

**Fair Trade USA and Good  
World Solutions**

Consolidated Financial Statements

December 31, 2013 and 2012



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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, 2013 and 2012, 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, 2013 and 2012, 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<sup>LLP</sup>  
San Ramon, California

June 30, 2014

An independent firm associated with  
**MOORE STEPHENS**

FAIR TRADE USA AND  
GOOD WORLD SOLUTIONS  
Consolidated Statements of Financial Position  
December 31, 2013 and 2012

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ASSETS

	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 2,351,974	\$ 3,549,579
Investments	251,208	268,304
Service fees receivable, net of allowance for doubtful accounts of \$20,000 at 2013 and \$60,000 at 2012	2,335,138	2,507,405
Grants receivable, current	266,033	674,486
Note receivable, current	-	7,765
Prepaid expenses	134,059	97,475
Total current assets	<u>5,338,412</u>	<u>7,105,014</u>
Property and equipment, net	133,508	235,166
Deposits	50,475	50,350
Grants receivable, long term	-	140,832
Total assets	<u>\$ 5,522,395</u>	<u>\$ 7,531,362</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities		
Accounts payable	\$ 242,226	\$ 146,768
Accrued liabilities	1,522,312	1,212,058
Deferred revenue	12,355	153,140
Notes payable, current portion	1,275,000	1,250,000
Total current liabilities	<u>3,051,893</u>	<u>2,761,966</u>
Notes payable, net of current portion	1,550,000	3,075,000
Accrued lease incentive	358,361	255,641
Total liabilities	<u>4,960,254</u>	<u>6,092,607</u>
Net assets		
Unrestricted	61,327	(70,838)
Temporarily restricted	500,814	1,509,593
Total net assets	<u>562,141</u>	<u>1,438,755</u>
Total liabilities and net assets	<u>\$ 5,522,395</u>	<u>\$ 7,531,362</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	\$ 8,612,352	\$ -	\$ 8,612,352
Grants and contributions	999,545	203,490	1,203,035
In-kind donations	487,425	-	487,425
Other income	110,855	-	110,855
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>
(Deficiency) excess 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 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	<u>10,233,738</u>	<u>101,916</u>	<u>10,335,654</u>
Expenses			
Program	8,143,250	-	8,143,250
Supporting services			
General and administrative	911,514	-	911,514
Fundraising	528,210	-	528,210
Total expenses	<u>9,582,974</u>	<u>-</u>	<u>9,582,974</u>
Excess of revenues over expenses before other changes in net assets	<u>650,764</u>	<u>101,916</u>	<u>752,680</u>
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	<u>(12,400)</u>	<u>-</u>	<u>(12,400)</u>
Change in net assets	638,364	101,916	740,280
Net assets (deficit), beginning of year	<u>(709,202)</u>	<u>1,407,677</u>	<u>698,475</u>
Net assets (deficit), end of year	<u>\$ (70,838)</u>	<u>\$ 1,509,593</u>	<u>\$ 1,438,755</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, 2013 and 2012

	2013				2012			
	Program Expenses	Management and General	Fundraising	Total Expenses	Program Expenses	Management and General	Fundraising	Total Expenses
Expense								
Personnel	\$ 4,969,647	\$ 529,874	\$ 373,983	\$ 5,873,504	\$ 4,186,814	\$ 615,407	\$ 323,450	\$ 5,125,671
Professional fees	2,120,873	93,409	119,283	2,333,565	1,284,237	111,548	35,334	1,431,119
Facility	527,550	64,416	36,712	628,678	484,767	70,865	50,547	606,179
Travel expenses	646,097	23,828	28,703	698,628	609,230	11,499	36,522	657,251
Promotional activities and materials	248,097	-	5,875	253,972	282,773	-	10,988	293,761
Computer equipment and services	289,522	54,879	13,112	357,513	311,798	55,535	43,501	410,834
Conferences, conventions and trade shows	180,079	17	1,581	181,677	284,086	-	1,247	285,333
Telecommunications	103,682	4,569	7,568	115,819	86,737	4,735	5,237	96,709
Equipment	27,151	1,863	1,815	30,829	22,423	2,612	2,105	27,140
Third-party	126,728	-	1,258	127,986	178,108	3,456	1,430	182,994
Other	188,513	16,228	9,567	214,308	197,875	11,987	6,894	216,756
Loan interest	78,106	6,550	4,937	89,593	120,641	13,504	7,825	141,970
Depreciation and amortization	92,913	9,373	2,400	104,686	93,761	10,366	3,130	107,257
Total expenses	<u>\$ 9,598,958</u>	<u>\$ 805,006</u>	<u>\$ 606,794</u>	<u>\$ 11,010,758</u>	<u>\$ 8,143,250</u>	<u>\$ 911,514</u>	<u>\$ 528,210</u>	<u>\$ 9,582,974</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ (876,614)	\$ 740,280
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	104,686	107,257
Change in allowance for doubtful accounts	(40,000)	-
Loss on uncollectible grants and contributions	90,000	-
Loss on disposal of equipment	-	395
Forgiveness of debt	(250,000)	-
Changes in operating assets and liabilities		
Service fees receivable	212,267	(81,214)
Grants receivable, current	459,285	269,030
Other receivables	-	7,080
Prepaid expenses	(36,584)	(5,765)
Deposits	(125)	(13,048)
Accounts payable	95,458	(85,323)
Accrued liabilities	310,254	(48,515)
Deferred revenue	(140,785)	153,140
Accrued lease incentive	102,720	109,815
Net cash provided by operating activities	<u>30,562</u>	<u>1,153,132</u>
Cash flows from investing activities		
Purchases of property and equipment	(3,028)	(31,668)
Proceeds from sales of investments	519,053	258,324
Purchases of investments	(501,957)	(268,304)
Collection of note receivable	7,765	14,632
Net cash provided by (used in) investing activities	<u>21,833</u>	<u>(27,016)</u>
Cash flows from financing activities		
Principal payments on notes payable	<u>(1,250,000)</u>	<u>(575,000)</u>
Net cash used in financing activities	<u>(1,250,000)</u>	<u>(575,000)</u>
Net change in cash and cash equivalents	(1,197,605)	551,116
Cash and cash equivalents, beginning of year	<u>3,549,579</u>	<u>2,998,463</u>
Cash and cash equivalents, end of year	<u>\$ 2,351,974</u>	<u>\$ 3,549,579</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid for interest	\$ 130,125	\$ 165,070

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, 2013 and 2012

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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 and Good World Solutions (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, 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, 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. Also 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  
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Notes to Consolidated Financial Statements  
December 31, 2013 and 2012

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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, 2013 and 2012 was \$20,000 and \$60,000, 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, 2013 and 2012.

FAIR TRADE USA AND  
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Notes to Consolidated Financial Statements  
December 31, 2013 and 2012

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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, 2013 and 2012.

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.

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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, 2013 and 2012, 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, 2013 and 2012, the Organization received contributed professional legal services valued at \$238,187 and \$294,802 and software licenses valued at \$249,236 and \$209,556, 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  
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Notes to Consolidated Financial Statements  
December 31, 2013 and 2012

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2. Summary of Significant Accounting Policies (continued)

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.

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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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:

	<u>2013</u>	<u>2012</u>
Certificates of deposit	\$251,208	\$250,685
Equities	<u>-</u>	<u>17,619</u>
Total	<u>\$251,208</u>	<u>\$268,304</u>

4. Grants Receivable

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

	<u>2013</u>			<u>2012</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
General support	\$23,340	\$ -	\$ 23,340	\$ 36,500	\$ -	\$ 36,500
Bringing Fair Trade benefits to Western Ugandan Coffee Farmers	-	60,000	60,000	-	170,000	170,000
Promoting sustainable livelihoods for farmers in Highlands of Chipas	-	80,832	80,832	-	161,664	161,664
Reporting on apparel pilot	-	-	-	-	2,500	2,500
Capacity Building for Indonesian Coffee Co-ops	-	41,861	41,861	-	104,654	104,654
Latin American Fair Trade expansion project	-	-	-	-	250,000	250,000
Market Linkage and Supply Chain Support for Indonesian Tea Producers	-	-	-	-	90,000	90,000
Validating the use of mobile technology to gather baseline data in India and Brazil	<u>-</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$23,340</u>	<u>\$242,693</u>	<u>\$ 266,033</u>	<u>\$ 36,500</u>	<u>\$778,818</u>	<u>\$815,318</u>

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, 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, 2013 in the amount of \$266,033 are classified as current and are to be received during 2014.

FAIR TRADE USA AND  
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5. Notes Receivable

The Organization had a note receivable with a customer with an original principal balance of \$26,925. The note matured in July 2013 and was fully repaid as of December 31, 2013. As of December 31, 2012, the note had an outstanding balance of \$7,765.

6. Property and Equipment

Property and equipment at December 31 consisted of the following:

	<u>2013</u>	<u>2012</u>
Furniture and fixtures	\$168,590	\$168,590
Machinery and equipment	346,680	343,653
Leasehold improvements	<u>50,440</u>	<u>50,440</u>
	565,710	562,683
Less accumulated depreciation and amortization	<u>(432,202)</u>	<u>(327,517)</u>
	<u>\$133,508</u>	<u>\$235,166</u>

Depreciation and amortization expense for the years ended December 31, 2013 and 2012 was \$104,686 and \$107,257 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 \$1,088,000, which represents management's best estimate of the amount that is likely to be paid in settlement (see Footnote 14).

FAIR TRADE USA AND  
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Notes to Consolidated Financial Statements  
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8. 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>2014</u>	<u>2015</u>	<u>2016</u>	<u>Balance 12/31/13</u>	<u>Balance 12/31/12</u>
Ford Foundation	1%	4/1/2015	\$ 500,000	\$ 600,000	\$ -	\$1,100,000	\$1,600,000
NFF	Prime +.5 or 5%	4/1/2015	725,000	400,000	-	1,125,000	1,575,000
Viva Investments Company SA	5.51%	1/26/2016	-	250,000	250,000	500,000	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
St. Joseph Fem. Ursuline Academy, Inc.	1%	6/15/2014	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
			<u>\$1,275,000</u>	<u>\$1,250,000</u>	<u>\$300,000</u>	2,825,000	4,325,000
Current portion						<u>1,275,000</u>	<u>1,250,000</u>
						<u>\$1,550,000</u>	<u>\$3,075,000</u>

Some agreements contain certain covenants and restrictions. The Organization was in compliance with all covenants and restrictions as of December 31, 2013 and 2012.

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

2014	\$1,275,000
2015	1,250,000
2016	<u>300,000</u>
	<u>\$2,825,000</u>

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9. Temporarily Restricted Net Assets

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

	<u>2013</u>	<u>2012</u>
Time restricted		
General support	\$ -	\$ 10,000
Program restricted		
Latin America Fair Trade expansion project	81,957	163,573
Labor Link technology reporting tool	148,799	33,853
Western Uganda Fair Trade expansion project	142,688	290,032
Development of impact evaluation framework	72,679	200,000
Fair Trade certification of wild catch fish	38,314	7,618
Expansion of Haitian Fair Trade mango supply	16,377	-
Development of grassroots support of Fair Trade in U.S. towns and universities and consumer markets	-	455,568
Latin America farmer technical assistance	-	101,125
Market linkage and capacity building for Indonesian coffee and tea co-ops	-	<u>247,824</u>
Total temporarily restricted net assets	<u>\$ 500,814</u>	<u>\$1,509,593</u>

10. 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.

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10. 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, 2013 and 2012 were comprised of the following:

	<u>2013</u>	<u>2012</u>
Business Development	\$2,370,600	\$2,120,576
Marketing Communications and Education	2,091,606	2,181,317
Certification	1,557,409	1,263,129
Supply Chain Development	3,151,124	2,239,218
Good World Solutions Technology Development	<u>428,219</u>	<u>339,010</u>
	<u>\$9,598,958</u>	<u>\$8,143,250</u>

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11. 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, 2013 and 2012 were \$39,011 and \$40,851, 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, 2013 and 2012 was \$592,652 and \$570,867, respectively.

Future minimum lease commitments under these agreements are as follows:

2014	\$ 619,222
2015	635,790
2016	638,131
2017	657,275
2018	676,994
Thereafter	<u>697,303</u>
	<u>\$3,924,715</u>

12. Concentrations

During the years ended December 31, 2013 and 2012, two customers accounted for approximately 37% and 44% of total service fees, respectively.

As of December 31, 2013, one customer accounted for approximately 29% of total service fees receivable and as of December 31, 2012, one customer accounted for approximately 62% of service fees receivable.

13. 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 \$130,722 and \$105,407 to the plan for the years ended December 31, 2013 and 2012, respectively.

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14. Subsequent Events

In May 2014, the Organization reached an agreement with FLO which included a financial settlement and terms of the separation (see Footnote 7).

The Organization has evaluated subsequent events through June 30, 2014, the date the financial statements were available to be issued. There were no other subsequent events that would have a material impact on the presentation of the Organization's financial statements.