

Solidaridad North America
Audited Financial Statements
Year Ended December 31, 2015

Solidaridad North America

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Continental Supervisory Board
Solidaridad North America

We have audited the accompanying financial statements of Solidaridad North America (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2015, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Solidaridad North America as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



South San Francisco, California
February 10, 2016

Solidaridad North America
Statement of Financial Position
December 31, 2015

ASSETS

CURRENT ASSETS

Cash	\$ 116,521
Accounts Receivable	16,500
Accounts Receivable - Affiliates	1,063
Grants Receivable	50,000
Prepaid Expenses	<u>346</u>
Total Current Assets	<u>184,430</u>

NONCURRENT ASSETS

Deposits	<u>1,875</u>
Total Noncurrent Assets	<u>1,875</u>

Total Assets	<u>\$ 186,305</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 75
Accrued Vacation	17,064
Accrued Expenses	<u>13,500</u>
Total Liabilities	<u>30,639</u>

NET ASSETS

Unrestricted	6,263
Temporarily Restricted	<u>149,403</u>
Total Net Assets	<u>155,666</u>

Total Liabilities and Net Assets	<u>\$ 186,305</u>
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Solidaridad North America
Statement of Activities
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Grants and Contributions	\$ 273,769	\$ 98,142	\$ 371,911
Contracts	-	16,500	16,500
Currency Loss	<u>(18,592)</u>	<u>-</u>	<u>(18,592)</u>
	255,177	114,642	369,819
Net Assets Released from Restrictions			
Satisfaction of Program Restrictions	<u>388,961</u>	<u>(388,961)</u>	<u>-</u>
Total Revenue	<u>644,138</u>	<u>(274,319)</u>	<u>369,819</u>
EXPENSES			
Program Services	<u>377,925</u>	<u>-</u>	<u>377,925</u>
Supporting Services			
Management and General Expenses	209,622	-	209,622
Fund Raising	<u>60,819</u>	<u>-</u>	<u>60,819</u>
Total Supporting Services	<u>270,441</u>	<u>-</u>	<u>270,441</u>
Total Expenses	<u>648,366</u>	<u>-</u>	<u>648,366</u>
CHANGE IN NET ASSETS	(4,228)	(274,319)	(278,547)
NET ASSETS, BEGINNING OF YEAR	<u>10,491</u>	<u>423,722</u>	<u>434,213</u>
NET ASSETS, END OF YEAR	<u>\$ 6,263</u>	<u>\$ 149,403</u>	<u>\$ 155,666</u>

Solidaridad North America
Statement of Functional Expenses
Year Ended December 31, 2015

	<u>Program Services</u>					<u>Supporting Services</u>				
	Sustainable Agriculture Strategy - Chaco (G & B Moore Foundation)	Oil Palm - Indonesia (D & L Packard Foundation)	Farm Forest and Finance Initiative (Earth Innovation Institute)	Back to REDD (Stichting Solidaridad)	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Personnel Expenses										
Salaries and Wages	\$ 31,917	\$ 13,344	\$ 1,784	\$ 15,810	\$ 3,266	\$ 66,121	\$ 120,796	\$ 48,012	\$ 168,808	\$ 234,929
Employee Benefits	1,358	-	-	-	-	1,358	18,268	3,600	21,868	23,226
Payroll Taxes	-	466	-	-	-	466	14,706	4,680	19,386	19,852
Total Personnel Expenses	<u>33,275</u>	<u>13,810</u>	<u>1,784</u>	<u>15,810</u>	<u>3,266</u>	<u>67,945</u>	<u>153,770</u>	<u>56,292</u>	<u>210,062</u>	<u>278,007</u>
Nonpersonnel Expenses										
Project Expenses	80,800	79,000	79,500	-	8,500	247,800	-	-	-	247,800
Travel and Meetings	7,513	-	209	7,039	3,786	18,547	26,853	4,389	31,242	49,789
Professional Fees	4,491	-	3,900	2,000	300	10,691	19,220	-	19,220	29,911
Contract Services	5,505	480	1,765	4,667	-	12,417	8,333	-	8,333	20,750
Occupancy	-	-	-	14,161	-	14,161	-	-	-	14,161
Office Expense	2,878	603	1,253	-	-	4,734	325	128	453	5,187
Insurance	631	-	250	-	-	881	630	-	630	1,511
Bank Service	420	90	161	-	20	691	482	-	482	1,173
Office Supplies	20	17	-	-	21	58	9	10	19	77
Total Nonpersonnel Expenses	<u>102,258</u>	<u>80,190</u>	<u>87,038</u>	<u>27,867</u>	<u>12,627</u>	<u>309,980</u>	<u>55,852</u>	<u>4,527</u>	<u>60,379</u>	<u>370,359</u>
Total Expenses	<u>\$ 135,533</u>	<u>\$ 94,000</u>	<u>\$ 88,822</u>	<u>\$ 43,677</u>	<u>\$ 15,893</u>	<u>\$ 377,925</u>	<u>\$ 209,622</u>	<u>\$ 60,819</u>	<u>\$ 270,441</u>	<u>\$ 648,366</u>

Solidaridad North America
Statement of Cash Flows
Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (278,547)
(Increase) Decrease in Operating Assets	
Accounts Receivable	(17,563)
Grants Receivable	141,288
Prepaid Expenses	69
Increase (Decrease) in Operating Liabilities	
Accounts Payable	(232,781)
Accrued Vacation	(3,504)
Accrued Expenses	4,000
Net Cash (Used) by Operating Activities	<u>(387,038)</u>
NET (DECREASE) IN CASH	(387,038)
CASH, BEGINNING OF YEAR	<u>503,559</u>
CASH, END OF YEAR	<u>\$ 116,521</u>

Solidaridad North America
Notes to Financial Statements
December 31, 2015

1. Organization

Solidaridad North America, a California Public Benefit Corporation, is the “face” of Solidaridad Network in the USA and Canada. The Solidaridad Network is an international civil society organization with more than 45 years of global experience in facilitating the development of socially responsible, ecologically sound and profitable supply chains. Solidaridad Network works across thirteen different supply chains and operates through nine regional offices on five continents.

Solidaridad North America brings together supply chain actors and engages them in innovative solutions to improve production, ensuring the transition to a sustainable and inclusive economy that maximizes the benefit for all.

We envision a world in which all we produce, and all we consume, can sustain us while respecting the planet, each other and the next generations.

Solidaridad North America contributes to the following projects:

Bringing Agriculture Capacity, Carbon and Knowledge to REDD+ is proposing to identify and drive the uptake of climate smart agricultural (CSA) practices that reduce greenhouse gas (GHG) emissions from agriculture supply chains and simultaneously reduce agricultural expansion into forests. CSA practices will also result in increased productivity and incomes, and help farmers adapt to climate change.

Land Neutral Agricultural Expansion project aims to pilot a novel integrated approach aimed at scaling up sustainable land-use solutions to conciliate agricultural expansion and environmental conservation, by enabling sustainable intensification of cattle ranching and linking that to soy expansion in Alta Floresta municipality in Mato Grosso, Brazil.

Forest, Farm and Finance Initiative (3FI) aims to decouple agriculture and deforestation. Solidaridad North America manages supporting research in Paraguay and Ghana to develop strategies for supporting transitions to low emissions rural development (LED-R).

The Walmart Foundation supported program to create an enabling environment for female farmers in the cotton supply chain of China, to increase participation and leadership from women in ongoing Better Cotton Initiative (BCI) projects, improve livelihoods, reduce impact on the environment and women’s health, and positively impact the community.

Solidaridad North America
Notes to Financial Statements
December 31, 2015
(Continued)

1. **Organization (continued)**

The Gordon and Betty Moore Foundation supported program to activate key beef and soy stakeholders in the Gran Chaco, to collaborate on an approach to agriculture that reconciles productivity and ecosystem function.

The David and Lucile Packard Foundation grant to design a pilot project to improve smallholder palm oil production in Indonesia while reducing smallholder conversion of forest and peat.

Farmer Support Programme aims to increase sustainable supply of palm oil, soy, cotton, livestock and sugarcane sectors by helping to bring one million workers and farmers into compliance with Roundtable on Responsible Palm Oil (RSPO), Roundtable Responsible Soy (RTRS), Better Cotton Initiative (BCI), Global Roundtable for Sustainable Beef (GRSB) and/or Bonsucro standards.

The Kellogg Company grant is to support Solidaridad North America's training program for sustainable sugarcane in Central America.

2. **Summary of Significant Accounting Policies**

Basis of Accounting – The financial statements of Solidaridad North America have been prepared using the accrual method of accounting, which involves the recognition of revenues and gains when earned and expenses and losses when incurred.

Basis of Presentation – Solidaridad North America is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, Solidaridad North America considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Solidaridad North America
Notes to Financial Statements
December 31, 2015
(Continued)

2. **Summary of Significant Accounting Policies (continued)**

Grants and Accounts Receivable – Grants and Accounts Receivable represent program grants and operating receivables from Nonprofit Organizations. Grants and accounts receivable have been reviewed by management and it has been determined that there is no requirement for an allowance for doubtful accounts as of December 31, 2015.

Grants and Contributions Receivable – Unconditional receivables are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional receivables are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional receivables are recognized only when the conditions on which they depend are substantially met and the receivables become unconditional.

Fixed Assets and Depreciation – Solidaridad North America records acquisitions of items with a cost of \$5,000 or more as fixed assets. Fixed assets are recorded at cost when purchased and at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the fixed assets, primarily five to seven years.

Contracts/Consultant – Payments to entities in and outside the United States by Solidaridad North America are only made upon execution of a written contract agreement signed by the two parties outlining the terms of the contract. Adherence to the terms is monitored by Solidaridad North America program staff and no subsequent payments are made until contractor has demonstrated compliance terms.

Restricted and Unrestricted Revenue – Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a donor-specified restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as Net Assets Released from Restrictions.

Solidaridad North America
Notes to Financial Statements
December 31, 2015
(Continued)

2. **Summary of Significant Accounting Policies (continued)**

Donated Services – Solidaridad North America recognizes donated services and goods in-kind when (a) the services required specialized knowledge or skill and (b) if the services or goods were not donated, Solidaridad North America would have purchased the services at fair market value.

Fair Value of Financial Instruments – The carrying amount of cash, accounts and grants receivable, prepaid expenses, accounts payable, and accrued liabilities, none of which are held for trading purposes, approximate the fair value due to the short-term maturities of those instruments.

Allocation of Functional Expenses – Salaries are allocated to supporting and program services based on management's estimate of the level of effort in each activity. Common costs are allocated based primarily on the ratio of salary costs of each activity to total salary costs.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of asset and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Taxes – Solidaridad North America is exempt from income taxes under Internal Revenue Section 501(c)(3). Solidaridad North America qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Solidaridad North America recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management continuously evaluates tax positions reflected in the Solidaridad North America's tax filings and does not believe that any material uncertain tax positions exist.

The Organization's federal and state income tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after filing.

Solidaridad North America
Notes to Financial Statements
December 31, 2015
(Continued)

3. Concentrations

Solidaridad North America maintains cash balances at one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization did not have any uninsured cash balances at December 31, 2015.

4. Related Parties

Solidaridad North America works with independent Solidaridad affiliates in locations around the world, receiving grants and support for operations and paying program service fees to subcontractors. At December 31, 2015, support and grants from Stichting Solidaridad (Netherlands) and Fundación Solidaridad Latinoamericana (Latin America) comprised approximately 38% and 30% of total revenue, respectively. In addition, Solidaridad North America received payroll reimbursements from Fundación Solidaridad Central America, Mexico & Caribbean in the amount of \$169,567, which were treated as reductions of payroll expenses. At December 31, 2015 total expenses related to Solidaridad China, Fundación Solidaridad Latinoamericana (Latin America) and Solidaridad West Africa comprised approximately 9%, 7% and 6% of total expenses, respectively.

5. Temporarily Restricted Net Assets

Restricted as to purpose:

Creating & Enabling Environment for Female Farmers in the Cotton Supply Chain of China	\$ 82,450
The Kellogg Company – Training Materials	50,000
Bringing Agriculture Capacity, Carbon and Knowledge to REDD+	12,220
Other Projects	<u>4,733</u>
Total	<u>\$ 149,403</u>

Solidaridad North America
Notes to Financial Statements
December 31, 2015
(Continued)

6. Operating Leases

Solidaridad North America leases office space from WeWork under a membership agreement on a month-to-month basis. Rent paid under all leases for the year ended December 31, 2015 was \$14,161.

7. Retirement Plan

Solidaridad North America has a Simplified Employee Pension (SEP) plan under Section 408(k) of the Internal Revenue Code, which covers all employees at least 21 years in age. Solidaridad North America determines the contributions to be paid to all eligible employees on a yearly basis. For the year ended December 31, 2015, Solidaridad North America made \$8,826 in employer contributions.

8. Subsequent Events

Management has evaluated subsequent events through February 10, 2016, the date which the financial statements were available to be issued, and determined the following subsequent events to be reported.

- On January 6, 2016, Solidaridad North America entered into a two year grant agreement with the Packard Foundation in the amount of \$500,000 to launch a pilot program to improve smallholder palm oil production in Indonesia.
- On January 20, 2016, Solidaridad North America entered into a five year grant agreement with Stichting Solidaridad (Netherlands) in the amount of \$1,343,407 to support the MasterCard Youth Initiative in Ghana.