Fair Trade USA and Good World Solutions

Consolidated Financial Statements

December 31, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

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

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, 2012 and 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fair Trade USA and Good World Solutions as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Armanino LLP

ArmaninoLLP
San Ramon, California

June 19, 2013

An independent firm associated with
MOORE STEPHENS

FAIR TRADE USA AND
GOOD WORLD SOLUTIONS
Consolidated Statements of Financial Position
December 31, 2012 and 2011

ASSETS

	2012	2011
Current assets		
Cash and cash equivalents	$ 3,549,579	$ 2,998,463
Investments	268,304	258,324
Service fees receivable, net of allowance for doubtful accounts of $60,000 at 2012 and $60,000 at 2011	2,507,405	2,426,191
Grants receivable, current	674,486	969,694
Note receivable, current	7,765	14,632
Other receivables	-	7,080
Prepaid expenses	97,475	91,710
Total current assets	7,105,014	6,766,094
Property and equipment, net	235,166	311,150
Deposits	50,350	37,302
Grants receivable, long term	140,832	114,654
Note receivable, long term	-	7,765
Total assets	$ 7,531,362	$ 7,236,965

LIABILITIES AND NET ASSETS (DEFICIT)

	2012	2011
Current liabilities		
Accounts payable	$ 146,768	$ 232,091
Accrued liabilities	1,212,058	1,260,573
Deferred revenue	153,140	-
Notes payable, current portion	1,250,000	575,000
Total current liabilities	2,761,966	2,067,664
Notes payable, net of current portion	3,075,000	4,325,000
Accrued lease incentive	255,641	145,826
Total liabilities	6,092,607	6,538,490
Net assets (deficit)		
Unrestricted	(70,838)	(709,202)
Temporarily restricted	1,509,593	1,407,677
Total net assets (deficit)	1,438,755	698,475
Total liabilities and net assets (deficit)	$ 7,531,362	$ 7,236,965

The accompanying notes are an integral part of these consolidated financial statements.

FAIR TRADE USA AND
GOOD WORLD SOLUTIONS
Consolidated Statement of Activities
For the Year Ended December 31, 2012

	2012		
	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Service fees, net	$ 7,677,460	$ -	$ 7,677,460
Grants and contributions	1,011,042	1,026,634	2,037,676
In-kind donations	519,132	-	519,132
Other income	101,386	-	101,386
Net assets released from restrictions	924,718	(924,718)	-
Total revenue and support	10,233,738	101,916	10,335,654
Expenses			
Program	8,143,250	-	8,143,250
Supporting services			
General and administrative	911,514	-	911,514
Fundraising	528,210	-	528,210
Total expenses	9,582,974	-	9,582,974
Excess of revenues over expenses before other changes in net assets	650,764	101,916	752,680
Other changes in net assets			
Interest income	2,781	-	2,781
Foreign currency translation	(14,786)	-	(14,786)
Loss on disposal of assets	(395)	-	(395)
Total other changes in net assets	(12,400)	-	(12,400)
Change in net assets	638,364	101,916	740,280
Net assets (deficit), beginning of year	(709,202)	1,407,677	698,475
Net assets (deficit), end of year	$ (70,838)	$ 1,509,593	$ 1,438,755

The accompanying notes are an integral part of these consolidated financial statements.

FAIR TRADE USA AND
GOOD WORLD SOLUTIONS
Consolidated Statement of Activities
For the Year Ended December 31, 2011

	2011		
	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Service fees, net	$ 8,602,088	$ -	$ 8,602,088
Grants and contributions	688,310	821,333	1,509,643
In-kind donations	950,875	-	950,875
Other income	166,141	-	166,141
Net assets released from restrictions	860,484	(860,484)	-
Total revenue and support	11,267,898	(39,151)	11,228,747
Expenses			
Program	8,134,540	-	8,134,540
Supporting services			
General and administrative	1,073,219	-	1,073,219
Fundraising	584,315	-	584,315
Total expenses	9,792,074	-	9,792,074
(Deficiency) excess of revenues over expenses before other changes in net assets	1,475,824	(39,151)	1,436,673
Other changes in net assets			
Interest income	3,173	-	3,173
Foreign currency translation	(3,075)	-	(3,075)
Unrestricted net assets received in acquisition	146,202	-	146,202
Restricted net assets received in acquisition	-	112,000	112,000
Total other changes in net assets	146,300	112,000	258,300
Change in net assets	1,622,124	72,849	1,694,973
Net assets (deficit), beginning of year	(2,331,326)	1,334,828	(996,498)
Net assets (deficit), end of year	$ (709,202)	$ 1,407,677	$ 698,475

The accompanying notes are an integral part of these consolidated financial statements.

FAIR TRADE USA AND
GOOD WORLD SOLUTIONS
Consolidated Statements of Functional Expenses
For the Years Ended December 31, 2012 and 2011

	2012				2011			
	Program Expenses	Management and General	Fundraising	Total Expenses	Program Expenses	Management and General	Fundraising	Total Expenses
Expense								
Personnel	$ 4,186,814	$ 615,407	$ 323,450	$ 5,125,671	$ 3,701,496	$ 697,987	$ 352,843	$ 4,752,326
Professional fees	1,284,237	111,548	35,334	1,431,119	1,420,178	137,834	43,905	1,601,917
FLO Membership fees	-	-	-	-	833,807	-	-	833,807
Facility	484,767	70,865	50,547	606,179	398,820	82,590	70,273	551,683
Travel expenses	609,230	11,499	36,522	657,251	404,154	19,136	45,703	468,993
Promotional activities and materials	282,773	-	10,988	293,761	190,524	91	7,474	198,089
Computer equipment and services	311,798	55,535	43,501	410,834	278,725	62,264	17,151	358,140
Conferences, conventions and trade shows	284,086	-	1,247	285,333	243,367	4,675	5,677	253,719
Telecommunications	86,737	4,735	5,237	96,709	69,672	5,974	8,551	84,197
Equipment	22,423	2,612	2,105	27,140	23,979	7,584	2,889	34,452
Third-party	178,108	3,456	1,430	182,994	145,322	21	67	145,410
Other	197,875	11,987	6,894	216,756	152,901	11,350	11,596	175,847
Loan interest	120,641	13,504	7,825	141,970	191,881	22,084	11,900	225,865
Depreciation and amortization	93,761	10,366	3,130	107,257	79,714	21,629	6,286	107,629
Total expenses	$ 8,143,250	$ 911,514	$ 528,210	$ 9,582,974	$ 8,134,540	$ 1,073,219	$ 584,315	$ 9,792,074

The accompanying notes are an integral part of these consolidated financial statements.

FAIR TRADE USA AND
GOOD WORLD SOLUTIONS
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	$ 740,280	$ 1,694,973
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	107,257	107,629
Change in allowance for doubtful accounts	-	(10,000)
Loss on disposal of equipment	395	-
Changes in operating assets and liabilities		
Service fees receivable	(81,214)	(801,127)
Grants receivable, current	269,030	541,034
Other receivables	7,080	2,920
Prepaid expenses	(5,765)	(16,438)
Deposits	(13,048)	21,172
Accounts payable	(85,323)	93,923
Accrued liabilities	(48,515)	313,007
Deferred revenue	153,140	(26,400)
Accrued lease incentive	109,815	(31,958)
Net cash provided by operating activities	1,153,132	1,888,735
Cash flows from investing activities		
Purchases of property and equipment	(31,668)	-
Proceeds from sales of investments	258,324	27,574
Purchases of investments	(268,304)	(1,651)
Issuance of note receivable	-	(26,925)
Collection of note receivable	14,632	6,878
Net cash provided by (used in) investing activities	(27,016)	5,876
Cash flows from financing activities		
Principal payments on notes payable	(575,000)	(320,000)
Net cash used in financing activities	(575,000)	(320,000)
Net increase in cash and cash equivalents	551,116	1,574,611
Cash and cash equivalents, beginning of year	2,998,463	1,423,852
Cash and cash equivalents, end of year	$ 3,549,579	$ 2,998,463
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 165,070	$ 182,339
Conversion of license fee receivable to note receivable	$ -	$ 26,925
Contribution received in acquisition of GWS	$ -	$ 258,202

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization

On October 1, 2010, Transfair USA began doing business as Fair Trade USA. Incorporated in Minnesota under 501(c)(3) status in April 1996, the Organization's principal place of business is in Oakland, California.

Fair Trade USA enables sustainable development and community empowerment by cultivating a more equitable global trade model that benefits farmers, workers, 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 and farm workers 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 producers 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 700 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, fresh fruit, wine, flowers, 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.

During 2011, the Organization resigned its membership in the Fair Trade Labeling Organization. The resignation had no effect on the Organization's corporate or tax status. Also during 2011, the Organization acquired Good World Solutions, Inc. (GWS) a California non-profit public benefit 501(c)(3) organization. See Footnotes 7 and 9, respectively, for discussion surrounding the resignation of membership and acquisition of GWS.

2. Summary of Significant Accounting Policies

Basis of accounting

The financial statements are presented on the accrual basis of accounting.

Service fees receivable

Service fees are billed monthly or quarterly 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, 2012 and 2011 was $60,000. Uncollectible service fees receivable are written off when all collection efforts have been exhausted.

Property and equipment

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. 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.

Net assets

The Organization classifies its net assets and activities into one of three categories:

Unrestricted net assets

Those net assets and activities which represent the portion of expendable funds available to support operations that are not subject to donor imposed stipulations. A portion of these net assets may be designated by the Board of Directors for specific purposes. There were no designated net assets at December 31, 2012 and 2011.

Temporarily restricted net assets

Those net assets and activities which are donor-restricted for: (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets. A donor-imposed restriction may expire with time or may be satisfied by the actions of the Organization. Expiration of restrictions are recognized in the periods in which the restrictions expire. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

2. Summary of Significant Accounting Policies (continued)

Net assets (continued)

Permanently restricted net assets

Those contributions which are to be held in perpetuity as directed by the donor. The income from these contributions is available to support activities of the Organization as designated by the donor. There were no permanently restricted net assets at December 31, 2012 and 2011.

Revenue recognition

The Organization records service fee revenue in the period in which participating companies either purchase and/or sell FTC products as defined in the 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 unrestricted support. Contributions received with donor-imposed restrictions which are received and spent in the same year are reported as an increase in unrestricted support. Contributions received with donor-imposed restrictions that are not satisfied in the same year as received are reported as increases in either temporarily restricted or permanently restricted support, depending on the type of restriction.

Donated goods and services are recorded as contributions at their estimated fair value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the use of the asset for a specific purpose for which the asset is reported as an increase in restricted support.

Deferred revenue

Service revenue that is received, but not yet earned, is recorded as deferred revenue.

Income taxes

The Organization is a qualified organization 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 financial statements.

2. Summary of Significant Accounting Policies (continued)

Income taxes (continued)

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, 2012 and 2011, that the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Functional allocation of expenses

The costs of providing the program services and supporting 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 activities benefited based on allocation methods and estimates made by the Organization's management.

Contributed goods and services

Contributed services are recognized if they create or enhance non-financial 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, 2012 and 2011, the Organization received contributed professional legal services valued at $294,802 and $737,719 and software licenses valued at $209,556 and $213,156, respectively.

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.

Investments

Investments in certificates of deposit with an original maturity of greater than three months are stated at their fair values in the statements of financial position. These certificates of deposit are held at amounts not to exceed federally insured limits. Earnings are included in the statements of activities as either unrestricted or temporarily restricted depending upon donor stipulations, if any. Investment earnings that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the earnings are recognized.

2. Summary of Significant Accounting Policies (continued)

Reclassification

Certain reclassifications have been made to the financial statements for the year ended December 31, 2011 to conform to the year ended December 31, 2012 financial statement presentation. Such reclassifications have no effect on net assets or change in net assets as previously reported.

Use of estimates

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

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 intra-organizational accounts and transactions have been eliminated in consolidation.

3. Investments and Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3):

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date.

Level 3 - Pricing inputs are unobservable for the investment. The inputs into the determination of fair value require significant management judgment about the assumptions market participants would use in pricing the investment.

3. Investments and Fair Value (continued)

The Organization has categorized all investment assets on an individual security basis according to the fair value hierarchy as Level 1.

The fair value of the investments is as follows at December 31:

	2012	2011
Certificates of deposit	$250,685	$258,324
Equities	17,619	-
Total	$268,304	$258,324

4. Grants Receivable

Combined short-term and long-term grants receivables at December 31 are as follows:

	2012			2011		
	Unrestricted	Temporary Restricted	Total	Unrestricted	Temporary Restricted	Total
General support	$36,500	$ -	$ 36,500	$20,000	$ -	$ 20,000
Bringing Fair Trade benefits to Western Ugandan Coffee Farmers	-	170,000	170,000	-	-	-
Promoting sustainable livelihoods for farmers in Highlands of Chipas	-	161,664	161,664	-	-	-
Reporting on apparel pilot	-	2,500	2,500	-	-	-
Capacity Building for Indonesian Coffee Co-ops	-	104,654	104,654	-	251,170	251,170
Latin American Fair Trade expansion project	-	250,000	250,000	-	250,000	250,000
Market Linkage and Supply Chain Support for Indonesian Tea Producers	-	90,000	90,000	-	90,000	90,000
Fair Trade Towns and University Initiatives	-	-	-	-	255,000	255,000
Sustainable sourcing practices for Brazilian coffee producers	-	-	-	-	93,178	93,178
Latin American Farmer Technical Assistance	-	-	-	-	125,000	125,000
	$36,500	$778,818	$ 815,318	$20,000	$1,064,348	$1,084,348

Grants receivable that are expected to be collected in subsequent years are computed 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, 2012 and 2011, management has not adjusted grants receivable using the applicable interest rate as they have deemed any adjustment to be immaterial.

4. Grants Receivable (continued)

Grants receivable at December 31, 2012 are to be received as follows:

2013	$674,486
2014	140,832
	$815,318

5. Notes Receivable

The Organization has a note receivable with a customer with an original principal balance of $26,925. The note has a maturity of July 2013 and bears interest at 3%. As of December 31, 2012 and 2011, the outstanding balance is $7,765 and $22,397, respectively.

6. Property and Equipment

Property and equipment at December 31 consisted of the following:

	2012	2011
Furniture and fixtures	$168,590	$163,212
Machinery and equipment	343,653	363,772
Leasehold improvements	50,440	50,440
	562,683	577,424
Less accumulated depreciation and amortization	(327,517)	(266,274)
	$235,166	$311,150

Depreciation and amortization expense for the years ended December 31, 2012 and 2011 was $107,257 and $107,629 respectively.

7. Fair Trade Labeling Organization Membership Dues Liability

In 2011, the Organization resigned from its membership in Fair Trade Labeling Organizations International e.V. (FLO). The Organization and FLO are negotiating the terms of the separation, including a financial settlement that would resolve membership dues owed to FLO for 2011. Included in accrued liabilities is $900,000, which represents management's best estimate of the amount that is likely to be paid in settlement.

8. Notes Payable

The following is a summary of unsecured notes payable at December 31:

Lender	Interest Rate	Maturity Date	Principal Payments 2013	2014	2015	2016	Balance 12/31/12	Balance 12/31/11
Ford Foundation	1%	4/9/2015	$ 500,000	$ 500,000	$ 600,000	$ -	$1,600,000	$1,850,000
NFF	Prime +.5 or 5%	4/1/2015	450,000	725,000	400,000	-	1,575,000	1,850,000
Viva Investments Company SA	5.51%	1/26/2015	250,000	250,000	500,000	-	1,000,000	1,000,000
Sisters of St. Francis of Philadelphia	2%	2/6/2016	-	-	-	50,000	50,000	50,000
Sister of The Holy Names	3%	2/1/2013	50,000	-	-	-	50,000	50,000
Sisters of Charity of St. Elizabeth	2%	4/15/2012	-	-	-	-	-	50,000
St. Joseph Fem. Ursuline Acedemy, Inc.	1%	6/15/2014	-	50,000	-	-	50,000	50,000
			$1,250,000	$1,525,000	$1,500,000	$50,000	4,325,000	4,900,000
Current portion							1,250,000	575,000
							$3,075,000	$4,325,000

Some agreements contain certain covenants and restrictions. The Organization was in compliance with all covenants and restrictions as of December 31, 2012 and 2011.

Principal payments on the notes payable are due as follows at December 31:

2013	$1,250,000
2014	1,525,000
2015	1,500,000
2016	50,000
2017	-
	$4,325,000

9. Good World Solutions, Inc. Acquisition

On May 9, 2011, Fair Trade USA acquired World of Good: Development Organization, Inc, a California non-profit public benefit 501(c)(3) organization. On August 15, 2011, the name of the acquired organization was changed to Good World Solutions, Inc. ("GWS"). GWS is a member organization and as a result of the acquisition Fair Trade USA became the sole member of GWS. There was no monetary consideration other than the transfer of assets and liabilities from GWS to the Organization. GWS's net assets on the date of the transaction were recognized as a contribution, a portion was temporarily restricted ($112,000) and a portion was unrestricted ($146,202). The expenses related to the transaction were immaterial and were all donated in-kind legal expenses and donations. The activities of GWS from May 9, 2011 through December 31, 2011, including a release of restricted assets of $95,156, are consolidated with Fair Trade USA's activities for the year ended December 31, 2011. The statement of financial position as of December 31, 2011 is consolidated and includes the assets, liabilities and net assets of both organizations. The statement of financial position, statement of activities, statement of functional expenses and statement of cash flows as of and for the year ended December 31, 2012 are presented on a consolidated basis.

GWS's technology, in the form of its principal tools, the Fair Wage Guide and Labor Link, offers the Organization new quantitative tools to assess the impact of Fair Trade certification on farmers and workers, and potentially to enhance the credibility and/or reduce the cost of producer certification. The benefit of the merger to GWS is a ready network of over a million farmers and workers that could become users and beneficiaries of its technology platforms. The relationship helps both organizations advance their respective missions.

Details of the transaction are as follows:

Cash received	$263,452
Other assets	700
Liabilities assumed	(5,950)
Net assets contributed	$258,202
Net assets restricted	$112,000
Net assets unrestricted	146,202
Net assets	$258,202

10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following at December 31:

	2012	2011
Time restricted		
General support	$ 10,000	$ 20,000
Program restricted		
Development of grassroots support of Fair Trade in U.S. towns and universities and consumer markets	455,568	451,835
Latin America Fair Trade expansion project	163,573	90,548
Latin America farmer technical assistance	101,125	246,376
Market linkage and capacity building for Indonesian coffee and tea co-ops	247,824	405,944
Labor Link technology reporting tool	33,853	16,845
Western Uganda Fair Trade expansion project	290,032	-
Development of impact evaluation framework	200,000	-
Fair Trade certification of wild catch fish	7,618	-
Sustainable sourcing practices for Brazilian coffee producers	-	124,072
Latin American co-op support and farm training pilot projects	-	52,057
Total temporarily restricted net assets	$1,509,593	$1,407,677

11. Program Services

Business development

The Business Development Department works with companies to increase sales of Fair Trade Certified coffee, cocoa, fresh fruit, consumer packaged goods and other 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.

11. Program Services (continued)

Certification

The Certification Department audits transactions between companies offering FTC products and their international suppliers, to guarantee that the farmers and farm 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

The Supply Chain Management Department manages categories as strategic business units, and produces enhanced business results by focusing on delivering quality products and programs that fit within the Organization's mission and are desired by retailers and consumers. The Supply Chain Development Department brings together cross-departmental teams to solve problems and drive growth. The department also provides and coordinates producer assistance services including; 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 the Fair Wage Guide and Labor Link, provides quantitative tools to assess the impact of Fair Trade certification on farmers and workers.

Program Services

Program services incurred for the years ended December 31, 2012 and 2011 were comprised of the following:

	2012	2011
Business Development	$2,120,576	$2,255,529
Marketing communications and education	2,181,317	1,995,017
Certification	1,263,129	2,102,056
Supply Chain Development	2,239,218	1,596,579
Good World Solutions technology development	339,010	185,359
	$8,143,250	$8,134,540

12. Lease Commitments

The Organization leases its operating facilities in Oakland, California under a lease agreement which expires December 31, 2019. The lease was amended effective July 1, 2012 to extend the expiration date and to provide 18 months of reduced rent and annual rent increases of 3 percent thereafter. The lease is cancelable effective December 31, 2017 provided the Organization gives written notice and pays a $175,000 termination fee. The monthly rent payments under the facility lease for the years ended December 31, 2012 and 2011 were $40,851 and $42,030, respectively.

The Organization leases office equipment under a long-term, non-cancelable operating lease with a monthly cost of $1,477 expiring in October 2015.

Rent expense, included in facility expenses, for the years ended December 31, 2012 and 2011 was $570,867 and $521,246, respectively.

Future minimum lease commitments under these agreements are as follows:

2013	$ 485,858
2014	619,222
2015	635,791
2016	638,131
2017	657,275
Thereafter	1,374,297
	$4,410,574

13. Concentrations

During the year ended December 31, 2012 and 2011, two customers accounted for approximately 44% and 43% of total service fees, respectively.

During the year ended December 31, 2012, one customer accounted for approximately 62% of total service fees receivable and at December 31, 2011, two customers accounted for approximately 50% of service fees receivable.

14. 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 $105,407 and $101,620 to the plan for the years ended December 31, 2012 and 2011, respectively.

15. Subsequent Events

The Organization has evaluated subsequent events through June 19, 2013, the date the financial statements were available to be issued. There were no subsequent events that would have a material impact on the presentation of the Organization's financial statements.