

Solidaridad

FINANCIAL REPORT

December 31, 2021

Solidaridad North America



SOLIDARIDAD NORTH AMERICA

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 12

INDEPENDENT AUDITOR'S REPORT

Continental Supervisory Board
Solidaridad North America

Opinion

We have audited the financial statements of Solidaridad North America (the Organization), which comprise the statement of financial position as of December 31, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to an audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate to those charged with governance regarding, among other matter, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Singer Lewak LLP".

December 12, 2022

SOLIDARIDAD NORTH AMERICA
STATEMENT OF FINANCIAL POSITION
December 31, 2021
(Summarized Information as of December 31, 2020)

ASSETS		
	2021	2020
Assets		
Cash	414,780	750,443
Grants receivable	212,929	51,233
Advances – affiliates	-	117,539
Prepaid expenses and deposits	26,650	31,650
Total assets	654,359	950,865
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	108,172	71,459
Grant advance	-	67,777
Payables – affiliates	26,715	-
Total liabilities	134,887	139,236
Net assets		
Without donor restrictions	210,509	240,787
With donor restrictions	308,963	570,842
Total net assets	519,472	811,629
Total liabilities and net assets	654,359	950,865

See notes to financial statements.

SOLIDARIDAD NORTH AMERICA
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021
(Summarized Information for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Revenue and support				
Grants and contributions	\$ -	\$ 267,733	\$ 267,733	\$ 204,735
Contracts	171,160	326,419	497,579	856,700
PPP Loan forgiveness	67,777	-	67,777	-
Net assets released from restrictions	<u>856,031</u>	<u>(856,031)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,094,968</u>	<u>(261,879)</u>	<u>833,089</u>	<u>1,061,435</u>
Expenses				
Program services	<u>691,632</u>	<u>-</u>	<u>691,632</u>	<u>440,555</u>
Supporting services				
Management and general	358,894	-	358,894	343,691
Fundraising	<u>74,720</u>	<u>-</u>	<u>74,720</u>	<u>169,908</u>
Total supporting services	<u>433,614</u>	<u>-</u>	<u>433,614</u>	<u>513,599</u>
Total expenses	<u>1,125,246</u>	<u>-</u>	<u>1,125,246</u>	<u>954,154</u>
Change in net assets	(30,278)	(261,879)	(292,157)	107,281
Net assets, beginning of year	<u>240,787</u>	<u>570,842</u>	<u>811,629</u>	<u>704,348</u>
Net assets, end of year	<u>\$ 210,509</u>	<u>\$ 308,963</u>	<u>\$ 519,472</u>	<u>\$ 811,629</u>

See notes to financial statements.

SOLIDARIDAD NORTH AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

(Summarized Information for the Year Ended December 31, 2020)

	Program Services					Supporting Services				Total 2021	Total 2020
	Oil Palm – Indonesia	Digital Inclusion and Empowerment	Global Expertise Team Market Uptake	Reduce Commodity- driven Deforestation	Other	Total	Management and General	Fundraising	Total		
Personnel expenses	\$ -	\$ 10,268	\$ 85,635	\$ 11,070	\$ 57,525	\$ 164,498	\$ 198,383	\$ 74,323	\$ 272,706	\$ 437,204	\$ 470,614
Project expenses	132,885	201,153	-	11,270	82,924	428,232	-	-	-	428,232	363,734
Travel and meetings	-	-	-	-	-	-	1,127	-	1,127	1,127	6,582
Professional fees	-	3,819	10,000	56,300	25,000	95,119	132,680	-	132,680	227,799	84,370
Office expense	-	-	-	1,750	-	1,750	10,492	397	10,889	12,639	15,688
Occupancy	-	-	-	-	2,033	2,033	8,919	-	8,919	10,952	10,165
Other	-	-	-	-	-	-	7,293	-	7,293	7,293	3,001
Total expenses	\$ 132,885	\$ 215,240	\$ 95,635	\$ 80,390	\$ 167,482	\$ 691,632	\$ 358,894	\$ 74,720	\$ 433,614	\$ 1,125,246	\$ 954,154

See notes to financial statements.

SOLIDARIDAD NORTH AMERICA
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021
(Summarized Information for the Year Ended December 31, 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ (292,157)	\$ 107,281
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
PPP loan forgiveness	(67,777)	-
Change in operating assets and liabilities:		
Grants receivable	(161,696)	(51,233)
Advances – affiliates	117,539	(3,909)
Prepaid expenses and deposits	5,000	(30,000)
Accounts payable and accrued expenses	36,713	22,689
Grant advance	-	-
Payables – affiliates	26,715	-
	(335,663)	44,828
Net cash (used in) provided by operating activities		
Cash flows from financing activities		
Proceeds from grant advance	-	67,777
	-	67,777
Net cash provided by operating activities		
	(335,663)	112,605
Net change in cash		
Cash, beginning of year	750,443	637,838
Cash, end of year	\$ 414,780	\$ 750,443

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 fourth phase of a project to improve smallholder palm oil production in Indonesia while reducing conversion of forest and peat.

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.

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 investives.

The Global Expertise Team for Market Uptake focuses on knowledge development and the linking and learning throughout the network, specifically working on the success factors of cooperating with global brands.

Funding of the smallholder report project is for the innovation of a farmer centric report, that builds upon the data collected at micro level and intelligence within the Network, combined with external data sources on macro and micro levels.

SOLIDARIDAD NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION (Continued)

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 Organization's steering committee for its Youth Forward Initiative, of which the Ghana project is a part.

PACT, Inc. is supporting a program to reduce and strengthen responsible supply chains in Ghana's artisanal and small-scale gold mining sector.

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, 2020, 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, 2021. At December 31, 2021, the Organization had a conditional grant that requires the Organization to demonstrate need with a negative cash position to qualify for up to \$200,000 of conditional funding and two conditional grants that require the Organization to incur qualifying program costs to receive conditional funding of \$318,823.

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

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 Advance

The Organization accounts for its forgiveness of the Paycheck Protection Program (PPP) loan as a governmental grant as prescribed in U.S. GAAP. In accordance with the guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed, the Organization recognized forgiveness.

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 estimates of time and effort. All other functional expenses are charged directly to program services, management and general, or fundraising.

SOLIDARIDAD NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

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 (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, 2021 and 2020, 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.

Subsequent Events

Management evaluated all activity through December 12, 2022, which is the date the financial statements were available for issuance.

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	\$ 414,780
Grants receivable	<u>212,929</u>
	<u>\$ 627,709</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.

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, 2021, grants from Stichting Solidaridad (Netherlands) totaled \$407,603. In addition, the Organization received payroll and expense reimbursements from Fundación Solidaridad Central America, Mexico and Caribbean in the amount of \$204,760, which were treated as reductions of payroll and related expenses.

SOLIDARIDAD NORTH AMERICA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – AFFILIATED ORGANIZATIONS (Continued)

For the year ended December 31, 2021, advances for program expenses paid to Solidaridad Asia Limited totaled \$178,362, to Fundación Solidaridad Latin America – Brazil totaled \$12,411, and to Solidaridad Network West Africa \$64,668. As of December 31, 2021, the unspent balance on these advances is netted with the amounts due to affiliates for program expenses and is included in the statement of financial position as payables – affiliates.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2021, net assets with donor restrictions are restricted for the following purposes:

Incentive Platform Pilot	\$ 57,428
PING! Platform Pilot	92,721
Sustainable Sugar Cane Program	2,500
Global Expertise Team – Market Update	20,880
Carbon Direct	6,256
Farmer Centric Reporting	104,154
Digital Suite for Artisanal and Small-Scale Minerals sector	<u>25,024</u>
	<u>\$ 308,963</u>

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, 2021:

Oil Palm Production – Indonesia	\$ 296,923
Ping! Platform	27,229
Mobilizing Asian and U.S. Markets to reduce Commodity-driven forestation	80,751
Sustainable Sugar Cane Program	38,290
Digital Inclusion and Empowerment for Women Dairy Farmers In Bangladesh	215,240
Mercury Reduction in Ghana	52,493
Mastercard	39,982
Global Expertise Team – Market Uptake	95,635
Carbon Direct	713
Farmer Centric Reporting	<u>8,775</u>
	<u>\$ 856,031</u>

SOLIDARIDAD NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – RETIREMENT PLAN

The Organization has a defined-contribution plan under Section 401(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, 2021, the Organization made \$20,464 in employer contributions.

NOTE 7 – RISKS AND UNCERTAINTIES

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 organizations supportive of the Organization's mission.

COVID -19

The COVID-19 pandemic created significant uncertainty in macroeconomic conditions, which the Organization was able to mitigate through obtaining additional funding from affiliate and non-profit entities. The Organization is continuing to monitor its liquidity and working to minimize any future impact of the pandemic on its operations.