MERCADO GLOBAL, INC. June 30, 2021 and 2020

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PHONE (203) 562-1797
FAX (203) 562-6287
EMAIL JESSICA.PALLMANCO@YAHOO.COM
877 STATE STREET
NEW HAVEN, CT 06511-6509

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mercado Global, Inc.

We have audited the accompanying financial statements of Mercado Global, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years 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 Mercado Global, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Pallman & Company, PC

Pallman & Company P.C.

March 31, 2022

New Haven, Connecticut

Mercado Global, Inc. Statements of Financial Position June 30, 2021 and 2020

| | 2021 | | 2020 | |
|---------------------------------------|------|----------|------|----------|
| Assets | | | | |
| Cash | \$ | 96,197 | \$ | 45,377 |
| Accounts and contributions receivable | | 115,835 | | 52,445 |
| Inventories | | 187,794 | | 205,504 |
| Prepaid expenses | | - | | 19,145 |
| Fixed assets | | 47,420 | | 45,150 |
| Less accumulated depreciation | | (34,359) | | (30,015) |
| Other assets - deposits | | 4,010 | | 6,167 |
| Total Assets | \$ | 416,897 | \$ | 343,773 |
| Liabilities | | | | |
| Loans payable | \$ | 38,671 | \$ | 44,787 |
| Accounts payable | | 28,395 | | 24,989 |
| Accrued liabilities | | 2,715 | | 616 |
| Fair trade sales deposits | | 87,500 | | 30,948 |
| Loans payable - officer/director | | 10,000 | | 10,000 |
| SBA EIDL loans payable | | 152,265 | - | 214,300 |
| Total Liabilities | \$ | 319,546 | \$ | 325,640 |
| Net Assets | | | | |
| Unrestricted | \$ | 97,351 | \$ | 18,133 |
| Total Net Assets | \$ | 97,351 | \$ | 18,133 |
| Total Liabilities and Net Assets | \$ | 416,897 | \$ | 343,773 |

Mercado Global, Inc. Statements of Activities For The Years Ended June 30, 2021 and 2020

| 2021 | | | 2020 |
|------|-----------|---|---|
| | | | |
| \$ | 709,793 | \$ | 711,908 |
| | 635,147 | | 520,304 |
| | 1,344,940 | | 1,232,212 |
| | | | |
| | 1,119,432 | | 1,050,959 |
| | 80,951 | | 88,796 |
| | 65,339 | | 87,658 |
| | 1,265,722 | | 1,227,413 |
| \$ | 79,218 | \$ | 4,799 |
| | 18,133 | | 13,334 |
| \$ | 97,351 | \$ | 18,133 |
| | \$ | \$ 709,793 635,147 1,344,940 1,119,432 80,951 65,339 1,265,722 \$ 79,218 18,133 | \$ 709,793 \$ 635,147 1,344,940 1,119,432 |

Mercado Global, Inc. StatementS of Cash Flow For The Years Ended June 30, 2021 and 2020

| | 2021 | 2020 | | |
|--|--------------|------|-----------|--|
| Cash flows from operating activities | | | | |
| Net increase in net assets | \$ 79,218 | \$ | 4,800 | |
| Adjustments to reconcile net increase (decrease) in net assets to net cash provided by (used by) operating activities: | | | | |
| Depreciation and amortization | 4,344 | | 4,839 | |
| (Increase) decrease in accounts receivable | (63,390) | | 41,701 | |
| (Increase) decrease in prepaid expense | 19,145 | | (19,145) | |
| (Increase) decrease in inventories | 17,710 | | (85,925) | |
| (Increase) decrease in other assets | 2,157 | | 6,272 | |
| Increase (decrease) in accounts payable | 59,958 | | (28,015) | |
| Increase (decrease) in accrued expenses | 2,099 | | (25,329) | |
| Total Adjustments | 42,023 | | (105,602) | |
| Net cash provided by (used by) operating activities | 121,241 | | (100,802) | |
| Cash flows from investing activities | | | | |
| Payments for the purchase of property | (2,270) | | (4,493) | |
| Net cash (used by) investing activities | (2,270) | | (4,493) | |
| Cash flows from financing activities | | | | |
| Proceeds (payments) from issuance of loans payable | (68,151) | | 139,686 | |
| Proceeds (payments) officer/director advances | - | | (10,000) | |
| Net cash provided (used by) financing activities | (68,151) | | 129,686 | |
| Net increase in cash and cash equivalents | \$ 50,820 | \$ | 24,391 | |
| Cash and cash equivalents at beginning of year | \$ 45,377 | \$ | 20,987 | |
| Cash and cash equivalents at end of year | \$ 96,197 | \$ | 45,378 | |
| Supplemental Disclosure: | | | | |
| Interest Expense | \$ 6,357 | \$ | 8,188 | |
| | | | | |

Mercado Global, Inc. Statements of Functional Expenses For the Years Ended June 30, 2021 and 2020

Program Services

Supporting Services

| <u>2021</u> | tet Access & Business Education | Lead | men's dership & Wel eing Program | Design a Difference Program | Pa | ommunity artnerships Program | Management Administration | ndraising Services | Total |
|--|---------------------------------------|------|--|-----------------------------------|----|------------------------------------|------------------------------|-----------------------|-----------------|
| Program Staff Salaries and Expense | \$ 267,197 | \$ | 87,836 | \$ 34,118 | \$ | 133,994 | \$ 69,318 | \$ 49,694 | \$ 642,157 |
| Fair Trade Marketing Program Cost of Goods Sold | 443,742 | | | 11,377 | | | | | 455,119 |
| Community Outreach and Education | 14,953 | | - | 10,035 | | 6,183 | - | 12,037 | 43,208 |
| Program Offices Facility and Operations | 24,956 | | 2,902 | 10,447 | | 5,223 | 11,633 | 2,902 | 58,063 |
| Program Offices Expenditures and Training | 46,460 | | 14,640 | 1,273 | | 1,273 | - | - | 63,646 |
| Program Travel and Oversight | 1,447 | | 247 | 353 | | 776 | | 706 | 3,529 |
| Total | \$ 798,755 | \$ | 105,625 | \$ 67,603 | \$ | 147,449 | \$ 80,951 | \$ 65,339 | \$ 1,265,722 |
| <u>2020</u> | | | | | | | | | |
| Program Staff Salaries and Expense Fair Trade Marketing Program | \$ 334,975 | \$ | 85,554 | \$ 36,495 | \$ | 97,951 | \$ 56,790 | \$ 37,613 | \$ 649,378 |
| Cost of Goods Sold | 293,034 | | - | 14,308 | | | - | - | 307,342 |
| Community Outreach and Education | 38,134 | | 260 | 38,129 | | 24,741 | - | 40,813 | 142,077 |
| Program Offices Facility and Operations | 23,773 | | 2,743 | 9,876 | | 4,938 | 10,973 | 2,743 | 55,046 |
| Program Offices Expenditures and Training | 38,474 | | 12,122 | 1,054 | | 1,054 | - | - | 52,704 |
| Program Travel and Oversight | 8,629 | | 1,473 | 2,105 | | 4,630 | | 4,029 | 20,866 |
| Total | \$ 737,019 | \$ | 102,152 | \$ 101,967 | \$ | 133,314 | \$ 67,763 | \$ 85,198 | \$ 1,227,413 |

MERCADO GLOBAL, INC.

Notes to Financial Statements June 30, 2021 and 2020

1. Summary of Significant Accounting Policies

The accompanying financial statements of Mercado Global, Inc. (the Organization) are prepared principally on the accrual basis of accounting in accordance with generally accepted accounting principles. The significant accounting policies of the Organization are described below to enhance the usefulness of the financial statements to the reader.

Nature of Activities

The Organization was established and incorporated in the State of Connecticut in May of 2004 to provide fair wage opportunities to rural women's cooperatives in impoverished countries. The organization assists in designs and marketing of goods on behalf of the cooperatives and provides training and education opportunities in its partner communities.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The financial statement information regarding the Organization's financial position and activities are presented based upon the absence or existence of donor-imposed restrictions.

Net Assets Without Donor Restrictions – Net assets derived from grants, contributions and program revenue that are not subject to explicit donor-imposed restrictions. Net assets without donor restrictions also include board designated funds.

Net Assets With Donor Restrictions – Net assets that are subject to explicit donor-imposed restrictions on the expenditure or particular use or future use of the contributed assets. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization's measure of operations as presented in the statement of activities includes revenues from grants and contracts and revenue from the facilitation of program related sales.

Cash and Cash Equivalents

Cash, cash equivalents, if any, are recorded at cost, which approximates fair value. The Organization considers short-term, highly liquid investments with maturities of three months or less from the original date of acquisition to be cash equivalents.

Liquidity

The Organization has a goal to maintain financial assets which consist of cash and savings deposits on hand to meet the needs of current operations. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient funds to cover general expenditures. The board meets regularly to review and manage the liquidity of the Organization.

| Total assets at year end | \$ 416,897 |
|--|-------------------|
| Less nonfinancial assets: | , |
| Deposits | (4,010) |
| Fixed assets net of accumulated depreciation | (13,061) |
| Other resources available: | |
| Lines of credit | 70,000 |
| Total financial assets and other resources available for general | |
| expenditure within one year | <u>\$ 469,826</u> |
| | |

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MERCADO GLOBAL, INC. Notes to Financial Statements June 30, 2021 and 2020

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Support and Expenses

The Organization's activities are funded by contributions and grant and contract income for exchange and non-exchange agreements from private and government sources, and by earnings from the design and sale of goods provided by the cooperatives. Contributions received are measured at their fair values and are reported as an increase in net assets. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Consideration of Credit Risk

The Organization maintains its cash for normal operating requirements at high credit quality financial institutions. These balances at times may exceed the federally insured limits. Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of accounts receivable. The Organization investigates and manages accounts receivable on a current basis.

Functional Expenses

The costs of providing the various programs and supporting activities of the organization have been presented in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program services, supporting services and fundraising activities.

Income Taxes

The Organization qualifies as a public charity under Internal Revenue Code Section 170(b)(1)(A)(VI) and has been determined to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's accounting policy provides that a tax expense or benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination. The Organization has no uncertain tax positions resulting in an accrual of tax expense or benefit. The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2018, 2019, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

Non-monetary Donations

Contributions of tangible assets are recognized at fair value when received. Contributed services are recognized at fair value if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals with those skills, and would typically need to be purchased if not provided by donation. The amounts, if any, reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Recent Authoritative Pronouncements

The Financial Accounting Standards Board has issued standards that the Association must consider for adoption over the coming years. Those standards include *Leases*. The *Leases* standard will recognize lease assets and liabilities on the balance sheet based upon lease obligations and expand the disclosure requirements related to leasing arrangements.

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MERCADO GLOBAL, INC.

Notes to Financial Statements June 30, 2021 and 2020

2. Program Related Operations

As part of the Organization's mission, the Organization provides a marketing arm for goods manufactured by women's artisan cooperatives in rural Latin America. To this end the Organization facilitated wholesale sales and related costs of the following:

| | _2021_ | 2020 |
|---------------------------------|------------|------------|
| Program service sales | \$ 635,147 | \$ 520,303 |
| Merchandise costs | 320,541 | 193,955 |
| Shipping and handling costs | 72,745 | 82,961 |
| Advertising and marketing costs | 16,531 | 36,270 |

The provisional sales revenue from this program helps to provide educational and economic opportunities for the cooperatives and their communities. Freight billed to customers is considered sales revenue and the related shipping costs as cost of sales. Advertising costs are expensed when incurred.

3. Accounts and Contributions Receivable

The Organization records sales and accounts receivable from the program service revenue as described in Note 2 of the financial statements. Accounts receivable amounted to \$115,835 and \$52,445 at June 30, 2021 and 2020 respectively. The management of the Organization has determined that there is no allowance for doubtful accounts for the years ended June 30, 2021 and 2020. Unconditional promises to give are recorded as revenue when the promise is made. Contributions receivable amounted to \$33,000 and \$13,000 for the years ended June 30, 2021 and 2020 respectively.

4. Inventory

The Organization has received grant funds and loan proceeds to build up inventories and materials to provide continuous merchandise availability and to provide continuous sales opportunities to the cooperatives. Inventory is recorded at the lower of cost or market based on the specific identification method and amounted to \$187,794 and \$205,504 for the years ended June 30, 2021 and 2020 and consists of raw woven materials the majority of which is held in Guatemala and completed woven and beaded merchandise from the women's cooperatives held in the office operations location.

5. Loans Payable

The Organization's loans payable consists of the following:

| | <u>2021</u> | 2020 |
|--|-------------|------------|
| Seton Enablement Fund, renewed 3% due semi-annually, | | |
| in installments of \$6,000 including principal and interest, | | |
| payable over five years | 38,671 | 44,787 |
| SBA Disaster Loan, 3.1% payable monthly beginning | | , |
| May 22, 2021 payable over thirty years | 152,265 | 150,000 |
| Loans unsecured | 10,000 | 10,000 |
| Total | \$ 200,936 | \$ 204,787 |

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MERCADO GLOBAL, INC. Notes to Financial Statements June 30, 2021 and 2020

Future scheduled maturities of the lines of credit and notes payable are as follows:

Years ending June 30:

| 2022 | \$ 15,604 |
|---------------------|------------|
| 2023 | 16,079 |
| 2024 | 16,569 |
| 2025 | 17,010 |
| 2025 and thereafter | 135,674 |
| | \$ 200,936 |

During the year ended June 30, 2020 the Organization borrowed \$214,300 through COVID-19 programs that were sponsored by the United States and administered by the Small Business Administration (the SBA). The loans consisted of the Paycheck Protection Program of the Paycheck Protection Program (PPP) \$64,300 which has a two-year term and bears interest at 1% and the Economic Injury Disaster Loan (EIDL) \$150,000 which has a thirty-year term and bears interest at 3%. The Organization and has applied and qualified for forgiveness of the PPP loan. The Organization in February 2021 qualified and received a PPP second draw loan amounting to \$67,080. The Organization has applied and qualified for forgiveness of the PPP loan.

6. Compensated Absences

The Organization does not allow the carryover of compensated absences and accordingly has made no provision for this in the financial statements.

7. Occupancy

Rent expense amounted to \$20,963 and \$20,938 for the years ended June 30, 2020 and 2019. During the fiscal year ended June 30, 2020 the Organization amended their leasing arrangements under a previous lease dated June 6, 2018. The amendment to the lease extends the licensing agreement to May 31, 2021. The fee payable for the premises are \$907 per month through July 31, 2020 and then \$1,334 per month through May 31, 2021. During the year ended June 30, 2021 the Organization received rent credits.

8. Related Party Transactions

The Organization during the fiscal year ended June 30, 2018 received operating advances from a director of the organization of \$10,000 which bear no interest and are payable upon demand. These amounts were advanced to support inventory expenditures and customer accounts receivable. The advances bear no interest and have no fixed repayment terms.

9. Subsequent Events

On March 11, 2020 the World Health Organization classified the coronavirus outbreak as a pandemic, resulting in significant instability and uncertainty in the global economy. As of the report date, the pandemic is considered still ongoing and therefore, the total impact it may have on the Organization, if any, cannot be reasonably determined at this time.

9. Subsequent Events

The Organization has performed an evaluation of subsequent events through March 31, 2022 the date the financial statements were available to be issued.

Concluded-