships mediation and education	<u>58,401</u>	<u>28,401</u>
Total	<u>\$ 593,118</u>	<u>\$ 733,921</u>
Permanently restricted:		
Endowment	<u>\$ 344,180</u>	<u>\$ 344,113</u>

6. Loans and Notes Payable

The Organization has a credit line with a financial institution that terminates on April 9, 2014, is secured by all present and future personal property and fixtures of the organization and guaranteed by existing or former 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.

As of December 31, 2013 and 2012, the balance of all outstanding loans is \$465,000 and 700,000, 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.

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-

SEEDS OF PEACE, INC.
NOTES TO FINANCIAL STATEMENTS

7. Permanently Restricted Endowment (continued)

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.

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.

**SEEDS OF PEACE, INC.
NOTES TO FINANCIAL STATEMENTS**

7. Permanently Restricted Endowment (continued)

Changes in permanently restricted net assets for the years ended December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Endowment net assets, beginning of year	\$ 344,113	\$ 343,980
Investment return:		
Investment income	67	133
Net gains and losses	<u>-</u>	<u>-</u>
Total investment return	<u>67</u>	<u>133</u>
Endowment net assets, end of year	<u>\$ 344,180</u>	<u>\$ 344,113</u>

8. Commitments and Contingencies

Office lease: The Organization leases office space at 370 Lexington Avenue, NY, NY, under a six year non-cancelable lease that was extended until May 31, 2019. In accordance with the lease agreement, the Organization has outstanding an irrevocable letter of credit with a bank in the amount of \$36,718. 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, 2013. 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.

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.

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8. Commitments and Contingencies (continued)

As of December 31, 2013, the minimum aggregate annual rentals for all existing leases are as follows:

Year ended December 31, 2014 -	-	\$	169,676
2015			165,103
2016			168,977
2017			172,947
2018			177,017
2019 -			<u>74,470</u>
Total			<u>\$ 928,190</u>

Total rent expense charged to operations for the years ended December 31, 2013 and 2012 was \$191,281 and \$180,479, 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, 2013 and 2012 as follows:

	2013	2012
Institutional balances	\$1,857,018	\$1,830,410
Less: amounts covered	<u>(787,630)</u>	<u>(1,099,096)</u>
Uninsured amounts	<u>\$1,069,388</u>	<u>\$ 731,314</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. The plan was converted to a tax-deferred 403(b) plan in 2010. Organization contributions to the plan amounted to \$0 and \$0, for the years ended December 31, 2013 and 2012, respectively.

10. Government Grants

The Organization was awarded various government grants to support its programs. Total expenses expended under the grants amounted to \$494,717 and \$323,665 during the years ended December 31, 2013 and 2012, respectively.

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11. Contributions Receivable

Promises to give are unconditional and nonreciprocal. Long term pledges are discounted as of December 31, 2013. 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Contributions receivable:		
2013	\$ -	\$ 627,284
2014	469,262	44,167
2015	<u>150,834</u>	<u>834</u>
	620,096	672,285
Less: unamortized discount	<u>(7,482)</u>	<u>(-)</u>
	<u>\$ 612,614</u>	<u>\$ 672,285</u>

12. Fundraising

The Organization conducted activities that included direct solicitation for contributions from individuals, corporations and foundations. The costs of personnel and related costs associated with those solicitation activities included fundraising, program and administrative expenses (collectively defined as joint costs). The total joint (allocated) costs for the years ended December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Program	\$ 1,195,662	\$ 1,104,301
Management and general	535,854	548,203
Fundraising	<u>472,084</u>	<u>430,696</u>
	<u>\$ 2,203,600</u>	<u>\$ 2,083,200</u>

13. Subsequent Events

Management has evaluated subsequent events through September 10, 2014, 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.