SOLIDARIDAD NORTH AMERICA

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

SOLIDARIDAD NORTH AMERICA
CONTENTS
December 31, 2018

SingerLewak
Accountants & Consultants

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, 2018, 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 the Organization as of December 31, 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

May 31, 2019

SOLIDARIDAD NORTH AMERICA

STATEMENT OF FINANCIAL POSITION
December 31, 2018
(Comparative Information at December 31, 2017

ASSETS

	2018	2017
Current assets		
Cash	$ 348,086	$ 409,596
Grants receivable, current portion	260,000	484,575
Advances - affiliates	157,403	137,252
Prepaid expenses	3,414	3,683
Prepaid expenses - affiliates	-	290,775
Total current assets	768,903	1,325,881
Noncurrent assets		
Grants receivable, noncurrent portion	-	260,000
Deposits	1,650	1,650
Total noncurrent assets	1,650	261,650
Total assets	**$ 770,553**	**$ 1,587,531**

LIABILITIES AND NET ASSETS

	2018	2017
Current liabilities		
Accounts payable	$ 16,791	$ -
Accounts payable - affiliates	-	290,775
Accrued expenses	31,296	48,387
Total current liabilities	48,087	339,162
Net assets (deficit)		
Net assets (deficit) without donor restrictions	336,183	(95,317)
Net assets with donor restrictions	386,283	1,343,686
Total net assets	722,466	1,248,369
Total liabilities and net assets	**$ 770,553**	**$ 1,587,531**

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

SOLIDARIDAD NORTH AMERICA

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

(Summarized Information for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Revenue and support				
Grants and contributions	$ 94,159	$ -	$ 94,159	$ 944,630
Contracts	299,709	-	299,709	341,960
Investment income	936	-	936	1,870
	394,804	-	394,804	1,288,460
Net assets released from restrictions	957,403	(957,403)	-	-
Total revenue and support	1,352,207	(957,403)	394,804	1,288,460
Expenses				
Program services	785,232	-	785,232	474,415
Supporting services				
Management and general	91,675	-	91,675	113,972
Fundraising	43,800	-	43,800	71,656
Total supporting services	135,475	-	135,475	185,628
Total expenses	920,707	-	920,707	660,043
Change in net assets	431,500	(957,403)	(525,903)	628,417
Net assets (deficit), beginning of year	(95,317)	1,343,686	1,248,369	619,952
Net assets, end of year	**$ 336,183**	**$ 386,283**	**$ 722,466**	**$ 1,248,369**

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

SOLIDARIDAD NORTH AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018
(Summarized Information for the Year Ended December 31, 2017)

	Program Servies						Supporting Services				
	Oil Palm - Indonesia (D & L Packard Foundation)	MasterCard Foundation - Ghana Youth Program (Stichting Solidaridad)	Sustainable Sugar Cane Program (PepsiCo)	Collaboration for Forests and Agriculture – Chinese Soy (The Nature Conservancy)	Other Program Services	Total	Management and General	Fundraising	Total	Total 2018	Total 2017
Personnel expenses											
Salaries and wages	$ 26,904	$ 101,085	$ 11,398	$ 26,621	$ 4,395	$ 170,403	$ 57,352	$ 36,148	$ 93,500	$ 263,903	$ 267,827
Employee benefits	4,033	15,152	1,705	3,990	655	25,535	8,626	5,437	14,063	39,598	34,850
Payroll taxes	1,693	6,362	714	1,675	273	10,717	3,514	2,215	5,729	16,446	14,960
Total personnel expenses	32,630	122,599	13,817	32,286	5,323	206,655	69,492	43,800	113,292	319,947	317,637
Nonpersonnel expenses											
Project expenses	200,212	-	68,608	237,901	20,420	527,141	-	-	-	527,141	272,879
Travel and meetings	-	18,475	345	-	-	18,820	4,954	-	4,954	23,774	32,224
Professional fees	2,346	8,812	988	2,319	377	14,842	7,883	-	7,883	22,725	15,945
Office expense	1,336	5,018	557	1,319	209	8,439	4,255	-	4,255	12,694	4,835
Contract services	-	-	-	-	-	-	-	-	-	-	2,690
Occupancy	1,160	4,358	489	1,147	186	7,340	3,910	-	3,910	11,250	11,272
Insurance	277	1,042	119	275	47	1,760	1,031	-	1,031	2,791	2,246
Bank service	36	134	16	35	6	227	148	-	148	375	315
Miscellaneous expense	-	8	-	-	-	8	2	-	2	10	-
Total nonpersonnel expenses	205,367	37,847	71,122	242,996	21,245	578,577	22,183	-	22,183	600,760	342,406
Total expenses	**$ 237,997**	**$ 160,446**	**$ 84,939**	**$ 275,282**	**$ 26,568**	**$ 785,232**	**$ 91,675**	**$ 43,800**	**$ 135,475**	**$ 920,707**	**$ 660,043**

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

SOLIDARIDAD NORTH AMERICA

STATEMENTS OF CASH FLOWS
Year Ended December 31, 2018
(Comparative Information for the Year Ended December 31, 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	$ (525,903)	$ 628,417
Changes in operating assets and liabilities		
Grants receivable	484,575	(536,319)
Prepaid expenses	269	(3,375)
Prepaid expenses - affiliates	290,775	(290,775)
Advances - affiliates	(20,151)	(99,128)
Accounts payable	(75)	(75.00)
Accounts payable - affiliates	(273,909)	288,970
Accrued vacation	-	10,408
Accrued expenses	(17,091)	2,500
Net cash provided by (used in) operating activities	(61,510)	623
Net change in cash	(61,510)	623
Cash, beginning of year	409,596	408,973
Cash, end of year	**$ 348,086**	**$ 409,596**

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

NOTE 1 - ORGANIZATION

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 commodity supply chains globally. Solidaridad Network works across numerous supply chains and operates through nine regional offices on five continents.

Solidaridad North America (the "Organization"), a California Public Benefit Corporation, represents the Solidaridad Network in the USA and Canada. The Organization 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.

Solidaridad North America contributes to the following projects:

The David and Lucile Packard Foundation continued to support the second phase of a project to improve smallholder palm oil production in Indonesia while reducing conversion of forest and peat. The Foundation also agreed to continue support for a third phase commencing in 2018.

Solidaridad North America is managing The Nature Conservancy funded project to address deforestation from soy farming, implemented by Solidaridad South America and Solidaridad China.

PepsiCo continued its support for 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.

Mars provided additional support for the same Indian sugarcane farmers sustainability program.

Solidaridad North America continues 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. Additionally, Solidaridad North America serves on the Foundation's steering committee for its Youth Forward Initiative, of which the Ghana project is a part.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Financial Presentation
Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

- *Net Assets with Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. 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 reported as increases in net assets with donor restrictions, depending on the nature of the restriction. 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. As of December 31, 2018, net assets with donor restrictions were $386,283.

Comparative Financial Information
The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash Equivalents
The Organization considers all highly liquid investments with a maturity of three months or less at the purchase date, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Accounts Receivable

Grants and Accounts Receivable represent program grants and operating receivables from nonprofit organizations and are recorded at net realizable value. The Organization determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants and accounts receivable are written off when deemed uncollectable. Management has reviewed grants and accounts receivable and has determined no allowance for uncollectable accounts receivable was required as of December 31, 2018. At December 31, 2018, the Organization had a conditional grant from a foundation for $500,336, which will be paid out over 2 years.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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 payments are made when the contractor has demonstrated compliance with the terms of the agreement.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Solidaridad North America is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal taxes under IRC Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been determined not to be a private foundation under IRC Section 509(a)(1). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

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.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from foundations and organizations supportive of the Organization's mission. As of and for the year ended December 31, 2018, one donor comprised 100% of total grants receivable and two donors comprised 95% of total revenue.

Reclassifications

Certain prior year information has been reclassified to conform to current year presentation with no impact on net assets or changes in net assets.

Change in Accounting Principles

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. For the year ended December 31, 2018, the Organization has implemented ASU 2016-14 and has changed its presentation of net asset classes and expanded the footnote disclosures as required by the ASU.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements and does not expect the impact to be significant.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU is applicable to contributions received for annual periods beginning after June 15, 2018, including interim periods. The Organization is currently evaluating the impact of the adoption of this guidance on its financial statements.

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 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	$ 348,086
Grants receivable, current portion	260,000
Advances - affiliates	157,403
Prepaid expenses	3,414
	$ 768,903

The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Organization manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

NOTE 4 – OPERATING LEASE

The Organization leases office space under a one-year operating lease terminating on June 30, 2019 and providing for net monthly lease payments of $935. Future minimum lease payments for the year ending December 31, 2019 totaled $5,610.

Rent expense for the year ended December 31, 2018 was $11,250.

NOTE 5 – AFFILIATED ORGANIZATIONS

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, 2018, grants from Stichting Solidaridad (Netherlands) totaled $299,498. In addition, the Organization received payroll and expense reimbursements from Fundación Solidaridad Central America, Mexico & Caribbean in the amount of $172,209, which were treated as reductions of payroll and related expenses.

For the year ended December 31, 2018, advances for program expenses paid to Solidaridad Asia Limited totaled $289,240, and to Fundación Solidaridad Latin America - Brazil totaled $237,901. As of December 31, 2018, the unspent balance on these advances is included in the statement of financial position as advances – affiliates.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions during the year ended December 31, 2018 is comprised of the following:

	Beginning	Additions	Releases	Ending
Restricted as to purpose:				
Oil Palm Production - Indonesia	$ 538,065	$ -	($ 237,392)	$ 300,673
Ghana Youth Program	374,616	-	(374,616)	-
Sustainable Sugar Cane Program	150,832	-	(84,938)	65,894
Collaboration for Forests and Agriculture – Chinese Soy	259,753	-	(240,037)	19,716
Partnership for Sustainable & Climate Smart Sugarcane Growing in India	20,420	-	(20,420)	-
Totals	**$ 1,343,686**	**$ -**	**($ 957,403)**	**$ 386,283**

NOTE 7 – RETIREMENT PLAN

The Organization has a Simplified Employee Pension 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, 2018, the Organization made $7,767 in employer contributions.

NOTE 8 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 31, 2019, the date which the financial statements were available to be issued, and determined that no reportable events occurred.