

FAIRTRADE INTERNATIONAL USA, INC.
D/B/A FAIRTRADE AMERICA
Washington, DC

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2013
and as of December 31, 2012
and for the Period June 4, 2012 (Inception)
through December 31, 2012

FAIRTRADE INTERNATIONAL USA, INC.
D/B/A FAIRTRADE AMERICA

Financial Statements

As of and for the Year Ended December 31, 2013 and as of December 31, 2012 and for the Period June 4, 2012 (Inception) through December 31, 2012

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Independent Auditors' Report

To the Board of Directors of
Fairtrade International USA, Inc.
d/b/a Fairtrade America
Washington, DC

We have audited the accompanying financial statements of Fairtrade International USA, Inc. d/b/a Fairtrade America (the "Organization") (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2013 and 2012 and the related statements of activities, functional expenses, and cash flows for the year ended December 31, 2013 and for the period June 4, 2012 (inception) through December 31, 2012, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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. 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, 2013 and 2012, and related statements of activities, functional expenses, and cash flows for the year ended December 31, 2013 and the period June 4, 2012 (inception) through December 31, 2012, in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Tysons Corner, Virginia
October 14, 2014



FAIRTRADE INTERNATIONAL USA, INC.
D/B/A FAIRTRADE AMERICA

Statements of Financial Position

As of December 31, 2013 and 2012

	2013	2012
Assets		
Current Assets		
Cash	\$ 175,037	\$ 62,506
Accounts receivable, net	712,652	198,138
Prepaid expenses	15,207	-
Total current assets	902,896	260,644
Property and Equipment		
Furniture and equipment	967	-
Computers	1,451	-
	2,418	-
Accumulated depreciation	(314)	-
Property and Equipment, Net	2,104	-
Total Assets	\$ 905,000	\$ 260,644
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 543,980	\$ 44,598
Due to affiliate	33,038	-
Unearned revenue	2,166	-
Total Current Liabilities	579,184	44,598
Net Assets		
Unrestricted	325,816	216,046
Total Liabilities and Net Assets	\$ 905,000	\$ 260,644

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

FAIRTRADE INTERNATIONAL USA, INC.
D/B/A FAIRTRADE AMERICA

Statements of Activities

For the Year Ended December 31, 2013 and for the Period June 4, 2012 (Inception)
through December 31, 2012

	2013	2012
Revenues		
License fees	\$ 1,005,378	\$ 224,822
Administrative fees	21,199	-
Contribution revenue	13,162	-
Application fees	7,200	-
Total revenues	1,046,939	224,822
Expenses		
Program expenses	744,774	-
General and administrative	192,395	8,776
Total expenses	937,169	8,776
Change in Net Assets	109,770	216,046
Net Assets, beginning of year	216,046	-
Net Assets, end of year	\$ 325,816	\$ 216,046

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

FAIRTRADE INTERNATIONAL USA, INC.
D/B/A FAIRTRADE AMERICA

Statement of Functional Expenses

For the Year Ended December 31, 2013

	2013		
	Program Services	General and Administrative	Total
Fee for service	\$ 342,711	\$ -	\$ 342,711
Salaries and benefits	106,333	18,765	125,098
Consulting fees	124,671	-	124,671
Awareness costs	75,121	-	75,121
Travel and entertainment	59,984	-	59,984
Financial and administrative services	-	37,500	37,500
Certification fees	28,296	-	28,296
Board expenses	-	32,815	32,815
Legal fees	-	24,122	24,122
Bad debt expense	-	18,977	18,977
Audit fees	-	18,000	18,000
Rent	-	18,000	18,000
Insurance	-	7,144	7,144
Bank charges	-	6,519	6,519
Telephone and internet	-	5,501	5,501
Miscellaneous expenses	-	3,530	3,530
Loss on foreign exchange	2,919	-	2,919
Translation services	2,916	-	2,916
Courier and postage	1,209	1,208	2,417
Printing and stationary	504	-	504
Depreciation	-	314	314
Website and domain hosting	110	-	110
Total Expenses	\$ 744,774	\$ 192,395	\$ 937,169

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

FAIRTRADE INTERNATIONAL USA, INC.
D/B/A FAIRTRADE AMERICA

Statement of Functional Expenses

For the Period June 4, 2012 (Inception) through December 31, 2012

	2012		
	Program Services	General and Administrative	Total
Audit Fees	\$ -	\$ 7,000	\$ 7,000
Bank Charges	-	1,776	1,776
Total Expenses	\$ -	\$ 8,776	\$ 8,776

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

FAIRTRADE INTERNATIONAL USA, INC.
D/B/A FAIRTRADE AMERICA

Statements of Cash Flows

For the Year Ended December 31, 2013 and for the Period June 4, 2012 (Inception) through December 31, 2012

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ 109,770	\$ 216,046
Reconciliation adjustments		
Depreciation	314	-
Bad debt expense	18,977	-
Changes in assets and liabilities:		
Accounts receivable, net	(533,491)	(198,138)
Prepaid expenses	(15,207)	-
Accounts payable and accrued expenses	499,382	44,598
Due to affiliate	33,038	-
Unearned revenue	2,166	-
Net cash provided by operating activities	114,949	62,506
Cash Flow from Investing Activities		
Purchase of property and equipment	(2,418)	-
Change in Cash	112,531	62,506
Cash, beginning of year	62,506	-
Cash, end of year	\$ 175,037	\$ 62,506

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

FAIRTRADE INTERNATIONAL USA, INC.

D/B/A FAIRTRADE AMERICA

Notes to the Financial Statements

As of and for the Year Ended December 31, 2013 and as of December 31, 2012 and for the Period June 4, 2012 (Inception) through December 31, 2012

NOTE 1 - ORGANIZATION

Fairtrade International USA, Inc. d/b/a Fairtrade America (the "Organization" or "Fairtrade") was incorporated on June 4, 2012, as a Delaware nonprofit corporation that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The purpose of the Organization is to alleviate poverty and injustice and educate the public on the importance of fair and ethically sustainable farming and working procedures. Fairtrade's goal is to aid small producers in poor developing countries by promoting consumer support in the USA for products produced fairly. Fairtrade is an associate member of the global organization, Fairtrade International ("FTI").

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accounts of the Organization are maintained on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"). This accounting and reporting method classifies various resources by their nature and purpose, based on the presence or absence of donor-imposed restrictions, into three classes of net assets:

Unrestricted - Unrestricted net assets are not subject to any donor-imposed stipulations and are available to support the Organization's operations.

Temporarily restricted - Funds whose use is limited by donor imposed stipulations that either expires by the passage of time or the restriction can be fulfilled by Fairtrade, primarily by expending funds for the designated purpose. As of December 31, 2013 and 2012, the Organization had no temporarily restricted net assets.

Permanently restricted - Funds subject to donor-imposed restrictions that will not terminate that establish the nature and purpose of such funds. Principal is invested in perpetuity and only the income is used for activities as determined by the donor. As of December 31, 2013 and 2012, the Organization had no permanently restricted net assets.

Cash - The term cash, as used in the accompanying financial statements, includes currency on hand and demand deposits with financial institutions. Fairtrade maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. Cash accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Fairtrade has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash.

Accounts Receivable - Accounts receivable are stated net of an allowance for doubtful accounts on the accompanying statements of financial position. Management estimated the allowance for doubtful accounts and determined approximately \$18,000 and \$0 of allowance was required as of December 31, 2013 and 2012, respectively. All balances are evaluated by management on a quarterly basis. Receivables are written off after collection attempts have failed.

Property and Equipment - Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (generally three to seven years). Depreciation expense for the year ended December 31, 2013 and for the period June 4, 2012 (inception) through December 31, 2012 was \$314 and \$0, respectively.

FAIRTRADE INTERNATIONAL USA, INC.

D/B/A FAIRTRADE AMERICA

Notes to the Financial Statements

As of and for the Year Ended December 31, 2013 and as of December 31, 2012 and for the Period June 4, 2012 (Inception) through December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - The primary source of revenue is license fees paid by vendors for use of the fairtrade label, which indicates that the labelled goods were made by Fairtrade certified producers. As more fully discussed in Note 3, FLOCERT, an affiliate of FTI, currently certifies vendors. License fees are earned based on the volume or value of goods sold per quarter and is recognized on a quarterly basis. License fees paid in advance are deferred until earned. As part of the agreement with FTI, there is an administrative fee due per quarter per license from other national fairtrade organizations, currently set at €150 (\$206 as of December 31, 2013).

For the year ended December 31, 2013, two licensees accounted for approximately 33 and 30 percent of the Organization's revenue. For the period June 4, 2012 (inception) through December 31, 2012, two licensees accounted for approximately 17 and 12 percent of the Organization's revenue.

Income Taxes - The Organization is exempt from federal income tax under provisions of Section 501(c)(3) of the IRC. As such, the Organization is taxed only on its net unrelated business income. No provision for income taxes is required for the year ended December 31, 2013 and for period June 4, 2012 (inception) through December 31, 2012 as the Organization had no unrelated business income.

The Organization can only recognize the tax effects of uncertain tax position if the position is more likely than not to be sustained upon audit, based on technical merits of the position. The Organization performed an evaluation of uncertain tax positions for the years ended December 31, 2013 and 2012 and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2013, the Organization is generally no longer subject to income tax examination by tax authorities for the years before 2010 and is not currently under examination by any income tax jurisdiction.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on the staff salaries charged to each program or activity.

Foreign Currency Transactions - The Organization does business with affiliates where the functional currency is not U.S. dollars. At the date a transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction is measured and recorded in the U.S. dollars using the exchange rate in effect at that time. At each statement of financial position date, balances that will be settled in a foreign currency are adjusted to reflect the current exchange rate. Gains and losses arising from foreign currency transactions are recorded in the accompanying statement of functional expenses and thus on the statement of activities.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Subsequent Events - The Organization has evaluated subsequent events through the report date of these financial statements, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

FAIRTRADE INTERNATIONAL USA, INC.

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Notes to the Financial Statements

As of and for the Year Ended December 31, 2013 and as of December 31, 2012 and for the Period June 4, 2012 (Inception) through December 31, 2012

NOTE 3 - TRANSACTIONS WITH AFFILIATES

During February 2013, the Organization's founding affiliate, FTI, provided the Organization €50,000 (\$65,808). The agreement was that €40,000 (\$52,646) was to be an advance payment to help the Organization pay rent, electricity, and other organizational costs. As of December 31, 2013, the remaining balance was €24,000 (\$33,038), which is shown on the statement of financial position as a due to affiliate. Subsequent to year end, the loan was paid back to FTI in full. The remaining €10,000 (\$13,162) was a contribution to the Organization to assist in hiring a communications consultant. This amount has been recorded as contribution revenue. There was no formal written agreement established in regards to the loan.

In September 2012, the Organization entered into a Fee for Services Agreements (the "FFS Agreement") in which Fairtrade Canada ("FTC") would provide services to the Organization on behalf of FTI. These services include but are not limited to: licensing and certification, representation of the international Fairtrade system in the United States (including key events), hosting informational meetings, and supporting and building relations with commercial partners, as defined in the FFS Agreement. Total costs incurred related to the FFS Agreement were \$342,711 and \$0, for the year ended December 31, 2013 and for the period June 4, 2012 (inception) through December 31, 2012, respectively. Effective January 1, 2014, the Organization extended the FFS Agreement to December 31, 2016. Financial and administrative services provided by FTC and paid for by Organization but not as part of the FFS Agreement totaled \$37,500 and \$0 for the year ended December 31, 2013 and for the period June 4, 2012 (inception) through December 31, 2012, respectively.

FTC is also the global account manager for one the Organization's largest licensees and therefore FTC collects the licensee fees and pays a portion of the fees to Fairtrade based on sales occurring in the United States. Fairtrade earned cross border fees on these transactions totaling \$51,459 and \$50,897 for the year ended December 31, 2013 and for the period June 4, 2012 (inception) through December 31, 2012, respectively.

On January 1, 2014, the Organization entered into a Cooperation Agreement with FTI and FTC which expires December 31, 2016. The Cooperation Agreement allows the use of the fairtrade mark brand marks and authorizes FTC to assist the Organization with activity in the United States and grants necessary cross border sales approval.

FLOCERT, an affiliate of FTI, independently certifies procedures to ensure that producers and traders within the Fairtrade system are compliant with the "Fairtrade Standards." FLOCERT is the chosen certifier for FTI and consequently Fairtrade. Fairtrade paid certification fees to FTI for FLOCERT services totaling \$6,432 and \$0 for the year ended December 31, 2013 and for the period June 4, 2012 (inception) through December 31, 2012, respectively.

As described in Note 2, the primary source of revenue is licensee fees paid by vendors to their global account managers for the use of the Fairtrade label. As these fees are billed on a quarterly basis, the Organization experiences large accounts receivable and accounts payable balances. These amounts are related to the licensee and cross border fees incurred that have been collected from vendors by other national fairtrade organizations. The following is a summary of amounts due from affiliates included in accounts receivable on the accompanying balance sheets as of December 31, 2013 and 2012:

	2013	2012
Fairtrade Canada	\$ 405,363	\$ 25,384
FLOCERT	1,029	1,606
Other national fairtrade organizations	7,891	2,008
Total	\$ 414,283	\$ 28,998

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D/B/A FAIRTRADE AMERICA

Notes to the Financial Statements

As of and for the Year Ended December 31, 2013 and as of December 31, 2012 and for the Period June 4, 2012 (Inception) through December 31, 2012

NOTE 3 - TRANSACTIONS WITH AFFILIATES - CONTINUED

The following is summary of amounts due to affiliates included in accounts payable on the accompanying balance sheet as of December 31, 2013 and 2012:

	2013	2012
Fairtrade International	\$ 405,736	\$ -
Fairtrade Canada	42,596	-
Total	\$ 448,332	\$ -

NOTE 4 - RENTAL AGREEMENT

In January 2013, the Organization entered into a 12 month sublease rental agreement (the "Agreement") for office space. The Agreement required monthly payments of \$1,500. Total rent expense was \$18,000 and \$0, for the year ended December 31, 2013 and for the period June 4, 2012 (inception) through December 31, 2012, respectively. In January 2014, the Organization extended the Agreement to December 31, 2014 with an increased monthly rental payment of \$2,050 and the option to extend for three additional one year terms. As of December 31, 2013, future minimum rent payments owed during 2014 by Fairtrade are \$24,600.