

Solidaridad

FINANCIAL REPORT

December 31, 2020

Solidaridad North America



SOLIDARIDAD NORTH AMERICA

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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, 2020, 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 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

September 7, 2021

SOLIDARIDAD NORTH AMERICA

STATEMENT OF FINANCIAL POSITION

December 31, 2020

(Summarized Information as of December 31, 2019)

	ASSETS	
	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 750,443	\$ 637,838
Grants receivable	51,233	-
Advances – affiliates	117,539	113,630
Prepaid expenses and deposits	<u>31,650</u>	<u>1,650</u>
Total assets	<u>\$ 950,865</u>	<u>\$ 753,118</u>
	LIABILITIES AND NET ASSETS	
Liabilities		
Accounts payable and accrued expenses	\$ 71,459	\$ 48,770
Grant advance	<u>67,777</u>	<u>-</u>
Total liabilities	<u>139,236</u>	<u>48,770</u>
Net assets		
Without donor restrictions	240,787	202,613
With donor restrictions	<u>570,842</u>	<u>501,735</u>
Total net assets	<u>811,629</u>	<u>704,348</u>
Total liabilities and net assets	<u>\$ 950,865</u>	<u>\$ 753,118</u>

See notes to financial statements.

SOLIDARIDAD NORTH AMERICA

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

(Summarized Information for the Year Ended December 31, 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>	<u>Total 2019</u>
Revenue and support				
Grants and contributions	\$ -	\$ 204,735	\$ 204,735	\$ 400,196
Contracts	558,801	297,899	856,700	246,561
Net assets released from restrictions	<u>433,527</u>	<u>(433,527)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>992,328</u>	<u>69,107</u>	<u>1,061,435</u>	<u>646,757</u>
Expenses				
Program services	<u>440,555</u>	<u>-</u>	<u>440,555</u>	<u>309,712</u>
Supporting services				
Management and general	343,691	-	343,691	351,857
Fundraising	<u>169,908</u>	<u>-</u>	<u>169,908</u>	<u>3,306</u>
Total supporting services	<u>513,599</u>	<u>-</u>	<u>513,599</u>	<u>355,163</u>
Total expenses	<u>954,154</u>	<u>-</u>	<u>954,154</u>	<u>664,875</u>
Change in net assets	38,174	69,107	107,281	(18,118)
Net assets, beginning of year	<u>202,613</u>	<u>501,735</u>	<u>704,348</u>	<u>722,466</u>
Net assets, end of year	<u>\$ 240,787</u>	<u>\$ 570,842</u>	<u>\$ 811,629</u>	<u>\$ 704,348</u>

See notes to financial statements.

SOLIDARIDAD NORTH AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

(Summarized Information for the Year Ended December 31, 2019)

	Program Services				Supporting Services			Total 2020	Total 2019	
	Oil Palm – Indonesia	Sustainable Sugar Cane Program	Digital Inclusion and Empowerment	Other	Total	Management and General	Fundraising			Total
Personnel expenses										
Salaries and wages	\$ -	\$ -	\$ 10,577	\$ 12,822	\$ 23,399	\$ 203,304	\$ 130,315	\$ 333,619	\$ 357,018	\$ 216,442
Benefits and taxes	-	-	2,746	3,273	6,019	67,984	39,593	107,577	113,596	58,570
Total personnel expenses	-	-	13,323	16,095	29,418	271,288	169,908	441,196	470,614	275,012
Nonpersonnel expenses										
Project expenses	153,535	35,487	139,700	35,012	363,734	-	-	-	363,734	278,530
Travel and meetings	-	-	186	225	411	6,171	-	6,171	6,582	45,465
Professional fees	-	-	1,723	43,484	45,207	39,163	-	39,163	84,370	27,591
Office expense	-	-	444	537	981	14,707	-	14,707	15,688	20,109
Occupancy	-	-	288	347	635	9,530	-	9,530	10,165	11,220
Other	-	-	77	92	169	2,832	-	2,832	3,001	6,948
Total nonpersonnel expenses	153,535	35,487	142,418	79,697	411,137	72,403	-	72,403	483,540	389,863
Total expenses	\$ 153,535	\$ 35,487	\$ 155,741	\$ 95,792	\$ 440,555	\$ 343,691	\$ 169,908	\$ 513,599	\$ 954,154	\$ 664,875

See notes to financial statements.

SOLIDARIDAD NORTH AMERICA
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020
(Summarized Information for the Year Ended December 31, 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 107,281	\$ (18,118)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in operating assets and liabilities:		
Grants receivable	(51,233)	260,000
Prepaid expenses and deposits	(30,000)	3,414
Prepaid expenses – affiliates	(3,909)	-
Advances – affiliates	-	43,773
Accounts payable and accrued expenses	22,689	683
	44,828	289,752
Net cash provided by operating activities	44,828	289,752
Cash flows from financing activities		
Proceeds from grant advance	67,777	-
	67,777	-
Net change in cash	112,605	289,752
Cash, beginning of year	637,838	348,086
Cash, end of year	\$ 750,443	\$ 637,838

See notes to financial statements.

SOLIDARIDAD NORTH AMERICA

NOTES TO 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 third 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 fourth phase commencing in December 2019.

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.

DAI Global, LLC is supporting a program to ensure the economic empowerment of women dairy farmers through digital financial inclusion and provide digital dairy advisory services in Bangladesh.

Ceres supported a program to identify effective financial supplier incentive for implementation of no-deforestation policies in the cocoa supply chains.

Solidaridad's Mobilizing Markets grant seeks to mobilize Asian and U.S. markets to reduce commodity driven deforestation.

Stichting Solidaridad Network has funded the execution of blockchain development and piloting and communications on taskforce work for "Solidaridad Sustainability Solutions: Network support for a suite of apps." They have also funded a project for the development of a tokenized platform to directly deliver intelligence to companies, donors, and investors committed to the production of sustainable commodities through supplier incentives.

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.

SOLIDARIDAD NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

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.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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, 2019, from which the summarized information was derived.

Grants Receivable

Grants 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 are written off when deemed uncollectable. Management has reviewed grants receivable and has determined no allowance for uncollectable grants receivable was required as of December 31, 2020. At December 31, 2020, the Organization had a conditional grant, with the conditional nature being incurring qualifying costs, for \$345,240.

SOLIDARIDAD NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

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.
- *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.

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.

Grant Advances

The Organization was granted a \$67,777 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has initially recorded the loan as a grant advance and will record the forgiveness in accordance with guidance for unconditional contributions when there is no longer a measurable performance or other barrier and right to return of the PPP loan or when such conditions are explicitly waived. On June 1, 2021, the Organization received confirmation that the PPP loan was forgiven in full.

SOLIDARIDAD NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

No contribution revenue has been recorded for the year ended December 31, 2020. The Organization will be required to repay interest accrued at 1% per annum in monthly payments beginning on November 5, 2020. Outstanding principal and unpaid interest will be due on the maturity date May 5, 2022.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the statement of activities and detailed in the statement 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.

Income Taxes

Solidaridad North America is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal taxes under Internal Revenue Code (IRC) Section 501(c)(3). Management has analyzed the tax positions taken by the Organization, and has concluded that, as of December 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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.

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

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	\$ 750,443
Grants receivable	51,233
Advances – affiliates	<u>117,539</u>
	<u>\$ 919,215</u>

The Organization considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

SOLIDARIDAD NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Continued)

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 4 – 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, 2020, grants from Stichting Solidaridad (Netherlands) totaled \$844,341. In addition, the Organization received payroll and expense reimbursements from Fundación Solidaridad Central America, Mexico & Caribbean in the amount of \$195,706, which were treated as reductions of payroll and related expenses.

For the year ended December 31, 2020, advances for program expenses paid to Solidaridad Asia Limited totaled \$325,212, to Stichting Solidaridad (Netherlands) \$30,784, to Fundación Solidaridad Latin America – Brazil totaled \$17,512, and to Solidaridad Network West Africa \$17,500. As of December 31, 2020, the unspent balance on these advances is included in the statement of financial position as advances – affiliates.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2020, net assets with donor restrictions are restricted for the following purposes:

Oil Palm Production – Indonesia	\$ 296,923
Incentive Platform Pilot	57,428
PING! Platform	119,950
Mobilizing Asian and U.S. Markets to reduce commodity-driven deforestation	80,751
Sustainable Sugar Cane Program	<u>15,790</u>
	<u>\$ 570,842</u>

SOLIDARIDAD NORTH AMERICA
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows for the year ended December 31, 2020:

Oil Palm Production – Indonesia	\$ 153,535
Digital Inclusion and Empowerment for Women Dairy Farmers in Bangladesh	154,760
Mobilizing Asian and U.S. Markets to reduce commodity-driven deforestation	89,745
Sustainable Sugar Cane Program	<u>35,487</u>
	<u>\$ 433,527</u>

NOTE 6 – RETIREMENT PLAN

The Organization has a Simplified Employee Pension plan under Section 408(k) of the IRC, 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, 2020, the Organization made \$15,886 in employer contributions.

NOTE 7 – UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The disruption resulting from the COVID-19 pandemic is currently expected to be temporary, but there is considerable uncertainty around the duration and the Organization expects this matter may negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 8 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 7, 2021, the date which the financial statements were available to be issued, and determined that no reportable events occurred.