

**FINANCIAL STATEMENTS**

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

**FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Fairtrade International USA, Inc. d/b/a Fairtrade America (Fairtrade America), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and change in net assets, 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 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 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 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 Fairtrade America as of December 31, 2014, and the change 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.

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

STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2014

## ASSETS

## CURRENT ASSETS

Cash and cash equivalents	\$ 901,331
Accounts receivable, net of allowance for doubtful accounts	614,594
Prepaid expenses	<u>23,283</u>
Total current assets	<u>1,539,208</u>

## FIXED ASSETS

Computer equipment	5,892
Less: Accumulated depreciation	<u>(1,573)</u>
Net fixed assets	<u>4,319</u>

## OTHER ASSETS

Other assets	75
Deposits	<u>1,500</u>
Total other assets	<u>1,575</u>

**TOTAL ASSETS** **\$ 1,545,102**

## LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 461,732
Deferred revenue	<u>42,233</u>
Total current liabilities	<u>503,965</u>

## NET ASSETS

Unrestricted	<u>1,041,137</u>
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**TOTAL LIABILITIES AND NET ASSETS** **\$ 1,545,102**

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

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>
<b>REVENUE</b>	
License fee	\$ 1,860,169
Project fee	38,025
Administrative fees	10,518
Application fees	1,800
Other revenue	<u>169</u>
Total revenue	<u>1,910,681</u>
<b>EXPENSES</b>	
Program Services	1,050,607
Supporting Services: Management and General	<u>144,753</u>
Total expenses	<u>1,195,360</u>
Change in net assets	715,321
Net assets at beginning of year	<u>325,816</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,041,137</u></b>

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

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Fees for services	\$ 299,399	\$ -	\$ 299,399
Salaries and benefits	377,074	41,897	418,971
Consulting fees	167,509	-	167,509
Awareness costs	47,881	-	47,881
Travel and entertainment	71,786	-	71,786
Membership and subscriptions	-	6,392	6,392
Reimbursable expenses	38,025	-	38,025
Board expenses	25,004	-	25,004
Legal fees	-	15,112	15,112
Bad debt expense/recovery	-	(13,437)	(13,437)
Professional fees	-	7,000	7,000
Rent	-	29,139	29,139
Insurance	-	9,971	9,971
Bank charges	-	4,434	4,434
Telephone and internet	-	4,442	4,442
Miscellaneous expenses	-	4,790	4,790
Gain on foreign exchange	-	(788)	(788)
Recruiting and advertising	-	26,338	26,338
Courier and postage	4,193	1,398	5,591
Printing and stationary	3,944	1,315	5,259
Depreciation	-	1,579	1,579
Website and domain hosting	15,792	-	15,792
Loss on disposal of assets	-	454	454
Technology expenses	-	4,717	4,717
<b>TOTAL</b>	<b><u>\$ 1,050,607</u></b>	<b><u>\$ 144,753</u></b>	<b><u>\$ 1,195,360</u></b>

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

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 715,321
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,579
Loss on disposal of fixed asset	454
(Increase) decrease in:	
Accounts receivable	98,058
Prepaid expenses	(8,151)
Deposits	(1,500)
Increase (decrease) in:	
Accounts payable and accrued liabilities	(82,248)
Deferred revenue	<u>40,067</u>
Net cash provided by operating activities	<u>763,580</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets	<u>(4,248)</u>
Net cash used by investing activities	<u>(4,248)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Loan repayments from affiliate	<u>(33,038)</u>
Net cash used by financing activities	<u>(33,038)</u>
Net increase in cash and cash equivalents	726,294
Cash and cash equivalents at beginning of year	<u>175,037</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 901,331</u></b>

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

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

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

Fairtrade America considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, Fairtrade America maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Accounts receivable -

Accounts receivable approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

Fixed assets -

Fixed assets in excess of \$500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2014 totaled \$1,579.

Income taxes -

Fairtrade America is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Fairtrade America is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2014, Fairtrade America has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.



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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
(Continued)

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Fairtrade America and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Fairtrade America and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions. There was no temporarily restricted net asset activity as of or during the year ended December 31, 2014.

License fees -

The primary source of revenue is license fees paid by vendors for use of the fairtrade label, which indicates that the labeled goods were made by Fairtrade certified producers. FLOCERT, an affiliate of Fairtrade International ("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.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. **LEASE COMMITMENTS**

Fairtrade America leases office space in Washington, D.C. under a 27-month lease agreement than began on January 1, 2015 and expires on March 31, 2016. Base rent was \$3,600 per month, plus a proportionate share of operating expenses and real estate taxes.

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**2. LEASE COMMITMENTS (Continued)**

On July 1, 2015, Fairtrade America amended its lease agreement, with base rent increasing to \$7,600 per month, and an expiration date of March 31, 2016.

The following is a schedule of the future minimum lease payments:

**Year Ending December 31,**

2015	\$	67,200
2016		<u>22,800</u>
	\$	<u><b>90,000</b></u>

Rent expense for the year ended December 31, 2014 was \$29,139.

**3. RELATED PARTY**

During February 2013, Fairtrade America's founding affiliate, Fairtrade International ("FTI"), provided Fairtrade America €50,000 (\$65,808). The agreement was that €40,000 (\$52,646) was to be an advance payment to help Fairtrade America pay rent, electricity and other organizational costs and the remaining €10,000 (\$13,162) was a contribution to Fairtrade America to assist in the hiring of a communications consultant. During 2014, Fairtrade America paid back the loan to FTI in full.

In September 2012, Fairtrade America entered into a Fee for Service Agreement (the "FFS Agreement") in which Fairtrade Canada ("FTC") would provide services to Fairtrade America 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 was \$299,399 for the year ended December 31, 2014. Effective January 1, 2014, Fairtrade America extended the FFS Agreement to December 31, 2016. Financial and administrative services provided by FTC and paid for by Fairtrade America, but not as part of the FFS Agreement, totaled \$0 for the year ended December 31, 2014.

On January 1, 2014, Fairtrade America entered into a Cooperation Agreement with FTI and FTC, which expires on December 31, 2016. The Cooperation Agreement allows the use of the fairtrade mark brand marks and authorizes FTC to assist Fairtrade America 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 America. During 2014, Fairtrade America paid \$0 for certification fees to FTI for FLOCERT services.

As of December 31, 2014, Fairtrade America owed Fairtrade Canada \$104,564 and Fairtrade International \$265,843.

**4. SUBSEQUENT EVENTS**

In preparing these financial statements, Fairtrade America has evaluated events and transactions for potential recognition or disclosure through , the date the financial statements were issued.