

*Nelson & Associates*  
Certified Public Accountant, Inc.

SEEDS OF HOPE  
INTERNATIONAL PARTNERSHIPS, INC.

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AUDITED  
FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**SEEDS OF HOPE**  
**INTERNATIONAL PARTNERSHIPS, INC.**  
**DECEMBER 31, 2011**

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# Nelson & Associates

## Certified Public Accountant, Inc.

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1581 18<sup>th</sup> Avenue

Kingsburg, CA 93631

Telephone: 559-897-7585

Fax: 559-897-7588

Email: nelson-associates@hotmail.com

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Seeds of Hope International Partnerships, Inc.

We have audited the accompanying financial statements of Seeds of Hope International Partnerships, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2011, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Hope International Partnerships, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Neher & Associates*

Kingsburg, CA

November 8, 2013

**SEEDS OF HOPE INTERNATIONAL PARTNERSHIPS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2011**

ASSETS

	2011
<b>CURRENT ASSETS:</b>	
Cash	43,965
Total current assets	43,965
<b>PROPERTY AND EQUIPMENT:</b>	
Equipment	25,500
Vehicles	11,500
Office Equipment	1,525
Less: Accumulated depreciation	(28,555)
Net property and equipment	9,970
<b>OTHER ASSETS</b>	
Deposits	1,000
	1,000
<b>TOTAL ASSETS</b>	<b>\$ 54,935</b>
 <u>LIABILITIES AND OWNER'S EQUITY</u>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 3,397
Total current liabilities	3,397
<b>TOTAL LIABILITIES</b>	3,397
<b>NET ASSETS</b>	
Unrestricted Net Assets	19,567
Temporarily Restricted Net Assets	31,971
Restricted Net Assets	-
Total Net Assets	51,538
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 54,935</b>

See Auditor's Report and Notes to Financial Statements.

**SEEDS OF HOPE INTERNATIONAL PARTNERSHIPS, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2011**

	Unrestricted	Temporarily Restricted	Total
<b>Income</b>			
Contributions and Grants	\$ 200,203	\$ 577,190	\$ 777,393
Fund Raiser Revenue	15,979		15,979
Total Income	<u>216,182</u>	<u>577,190</u>	<u>793,372</u>
<b>Program Expenses</b>			
Grants and Assistance to Organizations			
Outside the United States	-	528,971	528,971
Wages and Salaries	77,600		77,600
Travel	20,000	19,287	39,287
Employee Benefits	19,800	-	19,800
Payroll Taxes	10,789		10,789
Other Program Costs	2,051		2,051
Office Expense	1,325		1,325
Postage, Mailing, and Printing	537		537
Total Program Expenses	<u>132,102</u>	<u>548,258</u>	<u>680,360</u>
<b>Management and General Expenses</b>			
Wages and Salaries	12,717		12,717
Occupancy Expense	13,592		13,592
Office Expense	6,359		6,359
Travel	3,620		3,620
Information Technology	1,661		1,661
Conferences and Meetings	1,499		1,499
Postage, Mailing and Printing	1,238		1,238
Supplies	1,210		1,210
Dues and Subscriptions	1,194		1,194
Payroll Taxes	414		414
Total Management and General Expenses	<u>43,504</u>	<u>-</u>	<u>43,504</u>
<b>Fundraising Expenses</b>			
Supplies	16,349		16,349
Postage, Mailing and Printing	5,257		5,257
Travel	4,445		4,445
Office Expenses	947		947
Advertising and Promotion	782		782
Information Technology	119		119
Total Fundraising Expenses	<u>27,899</u>	<u>-</u>	<u>27,899</u>
<b>Total Expenses</b>	<u>203,505</u>	<u>548,258</u>	<u>751,763</u>
Income / (Loss) from Operations	12,677	28,932	41,609
Non-Operating Income & (Expense)			
Depreciation	(1,150)		(1,150)
Total Non-Operating Income & Expense	<u>(1,150)</u>	<u>-</u>	<u>(1,150)</u>
Change in Net Assets	11,527	28,932	40,459
Net Assets - Balance December 31, 2010	<u>3,894</u>	<u>7,185</u>	<u>11,079</u>
Net Assets - Balance December 31, 2011	<u>\$ 15,421</u>	<u>\$ 36,117</u>	<u>\$ 51,538</u>

See Auditor's Report and Notes to Financial Statements.

**SEEDS OF HOPE INTERNATIONAL PARTNERSHIPS, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2011**

	2011
OPERATING ACTIVITIES	
Change In Net Assets	\$ 40,459
Adjustments to reconcile change in net assets (loss) to net cash provided by operating activities:	
Depreciation	1,150
Accounts payable	(6,254)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	35,355
INVESTING ACTIVITIES:	
Acquisition of Fixed Assets	-
Disposal of Fixed Assets	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-
FINANCING ACTIVITIES:	
Principal reduction of mortgage payable	-
New Debt Acquired	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	-
NET CHANGE IN CASH	35,355
CASH BALANCE AT BEGINNING OF YEAR	8,610
CASH BALANCE AT END OF YEAR	\$ 43,965
SUPPLEMENTAL DISCLOSURE:	
Cash payments for interest	\$ -

See Auditor's Report and Notes to Financial Statements.

**SEEDS OF HOPE**  
**INTERNATIONAL PARTNERSHIPS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

1. Operations and organization

Seeds of Hope International Partnerships, Inc. (SOHIP) was incorporated in October 2008 to empower the people of southern Africa to reverse the downward cycle of poverty in their nations through practical equipping and strategic partnerships. This includes but is not limited to providing equipment and training in building and maintaining clean water systems. SOHIP operates as a non-profit corporation and has a tax exempt status under Code Section 501(c)(3) of the Internal Revenue Code.

2. Summary of significant accounting policies

A summary of SOHIP's, the Company, significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Basis of accounting

The Company utilized the accrual basis of accounting, whereby income is recognized as earned and expenses or recognized as obligations or incurred.

Cash and cash equivalents

Cash and cash equivalents consist of short-term investments with an original maturity of three months or less, cash on deposit, money market funds and certificates of deposit.

The Company's cash deposits at the financial institution Rabobank are categorized according to GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including repurchase agreements), and Reverse Repurchase Agreements", as follows: (1) insured or collateralized with securities held by the government or its agent in the government's name; (2) collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; or (3) uncollateralized, including any bank balance that is collateralized with securities held by pledging financial institutions, or by trust department or agency, but not in the entity's name.

At December 31, 2011, the entire amounts of cash and cash equivalents in the depository Rabobank were covered by the Federal Depository Insurance Corporation (FDIC) and/or collateralized and, therefore, are categorized in "Category One". The standard FDIC insurance amounts as of December 31, 2011, were unlimited for non-interest bearing transaction accounts per depositor, per insured bank.

Receivable and bad debt policy

SOHIP receives grants and contributions to fund their operations. The recording of the grants



and contributions are recorded as they are earned from the grantor or received from the contributor. Receivables are made up of the revenue earned but not yet received from a grantor. The Company does not accrue interest on the receivable balances.

The company also receives donations. These donations are recorded as revenue as received. The company does not record pledges as revenue and receivables.

The Company has not established an allowance for doubtful accounts and does not use the reserved method for recognizing bad debts. Bad debts are treated as direct write-offs in the period management determine that the collection is not probable.

#### Management Estimates

Financial statements prepared in conformity with Generally Accepted Accounting Principles of the United States required management to make certain estimates (i.e. depreciation, etc.)

#### Property and Equipment

Property and equipment are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of operations. The property and equipment are depreciated over estimated service lives as follows:

Buildings & Improvements	30 years	straight-line
Land Improvements	30 years	straight-line
Furnishings & Equipment	5-10 years	straight-line

The Company reviews its investment in real estate and equipment for impairment when ever events or changes in circumstances indicate that the carrying value of such property they not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate and equipment to the future net undiscovered cash flow expected to be generated by the real property and equipment. If the real property and equipment is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the real property and equipment exceeds the fair market value of such property. There were no impairment losses recognized in 2011.

For income tax purposes the Company utilizes the modified accelerated cost recovery provisions of the Economic Recovery Tax Act of 1986, whereby the real property is depreciated over a 27.5 year life, furnishings and equipment is depreciated over five (5) to ten (10) years using a declining balance method. Tax depreciation under MACRS totaled \$0 for the year ended December 31, 2011.

#### Net Assets

Profit and loss is to be allocated to the company as net assets. Because the Company is a tax exempt, non-profit corporation, there is no distribution or allocation of profits, losses, or net assets to shareholders.

Income taxes

No provision or benefit for income taxes has been included in these financial statements because the company is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

Estimates

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

3. Notes payable and Long Term Debt

The Company has no notes payable or long term debt.

4. Cash - operating accounts

The Company's operating cash accounts as of December 31, 2011, which is maintained in institutions insured by the Federal Government of the United States include the following accounts:

	<u>2011</u>
General checking	\$ 8,242
Blood Water Mission	35,523
Petty Cash	<u>200</u>
Total Cash	\$ 43,965

5. Related party transactions

SOHIP is a tax exempt entity under Section 501(c)(3) of the Inter Revenue Code. It is a non-profit corporation registered with the Attorney General's Office of the State of California through the Registry of Charitable Trusts. Shares of stock have not been issued and operations are overseen by a board of directors. The Board of Directors are not compensated for their services. One member of the Board also operates as the Director of International Operations and is compensated for his services.

6. Commitments and contingencies

There were no violations of commitments or contingencies of the grant or contribution restrictions. There were not violations of commitments or contingencies related to their non-profit or tax exempt status. No other commitments or contingencies were noted.

#### 7. Current vulnerability due to certain concentrations

The Company's major assets are cash and equipment that are to be contributed to Non Government Organizations (NGO) primarily in Zambia. The Company has one large grantor which accounts for approximately 50% the Company's total receipts. In addition, the Company's operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state agencies, including, but not limited to the Internal Revenue Service (IRS) and the state of California. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the IRS or the state. Such changes may occur with little notice or in adequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

#### 8. Subsequent Events

The Company has evaluated subsequent events through November 8, 2013, which is the date the financial statements were available to be issued.