



*Report of Independent Auditors and  
Consolidated Financial Statements*

**Fair Trade USA and Good World Solutions**

*December 31, 2020 and 2019*

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## **Report of Independent Auditors**

To the Board of Directors  
Fair Trade USA and Good World Solutions

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Fair Trade USA and Good World Solutions (collectively, the “Organization”), which comprise the consolidated statements of financial position, as of December 31, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fair Trade USA and Good World Solutions as of December 31, 2020 and 2019, 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.

*Moss Adams LLP*

San Francisco, California

June 9, 2021

**Consolidated Financial Statements**

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**Fair Trade USA and Good World Solutions**  
**Consolidated Statements of Financial Position**  
**December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 9,334,397	\$ 3,420,860
Service fees receivable	4,957,529	5,335,006
Grants receivable, current portion	262,000	1,841,709
Prepaid expenses	324,250	381,827
Deferred rent asset, current portion	-	8,096
Other assets	7,938	37,687
Total current assets	<u>14,886,114</u>	<u>11,025,185</u>
Noncurrent assets		
Property and equipment, net	133,961	247,395
Deposits	255,563	340,750
Grants receivable, long-term, net	102,000	175,000
Total noncurrent assets	<u>491,524</u>	<u>763,145</u>
Total assets	<u>\$ 15,377,638</u>	<u>\$ 11,788,330</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 436,426	\$ 472,263
Accrued liabilities	1,177,185	612,740
Contract liabilities	723,778	284,265
Deferred rent liabilities, current portion	23,442	-
Notes payable, current portion	1,245,801	852,268
Total current liabilities	<u>3,606,632</u>	<u>2,221,536</u>
Long-term liabilities		
Notes payable, net of current portion	3,094,616	1,647,732
Deferred rent liabilities, net of current portion	337,064	360,506
Total long-term liabilities	<u>3,431,680</u>	<u>2,008,238</u>
Total liabilities	<u>7,038,312</u>	<u>4,229,774</u>
Net assets		
Without donor restrictions	4,710,219	4,242,873
With donor restrictions	3,629,107	3,315,683
Total net assets	<u>8,339,326</u>	<u>7,558,556</u>
Total liabilities and net assets	<u>\$ 15,377,638</u>	<u>\$ 11,788,330</u>

**Fair Trade USA and Good World Solutions**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2020**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Service fees	\$ 17,046,615	\$ -	\$ 17,046,615
Grants and contributions	269,142	3,441,010	3,710,152
In-kind donations	684,126	-	684,126
Net assets released from restriction	3,127,586	(3,127,586)	-
Total revenue and support	21,127,469	313,424	21,440,893
Operating expenses			
Program services	16,148,916	-	16,148,916
Supporting services			
Management and general	2,729,899	-	2,729,899
Fundraising	1,803,585	-	1,803,585
Total support services	4,533,484	-	4,533,484
Total operating expenses	20,682,400	-	20,682,400
Change in net assets from operations	445,069	313,424	758,493
Other changes in net assets			
Other income	21,046	-	21,046
Interest income	96	-	96
Foreign currency translation	1,135	-	1,135
Total other changes in net assets	22,277	-	22,277
Change in net assets	467,346	313,424	780,770
Net assets, beginning of year	4,242,873	3,315,683	7,558,556
Net assets, end of year	\$ 4,710,219	\$ 3,629,107	\$ 8,339,326

**Fair Trade USA and Good World Solutions**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2019**

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue and support			
Service fees	\$ 16,788,811	\$ -	\$ 16,788,811
Grants and contributions	190,500	4,307,668	4,498,168
In-kind donations	597,063	-	597,063
Net assets released from restriction	1,977,535	(1,977,535)	-
Total revenue and support	<u>19,553,909</u>	<u>2,330,133</u>	<u>21,884,042</u>
Operating expenses			
Program services	18,434,646	-	18,434,646
Supporting services			
Management and general	2,993,458	-	2,993,458
Fundraising	1,706,385	-	1,706,385
Total support services	<u>4,699,843</u>	<u>-</u>	<u>4,699,843</u>
Total operating expenses	<u>23,134,489</u>	<u>-</u>	<u>23,134,489</u>
Change in net assets from operations	<u>(3,580,580)</u>	<u>2,330,133</u>	<u>(1,250,447)</u>
Other changes in net assets			
Other income	330,371	-	330,371
Interest income	15,540	-	15,540
Foreign currency translation	(364)	-	(364)
Total other changes in net assets	<u>345,547</u>	<u>-</u>	<u>345,547</u>
Change in net assets	<u>(3,235,033)</u>	<u>2,330,133</u>	<u>(904,900)</u>
Net assets, beginning of year	<u>7,477,906</u>	<u>985,550</u>	<u>8,463,456</u>
Net assets, end of year	<u>\$ 4,242,873</u>	<u>\$ 3,315,683</u>	<u>\$ 7,558,556</u>

**Fair Trade USA and Good World Solutions**  
**Consolidated Statements of Functional Expenses**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>			
	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Operating expenses				
Personnel	\$ 9,665,759	\$ 1,711,398	\$ 1,133,432	\$ 12,510,589
Professional fees	3,752,352	610,940	288,981	4,652,273
Facility	941,739	134,082	83,127	1,158,948
Travel	121,917	2,424	19,594	143,935
Promotional activities and materials	220,876	624	25,251	246,751
Computer, telecom, and equipment	782,365	152,868	80,688	1,015,921
Conferences, conventions, and trade shows	160,583	158	15,943	176,684
Third party	126,000	-	3,187	129,187
Other	177,489	83,644	131,057	392,190
Loan interest	105,544	17,831	11,791	135,166
Depreciation and amortization	94,292	15,930	10,534	120,756
	<u>\$ 16,148,916</u>	<u>\$ 2,729,899</u>	<u>\$ 1,803,585</u>	<u>\$ 20,682,400</u>
	<b>2019</b>			
	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Operating expenses				
Personnel	\$ 10,445,916	\$ 1,858,486	\$ 1,010,192	\$ 13,314,594
Professional fees	3,645,859	542,271	334,467	4,522,597
Facility	698,347	97,355	53,669	849,371
Travel	956,258	58,511	91,177	1,105,946
Promotional activities and materials	474,050	4,129	27,785	505,964
Computer, telecom, and equipment	951,531	289,333	94,999	1,335,863
Conferences, conventions, and trade shows	493,461	4,596	15,354	513,411
Third party	316,569	-	11,031	327,600
Other	211,329	99,587	45,353	356,269
Loan interest	89,314	14,504	8,275	112,093
Depreciation and amortization	152,012	24,686	14,083	190,781
	<u>\$ 18,434,646</u>	<u>\$ 2,993,458</u>	<u>\$ 1,706,385</u>	<u>\$ 23,134,489</u>

**Fair Trade USA and Good World Solutions**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 780,770	\$ (904,900)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	120,756	190,781
Changes in operating assets and liabilities		
Service fees receivable	377,477	(173,846)
Grants receivable	1,652,709	(678,089)
Prepaid expenses	57,577	(3,741)
Deposits and other assets	114,936	(327,837)
Accounts payable	(35,837)	(409,803)
Accrued liabilities	564,445	(873,098)
Contract liabilities	462,955	93,036
Accrued lease incentive	(15,346)	241,285
Net cash provided by (used) in operating activities	<u>4,080,442</u>	<u>(2,846,212)</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(7,322)</u>	<u>(27,947)</u>
Net cash used in investing activities	<u>(7,322)</u>	<u>(27,947)</u>
Cash flows from financing activities		
Principal payments on notes payable	(2,529,222)	-
Proceeds from notes payable	<u>4,369,639</u>	<u>1,400,000</u>
Net cash provided by financing activities	<u>1,840,417</u>	<u>1,400,000</u>
Net change in cash and cash equivalents	5,913,537	(1,474,159)
Cash and cash equivalents, beginning of year	<u>3,420,860</u>	<u>4,895,019</u>
Cash and cash equivalents, end of year	<u>\$ 9,334,397</u>	<u>\$ 3,420,860</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 135,166</u>	<u>\$ 112,093</u>

# Fair Trade USA and Good World Solutions

## Notes to Consolidated Financial Statements

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### NOTE 1 – NATURE OF OPERATIONS

On October 1, 2010, Transfair USA began doing business as Fair Trade USA. Fair Trade USA was incorporated in Minnesota in April 1996. During 2011, Fair Trade USA became the sole member of Good World Solutions, Inc. (“GWS”), a California nonprofit public benefit organization. Fair Trade USA’s and Good World Solutions’ (collectively, the “Organization”) principal place of business is in Oakland, California.

The Organization enables sustainable development and community empowerment by cultivating a more equitable global trade model that benefits farmers, workers, fisherman, consumers, industry, and the earth. The Organization achieves its mission by certifying and promoting Fair Trade products.

In addition to promoting successful empowering relationships between farmers and businesses, the Organization educates American consumers about Fair Trade and economic development. The Organization also verifies that farmers, workers, and fisherman who produce Fair Trade Certified™ (“FTC”) products are paid a fair price for their products, receive a social premium, and adhere to the Fair Trade environmental, labor, and governance standards. The Organization communicates on a regular basis with farmers, workers, and fisherman in developing countries and provides support for producers entering the system and those working to stay in the system. The Organization has service agreements with more than 1,100 participating companies (manufacturers, retailers and importers) in the United States and around the world to offer FTC products that have met the Fair Trade criteria, providing these companies permission to use the FTC label on product packaging.

Ultimately, the Organization envisions a day when Fair Trade products are readily available in mainstream stores across the country, when U.S. consumers can opt for a “Fair Trade Lifestyle” and shop responsibly in every product category. FTC products under the Organization’s service agreements include coffee, tea, sugar, cocoa, coconut, fresh fruit, seafood, flowers, apparel, home goods, and consumer packaged goods in which Fair Trade ingredients are used.

The Organization’s major sources of revenue are service fees, foundation and corporate grants, and contributions. The Organization holds exclusive rights to engage in service agreements to allow for the use of the “Fair Trade Certified™” trademark in the United States of America and select foreign countries. Service fees are received from participating companies (roasters for coffee, and importers and retailers for other products) and are based on the amount of Fair Trade products either purchased and/or sold per the service agreements.

Foundation and corporate grants fund the expansion of existing services and tools into new regions and industries, as well as to pilot new technological innovations to further the Organization’s mission to bring the voice of the worker into improving worker well-being.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation** – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenue and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net assets without donor restrictions** – Represents resources available to support the Organization’s operations without donor restrictions and donor restricted resources that have become available for use by the Organization in accordance with the intention of the donor.

## Fair Trade USA and Good World Solutions

### Notes to Consolidated Financial Statements

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**Net assets with donor restrictions** – Represents contributions that are limited in use by the Organization in accordance with donor-imposed stipulations. 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.

**Basis of consolidation** – The accompanying consolidated financial statements present the consolidated financial position and changes in net assets and cash flows of the Organization. All material intercompany accounts and transactions have been eliminated in consolidation.

**Cash and cash equivalents** – The Organization places its cash and cash equivalents with high credit quality institutions. Cash and cash equivalents include highly liquid investments which are readily convertible to known amounts of cash that present insignificant risk of changes in value because of changes in interest rates. The Organization maintains its cash in bank deposit accounts which, at times, may be in excess of federally insured limits. Management believes it is not exposed to any significant risks on cash accounts.

**Service fees receivable** – Service fees are generally billed quarterly or semi-annually based on either purchases and/or sales of FTC products reported by licensees. The Organization recognizes revenues and a corresponding receivable after considering implicit and explicit price concessions. Uncollectible service fees receivable is written off when all collection efforts have been exhausted.

**Contributed goods and services** – Contributed services are recognized if they create or enhance nonfinancial assets or require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. During the years ended December 31, 2020 and 2019, the Organization received contributed professional services valued at \$236,909 and \$214,376, respectively, and software licenses and advertising valued at \$447,217 and \$382,687, respectively.

**Property and equipment, net** – Property and equipment, if purchased, are recorded at cost or, if donated, at the estimated fair value at the time of receipt. Software development costs (internal and external) incurred during the application development stage for new software and software enhancements are capitalized and depreciated, if the software's expected economic useful life is greater than one year. Property and equipment are depreciated over the estimated useful lives of three to eight years on the straight-line basis. Leasehold improvements are amortized using the straight-line method over the lesser of the useful lives of the assets or the term of the respective lease. The Organization capitalizes all expenditures for property and equipment with a cost basis of greater than \$2,000 and which have a useful life in excess of one year.

The Organization periodically evaluates the carrying value of its long-lived assets for impairment. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No impairment was recognized for the year ended December 31, 2020 and 2019.

**Revenue recognition** – On January 1, 2019, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606") applying the full retrospective method. The adoption of ASC 606 did not have a material impact on the measurement nor on the recognition of revenue.

## Fair Trade USA and Good World Solutions Notes to Consolidated Financial Statements

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On January 1, 2019, the Organization also adopted FASB Accounting Standards Update (“ASU”) No. 2018-08, *Not-for-Profit-Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”), using the modified prospective basis. The adoption of ASU 2018-08 did not have a material impact on the measurements nor on the recognition of revenue.

The Organization records service fee revenue in the period in which participating companies either purchase and/or sell FTC products, as defined in the applicable service agreement, which is when the performance obligation is met. Consideration is based on the applicable service agreement. Service fee revenue is shown net of implicit and explicit price concessions provided to participating companies.

Service fee revenue were from the following product lines as of December 31:

	2020	2019
Coffee	\$ 6,382,282	\$ 6,590,610
Consumer packaged goods	4,541,851	4,373,608
Apparel and home goods	2,674,056	3,199,667
Produce and flowers	3,116,226	2,291,699
Seafood	332,200	333,227
	\$ 17,046,615	\$ 16,788,811

The Organization recognizes grant and donor contributions upon the earlier of receipt or when an agreement has been executed. Contributions received without donor-imposed restrictions are reported as increases in support without donor restrictions. Contributions received with donor-imposed restrictions which are received and spent in the same year are reported as an increase in support without donor restrictions. Contributions received with donor-imposed restrictions that are not satisfied in the same year as received are reported as increases in support with donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met and barriers to entitlement have been overcome.

Donated goods and services are recorded as contributions at their estimated fair value on the date of receipt. Such donations are reported as support without donor restrictions unless the donor has restricted the use of the asset for a specific purpose and the asset is therefore reported as an increase in support with donor restrictions.

**Contract liabilities** – Service revenue and other support where cash was received, but not yet earned, are recorded as contract liabilities. The amount of contract liabilities of \$723,778 and \$284,265 as of December 31, 2020 and 2019, respectively, represented unearned service fees and unearned consulting and contractor fees. Contract liabilities are recognized as revenue when services are performed by the Organization as stipulated in the applicable service agreements.

**Functional expenses** – The costs of providing the program services and supporting services activities of the Organization are shown in the statements of functional expenses. Expenses that can be directly identified with a specific function are allocated directly to that function. Expenses that cannot be directly identified with a specific function are allocated among the program services and the supporting services activities benefited based upon employee time and effort recorded on functions related to the specific activity, or in the case of shared expenses, using an allocation based on personnel costs, space usage, or other relevant bases.

## Fair Trade USA and Good World Solutions

### Notes to Consolidated Financial Statements

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**Income tax status** – Fair Trade USA and GWS are qualified organizations exempt from federal, Minnesota and California income taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code, Chapter 317A of the Minnesota Statutes and 23701d of the California Revenue and Taxation Code. Accordingly, no provision for federal, Minnesota, or California income tax is reflected in the accompanying consolidated financial statements.

The Organization recognizes the effects of its income tax positions only if those positions are more likely than not of being sustained. The Organization has evaluated its tax positions and has concluded as of December 31, 2020 and 2019, that the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

**Risks and uncertainties** – On March 11, 2020, the World Health Organization declared COVID-19 outbreak a public health emergency. The outbreak has caused significant economic disruptions in the national and global economy. The operations of the Organization and its consolidated financial statements have not been significantly impacted; however, future operations could be adversely affected from impacts of COVID-19 pandemic or any other epidemic that disrupts the global economy.

**Use of estimates** – The preparation of consolidated 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 consolidated financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**New accounting pronouncements** – In February 2016, FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), which increases 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 in the financial statements of lessees. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which extended the effective applicability date of Topic 842 to annual periods beginning after December 15, 2021, from December 15, 2020. As such, the adoption is effective for the Organization beginning January 1, 2022. Management is currently evaluating the impact of the new standard and has not yet determined whether it will have a material impact on the consolidated financial statements.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”), which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization’s programs and other activities. The adoption of this ASU is effective for the Organization beginning January 1, 2022. Management is currently evaluating the impact of the new standard and has not yet determined whether it will have a material impact on the consolidated financial statements.

**Fair Trade USA and Good World Solutions**  
**Notes to Consolidated Financial Statements**

**NOTE 3 – GRANTS RECEIVABLE**

Total current and long-term grants receivable consisted of the following at December 31:

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
General support	\$ 173,000	\$ 191,000	\$ 364,000
	<u>\$ 173,000</u>	<u>\$ 191,000</u>	<u>\$ 364,000</u>
	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
General support	\$ 393,192	\$ 1,623,517	\$ 2,016,709
	<u>\$ 393,192</u>	<u>\$ 1,623,517</u>	<u>\$ 2,016,709</u>

Grants receivable that are expected to be collected in subsequent years are typically discounted using a risk adjusted market interest rate applicable to the years in which the grants are expected to be received or when the promise is made. At December 31, 2020 and 2019, management had not adjusted grants receivable using the applicable interest rate as they have deemed any adjustment to be insignificant to the consolidated financial statements.

Grants receivable consisted of the following at December 31:

	<b>2020</b>	<b>2019</b>
Receivable in less than one year	\$ 262,000	\$ 1,841,709
Receivable in one to five years	102,000	175,000
	<u>\$ 364,000</u>	<u>\$ 2,016,709</u>

**NOTE 4 – PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consisted of the following at December 31:

	<b>2020</b>	<b>2019</b>
Furniture and fixtures	\$ 168,590	\$ 168,590
Machinery and equipment	787,194	779,872
Leasehold improvements	68,930	68,930
Website development	304,083	304,083
	1,328,797	1,321,475
Less accumulated depreciation and amortization	<u>(1,194,836)</u>	<u>(1,074,080)</u>
	<u>\$ 133,961</u>	<u>\$ 247,395</u>

Depreciation and amortization expense for the years ended December 31, 2020 and 2019, was \$120,756 and \$190,781, respectively.

## Fair Trade USA and Good World Solutions

### Notes to Consolidated Financial Statements

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#### NOTE 5 – NOTES PAYABLE

In May 2019, a new line of credit with RSF Social Investment Fund was secured in the amount of \$1,000,000 and is due in May 2020. The line of credit has a variable interest rates equal to RSF prime plus .50%. The full outstanding line of credit balance, including principal and interest, was repaid in 2020.

In May 2019, the Organization revised the original \$1,100,000 note agreement with RSF Social Investment Fund to increase the note amount to \$2,000,000. In the revised note agreement, the Organization is only required to make interest only payments until May 2020, and principal and interest payments commencing in June 2020. The full outstanding loan balance, including principal and interest, was repaid in 2020.

In May 2020, the Organization entered into a loan agreement with Bank of the West for \$2,419,639. The loan was granted as part of the U.S. Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), to help small businesses and organizations maintain payroll in light of the COVID-19 pandemic. The two-year loan bears an interest rate at 1% per year and matures in May 2022. The loan is guaranteed by the SBA and no payments are due on the loan for the first ten months. The loan is subject to partial or full forgiveness if the Organization uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations, and guidance. The Organization has applied for loan forgiveness for the entire amount of the loan and is pending response from the SBA.

In July 2020, the Organization entered into a secured loan agreement with Bank of the West for \$150,000. The loan was granted as part of the SBA COVID-19 Economic Injury Disaster Loan (“EIDL”) program under the CARES Act, to provide economic relief to small businesses and nonprofit organizations that are experiencing a temporary loss of revenue due to the COVID-19 pandemic. The loan bears an interest rate at 2.75% per year and matures in July 2050. No principal and interest payments are due on the loan for the first twelve months from the date of the loan agreement.

In November 2020, the Organization entered into a secured loan agreement with First Republic Bank in the amount of \$1,800,000 and is due in November 2025. The loan bears interest at a rate of 2.50%. Monthly principal and interest payments are payable in the amount of \$31,972 beginning December 2020.

In November 2020, the Organization entered into a secured new line of credit agreement with First Republic Bank in the amount of \$1,000,000 and is due in November 2025. The line of credit bears interest at a rate of 2.50%. As of December 31, 2020, no amounts are outstanding for this line of credit.

## Fair Trade USA and Good World Solutions Notes to Consolidated Financial Statements

Notes payable are detailed as follows at December 31:

<u>Lender</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2020</u>	<u>2019</u>
RSF Social Investment Fund	RSF Prime + 0.50%	5/15/2020	\$ -	\$ 500,000
RSF Social Investment Fund	RSF Prime + 0.50%	6/1/2023	-	2,000,000
Bank of the West - PPP	1.00%	5/8/2022	2,419,639	-
Bank of the West - EIDL	2.75%	7/1/2050	150,000	-
First Republic Bank	2.50%	11/2/2025	1,770,778	-
			<u>4,340,417</u>	<u>2,500,000</u>
Less: current portion			<u>(1,245,801)</u>	<u>(852,268)</u>
			<u>\$ 3,094,616</u>	<u>\$ 1,647,732</u>

The future maturities of the notes payable are as follows:

Year ending December 31,

2021	\$ 1,245,801
2022	1,567,673
2023	669,056
2024	373,243
2025	349,762
Thereafter	<u>134,882</u>
	<u>\$ 4,340,417</u>

Management believes it is in compliance with all covenants and restrictions as of and for the year ended December 31, 2020.

## Fair Trade USA and Good World Solutions

### Notes to Consolidated Financial Statements

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#### NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31:

	<b>2020</b>	<b>2019</b>
Innovation technology support	\$ 1,439,195	\$ 2,500,000
Enabling meaningful producer needs assessments and maximizing the impact of global community development project investments program	1,050,022	-
Support the expansion, demand for, and impact of Fair Trade USA's seafood program	326,855	-
Research cost of sustainable production for coffee farmers	150,000	-
General support - time restricted	115,436	118,168
Global impact work in the Philippines	93,500	75,000
Fair Trade certification of wild catch fish	88,727	383,221
Fair Trade certification of aquaculture	87,156	198,199
Support and develop digital training material for Fair Trade committees	65,436	-
Analyze and track the global landscape of sustainable seafood	49,000	-
Support to MMAF to adopt a participatory science-based decision making process to implement a five year management tuna	47,417	-
Improving farmer livelihoods in the Philippines	46,250	-
Develop healthy & Safety virtual trainings for at-risk communities along global supply chains with the emphasis on COVID-19 prevention, labor rights, and financial literacy	35,000	-
Improving farmer livelihoods in Colombia	17,613	-
Develop a living wage benchmark in Mexico	17,500	-
Improve labor conditions and protections for farm workers in North America	-	41,095
	<u>\$ 3,629,107</u>	<u>\$ 3,315,683</u>

## Fair Trade USA and Good World Solutions Notes to Consolidated Financial Statements

Net assets with donor restrictions released from restrictions by incurring expenses were comprised of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Innovation technology support	\$ 1,060,811	\$ -
Apparel and home goods program	600,000	500,000
Enabling meaningful producer needs assessments and maximizing the impact of global community development project investments program	349,978	-
Fair Trade certification of wild catch fish	294,486	978,794
Fair Trade certification of aquaculture	196,214	71,244
Support the expansion, demand for, and impact of Fair Trade USA's seafood program	173,145	-
General support - time restricted	141,815	78,943
Support to MMAF to adopt a participatory science-based decision making process to implement a five year management tuna	102,583	-
Premium program in Colombia	96,144	93,223
Improve labor conditions and protections for farm workers in North America	41,095	58,905
Analyze and track the global landscape of sustainable seafood	29,000	-
Global impact work in the Philippines	21,500	50,000
Support and develop digital training material for Fair Trade committees	9,565	-
Develop a living wage benchmark in Mexico	7,500	-
Improving farmer livelihoods in the Philippines	3,750	82,395
Coffee price volatility and risk through market-based financial tools	-	44,031
School feeding program in Rwanda	-	20,000
	<u>\$ 3,127,586</u>	<u>\$ 1,977,535</u>

### NOTE 7 – PROGRAM SERVICES

**Business Development** – The Business Development program works with companies to increase sales of FTC products in the market.

**Marketing Communications and Education** – The Organization executes a broad range of marketing and public relations programs whose goal is to raise consumer awareness of international trade issues in general, and Fair Trade concerns in particular. The resulting increase in consumer awareness leads directly to an increase in consumer demand.

**Certification** – The Certification department audits transactions between companies offering FTC products and their international suppliers, to guarantee that the farmers and workers who produce FTC goods were paid a fair price for their products, receive a social premium, and adhere to the Fair Trade environmental, labor, and governance standards.

**Supply Chain Management** – Supply Chain Management includes support for producers, exporters, importers, retailers, and roasters throughout the Fair Trade supply chain. That support helps producers deliver high quality products that fit within the Organization's mission and are desired by retailers and consumers. Producer training and assistance services include: quality and environmental training, market data and linkage, access to capital, governance training, and other technical assistance.

## Fair Trade USA and Good World Solutions Notes to Consolidated Financial Statements

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**Good World Solutions Technology** – Good World Solutions Technology, in the form of its principal tools, Voice of the Client (micro-finance), and the Fair Wage Guide, provides quantitative tools and analytics to establish an anonymous two-way communication channel for workers and borrowers to report, and for companies and lenders to receive, unfiltered data directly from workers. Good World Solutions products are also used to survey farmers and workers producing Fair Trade Certified products to assess the impact of Fair Trade programs against defined livelihood and well-being measures.

Program services incurred were comprised of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Business Development	\$ 5,106,716	\$ 5,562,402
Marketing Communications and Education	3,574,246	4,523,752
Certification-Impact-Program Operations	3,354,080	2,760,425
Supply Chain Management	4,111,466	5,585,836
Good World Solutions Technology	2,408	2,231
	<u>\$ 16,148,916</u>	<u>\$ 18,434,646</u>

### NOTE 8 – COMMITMENTS

The Organization entered into a sublease agreement with Flexera for its office location at 1901 Harrison Street, Suite 1700, Oakland, California that began on July 1, 2019 and will end on June 30, 2025. The monthly rental payment was \$85,188, with an annual 3% increase. The Organization recognizes rent expense on a straight-line basis over the lease term.

Rent expense, included in facility expenses on the consolidated statements of functional expenses, for the years ended December 31, 2020 and 2019 was \$1,033,910 and \$730,311, respectively.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending December 31,</u>	
2021	\$ 1,069,013
2022	1,101,638
2023	1,134,263
2024	1,167,975
2025	592,688
	<u>\$ 5,065,577</u>

### NOTE 9 – CONCENTRATIONS

During the years ended December 31, 2020 and 2019, one customer accounted for approximately 9% of total service fees, for both years.

As of the years ended December 31, 2020 and 2019, one customer accounted for approximately 5% and 7% of total service fees receivable, net, respectively.

## Fair Trade USA and Good World Solutions Notes to Consolidated Financial Statements

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### NOTE 10 – RETIREMENT PLAN

The Organization sponsors a 401(k) profit sharing plan covering all eligible employees who have completed six months of service. The Organization makes matching contributions up to 4% of the employee's eligible compensation. Employees are eligible to make elective contributions up to the maximum amount allowed by the Internal Revenue Code. The Organization contributed \$315,528 and \$389,951, respectively, to the plan for the year ended December 31, 2020 and 2019, included in personnel expenses on the consolidated statements of functional expenses.

### NOTE 11 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, within one year of the consolidated statements of financial position at December 31, 2020 and 2019, comprise the following:

	<b>2020</b>	<b>2019</b>
FINANCIAL ASSETS, AT YEAR END		
Cash and cash equivalents	\$ 9,334,397	\$ 3,420,860
Service fees receivable	4,957,529	5,335,006
Grants receivable, current portion	262,000	1,841,709
	14,553,926	10,597,575
LESS ASSETS UNAVAILABLE FOR GENERAL EXPENDITURES WITHIN ONE YEAR		
Cash and cash equivalents held with donor restrictions	(3,438,107)	(1,692,166)
Grants receivable, current portion with donor restrictions	(191,000)	(1,623,517)
	(3,629,107)	(3,315,683)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<b>\$ 10,924,819</b>	<b>\$ 7,281,892</b>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in certificate of deposits and money market funds. The service fee receivable and grants receivable, current portion are expected to be collected within one year. The Organization also has \$1,000,000 available to draw on from its line of credit with First Republic Bank as of December 31, 2020 (see Note 5).

### NOTE 12 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are available to be issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements were available to be issued.

The Organization has evaluated subsequent events through June 9, 2021, which is the date the consolidated financial statements were available to be issued.

