

Support for Educational and Economic Development

**Financial Statements
and Independent Auditor's Report**

December 31, 2022 and 2021

Support for Educational and Economic Development

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Independent Auditor's Report

To the Board of Directors
Support for Educational and Economic Development
Garland, Texas

Opinion

We have audited the accompanying financial statements of Support for Educational and Economic Development (the "Organization"), a nonprofit corporation, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

The financial statements of the Organization, for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on June 30, 2023.

Responsibilities of Management for the Financial Statements

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

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

Auditor's 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 auditor's 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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.



Dallas, Texas
August 30, 2023

Support for Educational and Economic Development

**Statements of Financial Position
December 31, 2022 and 2021**

	<u>Assets</u>		
		<u>2022</u>	<u>2021</u>
Current			
Cash and cash equivalents		\$ 2,116,207	\$ 1,351,946
Contributions receivable		155,242	131,850
Investment in common stocks (cost \$48,222 and \$5,962, respectively)		<u>90,411</u>	<u>71,298</u>
Total current assets		2,361,860	1,555,094
Investment in endowment (cost \$885,635 and \$723,629, respectively)		<u>776,489</u>	<u>770,617</u>
Total assets		<u><u>\$ 3,138,349</u></u>	<u><u>\$ 2,325,711</u></u>
	<u>Net Assets</u>		
Without donor restrictions		\$ 3,138,349	\$ 2,193,861
With donor restrictions		<u>-</u>	<u>131,850</u>
Total net assets		<u><u>\$ 3,138,349</u></u>	<u><u>\$ 2,325,711</u></u>

See Notes to Financial Statements.

Support for Educational and Economic Development

Statements of Activities Years Ended December 31, 2022 and 2021

	Years ended December 31,					
	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues						
Contributions, including grants	\$ 2,834,303	\$ -	\$ 2,834,303	\$ 1,821,862	\$ 131,850	\$ 1,953,712
In-kind contributions	99,722	-	99,722	48,487	-	48,487
Net assets released from restrictions						
Satisfaction of program restrictions	131,850	(131,850)	-	30,000	(30,000)	-
	3,065,875	(131,850)	2,934,025	1,900,349	101,850	2,002,199
Expenses						
Program	1,881,465	-	1,881,465	1,426,634	-	1,426,634
Management and general	24,294	-	24,294	12,006	-	12,006
Fundraising	41,770	-	41,770	2,500	-	2,500
	1,947,529	-	1,947,529	1,441,140	-	1,441,140
Other income						
Unrealized (loss) gain on investments	(225,822)	-	(225,822)	(3,983)	-	(3,983)
Realized gain on investments	43,829	-	43,829	59,770	-	59,770
Dividend income	8,135	-	8,135	21,345	-	21,345
	(173,858)	-	(173,858)	77,132	-	77,132
Increase (decrease) in net assets	944,488	(131,850)	812,638	536,341	101,850	638,191
Net assets, beginning of year	2,193,861	131,850	2,325,711	1,657,520	30,000	1,687,520
Net assets, end of year	\$ 3,138,349	\$ -	\$ 3,138,349	\$ 2,193,861	\$ 131,850	\$ 2,325,711

See Notes to Financial Statements.

Support for Educational and Economic Development

Statement of Functional Expenses For the Year Ended December 31, 2022

	Program Activities				Supporting Activities			
	Education for Poor	Widow Support	Training for Youth	Medical Aid for Poor	Total	Management and general	Fundraising	Total
Expenses								
Grants	\$ 665,977	\$ 429,137	\$ 311,925	\$ 336,750	\$ 1,743,789	\$ -	\$ -	\$ 1,743,789
Contract labor	27,758	17,886	13,001	14,036	72,681	12,826	-	85,507
Printing	2,745	1,769	1,286	1,388	7,188	1,268	-	8,456
Occupancy	2,727	1,757	1,277	1,379	7,140	1,260	41,770	50,170
Bank fees	3,832	2,469	1,795	1,937	10,033	1,770	-	11,803
Professional fees	3,165	2,039	1,482	1,601	8,287	1,462	-	9,749
Advertising	5,291	3,410	2,478	2,676	13,855	2,445	-	16,300
Postage	689	444	323	348	1,804	318	-	2,122
Travel	4,111	2,649	1,926	2,079	10,765	1,900	-	12,665
Office supplies	552	356	258	279	1,445	255	-	1,700
Computer/website	1,603	1,033	751	809	4,196	740	-	4,936
Miscellaneous	108	69	50	55	282	50	-	332
Total expenses	<u>\$ 718,558</u>	<u>\$ 463,018</u>	<u>\$ 336,552</u>	<u>\$ 363,337</u>	<u>\$ 1,881,465</u>	<u>\$ 24,294</u>	<u>\$ 41,770</u>	<u>\$ 1,947,529</u>

See Notes to Financial Statements.

Support for Educational and Economic Development

Statement of Functional Expenses For the Year Ended December 31, 2021

	Program Activities				Supporting Activities			
	Education for Poor	Widow Support	Training for Youth	Medical Aid for Poor	Total	Management and general	Fundraising	Total
Expenses								
Grants	\$ 593,458	\$ 171,380	\$ 247,729	\$ 346,025	\$ 1,358,592	\$ -	\$ -	\$ 1,358,592
Contract labor	3,630	1,048	1,515	2,116	8,309	1,466	-	9,775
Printing	7,769	2,244	3,243	4,530	17,786	3,139	-	20,925
Occupancy	3,648	1,053	1,523	2,127	8,351	1,474	2,500	12,325
Bank fees	4,086	1,180	1,705	2,382	9,353	1,650	-	11,003
Professional fees	3,258	941	1,360	1,900	7,459	1,316	-	8,775
Advertising	4,472	1,291	1,867	2,607	10,237	1,806	-	12,043
Postage	198	57	83	116	454	80	-	534
Travel	172	50	72	100	394	69	-	463
Office supplies	314	91	131	184	720	127	-	847
Computer/website	1,804	521	753	1,052	4,130	729	-	4,859
Miscellaneous	371	107	155	216	849	150	-	999
Total expenses	<u>\$ 623,180</u>	<u>\$ 179,963</u>	<u>\$ 260,136</u>	<u>\$ 363,355</u>	<u>\$ 1,426,634</u>	<u>\$ 12,006</u>	<u>\$ 2,500</u>	<u>\$ 1,441,140</u>

See Notes to Financial Statements.

Support for Educational and Economic Development

Statements of Cash Flows Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Net increase in net assets	\$ 812,638	\$ 638,191
Adjustments to reconcile net increase in net assets to net cash provided by operating activities		
Net unrealized loss (gain) on investment in common stocks	80,609	(18,943)
Net unrealized loss on investment in endowment	145,213	22,926
Net realized gain on investment in endowment	(43,829)	(59,770)
In-kind contribution of common stocks	(99,722)	(48,487)
Changes in operating assets and liabilities		
Contributions receivable	(23,392)	(101,850)
	871,517	432,067
Net cash provided by operating activities		
Cash flows from investing activities		
Proceeds from the sale of endowments	-	300,000
Purchase of common stocks	-	(1,640)
Purchase of investments for endowment	(107,256)	(619,616)
	(107,256)	(321,256)
Net cash used in investing activities		
Net increase in cash and cash equivalents	764,261	110,811
Cash and cash equivalents, beginning of year	1,351,946	1,241,135
Cash and cash equivalents, end of year	\$ 2,116,207	\$ 1,351,946

See Notes to Financial Statements.

Support for Educational and Economic Development

Notes to Financial Statements December 31, 2022 and 2021

Note 1 - Organization and nature of activities

Organization

Support for Education and Economic Development (the "Organization" or "SEED") was founded on November 19, 2009 as a Texas not-for-profit corporation. SEED's mission is to implement educational and medical care programs with focus on projects that will reduce ignorance, improve literacy and quality of life in economically backward areas of India.

Nature of activities

During 2022 and 2021, SEED provided four primary programs. The first program provided education to poor children by providing tuition fee assistance, books, school uniforms, and paid salaries of teachers in impoverished area schools in India. This program also granted students with scholarships for college education and provided financial assistance for day to day expenses to destitute families with children.

The second program provided widows and destitute families financial assistance to pay for their day-to-day expenses and for their children's education.

The third program provided vocational training to unemployed men and women in the areas of paramedical training, computer training, driver's education, automobile electrician courses, refrigeration, and air conditioning courses, and tailoring and beautician courses.

The fourth program provided free diabetic care and primary care to poor elderly patients. Emergency medical assistance was also provided for major surgeries, cancer treatment, and other medical issues for the poor.

Note 2 - Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") using the accrual basis of accounting.

The Organization's net assets, revenues and gains, and expenses are classified as with donor restrictions and without donor restrictions based on the existence or absence of donor-imposed restrictions.

These classifications are defined as follows:

- Net assets with donor restrictions consist of the principal amount of gifts which are required by donors to be permanently retained as well as donor-imposed restrictions that permit the Organization to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Organization.
- Net assets without donor restrictions do not contain donor restrictions or the donor-imposed restrictions have expired.

Net assets with donor restrictions consisted of \$131,850 restricted for the Medical Aid for Poor Program as of December 31, 2021. There were no net assets with donor restrictions as of December 31, 2022.

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Notes to Financial Statements December 31, 2022 and 2021

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and statement of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis on the time and effort method of allocation.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates include the functional allocation of expenses and fair value of investments. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all highly-liquid investments with maturities of three months or less when purchased. There were no cash equivalents at December 31, 2022 and 2021.

Grants and contributions

Contributions received are recorded as net assets with donor restrictions or without donor restrictions depending on the existence or nature of any contributor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the contributor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions receivable that are expected to be collected in future years are initially recorded at fair value. Estimates of fair value consider an analysis of the creditworthiness of the donors, past payment experience and other relevant factors that have been discounted at rates equivalent to the 10-year Treasury bill rate in effect at the date of the contribution made. There were contributions receivable of \$155,242 and \$131,850 as of December 31, 2022 and 2021, respectively.

In-kind donations

In-kind contributions are contributions of non-cash assets that can be utilized by the Organization. All in-kind contributions are recorded at fair value. Amounts of non-cash assets to be used within one year are recorded at their net realizable value. Amounts of non-cash assets expected to be used in future years are recorded at fair value, which considers estimated future cash flows discounted at the risk-free interest rate at the date of the contribution. In-kind contributions in 2022 and 2021 consisted of stock.

Concentration of risk and significant donors

For the years ended December 31, 2022 and 2021, one donor accounted for approximately 5% and 2% of total revenue, respectively.

The Organization maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk on cash. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

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Notes to Financial Statements December 31, 2022 and 2021

Investments

Investments are measured at fair value. Changes in fair value are recorded as reductions or increases to the net assets. The Organization records securities transactions on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest is recorded on an accrual basis.

Fair value measurements

The Organization measures its investments fair value, according to a hierarchy of valuation techniques. The following are the levels of the hierarchy and a brief description of the type of valuation information ("inputs") that questions an investment for each level:

Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs, other than Level 1, that are observable either directly or indirectly. These inputs may include: (a) quoted prices for similar assets in active markets; (b) quoted prices for identical or similar assets in markets that are not active; (c) inputs other than quoted prices that are observable for the asset; or (d) inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs that are unobservable and significant to the entire fair value measurement.

The following investments are Level 1 investments on December 31, 2022 and 2021:

	2022	2021
Publicly traded stocks	\$ 90,411	\$ 71,298
Mutual funds	776,489	770,617
	<u>\$ 866,900</u>	<u>\$ 841,915</u>

Federal income taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is only subject to federal or state income taxes on specific types of income from activities that are unrelated to its exempt purpose. The Organization did not have net unrelated business income for the years ended December 31, 2022 and 2021.

The Organization's application of Accounting Standards Codification Topic 740, *Income Taxes* regarding uncertain tax positions had no effect on its financial position as management believes the Organization has no material unrecognized income tax benefits or liabilities, including any potential risk of loss of its not-for-profit status. The Organization would account for any potential interest and penalties related to possible future liabilities for unrecognized income tax benefits as income tax expense.

New accounting standards

In February 2016, the FASB issued ASU 2016-02, *Leases* ("Topic 842") ("ASU 2016-02"). ASU 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The guidance in this update supersedes previous guidance. The

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Notes to Financial Statements December 31, 2022 and 2021

amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2021. The Organization adopted Accounting Standards Update 2016-02 (as amended), *Leases* ("Topic 842") on January 1, 2022 under the modified retrospective approach and elected the optional transition method to apply the provisions of Topic 842 as of the adoption date, rather than the earliest period presented.

The Organization used the package of practical expedients permitted under the transition guidance that allowed us to not reassess: (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases and (3) initial direct costs for any expired or existing leases. The Organization's adoption of Topic 842 was not significant to the financial statements.

For the year ended December 31, 2022, the Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard provides guidance on the presentation of contributed nonfinancial assets in the statement of activities and additional disclosure requirements for each type of contributed nonfinancial asset. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the organization and will not change existing recognition and measurement requirements. The Organization has implemented the provisions of ASU 2020-07 applicable to all contributed nonfinancial assets, which has been applied retrospectively to all periods presented.

Advertising

The Organization expenses all advertising costs when incurred.

Subsequent events

The Organization has evaluated events and transactions subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through August 30, 2023, the date on which the financial statements were available to be issued.

Note 3 - Related party transactions

Members of the Board of Directors of the Organization contributed \$126,090 and \$135,424 during the years ended December 31, 2022 and 2021, respectively, which is included in contributions on the accompanying statements of activities.

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Notes to Financial Statements December 31, 2022 and 2021

Note 4 - Liquidity and availability

Quantitative

The Organization has approximately \$2,983,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The following tables show the total financial assets held by the Organization and the amounts of those financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,116,207	\$ 1,351,946
Contributions receivable	155,242	131,850
Investment in common stocks	<u>90,411</u>	<u>71,298</u>
Total	<u>\$ 2,361,860</u>	<u>\$ 1,555,094</u>

Qualitative

The Organization's financial assets consist of mostly cash, contributions receivable and investments which are available as its general expenditures, liabilities, and other obligations come due. The Organization has a policy to obtain contributions which are kept for the following years program expenses. An annual budget is approved by the Board which is followed strictly by the Organization.

Note 5 - Endowment

The Organization's endowment fund (the "Fund") includes two funds designated by the Board of Directors to function as endowments.

Purpose

The endowment funds were established to provide stable and long-term support for its general operations and to raise the Endowment to at least \$1,000,000 or more.

Interpretation of relevant law

The Board of Directors of the Organization has interpreted Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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 net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund. Net assets are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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 Organization and donor-restricted endowment funds, (3) general economic

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Notes to Financial Statements December 31, 2022 and 2021

conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment return objectives, risk parameters and strategies

The Organization aims to invest its financial assets to maximize total return consistent with an acceptable level of risk. The Organization expects its endowment assets, over time, to produce an average rate of return of approximately 5% to 7% 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 to not expose the fund to unacceptable risk.

Spending policy

The Organization has adopted a discretionary spending policy to be applied to its endowment funds, which is within prudent limits as outlined in UPMIFA. The Board can determine each year how much to distribute from its designated endowment to use for its current operating purposes. This policy enables the Organization to preserve and strengthen its endowment for the future.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required by donors or the Act ("underwater endowments"). While the Organization has interpreted the Act to permit spending from underwater endowments in accordance with prudent measures required by law, the Organization's internal policy has been to preserve the corpus of their endowments. There were no such deficiencies of this nature reported in net assets with donor restrictions at December 31, 2022 or 2021. Endowment funds without donor restrictions were approximately \$776,000 and \$771,000 at December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, all endowment funds were held in investment funds.

Changes in endowment without donor restrictions for the years ended December 31:

	2022	2021
Endowment, beginning of year	\$ 770,617	\$ 412,517
Investment return, net	(101,384)	38,484
Purchase of investments for endowment	107,256	619,616
Proceeds from the sale of investments	-	(300,000)
	<u>776,489</u>	<u>770,617</u>
Endowment, end of year	\$ 776,489	\$ 770,617



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