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Independent Accountants' Review Report

Board of Directors and Management
Native Seeds/Southwestern Endangered Aridland Resources Clearing House, Inc.
Tucson, Arizona

We have reviewed the accompanying financial statements of Native Seeds/Southwestern Endangered Aridland Resources Clearing House, Inc., which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility
Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Native Seeds/Southwestern Endangered Aridland Resources Clearing House, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion
Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Tucson, Arizona
January 2, 2024

BeachFleischman PLLC • beachfleischman.com
2201 E. Camelback Rd., Suite 200, Phoenix, AZ 85016-3431 • 602.265.7011
825 N. Grand Ave., Suite 204, Nogales, AZ 85621-2386 • 520.287.4174
Statement of Financial Position
September 30, 2023
(See Independent Accountants’ Review Report)

Assets

Current assets:
- Cash and cash equivalents $260,961
- Certificates of deposit 152,701
- Grants receivable 10,873
- Inventory 265,362
- Prepaid expenses 16,843
  Total current assets 706,740

Property and equipment, net 1,121,541
Operating lease assets, net 11,258
Deposits 4,079

Total assets $1,843,618

Liabilities and Net Assets

Current liabilities:
- Current portion of long-term debt $21,070
- Current portion of operating lease obligations 9,694
- Accounts payable 24,308
- Accrued expenses 50,382
- Deferred revenue 44,010
  Total current liabilities 149,464

Long-term debt, net of current portion 120,930
Operating lease obligations, net of current portion 1,642

Total liabilities 272,036

Commitments and contingencies

Net assets:
Without donor restrictions:
  Undesignated 457,041
  Board designated for future reserves 150,000
  Invested in property and equipment 914,541
  Total without donor restrictions 1,521,582

With donor restrictions 50,000

Total net assets 1,571,582

Total liabilities and net assets $1,843,618

See notes to financial statements.
# Statement of Activities

Year Ended September 30, 2023  
(See Independent Accountants’ Review Report)

<table>
<thead>
<tr>
<th></th>
<th>Net assets without donor restrictions</th>
<th>Net assets with donor restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues, support and gains:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail sales</td>
<td>$ 874,460</td>
<td>$ -</td>
<td>$ 874,460</td>
</tr>
<tr>
<td>Less cost of goods sold</td>
<td>298,982</td>
<td>-</td>
<td>298,982</td>
</tr>
<tr>
<td></td>
<td>575,478</td>
<td>-</td>
<td>575,478</td>
</tr>
<tr>
<td>Contributions</td>
<td>409,500</td>
<td>50,000</td>
<td>459,500</td>
</tr>
<tr>
<td>Grants</td>
<td>315,324</td>
<td>-</td>
<td>315,324</td>
</tr>
<tr>
<td>Membership dues</td>
<td>70,311</td>
<td>-</td>
<td>70,311</td>
</tr>
<tr>
<td>Investment income</td>
<td>23,493</td>
<td>-</td>
<td>23,493</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>22,394</td>
<td>-</td>
<td>22,394</td>
</tr>
<tr>
<td>Other revenue</td>
<td>26,989</td>
<td>-</td>
<td>26,989</td>
</tr>
<tr>
<td></td>
<td>1,443,489</td>
<td>50,000</td>
<td>1,493,489</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>1,113,288</td>
<td>-</td>
<td>1,113,288</td>
</tr>
<tr>
<td>Administration</td>
<td>177,034</td>
<td>-</td>
<td>177,034</td>
</tr>
<tr>
<td>Fundraising and membership</td>
<td>293,908</td>
<td>-</td>
<td>293,908</td>
</tr>
<tr>
<td></td>
<td>1,584,230</td>
<td>-</td>
<td>1,584,230</td>
</tr>
<tr>
<td><strong>Other operating income:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee retention credits</td>
<td>127,174</td>
<td>-</td>
<td>127,174</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>(13,567)</td>
<td>50,000</td>
<td>36,433</td>
</tr>
<tr>
<td>Net assets, beginning</td>
<td>1,535,149</td>
<td>-</td>
<td>1,535,149</td>
</tr>
<tr>
<td>Net assets, ending</td>
<td>$ 1,521,582</td>
<td>$ 50,000</td>
<td>$ 1,571,582</td>
</tr>
</tbody>
</table>

See notes to financial statements.
## Statement of Functional Expenses

**Year Ended September 30, 2023**

*(See Independent Accountants' Review Report)*

<table>
<thead>
<tr>
<th>Program services</th>
<th>Administration</th>
<th>Fundraising and membership</th>
<th>Total expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$554,813</td>
<td>$93,691</td>
<td>$821,002</td>
</tr>
<tr>
<td>Payroll taxes and employee benefits</td>
<td>$90,333</td>
<td>$9,740</td>
<td>$129,948</td>
</tr>
<tr>
<td></td>
<td>645,146</td>
<td>103,431</td>
<td>950,950</td>
</tr>
<tr>
<td>Advertising</td>
<td>10,769</td>
<td>-</td>
<td>14,359</td>
</tr>
<tr>
<td>Banking and credit card fees</td>
<td>24,404</td>
<td>783</td>
<td>34,036</td>
</tr>
<tr>
<td>Depreciation</td>
<td>47,375</td>
<td>4,648</td>
<td>51,887</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>844</td>
<td>149</td>
<td>993</td>
</tr>
<tr>
<td>Grants</td>
<td>22,128</td>
<td>-</td>
<td>22,128</td>
</tr>
<tr>
<td>Growout expenses</td>
<td>30,115</td>
<td>-</td>
<td>30,115</td>
</tr>
<tr>
<td>Insurance</td>
<td>29,566</td>
<td>3,681</td>
<td>41,637</td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>9,634</td>
<td>9,634</td>
</tr>
<tr>
<td>Lease costs</td>
<td>28,946</td>
<td>-</td>
<td>28,946</td>
</tr>
<tr>
<td>Meetings and conferences</td>
<td>7,161</td>
<td>-</td>
<td>7,161</td>
</tr>
<tr>
<td>Office</td>
<td>24,663</td>
<td>4,367</td>
<td>34,904</td>
</tr>
<tr>
<td>Postage and printing</td>
<td>86,708</td>
<td>-</td>
<td>115,611</td>
</tr>
<tr>
<td>Professional fees</td>
<td>79,437</td>
<td>39,724</td>
<td>138,082</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>21,605</td>
<td>3,825</td>
<td>25,430</td>
</tr>
<tr>
<td>Supplies</td>
<td>10,039</td>
<td>-</td>
<td>10,039</td>
</tr>
<tr>
<td>Taxes and licenses</td>
<td>-</td>
<td>2,484</td>
<td>2,484</td>
</tr>
<tr>
<td>Telephone and utilities</td>
<td>22,403</td>
<td>3,966</td>
<td>31,469</td>
</tr>
<tr>
<td>Training and development</td>
<td>1,933</td>
<td>342</td>
<td>2,275</td>
</tr>
<tr>
<td>Travel</td>
<td>20,046</td>
<td>-</td>
<td>20,046</td>
</tr>
<tr>
<td></td>
<td><strong>$1,113,288</strong></td>
<td><strong>177,034</strong></td>
<td><strong>$1,584,322</strong></td>
</tr>
<tr>
<td></td>
<td><strong>$293,908</strong></td>
<td></td>
<td><strong>1,584,322</strong></td>
</tr>
</tbody>
</table>

See notes to financial statements.
Statement of Cash Flows
Year Ended September 30, 2023
(See Independent Accountants' Review Report)

Cash flows from operating activities:
Change in net assets $ 36,433
Adjustments to reconcile change in net assets to net cash provided by operating activities:
Depreciation 57,887
Reinvested interest (2,701)
Changes in operating leases 78
Changes in operating assets and liabilities:
   Accounts receivable 808
   Grants receivable (10,873)
   Inventory 24,986
   Prepaid expenses 4,886
   Accounts payable 2,896
   Accrued expenses (6,036)
   Deferred revenue 249
   Net adjustments 72,180
Net cash provided by operating activities 108,613

Cash flows from investing activities:
Purchases of property and equipment (14,185)
Purchases of certificates of deposit (150,000)
Net cash used in investing activities (164,185)

Cash flows from financing activities:
Principal payments on long-term debt (65,000)
Net cash used in financing activities (65,000)

Net decrease in cash and cash equivalents (120,572)
Cash and cash equivalents, beginning 381,533
Cash and cash equivalents, ending $ 260,961

See notes to financial statements.
1. Description of organization and summary of significant accounting policies:

Organization:
Native Seeds/Southwestern Endangered Aridland Resources Clearing House, Inc. (Native Seeds or the Organization) was incorporated in Arizona in 1983 as a nonprofit corporation whose mission is to conserve, distribute and document the adapted and diverse varieties of agricultural crops and their wild relatives of the American Southwest and Northwest Mexico. Specifically, the goals of Native Seeds are to preserve specific genetic types, promote their use and that of their wild relatives by gathering, safeguarding and distributing their seeds to farming and gardening communities as well as working to preserve knowledge about their uses. Therefore, the Organization's viability is dependent upon the strength of the national and local economies, the strength and support provided to the not-for-profit industry, and the Organization’s ability to collect on its contracts.

Native Seeds' programs consist of the following:

Conservation - Conservation of rare arid lands crop seeds at the seed bank, including grow-outs at Native Seeds' farm.

Distribution - Retail seed, craft and food sales and seed donations to Native Americans; proceeds support Native Seeds' mission.

Membership and volunteers - Reaching out to the community through membership as well as volunteers.

Education - Increasing public awareness of seed stewardship through newsletters, social media, educational material, lectures, seed schools, salons and other means.

Estimates:
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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, support and gains and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and assumptions, including those related to inputs used to recognize revenue over time. Actual results could differ materially from such estimates and assumptions.
1. Description of business and summary of significant accounting policies (continued):

Adoption of new accounting standard:
In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). Topic 842, which supersedes Topic 840, requires a lessee to recognize a lease asset and related lease liability on the statement of financial position. The Organization adopted Topic 842 as of October 1, 2022 using the effective date method and recognized and measured leases existing at October 1, 2022 through a cumulative effect adjustment. The Organization did not restate prior comparative periods as presented under Topic 840 and instead evaluated whether a cumulative effect adjustment to net assets without donor restrictions as of October 1, 2022 was necessary for the cumulative impact of adoption of Topic 842. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard which, among other things, allowed the Organization to carry forward the historical lease classification, not reassess whether any expired or existing contracts contain leases and not reassess initial direct costs on existing leases.

As a result of adopting Topic 842 effective October 1, 2022, the Organization recorded additional net lease assets and related lease liabilities of $31,167 and $31,323. Adoption of the new standard did not impact the Organization’s change in net assets or net assets, and had no impact on cash flows.

Net assets:
Net assets, support, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net assets without donor restrictions** - Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

- **Net assets with donor restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.
1. Description of business and summary of significant accounting policies (continued):

Revenue recognition:
Retail sales:
On-line and catalog sales revenue are recognized at a point in time when the merchandise is sold or shipped.

Gift cards:
The Organization sells gift cards redeemable for goods sold through its on-line retail operations. The Organization does not charge fees on unused gift cards. Revenue from gift cards is recognized when the gift card is redeemed by the customer or the likelihood of the gift card being redeemed is remote and the Organization has no legal obligation to remit the unused balance to relevant jurisdictions as unclaimed property. The Organization estimates its gift card breakage rate based on historical redemption experience and recognizes the projected breakage over a five-year period in proportion to historical redemption trends. Because of inherent uncertainties in estimating redemption rates, it is reasonably possible that the estimates used will change within the near term.

Contributions:
Contributions are considered nonexchange transactions and are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Grants:
The Organization receives grants from government agencies, foundations, and private companies for various programs and projects. All grants are nonexchange transactions. Support derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, is recognized when expenditures are incurred in compliance with specific grant provisions.

Membership dues:
The Organization sells annual memberships entitling the purchaser to discounts on retail purchases and a subscription to its semi-annual newsletter. Membership dues are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Organization recognizes the exchange portion of membership dues over the membership period as the benefits are transferred over time and the contribution portion immediately. Deferred revenue, membership dues at October 1, 2022 was $28,470.
1. Description of business and summary of significant accounting policies (continued):  

Revenue recognition (continued):  
Donated goods and services:  
Support arising from donated goods and services is recognized in the financial statements at its fair value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:  

- The services require specialized skills and the services are provided by individuals possessing those skills; and  
- The services would typically need to be purchased if not donated.  

Although the Organization utilizes the services of outside volunteers to perform a variety of tasks that assist the Organization, the fair value of all these services may not be reflected in the financial statements because the above criteria are not met.  

Transaction price:  
For exchange transactions, the transaction price is the amount of consideration the Organization expects to be entitled to in exchange for transferring goods and services to the resource provider. When a contract has a single performance obligation, the entire transaction price is attributed to that performance obligation. When a contract has more than one performance obligation, the transaction price is allocated to each performance obligation based on estimated relative standalone selling prices of the goods or services at the inception of the contract, which typically is determined using cost plus an appropriate margin.  

Performance obligations:  
Contracts that constitute exchange transactions are considered to contain a single performance obligation if the promise to transfer individual goods or services is not separately identifiable from other promises in the contracts primarily because the Organization provides a significant service of integrating a complex set of tasks and components into a single project or capability. A series of goods or services are a single performance obligation if the goods or services are substantially the same and each distinct good or service in the series will be satisfied over time and the same method would be used to measure progress towards satisfaction.  

Retail sales are the only revenues with performance obligations satisfied at a point in time. Membership dues are the only revenues with performance obligations satisfied over time.
1. Description of business and summary of significant accounting policies (continued):

   Functional allocation of expenses:
   The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include salaries, payroll taxes and benefits, depreciation, insurance, general office expenses and utilities. Salaries, payroll taxes and benefits are allocated based on employee time and effort. Depreciation and insurance are allocated based on square footage. General office expenses and utilities are allocated based on employee count.

   Cash and cash equivalents:
   All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

   All cash and cash equivalents are placed with various credit institutions. At times, such amounts may be in excess of the FDIC insurance limits; however, management does not believe they are exposed to any significant credit risk on cash and cash equivalents.

   Certificates of deposit:
   Certificates of deposit are placed with various credit institutions. At times, such investments may be in excess of the SIPC insurance limits; however, management does not believe they are exposed to any significant credit risk on certificates of deposit.

   Inventory:
   Inventory is comprised of seed and program related merchandise held for sale online. Purchased seed and program related merchandise is stated at the lower of cost (average cost method) or net realizable value. Donated seed is recorded at its estimated selling price.

   Property and equipment:
   Property and equipment are stated at cost except for donated equipment, which is recorded at its fair market value at the date of gift. Property and equipment with a value of greater than or equal to $1,000 and a useful life of more than one year is capitalized. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets of 3 to 40 years.

   Leases:
   The Organization leases warehouse space and equipment under noncancelable operating leases. The determination of whether an arrangement is a lease is made at the lease’s inception. Under Topic 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.
1. Description of business and summary of significant accounting policies (continued):

Leases (continued):

Lease assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Lease assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since most of the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free rate. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Operating lease assets include any lease payments made and exclude any lease incentives. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately, with amounts allocated to the lease and non-lease components based on stand-alone prices. Additionally, for certain equipment leases, the Organization applies a portfolio approach to account for the operating lease assets and liabilities.

Impairment of long-lived assets:

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of those assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value of the assets. Management does not believe that there were any long-lived asset impairments for 2023.

Collections:

The Organization's seed collection consists of approximately 1,900 different accessions of traditional crops utilized as food, fiber, and dye by various Native American tribes and other cultures in the Southwest region. Native Seeds employs curators to ensure the collections are protected, multiplied for seed, and preserved. The collection is not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as decreases in net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected in the financial statements. In the normal course, collection items are not sold but rather maintained in perpetuity. However, should the Organization's Board deem it appropriate to dispose of any item, any proceeds from the disposal are used to purchase new items for the collection or for maintenance of existing items. Proceeds from de-accessions or insurance recoveries are reflected as increases in the appropriate net asset classes. No significant collection items were purchased or deaccessioned during the year ended September 30, 2023.
1. Description of business and summary of significant accounting policies (continued):

Advertising:
Advertising costs are expensed as incurred.

Shipping and handling:
Amounts billed to customers for shipping and handling are included as a component of sales. Costs incurred by the Organization for shipping and handling are included in program expenses.

Tax exempt status:
The Organization is exempt from income taxes under both federal Internal Revenue Code Section 501(c)(3) and Arizona income tax laws, and is classified as other than a private foundation under Internal Revenue Code Section 509(a)(2). Income from certain activities not directly related to the Organization’s tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income.

From time to time, the Organization may be subject to penalties and interest assessed by various taxing authorities, which will be classified as administration, if they occur.

Subsequent events:
The Organization’s management has evaluated the events that have occurred subsequent to September 30, 2023 through January 2, 2024, the date that the financial statements were available to be issued. Management has no responsibility to update these financial statements for events and circumstances occurring after this date.

2. Liquidity and availability of financial assets:
The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions, or internal designations.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 260,961</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>152,701</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>10,873</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>424,535</td>
</tr>
</tbody>
</table>

Board and donor designations:
- Donor restricted for specific purpose   (50,000)
- Board designated for reserves          (150,000)
- Financial assets available to meet cash needs for general expenditures within one year $ 224,535
2. Liquidity and availability of financial assets (continued):

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a line of credit in the amount of $100,000 and Board designated reserves of $150,000, which it could draw upon as needed.

3. Inventory:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise</td>
<td>$81,293</td>
</tr>
<tr>
<td>Seed, packaged</td>
<td>5,721</td>
</tr>
<tr>
<td>Seed, unpackaged</td>
<td>178,348</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$265,362</strong></td>
</tr>
</tbody>
</table>

4. Property and equipment:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$77,855</td>
</tr>
<tr>
<td>Building</td>
<td>1,476,275</td>
</tr>
<tr>
<td>Equipment</td>
<td>376,571</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,930,701</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>809,160</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,121,541</strong></td>
</tr>
</tbody>
</table>

5. Leases:

The Organization leases warehouse space and equipment under noncancelable operating leases, which expire at various dates through March 2025.

One lease includes one option to renew that can extend the lease term 2 years. Only lease options that the Organization believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used.

The components of lease cost are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease cost, included in operating expenses</td>
<td>$28,946</td>
</tr>
</tbody>
</table>
5. Leases (continued):

Cash flow information related to leases is as follows:
  Cash paid for amounts included in the measurement of lease liabilities:
    Operating cash flows - operating leases $ 28,946

Other information related to leases is as follows:
  Lease term (in years) and discount rate:
    Weighted-average remaining lease term, operating leases 0.9
    Weighted-average discount rate, operating leases 4.1 %

The maturities of lease liabilities as of September 30, 2023 were as follows:

- Year ending September 30,
  2024 $ 9,865
  2025 1,656
- Total lease payments 11,521
- Less interest 185
- Present value of lease liabilities $ 11,336

The present value of lease liabilities are reported in the statement of financial position as follows:

- Current portion of operating leases obligations $ 9,694
- Operating lease obligations, net of current portion 1,642
- $ 11,336

6. Deferred revenue:

- Deferred memberships $ 22,575
- Unredeemed gift certificates 17,915
- Other 3,520
- $ 44,010
7. Line of credit:

The Organization has a $100,000 revolving line of credit with National Bank of Arizona which expires in July of 2025. The line of credit requires monthly interest only payments with any remaining principal balance due upon termination. Interest is calculated at the Wall Street Journal prime rate (8.5% at September 30, 2023) plus .1%, with a minimum rate of 4.85%. The line of credit is collateralized by the Organization's real estate. As of September 30, 2023, there was no amount outstanding on the line of credit.

8. Long-term debt:

The Organization has a note payable to National Bank of Arizona secured by real property. The note requires monthly payments of $2,344 including interest at 5.2% through May 2025, at which time a balloon payment of approximately $108,000 is due. As of September 30, 2023, the balance outstanding on the note was $142,000.

Future maturities of long-term debt are as follows:

<table>
<thead>
<tr>
<th>Year ending September 30</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2024</td>
<td>$ 21,070</td>
</tr>
<tr>
<td>2025</td>
<td></td>
</tr>
<tr>
<td></td>
<td>120,930</td>
</tr>
<tr>
<td></td>
<td>$ 142,000</td>
</tr>
</tbody>
</table>

9. Net assets with donor restrictions:

Net assets with donor restrictions of $50,000 are restricted for a building project.

10. Board designated reserves:

At September 30, 2023, the Board of Directors designated $150,000 of net assets for future reserves.

11. Statement of cash flows:

Supplemental disclosure of cash flow information:
Cash paid for interest during 2023 was $9,634.
12. In-kind contributions:

The Organization receives in-kind contributions of seed from partner farmers. The Organization's policy is to add contributed seed to its collection first, and any excess seed not needed for the collection is monetized through its on-line retail operations. In accordance with GAAP, no amount is recorded for seed added to the Organization's collection. Contributed seed added to retail inventory is recorded at fair market value based upon estimated selling price for similar items. During the year ended September 30, 2023, the Organization received seed totaling $22,394 for retail operations.

13. Employee retention credit:

Subsequent to the issuance of the financial statements for the year ended September 30, 2022, the Organization filed amended quarterly payroll tax reports in March 2023 to claim $91,275 and $35,899 in credits related to 2021 and 2020. The credits are presented as a component of operating income on the statement of activities. The Internal Revenue Service (IRS) has up to five years from the filing date of the amended return to audit the claim. Management believes they have filed valid claims for the credit and has not been notified of any audit by the IRS. The timing and outcome of any possible audit is not known.

14. Related party transactions:

During 2023, contributions from board members totaled $14,762.

15. Commitments and contingencies:

Legal proceedings:
From time to time, the Organization may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management and based upon consultation with legal counsel, resolution of any pending or threatened lawsuits will not have a material adverse effect on the Organization's financial statements.

Paycheck Protection Program (PPP) loan:
The Organization obtained a $123,300 loan under the PPP that was forgiven in March 2021. The SBA may undertake a review of a loan of any size during the ten-year period following forgiveness. The review will include the loan forgiveness application, as well as whether the Organization met the eligibility requirements of the program and received the proper loan amount. The timing and outcome of any SBA review is not known.