Report of Independent Auditors and
Consolidated Financial Statements

Fair Trade USA and Good World Solutions

December 31, 2018 and 2017

MOSSADAMS

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, as of January 1, 2018, the Organization adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs to programmatic and other support information, and direction for consistency about information provided on investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and the disclosures related to net assets. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Moss Adams LLP

San Francisco, California
June 6, 2019

Consolidated Financial Statements

Fair Trade USA and Good World Solutions
Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,895,019	$ 9,147,157
Service fees receivable, net	5,161,160	3,614,696
Grants receivable, current portion	1,043,620	808,044
Other receivables	-	53,884
Prepaid expenses	378,086	440,429
Other assets	150	300,000
Total current assets	11,478,035	14,364,210
Non-current assets		
Property and equipment, net	410,229	530,760
Deposits	50,450	50,450
Grants receivable, long term, net	295,000	135,000
Total non-current assets	755,679	716,210
Total assets	$ 12,233,714	$ 15,080,420
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 882,066	$ 300,192
Accrued liabilities	1,485,838	1,482,684
Deferred revenue	191,229	671,067
Notes payable, current portion	121,912	727,208
Accrued lease incentive	111,125	90,819
Total current liabilities	2,792,170	3,271,970
Long-term liabilities		
Notes payable, net of current portion	978,088	373,967
Accrued lease incentive, long term	-	111,125
Total long-term liabilities	978,088	485,092
Total liabilities	3,770,258	3,757,062
Net assets		
Without donor restrictions	7,477,906	9,633,356
With donor restrictions	985,550	1,690,002
Total net assets	8,463,456	11,323,358
Total liabilities and net assets	$ 12,233,714	$ 15,080,420

See accompanying notes.

Fair Trade USA and Good World Solutions
Consolidated Statements of Activities and Changes in Net Assets
Year Ended December 31, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Service fees, net	$ 14,906,045	$ -	$ 14,906,045
Grants and contributions	1,386,566	1,766,667	3,153,233
In-kind donations	571,002	-	571,002
Consulting and contracting fees	19,171	-	19,171
Net assets released from restriction	2,471,119	(2,471,119)	-
Total revenue and support	19,353,903	(704,452)	18,649,451
Operating expenses			
Program services	16,787,245	-	16,787,245
Supporting services			
Management and general	2,848,430	-	2,848,430
Fundraising	1,898,845	-	1,898,845
Total support services	4,747,275	-	4,747,275
Total operating expenses	21,534,520	-	21,534,520
Change in net assets from operations	(2,180,617)	(704,452)	(2,885,069)
Other changes in net assets			
Interest income	25,961	-	25,961
Foreign currency translation	(794)	-	(794)
Total other changes in net assets	25,167	-	25,167
Change in net assets	(2,155,450)	(704,452)	(2,859,902)
Net assets, beginning of year	9,633,356	1,690,002	11,323,358
Net assets, end of year	$ 7,477,906	$ 985,550	$ 8,463,456

Fair Trade USA and Good World Solutions
Consolidated Statements of Activities and Changes in Net Assets
Year Ended December 31, 2017

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Service fees, net	$ 13,262,102	$ -	$ 13,262,102
Grants and contributions	3,477,632	2,286,052	5,763,684
In-kind donations	765,832	-	765,832
Consulting and contracting fees	338,916	-	338,916
Net assets released from restriction	2,496,220	(2,496,220)	-
Total revenue and support	20,340,702	(210,168)	20,130,534
Operating expenses			
Program services	15,455,243	-	15,455,243
Supporting services			
Management and general	2,329,109	-	2,329,109
Fundraising	1,235,276	-	1,235,276
Total support services	3,564,385	-	3,564,385
Total operating expenses	19,019,628	-	19,019,628
Income from operations	1,321,074	(210,168)	1,110,906
Other changes in net assets			
Gain from Sale of Laborlink	1,039,943	-	1,039,943
Rent revenue	20,655	-	20,655
Interest income	8,746	-	8,746
Foreign currency translation	(120)	-	(120)
Total other changes in net assets	1,069,224	-	1,069,224
Change in net assets	2,390,298	(210,168)	2,180,130
Net assets, beginning of year	7,243,058	1,900,170	9,143,228
Net assets, end of year	$ 9,633,356	$ 1,690,002	$ 11,323,358

See accompanying notes.

Fair Trade USA and Good World Solutions
Consolidated Statements of Functional Expenses
Year Ended December 31, 2018 and 2017

	2018			
	Program	Management and General	Fundraising	Total Expenses
Operating expenses				
Personnel	$ 9,186,014	$ 1,726,818	$ 1,044,143	$ 11,956,975
Professional fees	3,517,392	568,605	331,741	4,417,738
Facility	552,303	83,607	52,151	688,061
Travel	834,846	87,888	148,333	1,071,067
Promotional activities and materials	357,882	6,166	42,270	406,318
Computer, telecom, and equipment	864,318	246,896	59,750	1,170,964
Conferences, conventions, and trade shows	345,803	6,312	159,922	512,037
Third-party	668,380	110	-	668,490
Other	271,740	90,671	39,632	402,043
Loan interest	45,667	7,594	5,062	58,323
Depreciation and amortization	142,900	23,763	15,841	182,504
	$ 16,787,245	$ 2,848,430	$ 1,898,845	$ 21,534,520

	2017			
	Program	Management and General	Fundraising	Total Expenses
Operating expenses				
Personnel	$ 8,482,457	$ 1,175,705	$ 765,487	$ 10,423,649
Professional fees	3,397,951	559,552	211,902	4,169,405
Facility	537,543	72,746	43,605	653,894
Travel	803,847	39,082	46,780	889,709
Promotional activities and materials	607,167	-	25,047	632,214
Computer, telecom, and equipment	780,957	229,510	53,572	1,064,039
Conferences, conventions, and trade shows	214,308	5,968	12,557	232,833
Third-party	164,916	-	20,102	185,018
Other	314,476	223,698	44,105	582,279
Loan interest	72,414	10,912	5,788	89,114
Depreciation and amortization	79,207	11,936	6,331	97,474
	$ 15,455,243	$ 2,329,109	$ 1,235,276	$ 19,019,628

Fair Trade USA and Good World Solutions
Consolidated Statements of Cash Flows
For the Year Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ (2,859,902)	$ 2,180,130
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	182,504	97,474
Changes in operating assets and liabilities		
Service fees receivable	(1,546,464)	89,655
Grants receivable	(395,576)	2,999,209
Other receivables	53,884	123,426
Prepaid expenses	62,343	(274,187)
Other assets	299,850	-
Accounts payable	581,874	(59,778)
Accrued liabilities	3,154	442,555
Deferred revenue	(479,838)	(4,146,416)
Accrued lease incentive	(90,819)	(71,096)
Net cash (used in) provided by operating activities	(4,188,990)	1,380,972
Cash flows from investing activities		
Purchases of property and equipment	(61,973)	(435,081)
Net cash used in investing activities	(61,973)	(435,081)
Cash flows from financing activities		
Principal payments on notes payable	(1,101,175)	(684,828)
Proceeds from notes payable	1,100,000	-
Net cash used in financing activities	(1,175)	(684,828)
Net change in cash and cash equivalents	(4,252,138)	261,063
Cash and cash equivalents, beginning of year	9,147,157	8,886,094
Cash and cash equivalents, end of year	$ 4,895,019	$ 9,147,157
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 62,929	$ 79,009

See accompanying notes.

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 non-profit 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 1,200 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.

Good World Solutions' mission is to use data to create safe and respectful workplaces. Its mobile solution, LaborLink, leverages the rapid spread of mobile phones to establish an anonymous two-way communication channel for workers to report on real factory conditions, and for companies to receive unfiltered data directly from workers. By translating worker voices into actionable analytics, LaborLink enables companies and factories to make data-driven decisions that measurably improve worker well-being. Since 2010, LaborLink has reached more than 700,000 workers in the supply chains of major apparel and electronics companies in 16 countries.

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. Service fees paid to GWS are based on the scope of services and data analytics provided to business partners and factories.

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 and in accordance with the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has implemented ASU No. 2016-14 as of January 1, 2018 and has adjusted the presentation in these consolidated financial statements accordingly, including changes to the presentation of net asset classification on the consolidated financial statements and inclusion of information about liquidity and availability resources (Note 13). 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** – Represent 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.
>
> **Net assets with donor restrictions** – Represent 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, net – Service fees are generally billed quarterly or semi-annually based on either purchases and/or sales of FTC products reported by licensees. The Organization has established an allowance for uncollectible service fees based on historical experience. The allowance for uncollectible service fees at December 31, 2018 and 2017 was $4,354 and $34,980, respectively. 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, 2018 and 2017, the Organization received contributed professional services valued at $171,061 and $93,370, respectively, and software licenses and advertising valued at $399,941 and $672,462, 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, 2018 and 2017.

Revenue recognition – The Organization records service fee revenue in the period in which participating companies either purchase and/or sell FTC products, or the period over which GWS services are delivered, as defined in the applicable service agreement. Service fee revenue is shown net of discounts provided to companies.

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.

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.

Deferred revenue – Service revenue and other support where cash was received, but not yet earned, is recorded as deferred revenue.

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.

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, 2018 and 2017, that the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

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 – During 2018, the Organization adopted FASB ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the consolidated financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for constructions as a net asset without donor restrictions when the associated long-lived asset is place in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, composition of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). As compared to existing guidance on revenue recognition, ASU 2014-09 will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The largely principles-based guidance in ASU 2014-09 will provide a framework for addressing revenue recognition issues comprehensively for entities that apply U.S. GAAP in addition to those entities that apply International Financial Reporting Standards. The guidance in ASU 2014-09 also improves U.S. GAAP by reducing the number of requirements to which an entity must consider in recognizing revenue, as well as requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The effective date of ASU 2014-09 was deferred by ASU 2015-14, *Deferral of the Effective Date*, to fiscal years beginning after December 15, 2018. The adoption is effective for the Organization beginning January 1, 2019. Management is currently evaluating the impact of the provisions of ASU 2014-09 on the consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Liabilities* ("ASU 2016-01"), to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This update is effective for fiscal years beginning after December 15, 2018. The adoption is effective for the Organization beginning January 1, 2019. Management is currently evaluating the impact of the provisions of ASU 2016-01 on the consolidated financial statements.

In February 2016, the FASB issued 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. This update is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. The adoption is effective for the Organization beginning January 1, 2020. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the consolidated financial statements.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"). This guidance enhances the statement of cash flow by streamlining the activities between cash and restricted cash as operating, investing, or financing, or as a combination of those activities. The guidance also highlights explanations of the change of cash, cash equivalents, restricted cash or restricted cash equivalents during the period. This update is effective for fiscal years beginning after December 15, 2018. The adoption is effective for the Organization beginning January 1, 2019. Management is currently evaluating the impact of the provisions of ASU 2016-18 on the consolidated financial statements.

In June 2018, the FASB issued 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"), to clarify and improve the scope and the accounting guidance for contributions received and made. The amendments should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 968, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance, and also in determining whether a contribution is conditional. This update is effective for the fiscal years beginning after June 15, 2019, for contributions received and for fiscal years beginning after December 15, 2019 for contributions made. The adoption for both contributions received and contributions made is effective for the Organization beginning January 1, 2020. Management is currently evaluating the impact of the provisions of ASU 2018-08 on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurements (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), to remove and modify certain disclosure requirements on fair value measurements in Topic 820. This update is effective for fiscal years beginning after December 15, 2019. The adoption is effective for the Organization beginning January 1, 2020. Management is currently evaluating the impact of the provisions of ASU 2018-13 on the consolidated financial statements.

NOTE 3 – OTHER ASSETS

As part of the its debt agreement with RSF Social Investment Fund (the "Fund") (see Note 7), the Organization was required to open an investment in the Fund in a minimum amount of $300,000. As of December 31, 2017, $300,000 was held in the Fund with a three-month renewable term. RSF Social Investment Fund is an innovative non-profit social finance organization that uses invested funds to make loans to mission-aligned enterprises that create deep social impact. Upon maturity, this investment is expected to renew for an additional three-month term unless the Fund receives a request from the Organization for repayment before the maturity date. The Fund will pay interest on the investment at the published Fund rate in effect for the quarter in which the Fund accepts the investment. The interest rate will be reset as of the first day of each calendar quarter. The Organization carries this investment at cost.

During 2018, the Organization entered into a new debt agreement with the Fund (see Note 7) and used the funds to repay the outstanding balance related to the debt agreement discussed in the preceding paragraph. The new debt agreement no longer required the Organization to maintain an investment in the Fund.

NOTE 4 – GRANTS RECEIVABLE

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

	2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
General support	$ 923,620	$ 415,000	$ 1,338,620
	$ 923,620	$ 415,000	$ 1,338,620

	2017		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
General support	$ 943,044	$ -	$ 943,044
	$ 943,044	$ -	$ 943,044

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, 2018 and 2017, 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:

	2018	**2017**
Receivable in less than one year	$ 1,043,620	$ 808,044
Receivable in one to five years	295,000	135,000
	$ 1,338,620	$ 943,044

NOTE 5 – PROPERTY AND EQUIPMENT, NET

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

	2018	**2017**
Furniture and fixtures	$ 168,590	$ 168,590
Machinery and equipment	751,925	689,952
Leasehold improvements	68,930	68,930
Website development	304,083	304,083
	1,293,528	1,231,555
Less accumulated depreciation and amortization	(883,299)	(700,795)
	$ 410,229	$ 530,760

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was $182,504 and $97,474, respectively.

NOTE 6 – DEFERRED REVENUE

On November 20, 2015, the Organization received a conditional contribution from a separate foundation in the amount of $2,000,000 that is contingent upon the Organization meeting certain specified milestones. The funds were to be used for trade certification of wild caught fish. The award period is January 1, 2016 through December 31, 2018. The Organization will recognize the revenue over the term of the grant as conditions are met. The deferred revenue balance associated with this grant totaled $0 and $666,667 as of December 31, 2018 and 2017, respectively.

The remaining amount of deferred revenue of $191,229 and $4,400 as of December 31, 2018 and 2017, respectively, represented unearned service fees and unearned consulting and contractor fees.

NOTE 7 – NOTES PAYABLE

Notes payable are detailed as follows at December 31:

Lender	Interest Rate	MaturityDate	2018	2017
RSF Social Investment Fund	RSF Prime +0.5%	6/1/2019	$ -	$ 1,101,175
RSF Social Investment Fund	RSF Prime	6/1/2023	1,100,000	-
			1,100,000	1,101,175
Less: current portion			(121,912)	(727,208)
			$ 978,088	$ 373,967

The future maturities of the notes payable are as follows:

Year ending December 31,	
2019	$ 121,912
2020	260,198
2021	275,234
2022	290,980
2023	151,676
	$ 1,100,000

Management believes it is in compliance with all covenants and restrictions as of and for the year ended December 31, 2018.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2018	2017
Fair Trade certification of wild catch fish	$ 516,111	$ 666,750
General support - time restricted	162,111	232,352
Improve labor conditions and protections for farm workers in North America	100,000	47,917
Improving Farmer Livelihoods in the Philippines	82,395	98,600
Global Impact	50,000	-
Coffee price volatility and risk through market-based financial tools	44,031	190,508
Study, design and execute a pilot project to support conservation of protected areas and indigenous lands in the Amazon	30,902	146,667
Farm workers home improvement project	-	207,208
Coconut Reforestation Project in Cote D'Ivoire	-	100,000
	$ 985,550	$ 1,690,002

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

	2018	2017
Fair Trade certification of wild catch fish	$ 1,249,243	$ 728,592
Apparel and home goods program	500,000	-
Farm workers home improvement project	207,263	57,086
Coffee price volatility and risk through market-based financial tools	146,145	7,161
Study, design and execute a pilot project to support conservation of protected areas and indigenous lands in the Amazon	119,098	3,333
Labor Link technology reporting tool	100,000	404,598
General support - time restricted	85,237	718,641
Improve labor conditions and protections for farm workers in North America	47,917	88,662
Improving farmer livelihoods in the Philippines	16,216	1,389
Expansion of Haitian fair trade mango supply	-	1,807
Consumer activation plan	-	484,951
	$ 2,471,119	$ 2,496,220

NOTE 9 – 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.

Good World Solutions – 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:

	2018	2017
Business Development	$ 3,791,818	$ 3,651,402
Marketing Communications and Education	3,846,904	3,196,527
Certification	2,965,520	2,475,411
Supply Chain Development	5,287,867	4,924,490
Good World Solutions Technology Development	895,136	1,207,413
	$ 16,787,245	$ 15,455,243

NOTE 10 – COMMITMENTS

The Organization leases its operating facilities in Oakland, California under a lease agreement. The lease was amended effective July 1, 2012 to extend the expiration date to December 31, 2019 and to provide 18 months of reduced rent and annual rent increases of 3% thereafter. The monthly rent payments under the facility lease for the years ended December 31, 2018 and 2017 were $56,416 and $54,773, respectively. The Organization recognizes rent expense on a straight-line basis over the lease term.

The Organization leases office equipment under a long-term, non-cancelable operating lease with a monthly cost of $907 expiring in December 2019.

Rent expense, included in facility expenses on the consolidated statements of functional expenses, for the years ended December 31, 2018 and 2017 was $586,403 and $586,178, respectively.

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

Year ending December 31,		
2019	$	708,187
	$	708,187

NOTE 11 – CONCENTRATIONS

During the years ended December 31, 2018 and 2017, one customer accounted for approximately 9% and 11%, respectively, of total service fees.

As of December 31, 2018 and 2017, one customer accounted for approximately 7% and 10%, respectively, of total service fees receivable, net.

NOTE 12 – 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 $259,896 and $296,157, respectively, to the plan for the year ended December 31, 2018 and 2017.

NOTE 13 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, within one year of the consolidated statement of financial position at December 31, 2018, comprise the following:

		2018
FINANCIAL ASSETS, AT YEAR END		
Cash and cash equivalents	$	4,895,019
Service fees receivable, net		5,161,160
Grants receivable, current portion		1,043,620
		11,099,799
LESS ASSETS UNAVAILABLE FOR GENERAL EXPENDITURES WITHIN ONE YEAR		
Cash and cash equivalents held with donor restrictions		(622,256)
Grants receivable, current portion with donor restrictions		(415,000)
		(1,037,256)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	$	10,062,543

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 CDs and money market funds. The service fee receivable and grants receivable, current portion are expected to be collected within one year.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated balance sheet 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 balance sheet but arose after the consolidated statement of financial position date and before the consolidated financial statements were available to be issued.

During 2019, the Organization reached an agreement with its landlord, in which both parties agreed to terminate the leases agreement for its operating facilities (see Note 10) on June 30, 2019, prior to the original expiration date of December 31, 2019. Additionally, the landlord agreed to provide a payment of termination fee to the Organization in the amount of $300,000. The Organization entered into a new sublease agreement with Flexera for its new office location at 1901 Harrison Street, Suite 1700, Oakland, California that will begin on July 1, 2019 and end on June 30, 2025. The monthly rental payment will be $80,656, with an annual 3% increase.

In May 2019, the Organization revised the original $1,100,000 note agreement with RSF (see Note 7) to increase the note amount to $2,000,000. Per the revision, there are interest only payments until May 2020 and principal and interest payments will commence June 2020. The future maturities of the notes payable were also revised accordingly.

In May 2019, a new line of credit with RSF was secured in the amount of $1,000,000. The line of credit has a variable interest rate equal to RSF prime + .50% and is due in May 2020.

The Organization has evaluated subsequent events through June 6, 2019, which is the date the consolidated financial statements were available to be issued.

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