



*Report of Independent Auditors and
Consolidated Financial Statements*

Fair Trade USA and Good World Solutions

December 31, 2021 and 2020

Table of Contents

REPORT OF INDEPENDENT AUDITORS	1
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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position.....	4
Consolidated Statements of Activities and Changes in Net Assets.....	5
Consolidated Statements of Functional Expenses	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9

Report of Independent Auditors

The Board of Directors
Fair Trade USA and Good World Solutions

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Fair Trade USA and Good World Solutions, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Fair Trade USA and Good World Solutions as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fair Trade USA and Good World Solutions and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fair Trade USA and Good World Solutions' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fair Trade USA and Good World Solutions' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fair Trade USA and Good World Solutions' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Moss Adams LLP

San Francisco, California
June 22, 2022

Consolidated Financial Statements

Fair Trade USA and Good World Solutions
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 12,321,645	\$ 9,334,397
Service fees receivable	5,575,025	4,957,529
Grants receivable, current portion	234,000	262,000
Prepaid expenses	404,442	324,250
Other assets	<u>123,288</u>	<u>7,938</u>
Total current assets	<u>18,658,400</u>	<u>14,886,114</u>
Noncurrent assets		
Property and equipment, net	158,973	133,961
Deposits	255,563	255,563
Grants receivable, long-term, net	<u>-</u>	<u>102,000</u>
Total noncurrent assets	<u>414,536</u>	<u>491,524</u>
Total assets	<u><u>\$ 19,072,936</u></u>	<u><u>\$ 15,377,638</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 2,722,711	\$ 436,426
Accrued liabilities	1,652,841	1,177,185
Contract liabilities	382,394	723,778
Deferred rent liabilities, current portion	-	23,442
Notes payable, current portion	<u>351,540</u>	<u>1,245,801</u>
Total current liabilities	<u>5,109,486</u>	<u>3,606,632</u>
Long-term liabilities		
Notes payable, net of current portion	1,076,486	3,094,616
Deferred rent liabilities, net of current portion	<u>-</u>	<u>337,064</u>
Total long-term liabilities	<u>1,076,486</u>	<u>3,431,680</u>
Total liabilities	<u>6,185,972</u>	<u>7,038,312</u>
Net assets		
Without donor restrictions	11,164,826	4,710,219
With donor restrictions	<u>1,722,138</u>	<u>3,629,107</u>
Total net assets	<u>12,886,964</u>	<u>8,339,326</u>
Total liabilities and net assets	<u><u>\$ 19,072,936</u></u>	<u><u>\$ 15,377,638</u></u>

Fair Trade USA and Good World Solutions
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue and support			
Service fees	\$ 19,832,085	\$ -	\$ 19,832,085
Grants and contributions	398,478	1,333,041	1,731,519
In-kind donations	614,911	-	614,911
Net assets released from restriction	3,240,010	(3,240,010)	-
Total revenue and support	<u>24,085,484</u>	<u>(1,906,969)</u>	<u>22,178,515</u>
Operating expenses			
Program services	15,868,859	-	15,868,859
Supporting services			
Management and general	2,765,901	-	2,765,901
Fundraising	1,438,578	-	1,438,578
Total support services	<u>4,204,479</u>	<u>-</u>	<u>4,204,479</u>
Total operating expenses	<u>20,073,338</u>	<u>-</u>	<u>20,073,338</u>
Change in net assets from operations	<u>4,012,146</u>	<u>(1,906,969)</u>	<u>2,105,177</u>
Other changes in net assets			
Gain from forgiveness of Paycheck Protection Program loan	2,419,639	-	2,419,639
Other income	22,000	-	22,000
Foreign currency translation	822	-	822
Total other changes in net assets	<u>2,442,461</u>	<u>-</u>	<u>2,442,461</u>
Change in net assets	6,454,607	(1,906,969)	4,547,638
Net assets, beginning of year	<u>4,710,219</u>	<u>3,629,107</u>	<u>8,339,326</u>
Net assets, end of year	<u>\$ 11,164,826</u>	<u>\$ 1,722,138</u>	<u>\$ 12,886,964</u>

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

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

Fair Trade USA and Good World Solutions
Consolidated Statements of Functional Expenses
Years Ended December 31, 2021 and 2020

	2021			Total Expenses
	Program	Management and General	Fundraising	
Operating expenses				
Personnel	\$ 8,294,091	\$ 1,802,760	\$ 833,577	\$ 10,930,428
Professional fees	4,348,991	453,901	269,914	5,072,806
Facility	1,618,278	241,507	131,890	1,991,675
Computer, telecom, and equipment	839,332	196,986	83,528	1,119,846
Other	417,196	30,829	59,899	507,924
Promotional activities and materials	106,742	73	4,937	111,752
Depreciation and amortization	78,287	13,645	7,097	99,029
Third party	55,296	-	36,890	92,186
Travel	36,374	15,261	7,506	59,141
Loan interest	36,400	6,344	3,300	46,044
Conferences, conventions, and trade shows	37,872	4,595	40	42,507
	<u>\$ 15,868,859</u>	<u>\$ 2,765,901</u>	<u>\$ 1,438,578</u>	<u>\$ 20,073,338</u>
	2020			
	Program	Management and General	Fundraising	Total Expenses
Operating expenses				
Personnel	\$ 9,665,759	\$ 1,711,398	\$ 1,133,432	\$ 12,510,589
Professional fees	3,752,352	610,940	288,981	4,652,273
Facility	941,739	134,082	83,127	1,158,948
Computer, telecom, and equipment	782,365	152,868	80,688	1,015,921
Other	177,489	83,644	131,057	392,190
Promotional activities and materials	220,876	624	25,251	246,751
Conferences, conventions, and trade shows	160,583	158	15,943	176,684
Travel	121,917	2,424	19,594	143,935
Loan interest	105,544	17,831	11,791	135,166
Third party	126,000	-	3,187	129,187
Depreciation and amortization	94,292	15,930	10,534	120,756
	<u>\$ 16,148,916</u>	<u>\$ 2,729,899</u>	<u>\$ 1,803,585</u>	<u>\$ 20,682,400</u>

Fair Trade USA and Good World Solutions
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 4,547,638	\$ 780,770
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	99,029	120,756
Gain on forgiveness of Paycheck Protection Program loan	(2,419,639)	-
Changes in operating assets and liabilities:		
Service fees receivable	(617,496)	377,477
Grants receivable	130,000	1,652,709
Prepaid expenses	(80,192)	57,577
Other assets	(115,350)	114,936
Accounts payable	2,286,285	(35,837)
Accrued liabilities	475,656	564,445
Contract liabilities	(341,384)	462,955
Deferred rent liabilities	(360,506)	(15,346)
Net cash provided by operating activities	<u>3,604,041</u>	<u>4,080,442</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(124,041)</u>	<u>(7,322)</u>
Net cash used in investing activities	<u>(124,041)</u>	<u>(7,322)</u>
Cash flows from financing activities		
Principal payments on notes payable	(492,752)	(2,529,222)
Proceeds from notes payable	<u>-</u>	<u>4,369,639</u>
Net cash (used in) provided by financing activities	<u>(492,752)</u>	<u>1,840,417</u>
Net change in cash and cash equivalents	2,987,248	5,913,537
Cash and cash equivalents, beginning of year	<u>9,334,397</u>	<u>3,420,860</u>
Cash and cash equivalents, end of year	<u>\$ 12,321,645</u>	<u>\$ 9,334,397</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 46,044</u>	<u>\$ 135,166</u>

Fair Trade USA and Good World Solutions

Notes to Consolidated Financial Statements

NOTE 1 – NATURE OF OPERATIONS

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair Trade USA and Good World Solutions

Notes to Consolidated Financial Statements

Net assets with donor restrictions – Represents contributions that are limited in use by the Organization in accordance with donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

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

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

Contributed goods and services – Contributed services are recognized if they create or enhance nonfinancial assets or require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. During the years ended December 31, 2021 and 2020, the Organization received contributed professional services valued at \$148,195 and \$236,909, respectively, and software licenses and advertising valued at \$466,716 and \$447,217, 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 years ended December 31, 2021 and 2020.

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 applicable service agreement, which is when the performance obligation is met. Consideration is based on the applicable service agreement. Service fee revenue is shown net of implicit and explicit price concessions provided to participating companies.

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

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

	2021	2020
Coffee	\$ 7,808,420	\$ 6,382,282
Consumer packaged goods	4,292,955	4,541,851
Apparel and home goods	3,457,773	2,674,056
Produce and flowers	3,726,842	3,116,226
Seafood	546,095	332,200
	\$ 19,832,085	\$ 17,046,615

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

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

Contract liabilities – Service revenue and other support where cash was received, but not yet earned, are recorded as contract liabilities. The amount of contract liabilities of \$382,394 and \$723,778 as of December 31, 2021 and 2020, respectively, represented unearned service fees and unearned consulting and contractor fees. Contract liabilities are recognized as revenue when services are performed by the Organization as stipulated in the applicable service agreements.

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

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, 2021 and 2020, that the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Fair Trade USA and Good World Solutions

Notes to Consolidated Financial Statements

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

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

New accounting pronouncements – In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which extended the effective applicability date of Topic 842 to annual periods beginning after December 15, 2021, from December 15, 2020. As such, the adoption is effective for the Organization beginning January 1, 2022. Management is currently evaluating the impact of the new standard and has not yet determined whether it will have a material impact on the consolidated financial statements.

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

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

NOTE 3 – GRANTS RECEIVABLE

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

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
General support	\$ 109,000	\$ 125,000	\$ 234,000
	<u>\$ 109,000</u>	<u>\$ 125,000</u>	<u>\$ 234,000</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
General support	\$ 173,000	\$ 191,000	\$ 364,000
	<u>\$ 173,000</u>	<u>\$ 191,000</u>	<u>\$ 364,000</u>

Grants receivable that are expected to be collected in subsequent years are typically discounted using a risk adjusted market interest rate applicable to the years in which the grants are expected to be received or when the promise is made. At December 31, 2021 and 2020, 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:

	2021	2020
Receivable in less than one year	\$ 234,000	\$ 262,000
Receivable in one to five years	-	102,000
	<u>\$ 234,000</u>	<u>\$ 364,000</u>

Fair Trade USA and Good World Solutions

Notes to Consolidated Financial Statements

NOTE 4 – PROPERTY AND EQUIPMENT, NET

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

	2021	2020
Furniture and fixtures	\$ 168,590	\$ 168,590
Machinery and equipment	911,235	787,194
Leasehold improvements	68,930	68,930
Website development	304,083	304,083
	<u>1,452,838</u>	<u>1,328,797</u>
Less: accumulated depreciation and amortization	<u>(1,293,865)</u>	<u>(1,194,836)</u>
	<u>\$ 158,973</u>	<u>\$ 133,961</u>

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 was \$99,029 and \$120,756, respectively.

NOTE 5 – NOTES PAYABLE

In May 2020, the Organization entered into a loan agreement with Bank of the West for \$2,419,639. The loan was granted as part of the U.S. Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), to help small businesses and organizations maintain payroll in light of the COVID-19 pandemic. The two-year loan bears an interest rate at 1% per year and matures in May 2022. The loan is guaranteed by the SBA and no payments are due on the loan for the first ten months. The loan is subject to partial or full forgiveness if the Organization uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations, and guidance. The Organization submitted an application for forgiveness and the full outstanding loan balance, including principal and interest, was formally forgiven in June 2021. The outstanding balance has been derecognized as notes payable at December 31, 2021 and recognized as a gain from forgiveness of Paycheck Protection Program loan during the year ended December 31, 2021 in the consolidated statement of activities and changes in net assets.

In July 2020, the Organization entered into a secured loan agreement with Bank of the West for \$150,000. The loan was granted as part of the SBA COVID-19 Economic Injury Disaster Loan (“EIDL”) program under the CARES Act, to provide economic relief to small businesses and nonprofit organizations that are experiencing a temporary loss of revenue due to the COVID-19 pandemic. The loan bears an interest rate at 2.75% per year and matures in July 2050. No principal and interest payments are due on the loan for the first twelve months from the date of the loan agreement. The full outstanding loan balance, including principal and interest, was repaid in 2021.

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

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

In November 2021, the Organization renewed its secured line of credit agreement with First Republic Bank in the amount of \$1,000,000. The line of credit bears interest at a rate of 3.25% and matures in November 2022. As of December 31, 2021, no amounts are outstanding for this line of credit.

Notes payable are detailed as follows at December 31:

Lender	Interest Rate	Maturity Date	2021	2020
First Republic Bank	2.50%	11/2/2025	\$ 1,428,026	\$ 1,770,778
Bank of the West - PPP	1.00%	5/8/2022	-	2,419,639
Bank of the West - EIDL	2.75%	7/1/2050	-	150,000
			1,428,026	4,340,417
Less: current portion			(351,540)	(1,245,801)
			<u>\$ 1,076,486</u>	<u>\$ 3,094,616</u>

The future maturities of the notes payable are as follows:

<u>Years ending December 31,</u>	
2022	\$ 351,540
2023	360,555
2024	369,755
2025	346,176
	<u>\$ 1,428,026</u>

Management believes it is in compliance with all covenants and restrictions as of and for the years ended December 31, 2021 and 2020.

Fair Trade USA and Good World Solutions

Notes to Consolidated Financial Statements

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Innovation technology support	\$ 610,712	\$ 1,439,195
Enabling meaningful producer needs assessments and maximizing the impact of global community development project investments program	502,909	1,050,022
Research cost of sustainable production for coffee farmers	132,662	150,000
Support the expansion, feasibility study for expansion of Fair Trade USA's certification in the Midwest	127,800	-
Support the expansion, demand for, and impact of Fair Trade USA's seafood program	107,833	326,855
To develop geospatial farm analysis and coaching systems to enable mapping of environmental impacts such as deforestation and carbon capture on fair trade certified farms across the Americas	100,000	-
General support - time restricted	52,990	115,436
Global impact work in the Philippines	36,130	93,500
Fair trade certification of aquaculture	31,102	87,156
Analyze and track the global landscape of sustainable seafood	20,000	49,000
Fair trade certification of wild catch fish	-	88,727
Support and develop digital training material for fair trade committees	-	65,436
Support to MMAF to adopt a participatory science-based decision making process to implement a five year management tuna	-	47,417
Improving farmer livelihoods in the Philippines	-	46,250
Develop healthy & safety virtual trainings for at-risk communities along global supply chains with the emphasis on COVID-19 prevention, labor rights, and financial literacy	-	35,000
Improving farmer livelihoods in Colombia	-	17,613
Develop a living wage benchmark in Mexico	-	17,500
	<u>\$ 1,722,138</u>	<u>\$ 3,629,107</u>

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

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

	2021	2020
Innovation technology support	\$ 1,078,477	\$ 1,060,811
Apparel and home goods program	600,000	600,000
Enabling meaningful producer needs assessments and maximizing the impact of global community development project investments program	547,113	349,978
Support the expansion, demand for, and impact of Fair Trade USA's seafood program	219,022	173,145
Support the expansion, feasibility study for expansion of Fair Trade USA's certification in the Midwest	147,200	-
General support - time restricted	110,493	141,815
Fair Trade certification of wild catch fish	88,727	294,486
Support and develop digital training material for fair trade committees	65,436	9,565
Global impact work in the Philippines	57,370	21,500
Fair trade certification of aquaculture	56,054	196,214
Support to MMAF to adopt a participatory science-based decision making process to implement a five year management tuna	47,417	102,583
Improving farmer livelihoods in the Philippines	46,250	3,750
Support producer services work, training farmers global north	45,000	-
Develop healthy & safety virtual trainings for at-risk communities along global supply chains with the emphasis on COVID-19 prevention, labor rights, and financial literacy	35,000	-
Analyze and track the global landscape of sustainable seafood	29,000	29,000
Improving farmer livelihoods in the Colombia	17,613	-
Develop a living wage benchmark in Mexico	17,500	7,500
Research cost of sustainable production for coffee farmers	17,338	-
Donation to support fair trade committee Shanghai Weijie garment factory	15,000	-
Premium program in Colombia	-	96,144
Improve labor conditions and protections for farm workers in North America	-	41,095
	<u>\$ 3,240,010</u>	<u>\$ 3,127,586</u>

NOTE 7 – PROGRAM SERVICES

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

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

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

Fair Trade USA and Good World Solutions

Notes to Consolidated Financial Statements

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

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

	<u>2021</u>	<u>2020</u>
Business Development	\$ 4,508,088	\$ 5,106,716
Supply Chain Management	4,410,186	4,111,466
Certification-Impact-Program Operations	4,119,752	3,354,080
Marketing Communications and Education	2,825,916	3,574,246
Good World Solutions Technology	4,917	2,408
	<u>\$ 15,868,859</u>	<u>\$ 16,148,916</u>

NOTE 8 – COMMITMENTS

The Organization entered into a sublease agreement with Flexera for its office location at 1901 Harrison Street, Suite 1700, Oakland, California, that began on July 1, 2019. In June 2021, this sublease agreement was terminated early when a new sublessor was identified. Upon termination of the sublease, \$356,942 of the remaining deferred rent liabilities was derecognized and recorded against rent expense for the year ended December 31, 2021. While the Organization continues to negotiate the final settlement of its sublease agreement exit, \$2,396,167 of accrued rent was recorded as accounts payable at December 31, 2021 under the terms of the existing sublease agreement.

Rent expense, included in facility expenses on the consolidated statements of functional expenses, for the years ended December 31, 2021 and 2020 was \$1,906,971 and \$1,033,910, respectively.

NOTE 9 – CONCENTRATIONS

During the years ended December 31, 2021 and 2020, one customer accounted for approximately 7% and 9% of total service fees, respectively.

As of the years ended December 31, 2021 and 2020, one customer accounted for approximately 6% and 5% of total service fees receivable, net, respectively.

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

NOTE 10 – RETIREMENT PLAN

The Organization sponsors a 401(k) profit sharing plan covering all eligible employees who have completed six months of service. The Organization makes matching contributions up to 4% of the employee's eligible compensation. Employees are eligible to make elective contributions up to the maximum amount allowed by the Internal Revenue Code. The Organization contributed \$236,826 and \$315,528, respectively, to the plan for the year ended December 31, 2021 and 2020, included in personnel expenses on the consolidated statements of functional expenses.

NOTE 11 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, within one year of the consolidated statements of financial position at December 31, 2021 and 2020, comprise the following:

	2021	2020
FINANCIAL ASSETS, AT YEAR END		
Cash and cash equivalents	\$ 12,321,645	\$ 9,334,397
Service fees receivable	5,575,025	4,957,529
Grants receivable, current portion	234,000	262,000
	18,130,670	14,553,926
LESS ASSETS UNAVAILABLE FOR GENERAL EXPENDITURES WITHIN ONE YEAR		
Cash and cash equivalents held with donor restrictions	(1,597,138)	(3,438,107)
Grants receivable, current portion with donor restrictions	(125,000)	(191,000)
	(1,722,138)	(3,629,107)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 16,408,532	\$ 10,924,819

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in certificate of deposits and money market funds. The service fee receivable and grants receivable, current portion are expected to be collected within one year. The Organization also has \$1,000,000 available to draw on from its line of credit with First Republic Bank as of December 31, 2021 (see Note 5).

NOTE 12 – SUBSEQUENT EVENTS

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

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

The Organization has evaluated subsequent events through June 22, 2022, which is the date the consolidated financial statements were available to be issued.

