

Solidaridad North America

Financial Statements and
Supplementary Information

December 31, 2022

Solidaridad North America

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Independent Auditors' Report

To the Board of Trustees of
Solidaridad North America

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Solidaridad North America (the Organization), which comprise the statement of financial position as of December 31, 2022, and 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, 2022, and the changes in 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) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 audit. 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 the 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 available to be issued.

Auditors' 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 auditors' 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, we:

- Exercise professional judgment 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 the 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 with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated Date of Report, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements of the Organization, as of and for the year ended December 31, 2021, were audited by other auditors, whose report, dated December 12, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

San Francisco, California
August 2, 2024

Solidaridad North America

Statement of Financial Position

December 31, 2022

(With Summarized Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Assets		
Cash	\$ 1,949,489	\$ 414,780
Grants receivable	115,126	212,929
Other receivables	1,311	-
Prepaid expenses and deposits	<u>469,491</u>	<u>26,650</u>
Total assets	<u>\$ 2,535,417</u>	<u>\$ 654,359</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 154,393	\$ 108,172
Grant advance	513,131	-
Payables, affiliates	<u>439,220</u>	<u>26,715</u>
Total liabilities	<u>1,106,744</u>	<u>134,887</u>
Net Assets (Deficit)		
Without donor restrictions	(156,936)	210,509
With donor restrictions	<u>1,585,609</u>	<u>308,963</u>
Total net assets	<u>1,428,673</u>	<u>519,472</u>
Total liabilities and net assets	<u>\$ 2,535,417</u>	<u>\$ 654,359</u>

See notes to financial statements

Solidaridad North America

Statement of Activities

Year Ended December 31, 2022

(With Summarized Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022	2021
Revenues and Support				
Grants and contributions	\$ 214,192	\$ 2,553,758	\$ 2,767,950	\$ 267,733
Contracts	5,125	-	5,125	497,579
Paycheck Protection Program loan forgiveness	-	-	-	67,777
Net assets released from restrictions	1,277,112	(1,277,112)	-	-
Total revenue and support	1,496,429	1,276,646	2,773,075	833,089
Expenses				
Program services	1,294,180	-	1,294,180	691,632
Supporting services:				
Management and general	497,407	-	497,407	358,894
Fundraising	72,287	-	72,287	74,720
Total supporting services	569,694	-	569,694	433,614
Total expenses	1,863,874	-	1,863,874	1,125,246
Changes in net assets	(367,445)	1,276,646	909,201	(292,157)
Net Assets, Beginning	210,509	308,963	519,472	811,629
Net Assets (Deficit), Ending	<u>\$ (156,936)</u>	<u>\$ 1,585,609</u>	<u>\$ 1,428,673</u>	<u>\$ 519,472</u>

See notes to financial statements

Solidaridad North America

Statement of Functional Expenses

Year Ended December 31, 2022

(With Summarized Comparative Totals for 2021)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022</u>	<u>2021</u>
Personnel expenses	\$ 239,849	\$ 157,011	\$ 72,287	\$ 469,147	\$ 437,204
Project expenses	633,564	215,108	-	848,672	428,232
Professional fees	400,070	55,779	-	455,849	227,799
Travel and meetings	17,992	22,447	-	40,439	1,127
Other	-	23,649	-	23,649	7,293
Occupancy	-	13,377	-	13,377	10,952
Office expense	2,705	10,036	-	12,741	12,639
Total expenses	<u>\$ 1,294,180</u>	<u>\$ 497,407</u>	<u>\$ 72,287</u>	<u>\$ 1,863,874</u>	<u>\$ 1,125,246</u>

See notes to financial statements

Solidaridad North America

Statement of Cash Flows

Year Ended December 31, 2022

(With Summarized Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ 909,201	\$ (292,157)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Paycheck Protection Program loan forgiveness	-	(67,777)
Changes in operating assets and liabilities:		
Grants receivable	97,803	(161,696)
Other receivables	(1,311)	117,539
Prepaid expenses and deposits	(442,841)	5,000
Accounts payable and accrued expenses	46,221	36,713
Grant advance	513,131	-
Payables, affiliates	412,505	26,715
	<u>1,534,709</u>	<u>(335,663)</u>
Net cash provided by (used in) operating activities		
	1,534,709	(335,663)
Cash, Beginning	<u>414,780</u>	<u>750,443</u>
Cash, Ending	<u>\$ 1,949,489</u>	<u>\$ 414,780</u>

See notes to financial statements

Solidaridad North America

Note to Financial Statements

December 31, 2022

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 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.
- 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.
- Stitching 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.
- 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.
- PACT, Inc. is supporting a program to reduce and strengthen responsible supply chains in Ghana's artisanal and small-scale gold mining sector.
- The Bill and Melinda Gates Foundation focuses on strengthening and scaling Kvuno, a social enterprise that aims at delivering low-cost, high-impact, digitally-driven bundled services to small farmers in Malawi, Mozambique, and Zambia.
- The U.S. Agency for International Development (USAID) – Funded Amazonia Connect initiative addresses three commodity supply chains in the Amazon regions across three countries with the highest commodity-driven deforestation, GHG emissions and biodiversity impact: (i) Brazil: Pará and the Amazon biome region of Mato Grosso (Livestock), (ii) Peru: San Martín (Coffee) and Ucayali (Palm Oil), and (iii) Colombia: Caquetá (Livestock/Coffee) and the Amazon part of Meta (Livestock), and scales Low Carbon Agriculture and Deforestation-Free Production models in key Amazon jurisdictions.
- The Mitsubishi Foundation supports regenerative agricultural practices for stallholder coffee farmers in Mexico.

Solidaridad North America

Note to Financial Statements

December 31, 2022

- Cargill partnered with Solidaridad to support the development of more sustainable practices in cocoa farming communities in Ecuador.

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.

Pursuant to Accounting Standards Update (ASU) No. 2014-15, *Presentation of Financial Statements Going Concern (Subtopic 205-40)*, management has evaluated the Organization's ability to continue as a going concern for one year after the date the financial statements are available for issuance, and it believes the Organization will continue operations as a going concern for the period of at least 12 months from August 2, 2024.

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, 2021 from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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 historic 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 that no allowance for uncollectable grants receivable was required as of December 31, 2022.

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 follow:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Solidaridad North America

Note to Financial Statements

December 31, 2022

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 must 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 the restriction expires, that is, when the stipulated time has elapsed when the stipulated purpose for the resources has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue recognition for contribution and grant income is accounted for as nonreciprocal transactions. Unconditional contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Conditional contributions and grants are recognized only when the conditions they depend on are substantially met and contributions become unconditional. At December 31, 2022, grants amounting to \$5,108,506 have not been recognized in the accompanying financial statements because the conditions to incur qualifying expenses had not been met and a grant amounting to \$489,411 has not been recognized in the accompanying financial statements because the six month milestone update on gender plan, business model, and global access strategy has not been submitted.

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.

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.

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, 2022, 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 August 2, 2024, which is the date the financial statements were available for issuance.

Solidaridad North America

Note to Financial Statements
December 31, 2022

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 of the following:

Cash	\$	1,949,489
Grants and other receivable		<u>116,437</u>
	\$	<u>2,065,926</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.

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, 2022, grants from Stichting Solidaridad (Netherlands) totaled \$114,703, and from Stichting Solidaridad Network totaled \$200,000. In addition, the Organization received payroll and expense reimbursements from Fundación Solidaridad Central America, Mexico and Caribbean in the amount of \$209,674, which were treated as reductions of payroll and related expenses.

For the year ended December 31, 2022, advances for program expenses paid to Solidaridad Asia Limited totaled \$187,904, to Fundacion Solidaridad Latinoamericana totaled \$464,533, to Solidaridad Network West Africa \$90,170, and to Stichting Solidaridad Network \$106,065. As of December 31, 2022, 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, affiliated.

5. Net Assets With Donor Restrictions

As of December 31, 2022, net assets with donor restrictions are restricted for the following purposes:

Expanding Service Provision for Small-scale Producers through Kvuno	\$	1,010,589
Cargill Sustainability Program Ecuador		154,125
Mitsubishi regenerative agricultural practices for smallholders		150,000
Small Farmers Innovation		89,271
PING Platform		85,374
Incentive Platform Pilot		56,973
ESAWA / Intel		20,000
Carbon Direct		6,256
Digital Suite for Artisanal and Small-Scale Minerals Sector		5,318
Global Expertise Team, Market Update		5,203
Sustainable Sugar Cane Program		<u>2,500</u>
Total	\$	<u>1,585,609</u>

Solidaridad North America

Note to Financial Statements

December 31, 2022

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, 2022:

USAID - Amazonia Connect	\$	995,190
Global Expertise Team, Market Uptake		130,380
US Department of State PACT		99,092
ESAWA / Intel		19,706
Small Farmers Innovation		14,883
DAI/USAID		10,060
PING Platform		7,347
Incentive Platform Pilot		454
		<hr/>
Total	\$	<u>1,277,112</u>

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 of age. The Organization determines the contributions to be paid to all employees on a yearly basis. For the year ended December 31, 2022, the Organization made \$20,455 in employer contributions.

7. Risks and Uncertainties

Financial Instruments and Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. Risk associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor).

Concentrations

During 2022 the Organization received 72% of grant income from two grantors.

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards***

Independent Auditors' Report

To the Board of Directors of
Solidardad North America

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Solidardad North America (the Organization), which comprise the Organization's statement of financial position as of December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated Date of Report.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-01, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

San Francisco, California
August 2, 2024

**Report on Compliance
for the Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditors' Report

To the Board of Directors of
Solidardad North America

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Solidardad North America's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2022. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned cost as item 2022-02, to be a material weakness

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures the Organization's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

San Francisco, California
August 2, 2024

Solidaridad North AmericaSchedule of Expenditures of Federal Awards
Year Ended December 31, 2022

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Identifying Number</u>	<u>Pass-through to Sub-Recipients</u>	<u>Total Federal Expenditures</u>
Directly from U.S. Agency for International Development: Foreign Assistance for Programs Overseas	98.001		\$ 836,402	\$ 995,190
Total direct awards			836,402	995,190
U.S. Agency for International Development: Pass through DAI Global, Inc	N/A	AID-OAA-A-17-00033	-	10,060
U.S. Department of State: Pass through Pact, Inc	19.017	SLMAQM20CA2378	99,092	99,092
Total pass-through awards			99,092	109,152
Total federal award expenditures			\$ 935,494	\$ 1,104,342

See notes to schedule of expenditures of federal awards

Solidaridad North America

Notes to Schedule of Expenditures of Federal Awards
December 31, 2022

1. Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Solidaridad North America under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Solidaridad North America, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Solidaridad North America.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Assistance listing numbers and pass-through entity identification numbers are presented where available.

3. Indirect Cost Rate

The Organization has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Solidaridad North America

Schedule of Findings and Questioned Costs
December 31, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

X yes no

Significant deficiency(ies) identified?

yes X none reported

Noncompliance material to financial statements noted?

yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

X yes no

Significant deficiency(ies) identified?

yes X none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?

X yes no

Auditee qualified as low-risk auditee?

yes X no

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Identification of major federal programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

98.001

USAID Foreign Assistance for Programs Overseas

Solidaridad North America

Schedule of Findings and Questioned Costs
December 31, 2022

Section II - Financial Statement Findings Required to be Reported in Accordance with Government Auditing Standards

Finding 2022-001 – Account Reconciliations

Condition: During the audit, we noted that certain accounts, including grants receivable, deferred revenue, grant revenue, and expenses were not adjusted to the correct balance as of year-end, until after the audit commenced.

Criteria: All material account balances should be reconciled in a timely manner each month.

Cause: The Organization did not have the resources internally to maintain the books in accordance with generally accepted accounting principles and to ensure that the accounts were reconciled each month.

Effect or Potential Effect: The financial statements required significant adjustments before we could complete the audit.

Recommendations: The Organization should hire as necessary to ensure that the books and records are maintained in accordance with generally accepted accounting principles and are reconciled monthly.

Views of Responsible Officials and Planned Corrective Action: In 2022 and 2023 the Financial Controller worked part time for Solidaridad North America and did not have sufficient internal resources to reconcile all material account balances each month. In 2024, in addition to employing a full time Financial Controller, Solidaridad North America will contract additional external accounting support.

Section III – Findings for Major Federal Award

Finding 2022-002 – Subrecipient Monitoring, Material Weakness in Internal Control over Compliance

Criteria: The Organization should monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals. The Organization should also follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal awards provided to the subrecipient detected through audits/on-site reviews, or other means.

Condition: During the audit, we noted that the Organization did not perform the subrecipient monitoring procedures in a timely manner.

Cause: The Organization did not have the bandwidth to perform the monitoring procedures over subrecipients in a timely manner.

Effect or Potential Effect: During the audit, we noted that the Organization hired a consulting company to perform the subrecipient monitoring procedures to monitor compliance. The results of the monitoring procedures were not communicated to the Organization in a timely manner. While our testing procedures did not uncover any unallowable costs, the potential effects are that the subrecipients could charge unallowable costs to the Grantor without the knowledge of the Organization.

Recommendations: The Organization should implement a policy in which all procedures performed related to subrecipient monitoring are completed in a timely manner and all findings are communicated to the subrecipients.

Views of Responsible Officials and Planned Corrective Action: The Organization will implement procedures to guarantee the proper supervision for subgrantees in a timely manner.