

**Fair Trade USA and Good
World Solutions**

Consolidated Financial Statements

December 31, 2014 and 2013



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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, 2014 and 2013, 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 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 financial position of Fair Trade USA and Good World Solutions as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Armanino LLP
Armanino^{LLP}
San Francisco, California

June 11, 2015

FAIR TRADE USA AND
GOOD WORLD SOLUTIONS
Consolidated Statements of Financial Position
December 31, 2014 and 2013

ASSETS

	2014	2013
Current assets		
Cash and cash equivalents	\$ 5,664,297	\$ 2,351,974
Investments	-	251,208
Other assets	300,000	-
Service fees receivable, net of allowance for doubtful accounts of \$31,684 at 2014 and \$20,000 at 2013	2,651,742	2,335,138
Grants receivable, current	848,890	266,033
Other receivables	23,740	-
Prepaid expenses	90,670	134,059
Total current assets	9,579,339	5,338,412
Property and equipment, net	139,034	133,508
Deposits	50,450	50,475
Grants receivable, long term	352,213	-
Total assets	\$ 10,121,036	\$ 5,522,395

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 149,885	\$ 242,226
Accrued liabilities	585,103	1,522,312
Deferred revenue	3,110,991	12,355
Notes payable, current portion	314,497	1,275,000
Total current liabilities	4,160,476	3,051,893
Notes payable, net of current portion	2,535,503	1,550,000
Accrued lease incentive	324,993	358,361
Total liabilities	7,020,972	4,960,254
Net assets		
Unrestricted	1,102,362	61,327
Temporarily restricted	1,997,702	500,814
Total net assets	3,100,064	562,141
Total liabilities and net assets	\$ 10,121,036	\$ 5,522,395

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, 2014

	2014		
	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Service fees, net	\$ 8,996,698	\$ -	\$ 8,996,698
Grants and contributions	1,959,452	1,951,313	3,910,765
In-kind donations	862,894	-	862,894
Consulting and contracting fees	550,102	-	550,102
Realized and unrealized gains on investments	79,661	-	79,661
Net assets released from restrictions	454,425	(454,425)	-
Total revenue and support	<u>12,903,232</u>	<u>1,496,888</u>	<u>14,400,120</u>
Expenses			
Program	9,627,660	-	9,627,660
Supporting services			
General and administrative	1,319,656	-	1,319,656
Fundraising	911,670	-	911,670
Total expenses	<u>11,858,986</u>	<u>-</u>	<u>11,858,986</u>
Excess of revenues over expenses before other changes in net assets	<u>1,044,246</u>	<u>1,496,888</u>	<u>2,541,134</u>
Other changes in net assets			
Interest income	721	-	721
Foreign currency translation	(3,932)	-	(3,932)
Total other changes in net assets	<u>(3,211)</u>	<u>-</u>	<u>(3,211)</u>
Change in net assets	1,041,035	1,496,888	2,537,923
Net assets, beginning of year	<u>61,327</u>	<u>500,814</u>	<u>562,141</u>
Net assets, end of year	<u>\$ 1,102,362</u>	<u>\$ 1,997,702</u>	<u>\$ 3,100,064</u>

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, 2013

	2013		
	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Service fees, net	\$ 8,612,353	\$ -	\$ 8,612,353
Grants and contributions	999,545	203,490	1,203,035
In-kind donations	487,425	-	487,425
Consulting and contracting fees	110,854	-	110,854
Net assets released from restrictions	1,122,269	(1,122,269)	-
Total revenue and support	<u>11,332,446</u>	<u>(918,779)</u>	<u>10,413,667</u>
Expenses			
Program	9,598,958	-	9,598,958
Supporting services			
General and administrative	805,006	-	805,006
Fundraising	606,794	-	606,794
Total expenses	<u>11,010,758</u>	<u>-</u>	<u>11,010,758</u>
Excess (deficiency) of revenues over expenses before other changes in net assets	<u>321,688</u>	<u>(918,779)</u>	<u>(597,091)</u>
Other changes in net assets			
Interest income	1,503	-	1,503
Foreign currency translation	(3,026)	-	(3,026)
Loss on uncollectible grants and contributions	-	(90,000)	(90,000)
Other expense	(188,000)	-	(188,000)
Total other changes in net assets	<u>(189,523)</u>	<u>(90,000)</u>	<u>(279,523)</u>
Change in net assets	132,165	(1,008,779)	(876,614)
Net assets (deficit), beginning of year	<u>(70,838)</u>	<u>1,509,593</u>	<u>1,438,755</u>
Net assets, end of year	<u>\$ 61,327</u>	<u>\$ 500,814</u>	<u>\$ 562,141</u>

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, 2014 and 2013

Expense	2014				2013			
	Program Expenses	Management and General	Fundraising	Total Expenses	Program Expenses	Management and General	Fundraising	Total Expenses
Personnel	\$ 5,354,687	\$ 646,530	\$ 649,787	\$ 6,651,004	\$ 4,969,647	\$ 529,874	\$ 373,983	\$ 5,873,504
Professional fees	1,586,051	386,652	44,763	2,017,466	2,120,873	93,409	119,283	2,333,565
Facility	493,044	84,061	56,270	633,375	527,550	64,416	36,712	628,678
Travel expenses	546,150	21,573	66,962	634,685	646,097	23,828	28,703	698,628
Promotional activities and materials	539,010	-	15,674	554,684	248,097	-	5,875	253,972
Computer, telecom and equipment	541,871	92,326	41,400	675,597	420,355	61,311	22,495	504,161
Conferences, conventions and trade shows	152,730	12	3,963	156,705	180,079	17	1,581	181,677
Third-party	83,490	-	-	83,490	126,728	-	1,258	127,986
Other	144,338	70,805	20,276	235,419	188,513	16,228	9,567	214,308
Loan interest	96,525	13,196	9,274	118,995	78,106	6,550	4,937	89,593
Depreciation and amortization	<u>89,764</u>	<u>4,501</u>	<u>3,301</u>	<u>97,566</u>	<u>92,913</u>	<u>9,373</u>	<u>2,400</u>	<u>104,686</u>
Total expenses	<u>\$ 9,627,660</u>	<u>\$ 1,319,656</u>	<u>\$ 911,670</u>	<u>\$ 11,858,986</u>	<u>\$ 9,598,958</u>	<u>\$ 805,006</u>	<u>\$ 606,794</u>	<u>\$ 11,010,758</u>

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 2,537,923	\$ (876,614)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	97,566	104,686
Change in allowance for doubtful accounts	11,684	(40,000)
Loss on uncollectible grants and contributions	-	90,000
Forgiveness of debt	-	(250,000)
Changes in operating assets and liabilities		
Service fees receivable	(328,288)	212,267
Grants receivable	(935,070)	459,285
Other receivables	(23,740)	-
Prepaid expenses	43,389	(36,584)
Deposits	25	(125)
Accounts payable	(92,341)	95,458
Accrued liabilities	(937,209)	310,254
Deferred revenue	3,098,636	(140,785)
Accrued lease incentive	(33,368)	102,720
Net cash provided by operating activities	<u>3,439,207</u>	<u>30,562</u>
Cash flows from investing activities		
Purchases of property and equipment	(103,092)	(3,028)
Proceeds from sales of investments	251,208	519,053
Purchases of investments	-	(501,957)
Purchase of other assets	(300,000)	-
Collection of note receivable	-	7,765
Net cash provided by (used in) investing activities	<u>(151,884)</u>	<u>21,833</u>
Cash flows from financing activities		
Proceeds from notes payable	2,750,000	-
Principal payments on notes payable	(2,725,000)	(1,250,000)
Net cash provided by (used in) financing activities	<u>25,000</u>	<u>(1,250,000)</u>
Net change in cash and cash equivalents	3,312,323	(1,197,605)
Cash and cash equivalents, beginning of year	<u>2,351,974</u>	<u>3,549,579</u>
Cash and cash equivalents, end of year	<u>\$ 5,664,297</u>	<u>\$ 2,351,974</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid for interest	\$ 118,996	\$ 130,125

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

FAIR TRADE USA AND
GOOD WORLD SOLUTIONS
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

1. Organization

On October 1, 2010, Transfair USA began doing business as Fair Trade USA. Fair Trade USA was incorporated in Minnesota under 501(c)(3) status in April 1996. During 2011, Fair Trade USA acquired Good World Solutions, Inc. (GWS) a California non-profit public benefit 501(c)(3) organization. Fair Trade USA and Good World Solutions' (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, 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 800 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, apparel, 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, Fair Trade USA resigned its membership in the Fair Trade Labeling Organization. The resignation had no effect on Fair Trade USA's corporate or tax status. See Footnote 7 for discussion surrounding the resignation of membership.

FAIR TRADE USA AND
GOOD WORLD SOLUTIONS
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

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 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, 2014 and 2013 was \$31,684 and \$20,000, respectively. 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, 2014 and 2013.

FAIR TRADE USA AND
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Notes to Consolidated Financial Statements
December 31, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

Net assets (continued)

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. Temporarily restricted contributions whose restrictions are satisfied in the same reporting period are reported as unrestricted contributions.

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, 2014 and 2013.

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 and other support that is received, but not yet earned, is recorded as deferred revenue.

FAIR TRADE USA AND
GOOD WORLD SOLUTIONS
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

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.

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, 2014 and 2013, 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, 2014 and 2013, the Organization received contributed professional legal services valued at \$242,566 and \$238,187 and software licenses and advertising valued at \$620,328 and \$249,238, 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.

FAIR TRADE USA AND
GOOD WORLD SOLUTIONS
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

Investments

Investments in certificates of deposit and mutual funds with an original maturity of greater than three months are stated at their fair values in the statements of financial position. 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.

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.

FAIR TRADE USA AND
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Notes to Consolidated Financial Statements
December 31, 2014 and 2013

3. Investments and Fair Value (continued)

The Organization has categorized 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:

	<u>2014</u>	<u>2013</u>
Certificates of deposit	\$ <u>-</u>	<u>\$251,208</u>

4. Other Assets

As part of the new debt agreement with RSF Social Investment Fund (the "Fund") (see Note 9), the Organization was required to open an investment in the Fund in a minimum amount of \$300,000. As of December 31, 2014, \$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 note at the published 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.

5. Grants Receivable

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

	2014			2013		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
General support	\$359,512	\$ -	\$ 359,512	\$ 23,340	\$ -	\$ 23,340
Bringing Fair Trade benefits to Western Ugandan Coffee Farmers	-	-	-	-	60,000	60,000
Promoting sustainable livelihoods for farmers in Highlands of Chipas	-	-	-	-	80,832	80,832
Increase empowerment of migrant workers with Fair Trade certification	-	68,101	68,101	-	80,832	80,832
Capacity Building for Indonesian Coffee Co-ops	-	166,050	166,050	-	41,861	41,861
Impact assessment of Capture Fisheries Program in Indonesia	-	224,599	224,599	-	-	-
Labor Link Technology reporting tool Validating the use of mobile technology to gather baseline data in India and Brazil	-	382,841	382,841	-	-	-
	<u>\$359,512</u>	<u>\$841,591</u>	<u>\$1,201,103</u>	<u>\$ 23,340</u>	<u>\$242,693</u>	<u>\$266,033</u>

FAIR TRADE USA AND
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Notes to Consolidated Financial Statements
December 31, 2014 and 2013

5. Grants Receivable (continued)

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, 2014, management has not adjusted grants receivable using the applicable interest rate as they have deemed any adjustment to be immaterial.

Grants receivable at December 31 consisted of the following:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 848,890	\$266,033
Receivable in one to five years	<u>352,213</u>	<u>-</u>
Total grants receivable	<u>\$1,201,103</u>	<u>\$266,033</u>

6. Property and Equipment

Property and equipment at December 31 consisted of the following:

	<u>2014</u>	<u>2013</u>
Furniture and fixtures	\$168,590	\$168,590
Machinery and equipment	449,772	346,680
Leasehold improvements	<u>50,440</u>	<u>50,440</u>
	668,802	565,710
Less accumulated depreciation and amortization	<u>(529,768)</u>	<u>(432,202)</u>
	<u>\$139,034</u>	<u>\$133,508</u>

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 was \$97,566 and \$104,686 respectively.

7. Fair Trade Labeling Organization Membership Dues

In 2011, the Organization resigned from its membership in Fair Trade Labeling Organizations International e.V. (FLO). In May 2014, the Organization and FLO negotiated a separation, including a financial settlement that resolved membership dues owed to FLO for 2011. Included in accrued liabilities at December 31, 2013 is \$1,088,000, which was paid in 2014.

FAIR TRADE USA AND
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Notes to Consolidated Financial Statements
December 31, 2014 and 2013

8. Deferred Revenue

On November 1, 2014, the Organization received a one-to-one challenge matching gift from a Foundation in the amount of \$10,000,000, with no restrictions on use of the proceeds. Accompanying the gift, \$4,000,000 in publicly traded stock was received by the Organization. The stock was sold upon receipt and this amount was recorded as deferred revenue. During 2014, \$905,809 was received by the Organization as qualifying matching contributions. This amount was recognized as unrestricted revenue in 2014 which reduced the deferred revenue to \$3,094,191 as of December 31, 2014.

The matching period for the gift expires on October 31, 2016. If matching contributions exceed \$4,000,000 as of October 1, 2015 additional funds will be advanced up to \$3,000,000. The amount remaining of the \$10,000,000 shall be due and payable on or before November 1, 2016, to the extent that the Organization can show it has received the applicable matching contributions. If the Organization raises less than \$4,000,000 in matching contributions by November 1, 2016, then the Organization shall return the unmatched portion of the \$4,000,000 to the Foundation unless the Foundation elects to donate such unmatched funds to the Organization.

The remaining amount of deferred revenue of \$16,800 as of December 31, 2014 represented unearned service fees.

9. Notes Payable

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

<u>Lender</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/14</u>	<u>Balance 12/31/13</u>
RSF Social Investment Fund	RSF Prime +.5%	6/10/2019	\$2,750,000	\$ -
NFF	Prime + .5% or 5%	4/1/2015	-	1,125,000
Viva Investments Company SA	5.51%	1/26/2016	-	500,000
Sisters of St. Francis of Philadelphia	2%	2/6/2016	50,000	50,000
Ford Foundation	1%	4/1/2015	-	1,100,000
St. Joseph Fem. Ursuline Academy, Inc.	1%	6/15/2016	<u>50,000</u>	<u>50,000</u>
			2,850,000	2,825,000
		Current portion	<u>314,497</u>	<u>1,275,000</u>
			<u>\$2,535,503</u>	<u>\$1,550,000</u>

FAIR TRADE USA AND
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Notes to Consolidated Financial Statements
December 31, 2014 and 2013

9. Notes Payable (continued)

During the year ended December 31, 2014, the Organization entered into an agreement with RSF Social Investment Fund to refinance a portion of the Organization's debt. The NFF, Viva Investments and Ford Foundation notes payable were paid off as part of the refinance.

Some agreements contain certain covenants and restrictions. The Organization was in compliance with all covenants and restrictions as of December 31, 2014 and 2013.

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

2015	\$ 314,497
2016	753,028
2017	686,438
2018	721,558
2019	<u>374,479</u>
	<u>\$2,850,000</u>

10. Temporarily Restricted Net Assets

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

	<u>2014</u>	<u>2013</u>
Time restricted		
General support	\$ 25,917	\$ -
Program restricted		
Capacity building for Indonesian coffee co-ops	191,120	-
Empowerment of migrant farm workers	203,485	-
Latin America Fair Trade expansion project	-	81,957
Labor Link technology reporting tool	1,014,190	148,799
Western Uganda Fair Trade expansion project	46,384	142,688
Development of impact evaluation framework	-	72,679
Fair Trade certification of wild catch fish	516,606	38,314
Expansion of Haitian Fair Trade mango supply	<u>-</u>	<u>16,377</u>
Total temporarily restricted net assets	<u>\$1,997,702</u>	<u>\$ 500,814</u>

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11. Program Services

Business Development

The Business Development program 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.

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 Labor Link and the Fair Wage Guide, provides quantitative tools to assess the impact of Fair Trade certification on farmers and workers.

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11. Program Services (continued)

Program Services

Program services incurred for the years ended December 31, 2014 and 2013 were comprised of the following:

	<u>2014</u>	<u>2013</u>
Business Development	\$2,229,043	\$2,370,600
Marketing Communications and Education	1,943,246	2,091,606
Certification	1,507,687	1,557,409
Supply Chain Development	2,961,602	3,151,124
Good World Solutions Technology Development	<u>986,082</u>	<u>428,219</u>
	<u>\$9,627,660</u>	<u>\$9,598,958</u>

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, 2014 and 2013 were \$50,125 and \$39,011, 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, 2014 and 2013 was \$597,317 and \$592,652, respectively.

Future minimum lease commitments under these agreements are as follows:

2015	\$ 635,790
2016	638,131
2017	657,275
2018	676,994
2019	<u>697,303</u>
	<u>\$3,305,493</u>

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13. Concentrations

During the years ended December 31, 2014, one customer accounted for approximately 22% of total service fees. During the year ended December 31, 2013, two customers accounted for approximately 37% of total service fees.

As of December 31, 2014, one customer accounted for approximately 22% of total service fees receivable and as of December 31, 2013, one customer accounted for approximately 29% 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 \$158,195 and \$130,722 to the plan for the years ended December 31, 2014 and 2013, respectively.

15. Subsequent Events

The Organization has evaluated subsequent events through June 11, 2015, 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.