

**SOLIDARIDAD NORTH AMERICA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2016**

**SOLIDARIDAD NORTH AMERICA**  
**CONTENTS**  
December 31, 2016

---

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 13



A Division of SingerLewak

## INDEPENDENT AUDITOR'S REPORT

Continental Supervisory Board  
Solidaridad North America

### Report on the Financial Statements

We have audited the accompanying financial statements of Solidaridad North America (the "Organization"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Solidaridad North America as of December 31, 2016, 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.

### **Report on Summarized Comparative Information**

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 10, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*SingerLewak. LLP*

July 19, 2017

**Solidaridad North America**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 408,973	\$ 116,521
Accounts receivable	-	16,500
Accounts receivable - affiliates	-	1,063
Grants receivable	200,000	-
Grants receivable - affiliates	8,256	50,000
Advances - affiliates	38,124	-
Prepaid expenses	308	346
Total current assets	655,661	184,430
<b>Noncurrent assets</b>		
Deposits	1,650	1,875
Total noncurrent assets	1,650	1,875
<b>Total assets</b>	<b>\$ 657,311</b>	<b>\$ 186,305</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 75	\$ 75
Accounts payable - affiliates	1,805	-
Accrued vacation	25,979	17,064
Accrued expenses	9,500	13,500
Total liabilities	37,359	30,639
<b>Net assets</b>		
Unrestricted	(48,400)	6,263
Temporarily restricted	668,352	149,403
Total net assets	619,952	155,666
<b>Total liabilities and net assets</b>	<b>\$ 657,311</b>	<b>\$ 186,305</b>

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

**Solidaridad North America**  
**STATEMENTS OF ACTIVITIES**  
**Year Ended December 31, 2016**  
(with comparative totals at December 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
<b>Revenue</b>				
Grants and contributions	\$ 179,801	\$ 818,813	\$ 998,614	\$ 371,911
Contracts	2,350	150,000	152,350	16,500
Investment income	1,001	-	1,001	-
Currency loss	-	-	-	(18,592)
	<u>183,152</u>	<u>968,813</u>	<u>1,151,965</u>	<u>369,819</u>
Net assets released from restrictions				
Satisfaction of program restrictions	<u>449,864</u>	<u>(449,864)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>633,016</u>	<u>518,949</u>	<u>1,151,965</u>	<u>369,819</u>
<b>Expenses</b>				
Program services	<u>580,358</u>	<u>-</u>	<u>580,358</u>	<u>377,925</u>
Supporting services				
Management and general expenses	101,111	-	101,111	209,622
Fundraising	<u>6,210</u>	<u>-</u>	<u>6,210</u>	<u>60,819</u>
Total supporting services	<u>107,321</u>	<u>-</u>	<u>107,321</u>	<u>270,441</u>
Total expenses	<u>687,679</u>	<u>-</u>	<u>687,679</u>	<u>648,366</u>
<b>Change in net assets</b>	(54,663)	518,949	464,286	(278,547)
<b>Net assets, beginning of year</b>	<u>6,263</u>	<u>149,403</u>	<u>155,666</u>	<u>434,213</u>
<b>Net assets, end of year</b>	<u>\$ (48,400)</u>	<u>\$ 668,352</u>	<u>\$ 619,952</u>	<u>\$ 155,666</u>

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

**Solidaridad North America**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2016**  
(with comparative totals at December 31, 2015)

	Program Services				Supporting Services			Total Supporting Services	Total 2016	Total 2015
	Oil Palm - Indonesia (D & L Packard Foundation)	MasterCard Foundation - Ghana Youth Program (Stichting Solidaridad)	Creating & Enabling Environment for Female Farmers In the Cotton Supply Chain of China (WalMart Foundation)	Other Program Services	Total Program Services	Management and General	Fundraising			
Personnel expenses										
Salaries and wages	\$ 11,413	\$ 49,462	\$ 1,500	\$ 95,051	\$ 157,426	\$ 70,710	\$ 5,123	\$ 75,833	\$ 233,259	\$ 234,929
Employee benefits	988	6,923	-	14,745	22,656	3,173	-	3,173	25,829	23,226
Payroll taxes	-	3,048	-	7,836	10,884	2,139	-	2,139	13,023	19,852
Total personnel expenses	12,401	59,433	1,500	117,632	190,966	76,022	5,123	81,145	272,111	278,007
Nonpersonnel expenses										
Project expenses	228,876	-	74,500	45,000	348,376	-	-	-	348,376	247,800
Travel and meetings	746	10,048	162	8,132	19,088	14,126	-	14,126	33,214	49,789
Occupancy	1,062	4,080	2,125	3,812	11,079	1,033	1,063	2,096	13,175	14,161
Professional fees	930	2,893	175	-	3,998	7,515	-	7,515	11,513	29,911
Office expense	180	1,622	582	1,965	4,349	1,090	11	1,101	5,450	5,264
Insurance	-	417	681	775	1,873	1,249	-	1,249	3,122	1,511
Bank service	80	48	70	213	411	76	13	89	500	1,173
Contract services	-	31	90	95	216	-	-	-	216	20,750
Miscellaneous expense	-	-	-	2	2	-	-	-	2	2
Total nonpersonnel expenses	231,874	19,139	78,385	59,994	389,392	25,089	1,087	26,176	415,568	370,361
Total expenses	\$ 244,275	\$ 78,572	\$ 79,885	\$ 177,626	\$ 580,358	\$ 101,111	\$ 6,210	\$ 107,321	\$ 687,679	\$ 648,368

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

**Solidaridad North America**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 464,286	\$ (278,547)
Changes in operating assets and liabilities		
Grants receivable	(140,693)	123,725
Prepaid expenses	38	69
Advances - affiliates	(38,124)	-
Deposits	225	-
Accounts payable	1,805	(232,781)
Accrued vacation	8,915	(3,504)
Accrued expenses	<u>(4,000)</u>	<u>4,000</u>
Net cash provided by (used in) operating activities	<u>292,452</u>	<u>(387,038)</u>
 <b>Net change in cash and cash equivalents</b>	 292,452	 (387,038)
 <b>Cash and cash equivalents, beginning of year</b>	 <u>116,521</u>	 <u>503,559</u>
 <b>Cash and cash equivalents, end of year</b>	 <u>\$ 408,973</u>	 <u>\$ 116,521</u>

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



**NOTE 1 - ORGANIZATION**

Solidaridad North America (the “Organization”), a California Public Benefit Corporation, is the “face” of the 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 economically viable supply chains. Solidaridad Network works across numerous 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:

The Walmart Foundation supported a 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.

The David and Lucile Packard Foundation awarded a grant to implement the second phase of a project to improve smallholder palm oil production in Indonesia while reducing conversion of forest and peat.

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

PepsiCo is supporting a program to improve the sustainability of smallholder sugarcane farmers in India, with an emphasis on increasing productivity together with more efficient use of water and other inputs.

Solidaridad North America is responsible for the oversight and management of the relationship with the MasterCard Foundation for that organization’s support of Solidaridad West Africa’s Youth in Cocoa program in Ghana.

**SOLIDARIDAD NORTH AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP), which reflects revenues when earned and expenses when incurred.

Basis of Presentation

The Organization 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 as of December 31, 2016.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with a maturity of three months or less at the purchase date to be cash equivalents.

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, 2016.

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

The Organization 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. As of December 31, 2016, the Organization had no fixed assets.

Contracts and Consultants

Payments to entities in and outside the United States by the Organization 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 the Organization's management and no subsequent payments are made until contractor has demonstrated compliance terms.

**SOLIDARIDAD NORTH AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Donated Services

The Organization 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, the Organization would have purchased the services at fair market value.

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.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Section 501(c)(3). The Organization 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).

The Organization 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 Organization's tax filings and does not believe that any material uncertain tax positions exist.

**SOLIDARIDAD NORTH AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2016

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for years beginning after December 15, 2017 and interim periods within years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for years beginning after December 15, 2019, including interim periods within those years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements. The Organization currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized in the balance sheet in amounts that will be material.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Organization for years beginning after December 15, 2018. The Organization elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein.

**SOLIDARIDAD NORTH AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recent Accounting Pronouncements (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for years beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

**NOTE 3 – CONCENTRATIONS**

The Organization maintains cash balances at two financial institutions. Accounts at each institution are insured up to \$250,000. The Organization did not have any uninsured cash balances at December 31, 2016.

At December 31, 2016, three donors comprised 97% of grants receivable and 99% of total revenue for the year then ended.

**NOTE 4 – RELATED PARTIES**

The Organization works with independent Solidaridad affiliates in locations around the world, receiving grants and support for operations and programs and paying program service fees to subcontractors. For the year ended December 31, 2016, grants from Stichting Solidaridad (Netherlands) totaled \$489,477, support from Solidaridad South America totaled \$8,258, and support from Solidaridad West Africa totaled \$2,350. In addition, the Organization received payroll reimbursements from Fundación Solidaridad Central America, Mexico & Caribbean in the amount of \$162,277, which were treated as reductions of payroll and related expenses.

For the year ended December 31, 2016, advances for program expenses paid to Solidaridad China totaled \$341,500, and to Fundación Solidaridad Central America, Mexico & Caribbean totaled \$45,000. As of December 31, 2016, the unspent balance on these advances are included in the Statement of Financial Position as advances – affiliates.

**SOLIDARIDAD NORTH AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2016

---

**NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS**

Restricted as to purpose:	
Oil Palm Production - Indonesia	\$ 255,724
Ghana Youth Program	240,241
Sustainable Sugar Cane Program	150,000
Creating & Enabling Environment for Female Farmers in the Cotton Supply Chain of China	<u>22,387</u>
Total	<b>\$ <u>668,352</u></b>

**NOTE 6 – OPERATING LEASES**

The Organization leases office space under an operating lease terminating on January 31, 2018 and providing for net monthly lease payments of \$935. Rent paid under facilities leases for the year ended December 31, 2016 was \$13,175.

Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2017	\$ 11,220
2018	<u>935</u>
Total	<b>\$ <u>12,155</u></b>

**NOTE 7 – RETIREMENT PLAN**

The Organization 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. The Organization determines the contributions to be paid to all eligible employees on a yearly basis. For the year ended December 31, 2016, the Organization made \$7,415 in employer contributions.

**SOLIDARIDAD NORTH AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

---

**NOTE 8 – MASTERCARD SUBAWARD AGREEMENT**

During 2016, the Organization entered into a five-year funding agreement with Solidaridad Netherlands as a subrecipient of a Master Agreement from the MasterCard Foundation in the amount of \$1,343,407. As of December 31, 2016, \$1,024,594 of this grant is deemed conditional based on annual approval of funding disbursements from the MasterCard Foundation.

The conditional portion of the grant will not be recognized as an asset or revenue until the annual appropriation has been approved by the grantor. Future disbursements scheduled for approval are as follows:

<u>Year Ended December 31,</u>	
2017	\$ 236,856
2018	287,402
2019	242,063
2020	<u>258,273</u>
Total	<b><u>\$ 1,024,594</u></b>

The Organization expects to fulfill the terms of the conditional grant. For the year ended December 31, 2016, the Organization recognized \$318,813 of revenue related to this grant, which is included in the Statement of Activities as grants and contributions.

**NOTE 9 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through July 19, 2017, the date which the financial statements were available to be issued, and determined that no reportable events occurred.

- On May 11, 2017, Solidaridad Netherlands disbursed the 2017 allotment of the MasterCard subaward in the amount of \$236,856, which will be recognized as revenue for the year ended December 31, 2017. See Note 8 for details.