

MERCADO GLOBAL, INC.
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mercado Global, Inc.

Opinion

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, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mercado Global, Inc. 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 Mercado Global, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 generally accepted 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 ABC 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 ABC 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.

Pallman & Company P.C.

Pallman & Company, PC
May 11, 2023
New Haven, Connecticut

Mercado Global, Inc.
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash	\$ 210,241	\$ 96,197
Accounts and contributions receivable	111,090	115,835
Inventories	210,572	187,794
Prepaid expenses	153,526	-
Fixed assets	49,468	47,420
Less accumulated depreciation	(39,069)	(34,359)
Other assets - deposits	4,082	4,010
	699,910	416,897
Total Assets	\$ 699,910	\$ 416,897
Liabilities		
Loans payable current portion	\$ 10,788	\$ 38,671
Accounts payable	21,500	28,395
Accrued liabilities	11,759	2,715
Fair trade sales deposits	36,291	87,500
Loans payable - officer/director	10,000	10,000
SBA EIDL loans payable	490,193	152,265
	580,531	319,546
Total Liabilities	\$ 580,531	\$ 319,546
Net Assets		
Unrestricted	\$ 119,379	\$ 97,351
	119,379	97,351
Total Net Assets	\$ 119,379	\$ 97,351
Total Liabilities and Net Assets	\$ 699,910	\$ 416,897

See accompanying notes to these financial statements.

Mercado Global, Inc.
Statement of Income
For The Years Ended June 30, 2022 and 2021

	2022	2021
Revenues and Support		
Contributions and grants	\$ 840,267	\$ 709,793
Program service sales	400,159	635,147
	1,240,426	1,344,940
Expenditures		
Program services	1,062,440	1,119,432
Supporting services	81,830	80,951
Fundraising services	74,128	65,339
	1,218,398	1,265,722
Increase (decrease) in net assets	\$ 22,028	\$ 79,218
Net Assets - beginning of year	97,351	18,133
Net Assets - end of year	\$ 119,379	\$ 97,351

See accompanying notes to these financial statements.

Mercado Global, Inc.
Statements of Cash Flow
For The Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Net increase in net assets	\$ 22,028	\$ 79,218
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by (used by) operating activities:		
Depreciation and amortization	4,710	4,344
(Increase) decrease in accounts receivable	4,745	(63,390)
(Increase) decrease in prepaid expense	(153,526)	19,145
(Increase) decrease in inventories	(22,778)	17,710
(Increase) decrease in other assets	(72)	2,157
Increase (decrease) in accounts payable	(58,104)	59,958
Increase (decrease) in accrued expenses	9,044	2,099
Total Adjustments	(215,981)	42,023
Net cash provided by (used by) operating activities	(193,953)	121,241
Cash flows from investing activities		
Payments for the purchase of property	(2,048)	(2,270)
Net cash (used by) investing activities	(2,048)	(2,270)
Cash flows from financing activities		
Proceeds (payments) from issuance of loans payable	310,045	(68,151)
Net cash provided (used by) financing activities	310,045	(68,151)
Net increase in cash and cash equivalents	\$ 114,044	\$ 50,820
Cash and cash equivalents at beginning of year	\$ 96,197	\$ 45,377
Cash and cash equivalents at end of year	\$ 210,241	\$ 96,197
Supplemental Disclosure:		
Interest Expense	\$ 10,130	\$ 6,357

See accompanying notes to these financial statements.

Mercado Global, Inc.
 Statements of Functional Expenses
 For the Years Ended June 30, 2022 and 2021

	<u>Program Services</u>				<u>Supporting Services</u>			
	Market Access & Business Education	Women's Leadership & Well Being Program	Design a Difference Program	Community Partnerships Program	Management and Administration	Fundraising Services	Total	
<u>2022</u>								
Program Staff Salaries and Expense Fair Trade Marketing Program	\$ 294,993	\$ 89,443	\$ 43,789	\$ 124,493	\$ 68,986	\$ 47,504	\$ 669,208	
Cost of Goods Sold	290,783	-	10,913		-	-	301,696	
Community Outreach and Education	49,699	40	38,046	19,944	-	23,047	130,776	
Program Offices Facility and Operations	27,614	3,212	11,560	5,780	12,844	3,212	64,222	
Program Offices Expenditures and Training	36,991	11,654	1,013	1,013	-	-	50,671	
Program Travel and Oversight	747	128	183	402	-	365	1,825	
Total	\$ 700,827	\$ 104,477	\$ 105,504	\$ 151,632	\$ 81,830	\$ 74,128	\$ 1,218,398	
<u>2021</u>								
Program Staff Salaries and Expense Fair Trade Marketing Program	\$ 267,197	\$ 87,836	\$ 34,118	\$ 133,994	\$ 69,318	\$ 49,694	\$ 642,157	
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	

See accompanying notes to these financial statements.

MERCADO GLOBAL, INC.
Notes to Financial Statements
June 30, 2022 and 2021

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	\$ 699,910
Less nonfinancial assets:	
Deposits	(4,010)
Fixed assets net of accumulated depreciation	(10,399)
Other resources available:	
Lines of credit	<u>70,000</u>
Total financial assets and other resources available for general expenditure within one year	<u>\$ 755,501</u>

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MERCADO GLOBAL, INC.
Notes to Financial Statements
June 30, 2022 and 2021

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. Fixed assets are recorded at cost and are capitalized for purchases in excess of \$1,000.

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
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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, which are recognized at the point of sale, and related costs of the following:

	<u>2022</u>	<u>2021</u>
Program service sales	\$ 400,159	\$ 635,147
Merchandise costs	234,221	320,541
Shipping and handling costs	45,314	72,745
Advertising and marketing costs	22,161	16,531

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 \$111,090 and \$115,835 at June 30, 2022 and 2021 respectively. The management of the Organization has determined that there is no allowance for doubtful accounts for the years ended June 30, 2022 and 2021. Unconditional promises to give are recorded as revenue when the promise is made. Contributions receivable amounted to \$48,550 and \$33,000 for the years ended June 30, 2022 and 2021 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 \$210,572 and \$187,794 for the years ended June 30, 2022 and 2021 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>2022</u>	<u>2021</u>
Seton Enablement Fund, renewed 3% due semi-annually, in installments of \$6,000 including principal and interest, payable over five years		38,671
SBA Disaster Loan, 2.75% payable monthly beginning May 22, 2022 payable over thirty years	500,981	152,265
Loans unsecured	10,000	10,000
Total	<u>\$ 510,981</u>	<u>\$ 200,936</u>

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MERCADO GLOBAL, INC.
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Future scheduled maturities of the lines of credit and notes payable are as follows:

Years ending June 30:	
2023	\$ 21,788
2024	11,089
2024	11,397
2025	11,715
2025 and thereafter	<u>454,992</u>
	<u>\$ 510,981</u>

During the year ended June 30, 2022 the Organization borrowed an additional \$344,600 through the Covid-19 Economic Injury Disaster Loan (EIDL) program that was sponsored by the United States and administered by the Small Business Administration (the SBA). The loan has a thirty-year term and bears interest at 2.75%. The Organization in February 2021 qualified for and received a PPP second draw loan amounting to \$67,080. The Organization applied and qualified for forgiveness of the PPP loan in 2021.

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 \$10,567 and \$14,512 for the years ended June 30, 2022 and 2021 net of a monthly space reimbursement. During the year ended June 30, 2021 the Organization received rent credits in relation to Covid-19 programs.

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

The Organization has performed an evaluation of subsequent events through May 11, 2023 the date the financial statements were available to be issued.

Concluded-