EQUAL EXCHANGE, INC. AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2019 AND 2018

LMHS, P.C.
Certified Public Accountants and Advisors

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LMHS, P.C.
Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

To The Stockholders
Equal Exchange, Inc.
West Bridgewater, Massachusetts

We have audited the accompanying consolidated financial statements of Equal Exchange, Inc. (a Massachusetts Corporation), OKE USA Fruit Company (a Subsidiary), and EE Wholesale (UK) LTD (a Subsidiary), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Equal Exchange, Inc. and Subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

LMHS, P.C.

LMHS, P.C.
Norwell, Massachusetts

April 30, 2020

EQUAL EXCHANGE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,514,736	$ 1,512,244
Accounts Receivable, Net	6,777,801	5,984,548
Inventory	23,584,690	20,275,773
Prepaid Expenses and Other	1,454,783	1,092,050
Prepaid Corporate Income Taxes	-	94,159
Deferred Income Taxes	220,000	115,000
	33,552,010	29,073,774
PROPERTY AND EQUIPMENT, NET	5,851,318	5,509,054
OTHER ASSETS:		
Intangible Assets, Net	3,611	4,016
Investments	307,680	342,680
Notes Receivable	360,000	360,000
	671,291	706,696
	$ 40,074,619	$ 35,289,524
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes Payable - Lines of Credit	$ 2,159,728	$ 376,405
Current Portion of Long-Term Debt	1,641,700	676,590
Accounts Payable and Accrued Expenses	5,888,001	4,027,383
Corporate Income Taxes Payable	98,573	5,997
Patronage Rebates Payable	375,467	222,627
	10,163,469	5,309,002
LONG-TERM LIABILITIES:		
Long-Term Debt, Net of Current Portion, Net of Unamortized Debt Issuance Costs	3,586,167	4,733,390
Deferred Income Taxes	957,000	690,000
	4,543,167	5,423,390
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	135,148	118,831
STOCKHOLDERS' EQUITY:		
Preferred Stock	17,308,010	16,961,845
Common Stock	469,776	465,801
Less: Subscriptions Receivable	(76,095)	(82,921)
Retained Earnings	7,532,054	7,114,692
Accumulated Other Comprehensive Loss	(910)	(21,116)
	25,232,835	24,438,301
	$ 40,074,619	$ 35,289,524

See Notes to Consolidated Financial Statements

EQUAL EXCHANGE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
NET SALES	$ 80,959,703	$ 74,676,898
COST OF SALES	58,846,524	54,136,547
GROSS PROFIT	22,113,179	20,540,351
OPERATING EXPENSES:		
Bad Debt Expense	59,976	141,316
General and Administrative Expenses	19,808,039	18,395,208
	19,868,015	18,536,524
EARNINGS FROM OPERATIONS	2,245,164	2,003,827
OTHER INCOME AND (EXPENSES):		
Gain (Loss) on Investment	(16,433)	18,014
Interest Income	88,166	83,982
Interest Expense	(338,745)	(393,757)
Gain (Loss) on Foreign Currency Transactions	539	(9,185)
	(266,473)	(300,946)
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	1,978,691	1,702,881
INCOME TAXES (CREDIT):		
Current:		
Federal	295,371	404,930
State	226,629	250,000
	522,000	654,930
Deferred:		
Federal	86,000	(94,134)
State	76,000	(40,000)
	162,000	(134,134)
	684,000	520,796
EARNINGS BEFORE MINORITY INTEREST	1,294,691	1,182,085
MINORITY INTEREST IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	(23,223)	(11,257)
NET EARNINGS	$ 1,271,468	$ 1,170,828

See Notes to Consolidated Financial Statements

EQUAL EXCHANGE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018

	Preferred Stock	Common Stock	Subscriptions Receivable	Retained Earnings	Accumulated Other Comprehensive Earnings	Total
Balance, January 1, 2018	$ 16,988,293	$ 444,916	$ (75,533)	$ 6,649,909	$ 9,373	$ 24,016,958
Shares Issued	113,437	65,250	-	-	-	178,687
Dividends Reinvested	541,923	-	-	-	-	541,923
Shares Redeemed	(681,808)	(44,365)	-	-	-	(726,173)
Subscriptions Receivable	-	-	(7,388)	-	-	(7,388)
Comprehensive Income:						
Net Earnings	-	-	-	1,170,828	-	1,170,828
Other Comprehensive						
Increase in Ownership Equity of Subsidiary	-	-	-	71,534	-	71,534
Loss on Foreign Currency Translation	-	-	-	-	(30,489)	(30,489)
Comprehensive Income:	-	-	-	1,242,362	(30,489)	1,211,873
Dividends to Stockholders	-	-	-	(777,579)	-	(777,579)
Balance, December 31, 2018	16,961,845	465,801	(82,921)	7,114,692	(21,116)	24,438,301
Shares Issued	105,608	44,520	-	-	-	150,128
Dividends Reinvested	526,564	-	-	-	-	526,564
Shares Redeemed	(286,007)	(40,545)	-	-	-	(326,552)
Subscriptions Receivable	-	-	6,826	-	-	6,826
Comprehensive Income:						
Net Earnings	-	-	-	1,271,468	-	1,271,468
Other Comprehensive:						
Gain (Loss) on Foreign Currency Translation	-	-	-	(910)	20,206	19,296
Comprehensive Income:	-	-	-	1,270,558	20,206	1,290,764
Dividends to Stockholders	-	-	-	(853,196)	-	(853,196)
Balance, December 31, 2019	$ 17,308,010	$ 469,776	$ (76,095)	$ 7,532,054	$ (910)	$ 25,232,835

See Notes to Consolidated Financial Statements

EQUAL EXCHANGE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Earnings	$ 1,271,468	$ 1,170,828
Noncash Items Included in Net Earnings:		
Deferred Income Taxes (Credit)	162,000	(134,134)
Depreciation and Amortization	842,303	1,142,492
Amortized Interest Expense	3,921	3,923
(Increase) Decrease in:		
Accounts Receivable, Net	(793,253)	1,775,822
Inventory	(3,308,917)	2,939,137
Prepaid Expenses and Other	(362,733)	178,352
Prepaid Corporate Income Taxes	94,159	542,234
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	1,860,618	177,167
Corporate Income Taxes Payable	92,576	(4,337)
Patronage Rebates Payable	152,840	(18,719)
	14,982	7,772,765
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to Property and Equipment	(1,254,172)	(408,339)
Book Value of Property and Equipment Disposed, Net	70,010	-
(Increase) Decrease in Investments, Net	35,000	(80,069)
(Increase) Decrease in Notes Receivable, Net	-	(75,000)
	(1,149,162)	(563,408)
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Borrowings:		
Notes Payable - Lines of Credit	11,189,722	9,105,260
Long-Term Debt	200,000	250,000
Debt Reduction:		
Notes Payable - Lines of Credit	(9,406,399)	(14,971,948)
Long-Term Debt	(386,034)	(442,669)
Increase (Decrease) in Minority Interest	16,317	(76,609)
Proceeds From Common Stock Subscriptions	51,346	57,862
Proceeds From Issuance of Preferred Stock	105,608	113,437
Proceeds From Dividend Reinvestment in Preferred Stock	526,564	541,923
Redemption of Preferred Stock	(286,007)	(681,808)
Redemption of Common Stock	(40,545)	(44,365)
Preferred Stock Dividend Paid	(853,196)	(777,579)
Increase in Ownership Equity of Subsidiary	-	71,534
Change in Foreign Currency Translation	19,296	(30,489)
	1,136,672	(6,885,451)
NET INCREASE IN CASH	2,492	323,906
CASH - BEGINNING	1,512,244	1,188,338
CASH - ENDING	$ 1,514,736	$ 1,512,244

See Notes to Consolidated Financial Statements

EQUAL EXCHANGE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2019	2018
Cash Paid During The Year For:		
Interest	$ 334,824	$ 389,834
Income Taxes	$ 184,821	$ 27,041
Schedule of Noncash Investing Transactions:		
Investment Loss on Foreign Currency Translation	$ (910)	$ (21,116)

See Notes to Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. Principles of Consolidation - The consolidated financial statements include the accounts of Equal Exchange, Inc., its majority-owned subsidiary OKE USA Fruit Company, and its wholly-owned subsidiary EE Wholesale (UK) LTD (the Company). All significant intercompany transactions and balances have been eliminated in these consolidated financial statements.

2. Organization - Equal Exchange, Inc. was organized under the General Laws of the Commonwealth of Massachusetts as a worker cooperative and commenced operations in 1986. All voting stock is owned by employees of Equal Exchange, Inc., each of whom is limited to one share. Equal Exchange, Inc. distributes a portion of its annual profits to the worker-owners as a patronage rebate. Worker-owners may decide to extend membership to an employee after one year of service. Equal Exchange, Inc. also offers non-voting preferred stock, which pays a variable, noncumulative annual dividend, targeted at five percent of the value of the preferred stock.

   OKE USA Fruit Company was incorporated under the laws of the state of Delaware on May 18, 2006.

   EE Wholesale (UK) LTD was incorporated under the laws of the Registrar of Companies for England and Wales on April 24, 2017.

3. Operations - Equal Exchange, Inc. is engaged in the manufacturing and distribution of coffee, tea, cocoa, chocolate, and related products nationally, with its main office located at 50 United Drive, West Bridgewater, Massachusetts. Equal Exchange, Inc. was formed to establish equitable trade relationships between small farmers around the world and U.S. consumers. Equal Exchange, Inc. buys green coffee beans directly from farmers' cooperatives and imports the coffee to the United States. Equal Exchange, Inc. pays a price that covers the cost of production, provides farmers a living wage, and includes a social premium to the cooperative, in accordance with internationally established fair trade practices. Tea, cocoa, and chocolate are also purchased according to fair trade practices. Equal Exchange, Inc. performs coffee roasting and packaging production at its West Bridgewater, Massachusetts facility. In addition, Equal Exchange, Inc. contracts for coffee roasting, cocoa, and chocolate manufacturing and product packaging, and sells and distributes its products nationally through distributors, retail stores, restaurants, and solidarity organizations. To better serve its customers, Equal Exchange, Inc. purchases and loans coffee grinders, brewers, and retail display equipment to its customers.

   OKE USA Fruit Company wholesales produce to customers in the United States while establishing a model for international trade that fosters farmer ownership, fair trade practices, and environmental protection.

   EE Wholesale (UK) LTD is based in the UK and is focused on maintaining relationships with small farmer cooperatives while trying to build demand for authentic fair trade in a country where the concept has been taken over by large players. EE Wholesale (UK) LTD is concentrating on selling to independent natural food stores and small chains.

4. Functional Currency Translation - The functional currency of EE Wholesale (UK) LTD is the Pound Sterling (£). The assets and liabilities of the UK subsidiary are translated at year-end rates of exchange, and the consolidated statements of operations and comprehensive income (loss) accounts are translated at weighted-average rates of the exchange for the period. The resulting translation adjustments are reported as a component of accumulated other comprehensive income within stockholders' equity. Net foreign currency translation gains/(losses) included in the consolidated statements of operations and comprehensive income (loss) amounted to $19,296 and $(30,489) for the years ended December 31, 2019 and 2018, respectively.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

5. Method of Accounting - The Company's policy is to prepare its consolidated financial statements on the accrual method of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. This method of accounting conforms to generally accepted accounting principles.

6. Concentration of Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of deposits in excess of federally insured limits, accounts receivable, and credit guarantees for certain vendors. These risks are managed by maintaining all deposits in high quality financial institutions, obtaining signed sales orders, and/or establishing credit limits with all customers, and obtaining signed contracts with vendors. Management believes that the Company is not exposed to any significant credit risk as a result of these credit concentrations.

7. Cash and Cash Equivalents - For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

8. Inventory - Inventories are stated at the lower of cost (first-in, first-out) or market.

9. Property and Equipment - Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred whereas major betterments are capitalized. Depreciation is computed using the straight-line method over three to thirty-nine years.

10. Intangible Assets - Intangible assets subject to amortization include capitalized software and development costs, all of which are amortized using the straight-line method over seven to ten years.

11. Revenue Recognition - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue From Contracts with Customers ("ASU 2014-09"), which is aimed at creating common revenue recognition guidance for GAAP and the International Financial Reporting Standards ("IFRS"). This new guidance provides a comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue guidance issued by the FASB. ASU 2014-09 also requires both qualitative and quantitative disclosures, including descriptions of performance obligations.

    Effective January 1, 2019, the Company adopted ASU 2014-09 and all related amendments ("ASC 606") and applied its provisions to all uncompleted contracts using the modified retrospective basis. The application of this new revenue recognition standard resulted in no adjustment to the opening balance of retained earnings.

    Performance Obligations - Revenue from contracts with customers is recognized when, or as, the Company satisfies its performance obligations by transferring goods or services to customers. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time that the company determines the customer has obtained control over the promised good or service. The amount of revenue recognized reflects the consideration of which the Company expects to be entitled in exchange for the promised goods or services.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The following provides detailed information on the recognition of the Company's revenue from contracts with customers:

Product Sales - The Company is engaged in the manufacturing and distribution of coffee, tea, cocoa, chocolate, and related products. Revenue on the sale of these products is recognized when orders are shipped.

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the year ended December 31, 2019:

Performance Obligations Satisfied at a Point in Time	$ 80,959,703
Performance Obligations Satisfied Over Time	-
Total Revenue	$ 80,959,703

12. Fair Value of Financial Instruments - The Company's financial instruments include cash and cash equivalents, accounts receivable, notes receivable, accounts payable, accrued expenses, notes payable, and long-term debt. The recorded values of cash and cash equivalents, accounts receivable, notes receivable, accounts payable, accrued expenses, and notes payable approximate their fair values based on their short-term nature. The recorded values of long-term debt approximate their fair values, as current interest rates approximate market rates.

13. Freight - The Company includes freight in as a component of inventory and freight out as part of cost of sales.

14. Income Taxes - The Company exists, for income tax purposes, as three separate entities: Equal Exchange, Inc., OKE USA Fruit Company, and EE Wholesale (UK) LTD. Federal and state income taxes are provided based upon earnings and tax rates applicable to the Company using the method of accounting described above.

    EE Wholesale (UK) LTD is obliged to file income tax returns within the United Kingdom.

    Deferred income taxes are provided for differences in timing in reporting income for consolidated financial statement and tax purposes arising principally from differences in the methods of accounting for allowances for bad debts, accrued absences, and depreciation. Bad debts are reported for tax purposes on the direct write-off method and for consolidated financial statement purposes on the allowance method. Accrued absences are reported for tax purposes on the cash method and for consolidated financial statement purposes on the accrual method. Depreciation is reported for tax purposes over shorter periods of time and at a more accelerated rate than the method for consolidated financial statement purposes. Deferred tax assets and liabilities are classified as current or non-current in the accompanying consolidated balance sheets, based upon classification of the related asset or liability.

15. Uncertainty In Income and Other Taxes - The Company adopted the standards for *Accounting for Uncertainty in Income Taxes* (income, sales, use, and payroll), which requires the Company to report any uncertain tax positions and to adjust its consolidated financial statements for the impact thereof. As of December 31, 2019 and 2018, the Company determined that it had no tax positions that did not meet the "more likely than not" threshold of being sustained by the applicable tax authority. The Company files tax and information returns in the United States Federal, Massachusetts and other state jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

16. Sales Tax - The Company excludes from its sales all sales taxes assessed to its customers. Sales taxes assessed on sales are recorded as accrued liabilities until remitted to state agencies.

17. General and Administrative Expenses - These expenses are charged to operations as incurred and are not allocated to cost of sales.

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

19. Patronage Rebates - The By-Laws of Equal Exchange, Inc. require it to make a patronage rebate to each worker-owner, based on its current year profit. Accordingly, the Company accounts for patronage rebates as an increase in operating expenses in the current year.

20. Debt Issuance Costs - The Company has adopted the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction on the carrying amount of the debt rather than as an asset (See Note I). The costs are amortized using the interest method over the life of the debt. Amortization of debt issuance costs for the years ended December 31, 2019 and 2018 was $3,921 and $3,923, respectively, and is reported in interest expense on the consolidated statements of earnings.

B. ALLOWANCE FOR DOUBTFUL ACCOUNTS:

The Company utilizes the allowance method to account for uncollectible accounts receivable balances. Under the allowance method, an estimate of uncollectible customer balances is made based on the Company's prior history and other factors such as the credit quality of the customer and economic conditions of the market. Based on these factors, at December 31, 2019 and 2018, there was an allowance for doubtful accounts of $175,638 and $245,087, respectively.

C. INVENTORY:

Inventory consists of the following as of December 31,:

	2019	2018
Unprocessed green coffee beans, bananas and avocados	$ 13,071,297	$ 8,731,834
Processed coffee, tea, cocoa, chocolate, snacks and supplies	10,513,393	11,543,939
	$ 23,584,690	$ 20,275,773

D. PROPERTY AND EQUIPMENT:

Property and Equipment consists of the following as of December 31,:

	2019	2018
Land	$ 502,688	$ 502,688
Building and Improvements	4,233,426	4,215,951
Coffee Roasting and Packaging Equipment	6,621,719	6,537,648
Furniture, Fixtures, Equipment and Software	5,042,998	4,776,949
	16,400,831	16,033,236
Accumulated Depreciation	(10,549,512)	(10,524,182)
	$ 5,851,318	$ 5,509,054

E. INTANGIBLE ASSETS:

Intangible assets consist of the following as of December 31,:

	2019	2018
Capitalized Software and Development Costs, Net of Accumulated Amortization of $34,161 and $79,834 in 2019 and 2018, respectively.	$ 3,611	$ 4,016

In accordance with FASB ASC 350-40-30-1, the Company capitalized the costs associated with establishing a cooperative supply chain referred to as P6. These costs include software development, product branding, website design and launch, brochure production, legal costs, and marketing initiatives.

F. INVESTMENTS:

The Company holds investments in various other similar, fair-trade or socially conscious organizations. All investments are carried at the lower of cost or estimated market value. Investments consist of the following at December 31,:

	2019	2018
Liberation Foods, Community Interest Company, UK	$ 63,360	$ 63,360
CERO Cooperative, Inc. - 200 Preferred Shares	5,000	5,000
National Cooperative Bank N. A. , Federal Savings Bank – 220 Shares Class B	21,997	21,997
Real Pickles Co-op - Preferred Stock	5,000	5,000
RIA Brewing, Inc.	5,000	5,000
LaSiembra - 11,843 Shares Class A and 782 Shares Class C	192,323	192,323
Dorchester Food Coop	10,000	10,000
Artisan Beverage	-	35,000
STARTCOOP LCA	5,000	5,000
	$ 307,680	$ 342,680

G. NOTES RECEIVABLE:

Notes Receivable consist of the following at December 31,:

	2019	2018
6.00% Promissory Note Receivable - La Siembra: Interest only payments to July, 2020. This note is collateralized by certain intellectual property of the borrower.	$ 325,000	$ 325,000
5.00% Promissory Note Receivable - Norandino: Interest only payments to October, 2021.	35,000	35,000
	$ 360,000	$ 360,000

H. NOTES PAYABLE - LINES OF CREDIT:

Equal Exchange, Inc. has a $3,000,000 unsecured rolling credit facility with Shared Interest, a socially responsible organization based in the United Kingdom. The purpose of this credit facility is to finance purchases from small farmer associations approved by Shared Interest. Under the terms of this credit facility, Shared Interest pays producers for coffee shipped to the Company. The Company is required to repay Shared Interest in full within five months following the settlement date. Advances bear interest at the borrowing rate of Shared Interest, plus one percent, 8.25% and 9% at December 31, 2019 and 2018, respectively. This credit facility may be terminated upon 180 days' notice. At December 31, 2019 and 2018, the outstanding balance on this rolling credit facility amounted to $559,728 and $126,405, respectively.

Equal Exchange, Inc. has a $500,000 secured line of credit with Eastern Bank. The line of credit bears interest at the bank's prime lending rate and is secured by certificates of deposit held by Eastern Bank that are owned by individuals and institutions affiliated with the Company. The Company can borrow up to ninety percent of the face value of the certificates of deposit. At December 31, 2019 and 2018, there were no borrowings on this line of credit.

Equal Exchange, Inc. has a $2,500,000 line of credit with National Cooperative Bank N. A. This line of credit bears interest at the bank's prime rate plus fifty basis points and is secured by accounts receivable. At December 31, 2019 and 2018, there were no borrowings on this line of credit.

Equal Exchange, Inc. has a $5,000,000 line of credit with Eastern Bank. This line of credit bears interest at the bank's prime lending rate and is secured by the Company's inventory. At December 31, 2019 and 2018, the outstanding balance on this line of credit amounted to $1,250,000 and zero, respectively.

OKE USA Fruit Company has a $500,000 line of credit with Eastern Bank. This line of credit bears interest at the bank's base rate and is secured by substantially all assets of OKE USA Fruit Company. At December 31, 2019 and 2018, the outstanding balance on this line of credit amounted to $350,000 and $250,000, respectively.

I. LONG-TERM DEBT:

Long-Term Debt consists of the following at December 31,:

		2019	2018
4.50%	Note Payable - Twin Pines Cooperative Foundation: Due in annual interest-only payments with a balloon payment due May, 2020.	$ 100,000	$ 100,000
4.50%	Note Payable - Cooperative Fund of NE: Due in annual interest-only payments with a balloon payment due April, 2021.	500,000	500,000
3.00% to 5.00%	Notes Payable - Various Individuals and Institutions: Due in annual or semi-annual interest-only payments, with balloon payments due at varying maturity dates through December, 2022.	2,010,000	2,060,000
5.00%	Note Payable - Twin Pines Cooperative Foundation: Due in annual interest-only payments with a balloon payment due May, 2024.	100,000	100,000

I. LONG-TERM DEBT: (Continued)

	2019	2018
4.50% Mortgage Note Payable - RSF Social Enterprise: Due in monthly installments of $11,254 including interest through June, 2024.	1,748,708	1,797,131
4.14% Note Payable - Eastern Bank: Due in monthly installments of $10,220 including interest through June, 2027.	786,814	874,425
Principal Amount	5,245,522	5,431,556
Less Unamortized Debt Issuance Costs	(17,655)	(21,576)
	5,227,867	5,409,980
Current Portion	(1,641,700)	(676,590)
Long-Term Debt, Net of Unamortized Debt Issuance Costs	$ 3,586,167	$ 4,733,390

The following is a schedule by years of the aggregate maturities of indebtedness at December 31,:

2020	$ 1,641,700
2021	1,113,520
2022	310,386
2023	167,591
2024 and Thereafter	2,012,325
	$ 5,245,522

J. MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES:

An ownership interest of 7.5% in the subsidiaries is held by unrelated parties. This interest, reflected on the consolidated balance sheets as a separate line item, is the summation of the net investments made by these unrelated parties plus their proportionate share of the inception-to-date earnings and loss, and is not necessarily reflective of its market value.

K. CAPITAL STRUCTURE:

1. Preferred Stock

The Company has a single class of non-voting Class B preferred stock. These shares have a par value of $1 and a face value of $27.50, and are sold to individuals and organizations. The Company pays annual cash dividends, targeted at five percent of the face value of the preferred stock. The actual amount is declared annually by the Board of Directors based on Company performance. The dividend is non-cumulative. The preferred shares have a dissolution preference equal to their face value.

Stockholders owning preferred stock may, beginning two years after the original purchase date, sell their preferred stock back to the Company in accordance with the following schedule:

After year 2 - at 70% of face value
After year 3 - at 80% of face value
After year 4 - at 90% of face value
After year 5 - at 100% of face value

K. CAPITAL STRUCTURE: (Continued)

In 2014, the Board of Directors authorized and approved a Private Placement in which the corporation intended to raise up to $5,000,000 through the sale of Class B Preferred Stock. Although there were no offerings in place during these periods, the Company did record the following transactions in 2019: Issued 19,148 shares valued at $526,564 in reinvested dividends; converted fifty percent of its Patronage distribution to 3,840 shares valued at $105,608; and, according to its bylaws, redeemed 21 shares valued at $586 to outside Board Directors. During 2018, the Company recorded the following transactions: Issued 19,157 shares valued at $526,821 in reinvested dividends; converted fifty percent of its Patronage distribution to 4,125 shares valued at $113,437; and, according to its bylaws, issued 549 shares valued at $15,102 to outside Board Directors. Redemptions for 2019 and 2018 were 10,421 shares valued at $286,594 and 24,244 shares valued at $666,706, respectively.

All stock subscription agreements referred to above were executed in accordance with the rules and regulations under Section 3(b) of Regulation D, Rule 506 of the Securities and Exchange Commission pursuant to the Securities Act of 1933.

The Company has the option of making the redemptions described above by converting the preferred shares to five-year, five percent promissory notes.

If at any time the debt-to-equity ratio of the Company (defined as the Company's total liabilities divided by the Company's total stockholders' equity) exceeds 2:1, the Board of Directors may postpone or refuse a request for redemption. In addition, if at any time the Board of Directors determines that a requested redemption would impair the ability of the Company to operate effectively, the Board of Directors may limit, postpone or refuse the requested redemption.

The face value of preferred stock, eligible for redemption under the terms described above, are as follows for the year ending December 31,:

2020	$ 16,857,448
2021	268,093
2022	110,924
2023	39,080
2024 and Thereafter	32,465
	$ 17,308,010

2. Common Stock

The Company has a single class of voting Class A common stock, referred to as membership shares. Class A common shares have a $1 par value and are sold at a price equal to $2,000 per share, plus inflation since 1990. In 2019 and 2018, the price per share was $3,750 and $3,650, respectively. After one year's service, and absent denial of membership by 20% of the existing members, employees of the Company may purchase one membership share. No individual may own more than one membership share. No dividends are paid on these shares, but the employees who hold them are eligible for patronage rebates.

3. Common Stock Subscriptions Receivable

Members usually choose to pay for their membership share through payroll deductions over several years. The Company issues the membership share immediately and credits the common stock account for the full issue price of the share; unpaid amounts due from the member are recorded as Common Stock Subscriptions Receivable, which are separately reflected as a reduction to Stockholders' Equity.

K. CAPITAL STRUCTURE: (Continued)

4. Preferred Stock Transactions

	# of Shares	Par Value	Premium Over Par Value	Total Paid In on Preferred Stock
Balance, December 31, 2017	617,756	$ 617,756	$ 16,370,537	$ 16,988,293
Shares issued for cash	4,125	4,125	109,312	113,437
Dividends Reinvested	19,157	19,157	507,664	526,821
Shares Redeemed and Other Adjustments	(24,244)	(24,244)	(642,462)	(666,706)
Balance, December 31, 2018	616,794	616,794	16,345,051	16,961,845
Shares issued for cash	3,840	3,840	101,768	105,608
Dividends Reinvested	19,169	19,169	507,982	527,151
Shares Redeemed and Other Adjustments	(10,421)	(10,421)	(276,173)	(286,594)
Balance December 31, 2019	629,382	$ 629,382	$ 16,678,628	$ 17,308,010

The Board of Directors has authorized and the articles have been amended to increase the number of both common and preferred shares to 500 and 9,999,500, respectively.

5. Common Stock Transactions

	# of Shares	Par Value	Premium Over Par Value	Total Paid In on Common Stock
Balance, December 31, 2017	140	$ 140	$ 444,776	$ 444,916
Shares issued for subscriptions receivable	18	18	65,232	65,250
Shares redeemed for cash	(13)	(13)	(44,352)	(44,365)
Balance, December 31, 2018	145	$ 145	$ 465,656	$ 465,801
Shares issued for subscriptions receivable	12	12	44,508	44,520
Shares redeemed for cash	(12)	(12)	(40,533)	(40,545)
Balance, December 31, 2019	145	$ 145	$ 469,631	$ 469,776

L. INCOME TAXES:

The Company accounts for income taxes in accordance with FASB ASC 740, whereby deferred taxes are provided for temporary differences arising from assets and liabilities whose bases are different for financial reporting and income tax purposes. Deferred taxes relate primarily to differences in calculating depreciation on fixed assets and the timing of deductibility of certain other operating expenses.

M. PATRONAGE REBATES:

The By-Laws of Equal Exchange, Inc. require it to make an annual patronage rebate to each worker-owner. The patronage rebate is calculated at forty percent of the net profit or loss, after state income taxes and preferred stock dividend payments, but before charitable donations and federal income taxes. The rebate is then adjusted to reflect the ratio of hours worked by worker-owners to hours worked by all employees. Each year, the Board of Directors determines the allocation of the patronage rebate between payments in cash versus deferral held in the worker-owners' capital accounts, subject to a requirement that at least twenty percent be paid in cash. Profits not paid as dividends on preferred stock or as patronage rebates are retained to capitalize the business, and are not allocated to any individual worker-owners. For the years ended December 31, 2019 and 2018, patronage rebate expense amounted to $371,300 and $222,627, respectively.

N. ADVERTISING AND BUSINESS PROMOTION:

The Company follows the policy of charging the costs of advertising and business promotion to expense as incurred. For the years ended December 31, 2019 and 2018, advertising costs amounted to $1,605,916 and $1,239,453, respectively.

O. CHARITABLE CONTRIBUTIONS:

The Company makes charitable contributions to unrelated tax exempt organizations that promote Fair Trade Industry activities. For the years ended December 31, 2019 and 2018, charitable contributions amounted to $206,000 and $187,508, respectively.

P. OPERATING LEASES:

The Company leases distribution and retail space in Massachusetts, Minnesota, Oregon, Colorado, Washington and Ohio for terms in excess of one year. Rent expense for the years ended December 31, 2019 and 2018 amounted to $869,684 and $932,088, respectively.

The following is a schedule by years of the future minimum lease payments as of December 31,:

2020	$ 463,313
2021	447,092
2022	454,040
2023	414,395
2024 and Thereafter	1,307,231
	$ 3,086,071

Q. GUARANTEE OF PRODUCER INDEBTEDNESS:

Shared Interest has committed up to $1,000,000 for advances directly to producers with contracts to sell coffee to the Company. These advances are limited to sixty percent of the contract price, with a maximum amount per producer of $135,000, and are available to producers up to ten months before coffee is delivered to the Company. The Company guarantees 25% of the producer advances made by Shared Interest. At December 31, 2019 and 2018, producer advances guaranteed by the Company amounted to $321,323 and $326,040, respectively. During the years ended December 31, 2019 and 2018, the Company did not incur any losses related to guaranteed producer advances.

R. RETIREMENT PLAN:

The Company sponsors a Safe Harbor 401(k) Retirement Plan for its eligible employees. To become eligible for the Plan, an employee must have completed one full year of continuous employment. For the years ended December 31, 2019 and 2018, the Company contributed 3% of each eligible employee's annual compensation. For the years ended 2019 and 2018, the Company's contribution to this plan totaled $224,339 and $210,728, respectively. These amounts are included in Payroll Taxes and Employee Benefits.

S. MAJOR CUSTOMER:

For the years ended December 31, 2019 and 2018, the Company had one major customer, to which sales accounted for approximately 21% and 22% of the Company's revenue, respectively. At December 31, 2019 and 2018, accounts receivable from this customer represented approximately 16% and 12%, respectively, of the total accounts receivable balance.

T. SUBSEQUENT EVENTS:

Management has evaluated events occurring after the consolidated balance sheet date through April 30, 2020, the date in which the consolidated financial statements were available to be issued.

During the period from January 1, 2020 through April 30, 2020, both domestic and international equity markets have experienced significant declines due in large part to a virus known as the Coronavirus or COVID-19. On January 30, 2020, the World Health Organization declared the COVID-19 a public health emergency. The declaration has a potential impact on the Company and its customers from production delays, contract stoppages or decreases, and other. Significant work stoppages and an economic slowdown has impacted not only the United States, but the worldwide economy. Management is unable to estimate the impact that this public health emergency will have on the Company's financial position or its operating results and accordingly, no adjustments have been made to the accompanying consolidated financial statements.

LMHS, P.C.
Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To The Stockholders
Equal Exchange, Inc.
West Bridgewater, Massachusetts

We have audited the consolidated financial statements of Equal Exchange, Inc. and Subsidiaries as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated April 30, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The supplementary information is presented for the purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

LMHS, P.C.

LMHS, P.C.
Norwell, Massachusetts

April 30, 2020

EQUAL EXCHANGE, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2019

	EQUAL EXCHANGE, INC.	OKE USA FRUIT COMPANY	EE WHOLESALE (UK) LTD	CONSOLIDATING ENTRIES	CONSOLIDATED BALANCE SHEET
ASSETS					
CURRENT ASSETS:					
Cash	$ 673,528	$ 786,141	$ 55,067	$ -	$ 1,514,736
Accounts Receivable, Net	5,272,871	1,276,205	228,725	-	6,777,801
Inventory	22,750,989	621,503	212,198	-	23,584,690
Notes Receivable, Current Portion	250,000	-	-	(250,000)	-
Prepaid Expenses and Other	1,404,908	39,377	10,498	-	1,454,783
Prepaid Corporate Income Taxes	-	-	-	-	-
Deferred Income Taxes	220,000	-	-	-	220,000
	30,572,296	2,723,226	506,488	(250,000)	33,552,010
PROPERTY AND EQUIPMENT:					
Land	502,688	-	-	-	502,688
Building and Improvements	4,233,425	-	-	-	4,233,425
Coffee Roasting and Packaging Equipment	6,621,720	-	-	-	6,621,720
Furniture, Fixtures, Equipment and Software	5,039,886	-	3,111	-	5,042,997
	16,397,719	-	3,111	-	16,400,830
Accumulated Depreciation	(10,546,854)	-	(2,658)	-	(10,549,512)
	5,850,865	-	453	-	5,851,318
OTHER ASSETS:					
Intangible Assets, Net	3,611	-	-	-	3,611
Investments	1,920,470	-	-	(1,612,790)	307,680
Notes Receivable, Net of Current Portion	360,000	-	-	-	360,000
	2,284,081	-	-	(1,612,790)	671,291
	$ 38,707,242	$ 2,723,226	$ 506,941	$ (1,862,790)	$ 40,074,619
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Notes Payable - Lines of Credit	$ 1,809,728	$ 350,000	$ -	$ -	$ 2,159,728
Current Portion of Long-Term Debt	1,641,700	250,000	-	(250,000)	1,641,700
Accounts Payable and Accrued Expenses	5,123,641	600,879	163,481	-	5,888,001
Corporate Income Taxes Payable	-	93,120	5,453	-	98,573
Patronage Rebates Payable	375,467	-	-	-	375,467
	8,950,536	1,293,999	168,934	(250,000)	10,163,469
LONG-TERM LIABILITIES:					
Long-Term Debt, Net of Current Portion, Net of Unamortized Debt Issuance Costs	3,586,167	-	177,342	(177,342)	3,586,167
Deferred Income Taxes	957,000	-	-	-	957,000
	4,543,167	-	177,342	(177,342)	4,543,167
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	-	-	-	135,148	135,148
STOCKHOLDERS' EQUITY:					
Class A Shares	-	580,639	-	(580,639)	-
Class B Shares	-	175,000	-	(175,000)	-
Class C Shares	-	27,000	-	(27,000)	-
Preferred Stock	17,308,010	-	-	-	17,308,010
Common Stock	469,776	-	87,952	(87,952)	469,776
Less: Subscriptions Receivable	(76,095)	-	-	-	(76,095)
Retained Earnings	7,532,964	646,588	52,507	(700,005)	7,532,054
Accumulated Other Comprehensive Loss	(21,116)	-	20,206	-	(910)
	25,213,539	1,429,227	160,665	(1,570,596)	25,232,835
	$ 38,707,242	$ 2,723,226	$ 506,941	$ (1,862,790)	$ 40,074,619

See Independent Auditors' Report on Supplementary Information

EQUAL EXCHANGE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF EARNINGS
YEAR ENDED DECEMBER 31, 2019

	EQUAL EXCHANGE, INC.	OKE USA FRUIT COMPANY	EE WHOLESALE (UK) LTD	CONSOLIDATING ENTRIES	CONSOLIDATED EARNINGS
NET SALES	$ 65,866,341	$ 13,531,465	$ 1,561,897	$ -	$ 80,959,703
COST OF SALES:					
Purchases	40,892,835	10,005,831	1,247,485	-	52,146,151
Freight	3,561,157	2,315,323	41,038	-	5,917,518
Utilities	242,712	-	-	-	242,712
Warehouse Occupancy Costs	235,800	-	30,796	-	266,596
Depreciation	273,547	-	-	-	273,547
	45,206,051	12,321,154	1,319,319	-	58,846,524
GROSS PROFIT	20,660,290	1,210,311	242,578	-	22,113,179
OPERATING EXPENSES:					
Salaries and Wages	8,328,696	480,894	81,856	-	8,891,446
Payroll Taxes and Employee Benefits	2,520,662	101,969	2,147	-	2,624,778
Advertising and Business Promotion	1,536,833	34,617	34,466	-	1,605,916
Bad Debt Expense	59,976	-	-	-	59,976
Certification Fees	123,548	5,834	17,186	-	146,568
Charitable Contributions	205,500	500	-	-	206,000
Consulting Expense	-	7,253	-	-	7,253
Contracted Services	1,239,145	-	28,507	-	1,267,652
Credit Card Service Fees	313,438	8,609	-	-	322,047
General and Administrative	308,377	44,409	53,125	-	405,911
Insurance	140,495	9,674	5,321	-	155,490
Office Expense	252,863	16,363	-	-	269,226
Patronage Rebates	371,300	-	-	-	371,300
Payroll Processing Fees	35,918	2,968	-	-	38,886
Postage	31,832	1,300	-	-	33,132
Professional Fees	-	11,040	-	-	11,040
Real Estate Taxes	89,561	-	-	-	89,561
Rent	855,884	13,800	-	-	869,684
Repairs and Maintenance	928,059	-	-	-	928,059
Selling Expenses	548,801	-	-	-	548,801
Telephone	261,915	3,141	-	-	265,056
Utilities	181,477	-	-	-	181,477
Amortization	405	-	-	-	405
Depreciation	567,342	-	1,009	-	568,351
	18,902,027	742,371	223,617	-	19,868,015
EARNINGS FROM OPERATIONS	1,758,263	467,940	18,961	-	2,245,164
OTHER INCOME AND (EXPENSES):					
Loss on Investment	(16,433)	-	-	-	(16,433)
Interest Income	88,166	-	-	-	88,166
Equity in Earnings of Subsidiaries	305,582	-	-	(305,582)	-
Interest Expense	(317,110)	(21,304)	(331)	-	(338,745)
Gain on Foreign Currency Transactions	-	-	539	-	539
	60,205	(21,304)	208	(305,582)	(266,473)
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	1,818,468	446,636	19,169	(305,582)	1,978,691
INCOME TAXES:					
Current	385,000	137,000	-	-	522,000
Deferred	162,000	-	-	-	162,000
	547,000	137,000	-	-	684,000
EARNINGS BEFORE MINORITY INTEREST	1,271,468	309,636	19,169	(305,582)	1,294,691
MINORITY INTEREST IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	-	-	-	(23,223)	(23,223)
NET EARNINGS	$ 1,271,468	$ 309,636	$ 19,169	$ (328,805)	$ 1,271,468

See Independent Auditors' Report on Supplementary Information

EQUAL EXCHANGE, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2018

	EQUAL EXCHANGE, INC.	OKE USA FRUIT COMPANY	EE WHOLESALE (UK) LTD	CONSOLIDATING ENTRIES	CONSOLIDATED BALANCE SHEET
ASSETS					
CURRENT ASSETS:					
Cash	$ 818,554	$ 646,526	$ 47,164	$ -	$ 1,512,244
Accounts Receivable, Net	4,653,849	1,090,869	239,830	-	5,984,548
Inventory	19,647,002	480,784	147,987	-	20,275,773
Notes Receivable, Current Portion	250,000	-	-	(250,000)	-
Prepaid Expenses and Other	1,020,698	62,499	8,853	-	1,092,050
Prepaid Corporate Income Taxes	94,159	-	-	-	94,159
Deferred Income Taxes	115,000	-	-	-	115,000
	26,599,262	2,280,678	443,834	(250,000)	29,073,774
PROPERTY AND EQUIPMENT:					
Land	502,688	-	-	-	502,688
Building and Improvements	4,215,951	-	-	-	4,215,951
Coffee Roasting and Packaging Equipment	6,537,648	-	-	-	6,537,648
Furniture, Fixtures, Equipment and Software	4,773,956	-	2,993	-	4,776,949
	16,030,243	-	2,993	-	16,033,236
Accumulated Depreciation	(10,523,060)	-	(1,122)	-	(10,524,182)
	5,507,183	-	1,871	-	5,509,054
OTHER ASSETS:					
Intangible Assets, Net	4,016	-	-	-	4,016
Investments	1,649,888	-	-	(1,307,208)	342,680
Notes Receivable, Net of Current Portion	610,000	-	-	(250,000)	360,000
	2,263,904	-	-	(1,557,208)	706,696
	$ 34,370,349	$ 2,280,678	$ 445,705	$ (1,807,208)	$ 35,289,524
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Notes Payable - Lines of Credit	$ 126,405	$ 500,000	$ -	$ (250,000)	$ 376,405
Current Portion of Long-Term Debt	676,590	250,000	-	(250,000)	676,590
Accounts Payable and Accrued Expenses	3,483,036	404,412	139,935	-	4,027,383
Corporate Income Taxes Payable	-	544	5,453	-	5,997
Patronage Rebates Payable	222,627	-	-	-	222,627
	4,508,658	1,154,956	145,388	(500,000)	5,309,002
LONG-TERM LIABILITIES:					
Long-Term Debt, Net of Current Portion, Net of Unamortized Debt Issuance Costs	4,733,390	-	170,588	(170,588)	4,733,390
Deferred Income Taxes	690,000	-	-	-	690,000
	5,423,390	-	170,588	(170,588)	5,423,390
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	-	-	-	118,831	118,831
STOCKHOLDERS' EQUITY:					
Class A Shares	-	580,639	-	(580,639)	-
Class B Shares	-	175,000	-	(175,000)	-
Class C Shares	-	27,000	-	(27,000)	-
Preferred Stock	16,961,845	-	-	-	16,961,845
Common Stock	465,801	-	84,602	(84,602)	465,801
Less: Subscriptions Receivable	(82,921)	-	-	-	(82,921)
Retained Earnings	7,114,692	343,083	45,127	(388,210)	7,114,692
Accumulated Other Comprehensive Income	(21,116)	-	-	-	(21,116)
	24,438,301	1,125,722	129,729	(1,255,451)	24,438,301
	$ 34,370,349	$ 2,280,678	$ 445,705	$ (1,807,208)	$ 35,289,524

See Independent Auditors' Report on Supplementary Information

EQUAL EXCHANGE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF EARNINGS
YEAR ENDED DECEMBER 31, 2018

	EQUAL EXCHANGE, INC.	OKE USA FRUIT COMPANY	EE WHOLESALE (UK) LTD	CONSOLIDATING ENTRIES	CONSOLIDATED EARNINGS
NET SALES	$ 63,236,712	$ 9,920,162	$ 1,520,024	$ -	$ 74,676,898
COST OF SALES:					
Purchases	39,958,731	7,319,273	1,182,423	-	48,460,427
Freight	3,146,306	1,724,691	40,360	-	4,911,357
Utilities	190,597	-	-	-	190,597
Warehouse Occupancy Costs	112,560	-	28,550	-	141,110
Depreciation	433,056	-	-	-	433,056
	43,841,250	9,043,964	1,251,333	-	54,136,547
GROSS PROFIT	19,395,462	876,198	268,691	-	20,540,351
OPERATING EXPENSES:					
Salaries and Wages	7,976,700	412,062	79,618	-	8,468,380
Payroll Taxes and Employee Benefits	2,353,924	85,318	1,274	-	2,440,516
Advertising and Business Promotion	1,162,931	31,413	45,109	-	1,239,453
Bad Debt Expense	141,316	-	-	-	141,316
Certification Fees	104,118	7,003	19,189	-	130,310
Charitable Contributions	187,508	-	-	-	187,508
Consulting Expense	-	18,553	-	-	18,553
Contracted Services	984,737	-	32,000	-	1,016,737
Credit Card Service Fees	318,272	8,689	-	-	326,961
General and Administrative	131,544	44,829	47,441	-	223,814
Insurance	230,798	9,359	5,304	-	245,461
Office Expense	298,145	9,535	-	-	307,680
Patronage Rebates	222,627	-	-	-	222,627
Payroll Processing Fees	46,790	2,169	-	-	48,959
Postage	25,669	760	-	-	26,429
Professional Fees	-	12,434	-	-	12,434
Real Estate Taxes	106,609	-	-	-	106,609
Rent	923,088	9,000	-	-	932,088
Repairs and Maintenance	688,473	-	-	-	688,473
Selling Expenses	539,486	-	-	-	539,486
Telephone	229,228	2,285	-	-	231,513
Utilities	271,781	-	-	-	271,781
Amortization	405	-	-	-	405
Depreciation	708,442	-	589	-	709,031
	17,652,591	653,409	230,524	-	18,536,524
EARNINGS FROM OPERATIONS	1,742,871	222,789	38,167	-	2,003,827
OTHER INCOME AND (EXPENSES):					
Gain on Investment	18,014	-	-	-	18,014
Interest Income	83,982	-	-	-	83,982
Equity in Earnings of Subsidiaries	154,141	-	-	(154,141)	-
Interest Expense	(382,314)	(11,434)	(9)	-	(393,757)
Loss on Foreign Currency Transactions	-	-	(9,185)	-	(9,185)
	(126,177)	(11,434)	(9,194)	(154,141)	(300,946)
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	1,616,694	211,355	28,973	(154,141)	1,702,881
INCOME TAXES (CREDIT):					
Current	580,000	61,264	13,666	-	654,930
Deferred	(134,134)	-	-	-	(134,134)
	445,866	61,264	13,666	-	520,796
EARNINGS BEFORE MINORITY INTEREST	1,170,828	150,091	15,307	(154,141)	1,182,085
MINORITY INTEREST IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	-	-	-	(11,257)	(11,257)
NET EARNINGS	$ 1,170,828	$ 150,091	$ 15,307	$ (165,398)	$ 1,170,828

See Independent Auditors' Report on Supplementary Information

EQUAL EXCHANGE, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CONSOLIDATED SCHEDULES OF COST OF SALES:		
Purchases	$ 52,146,151	$ 48,460,427
Freight	5,917,518	4,911,357
Utilities	242,712	190,597
Warehouse Occupancy Costs	266,596	141,110
Depreciation	273,547	433,056
	$ 58,846,524	$ 54,136,547
CONSOLIDATED SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES:		
Salaries and Wages	$ 8,891,446	$ 8,468,380
Payroll Taxes and Employee Benefits	2,624,778	2,440,516
Advertising and Business Promotion	1,605,916	1,239,453
Certification Fees	146,568	130,310
Charitable Contributions	206,000	187,508
Consulting Expense	7,253	18,553
Contracted Services	1,267,652	1,016,737
Credit Card Service Fees	322,047	326,961
General and Administrative	405,911	223,814
Insurance	155,490	245,461
Office Expense	269,226	307,680
Patronage Rebates	371,300	222,627
Payroll Processing Fees	38,886	48,959
Postage	33,132	26,429
Professional Fees	11,040	12,434
Real Estate Taxes	89,561	106,609
Rent	869,684	932,088
Repairs and Maintenance	928,059	688,473
Selling Expenses	548,801	539,486
Telephone	265,056	231,513
Utilities	181,477	271,781
Amortization	405	405
Depreciation	568,351	709,031
	$ 19,808,039	$ 18,395,208

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