GoodWeave Annual Report

2016 YEAR IN REVIEW

goodweave®

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Dear friends,

I was recently tending my garden at home, and a thought occurred to me. Above ground we see blossoms, vegetables and the literal fruits of our labor. But hidden below the surface are the bulbs and a system of roots, which are constantly at work to produce the harvest we depend on.

The same can be said for today's supply chains, which is what I think about most when I'm not in my garden. Ultimately, supply chains can be divided by what we see and what we don't, by the formal and informal workforce, by the factory employee and the outsourced homeworker.

In 2015, on the verge of a tipping point in the carpet sector, GoodWeave gathered leading child rights experts and advocates from NGO, philanthropy, business and academia. We asked: What is our added value? Where else are we needed? How should we scale?

What we heard over and over is that GoodWeave is the only organization that knows how to uncover the dark, hidden layers of manufacturing. Almost all audit programs stop at the factory gate; we dig deeper.

In 2016, we took this stakeholder feedback and our 20 years of learning, and planted seeds in five new sectors: apparel, fashion jewelry, home textiles, tea, and bricks. In this report, I invite you to see how we're growing, as told by those all along the supply chain.

With gratitude,

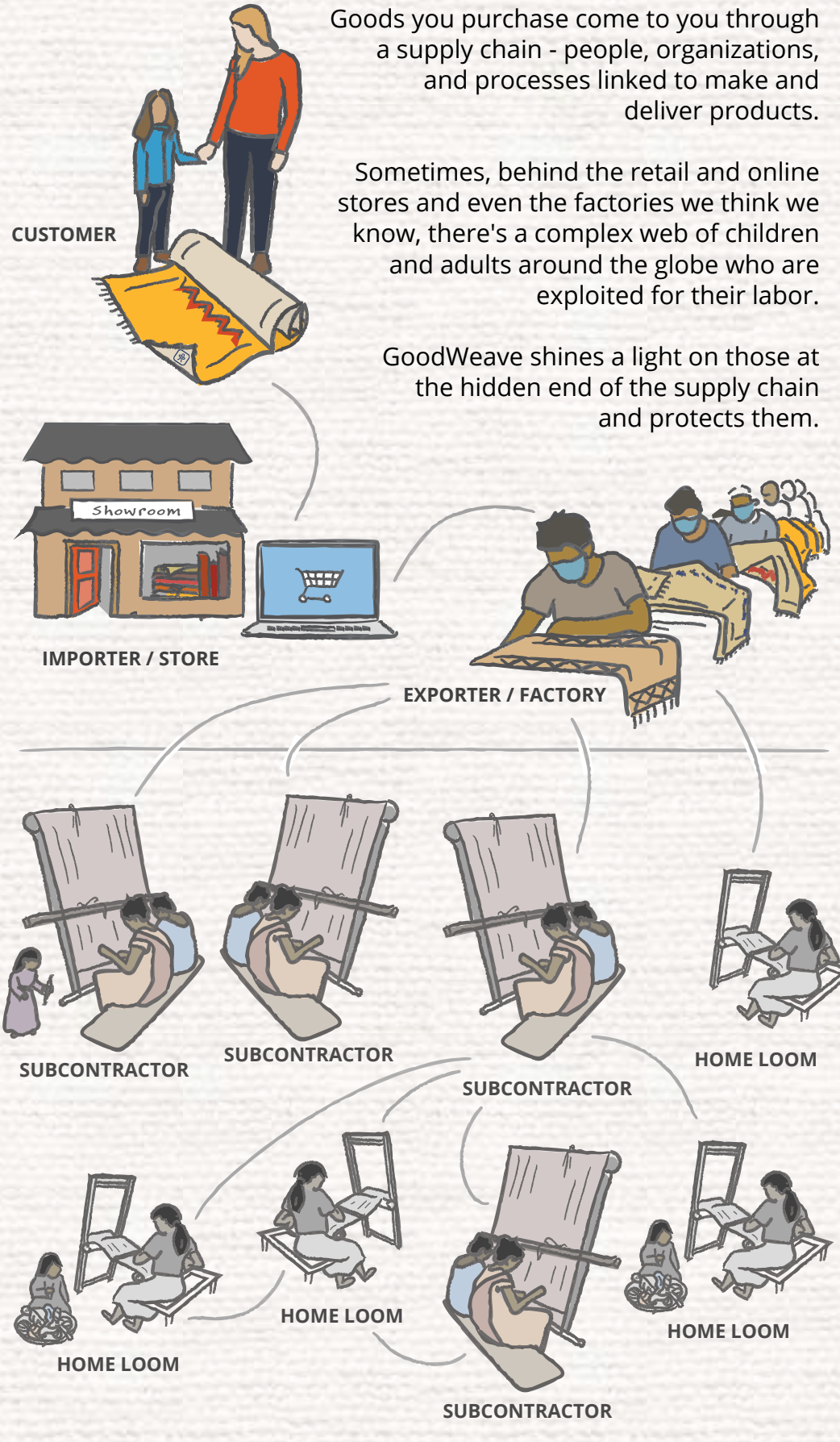
Nina Smith, Chief Executive Officer

Supply Chains:
more than meets the eye.

Goods you purchase come to you through a supply chain - people, organizations, and processes linked to make and deliver products.

Sometimes, behind the retail and online stores and even the factories we think we know, there's a complex web of children and adults around the globe who are exploited for their labor.

GoodWeave shines a light on those at the hidden end of the supply chain and protects them.



2 The GoodWeave System

Over two decades, GoodWeave has tested, fine-tuned and scaled a unique approach to ending child labor. Market forces drive our work to clean up supply chains, rescue and educate children, and improve working conditions for adults. Our system covers every step from when a product is made to when it is sold, from the student buying her first rug at a Target store in Minneapolis to the subcontracted homeworker in an artisan village in India.

> "GoodWeave has developed the capacity, the understanding and the experience to address supply chains in their totality."
> – Siddharth Kara, Director of the Program on Human Trafficking and Modern Slavery, at the Harvard Kennedy School of Government

3 Harness Market Forces

Our system combines the power of consumers and businesses to ignite the engine of social change. In partnership with brands, we're creating a market for goods made without child labor by preventing and rescuing children from lives of bondage, and by distinguishing select products with the GoodWeave label. This relationship with business provides the influence needed to permanently change behavior and practices, making "no child labor" a market requirement for their producers, along with design, price and other features.

2016 Results

136

total rug brands engaged as licensees

16

new licensed importers

9%

market share in rugs

2.6 million

certified carpets

Hannah's Story

Last winter, Hannah Viederman was getting ready to move from the Macalester College dorms into her first off-campus home in Saint Paul, Minnesota. With the help of her parents, she planned a busy weekend to furnish her new home, including a visit to the city's "super Target" retailer.

Of all the items she purchased, one stands out. "It felt so worth it to buy something that really matters." While at Target, her father spotted a rug with the GoodWeave label and called her over. Having spent most of his career at the intersection of business and human rights, he knew what the label represented. Her mother, a brand strategist for social change organizations, was moved as well: "We spent this whole weekend picking up furniture from Craigslist ads in the cold, cold winter. It was a shining, bright spot."

A theatre major and music minor, Hannah plans to move to New York after graduation to start the audition process. "When I move, it certainly will come with me."

4 Clean Up Supply Chains

Even the most well-intentioned brands find exploitation in their supply chains. And now, in this era of fast fashion – with hurried timelines for new styles to hit shelves – the labor rights situation is getting worse.

GoodWeave establishes clear and rigorous standards, and we verify compliance by regularly mapping and inspecting factories, worksites and facilities all the way down to cottage industry and individual homes. These inspections—which are random, unannounced, and frequent—lead us to exploited children and serve as a powerful deterrent to bad labor practices.

Replicating our approach in the embellished apparel industry

In 2016, GoodWeave broke ground on a two-year pilot in northern India to tackle child and forced labor in informal apparel supply chains, especially where readymade garments and fashion jewelry are produced. The work is now active in four villages that serve as a hub for home-based work: Tilbegumpur, Kanwara, Jaee and Sali.

> "The GoodWeave model excites us because at this point there is nothing like it in the apparel sector. GoodWeave has been able to achieve complete transparency in the carpet supply chain and we want to test whether we can replicate that success in the apparel sector."
> – Anindit Roy Chowdhury, C&A Foundation Programme Manager for Gender Justice and Human Rights

2016 Results

3,819
children rescued from exploitation to date

181
licensed exporters engaged

40
brick kilns participating in improvement pilot, with 8,100 workers

Jyoti's Story

Born in a semi-urban farming area 350 miles east of Kathmandu, Jyoti Raj works as an inspector for Nepal GoodWeave Foundation. He lives with his extended family, all of whom depend on him. Each workday, he inspects rug production sites, talking to owners and workers and raising awareness about the rights of children. He also checks in on how the rescued children are doing at GoodWeave's community-based rehabilitation programs.

"When I find a needy child working, I invite them to come with me; sometimes it takes time until they trust me. Also, the guardians of the child often need educating about the importance of the child's rehabilitation and education. When finally they come with me, I feel very satisfied."

Jyoti wishes to dedicate his life to those rural people who are illiterate, unemployed, and vulnerable, adding that "I believe it is important to work and live for others, not just ourselves."

When asked what he might say to a person looking at GoodWeave certified rugs, he states plainly, "my message to anyone buying a rug is please think about what you buy, as you could change the fate of these children."

5 Create Educational Opportunities

GoodWeave's social programs serve victims, address the root causes of child labor, or often both. In each country where we operate, GoodWeave tailors interventions to the context. Over the years, we have started early childhood education centers, coordinated home schooling, provided school sponsorships, and made a second home for children who desperately needed one.

2016 Results

48

Child Friendly Communities underway

5,930

children enrolled in education programs in carpet worker communities

1,944

children enrolled in education programs in apparel and jewelry worker communities

21,305

children enrolled in educational programs to date

Nirmala's Story

Nirmala was the only daughter born to a very poor family of farmers in rural Nepal. There was not a single day when there was enough food for all of them. Some days, there was none and she would go to bed hungry.

At the age of 10, out of desperation, she ran away with friends to Kathmandu and eventually started to work in a carpet factory. Her hands became bloody and bruised, but she was never paid a single rupee.

A GoodWeave inspector found Nirmala and brought her to our transit home for rescued children. When she arrived, Nirmala didn't even have shoes on her feet. Our social worker and counselor, Rajendra, remembers her early days at our center. "We were focused on making her laugh and play. And slowly, she started coming back to normal."

Nirmala is now 17 and in the 9th grade at LAB School, a topnotch academic institution in Nepal. After years of missed classes, she is catching up to her peers. She recently started to journal about her life. The cover of her diary declares: My True Story Begins Now.

6 Improve Conditions for All Workers

Addressing child labor effectively requires more than simply prohibiting the practice as a matter of law, policy or standard. One important part of the equation is ensuring that adult workers are better compensated and better treated within their workplaces.

2016 Results

174

individuals received skills training and job placement

55,114

rug workers covered by the GoodWeave System to date

8,169

brick workers reached by pilot program

1,754

apparel and jewelry workers reached by pilot program

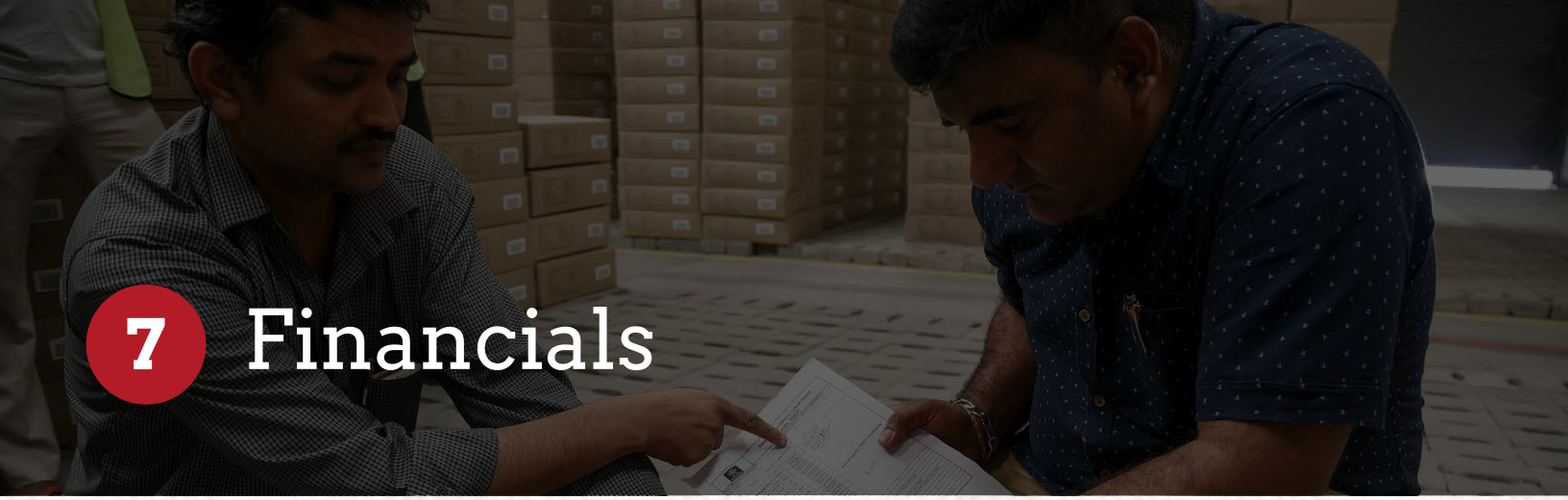
Gulafsa's Story

In Tilbegumpur village in India's Uttar Pradesh state, a 16-year-old seamstress named Gulafsa recently led her own quiet revolution. After calculating a shortfall in her paycheck, approximately three days' worth of work, she asked her supervisor for the money. Unlike so many of her peers, she had the literacy and the job security to request her missing pay.

Gulafsa is a former child laborer. She shared her story while stitching decorative beads onto pillow covers destined for export. Gulafsa never finished the second grade. Now, she participates in daily classes – arranged by GoodWeave – in her employer's embroidery shed, along with 20 other textile and garment workers.

Before beginning classes, Gulafsa and her coworkers were illiterate. They signed documents with thumbprints. Now they've mastered the basics. Their lives changed when GoodWeave launched a new program with the global retailer C&A and C&A Foundation across a region of India where women, children, and entire families stitch apparel and other textiles.

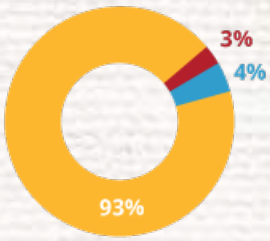
We asked Gulafsa what she would tell someone who may have a pillow or blouse that she embroidered. "I would tell them that I made it," Gulafsa said with evident pride.



7 Financials

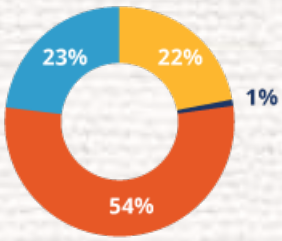
GoodWeave depends on a combination of earned income from license fees paid by partner companies and charitable investments to make our work possible. True to our mission, we are all about transparency and that also applies to our financial management. We strive to ensure that every dollar, pound or rupee paid or donated is spent to maximize benefits to the children, workers and communities we serve.

2016 EXPENSES



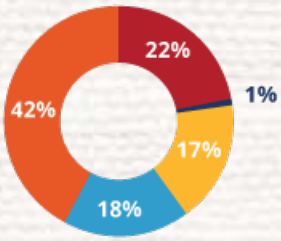
- Program Services
- General Administration
- Fundraising

2016 CASH REVENUE



- Private Grants & Donations
- Government Revenue
- Industry Revenue
- Other Income

2016 TOTAL REVENUE



- Private Grants & Donations
- Government Revenue
- Industry Revenue
- Other Income
- In-Kind

2016 Financial Highlights

- **93%** of total revenue was invested directly in programs working to end child labor.
- Companies that participate in GoodWeave's carpet industry certification system pay license fees pay license fees, which help to offset costs of the program. One-third of this program's cash expenditures is covered by the fees. Total license revenue collected increased by **8.5%** from 2015.
- New programs in apparel, jewelry, home textiles and bricks continue to grow, representing **22%** of GoodWeave's programmatic cash budget in 2016.

Statement of Activities

For the Year Ended 12/31/2016

	2016
UNRESTRICTED SUPPORT AND REVENUE	
Grants and Donations	$1,634,102
Government Revenue	682,796
Licensing Fees	664,593
Marketing Partnership Fees	16,163
Interest and Other	33,344
In-kind Contributions	857,678
TOTAL UNRESTRICTED SUPPORT AND REVENUE	**$3,888,676**
EXPENSES	
Program Services	
Harness Market Forces	1,289,879
Clean Up Supply Chains	381,481
Improve Conditions for All Workers	176,819
Create Educational Opportunities	930,725
Replicate the Model	663,670
Assess Impact and Learning	18,335
Total Program Services	**$3,460,909**
Supporting Services	
General and Administration	132,796
Fundraising	135,493
Total Supporting Services	**$268,289**
TOTAL EXPENSES	**$3,729,198**
CHANGE IN UNRESTRICTED NET ASSETS	$**159,478**
TEMPORARILY RESTRICTED NET ASSETS	
Grants and Contributions	2,706,713
Net Assets Released from Restrictions	(1,430,877)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	**$1,275,836**
CHANGE IN NET ASSETS	1,435,314
Net Assets at the Beginning of the Year	1,574,955
NET ASSETS AT THE END OF THE YEAR	**$3,010,269**

Statement of Financial Position

For the Year Ended 12/31/2016

	2016
ASSETS	
CURRENT ASSETS	
Cash and Equivalents	$902,363
Grants and Contributions Receivable current portion	1,358,053
Accounts Receivable	341,523
Investments	1,017,029
Prepaid Expenses and Other Assets	32,817
TOTAL CURRENT ASSETS	**$3,651,785**
Grants and Contributions Receivable, net of current portion	433,407
Security Deposit	5,686
Property and Equipment, net	308,438
TOTAL ASSETS	**$4,399,316**
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	$210,156
License Fees Payable for Field Programs	373,947
Grants Payable	436,481
Refundable Advance	177,680
Deferred Rent	93,783
Line of Credit	97,000
TOTAL LIABILITIES	**$1,389,047**
NET ASSETS	
Unrestricted	451,272
Temporarily Restricted	2,558,997
TOTAL NET ASSETS	**$3,010,269**
TOTAL LIABILITIES AND NET ASSETS	**$4,399,316**

GoodWeave was audited by Cocchiaro & Associates LLC, Certified Public Accountants of Alexandria, Virginia. Full audited financial statements are available upon request.

8 Importer Licensees and Industry Supporters

GoodWeave partners with rug designers, importers and retailers to create a market for products that have been made without child labor. The following companies are GoodWeave licensed, meaning they adhere to the GoodWeave Standard to assure clients that their high-quality design are accompanied by the best labor practices.

Licensed Importers

4Favorites

Afghanistan Rugs and Carpets Center

Akira trading company

Alicia D. Keshishian Carpets

ALT for Living

Amy Helfand

Anji Mountain

Apeiron Design

Ariana Rugs

Asha Carpets

Bazaar Velvet

Bennett Bean Studio

Bespoke Tibet Carpets

Bev Hisey

BravinLee Programs

Bronzino Handmade by Henzel

Cadrys Handwoven Rug

CalviRugs

Capitol Carpets of Chelsea

Change Space

Christian Liaigre

Classic Rug Collection

Clive Christian Interiors

Cloak

Company C

Crosby Street Studios

Dadicos

Danielle David Art and Design

Deirdre Dyson

Diane Paparo Studio

EcoFiber Rugs

Eeuwes Studio Design

Elson & Company

Emma Gardner Design

Equator Production

Fab Habitat

Floor Story

Freedom

Gary Cruz Studio

Gran Living

Guildcraft Carpets

Heinrich Heine

High Country Rugs

HWP Teppich

Icarpet

Indo Designer Rugs

Inigo Elizalde Rugs

Interior Resources

Jacaranda Carpets

Joseph Carini Carpets

Judy Ross Textiles

Julie Dasher Rugs

Kaja Gam Design

Katherine Richards Design

Khawachen/ Innerasia

Kim Parker Home

K-Mail Order

Knots & Strokes

Kolatech

Kooches

Kristiina Lassus Design

Laguna Rugs

Land Rugs

Landry & Arcari

Lapchi

LiLu Interiors Inc.

Lindstrom Rugs

LIV by TM Interior

Liz Gamberg Studio

Liza Phillips Design

Lotus Collection

M & M Design International

Madeline Weinrib Atelier

Makeda Rugs

Malene B

Matthew Wailes

Merida

Merinos

Miller Davis Group

Modern Archive

ModernFever

Molana

Momtaz Contemporary Rug Art

MyFelt

Nakworks

Namaste UK

New Moon

NIBA Rug Collections

NOA Living

Nordic Home

notNeutral

Odegard Carpets

Organic Weave

Otto

Paramount Rugs

Proper Design

PuRo Lifestyle

Raya Rugs

Restoration Hardware

Rimo

Robin Gray Design

Robyn Cosgrove

Rosemary Hallgarten

Rug Art

Rug Couture

Rug Star

Rugguy Galleriez

Rug-maker.com

Sage Green Designs

Sara Schneidman Gallery

Satia Floor and Art

Scott Group Studio

Serapi Oriental Rug Gallery

Seraser

Sirecom Tappeti

So'mace Design

Sonya Winner Rugs

Squarefoot Commercio E Decoracao

Tailor-Made Textiles

Talis Vertriebs

Tania Johnson Design

Target Corporation

Tashi Murik

The Fine Rug Gallery at Macy's

The Moorland Rug Company

The Rug Company

Tranquillo

TYSK Design

Vossberg Versand

Wafa Dar

Warp & Weft

Weaver Green

Wecon Home

Wendy Morrison Design

Zoë Luyendijk Studio

Lead Sponsors

Woven

Modern Rugs

The Rug Seller

Luxury Rugs

Kush

Interior Resources

Industry Supporters

Hagopian

Blessed Earth

9 Strategic Donors and Supporters

GoodWeave thanks the individuals and institutions that provide vital operating support to help us achieve results for children and workers. The following list acknowledges donors that have donated $5,000 or more to GoodWeave International or its local NGO affiliates in 2016:

Major Support Provided by:

C&A Foundation

USAID FROM THE AMERICAN PEOPLE

unicef

skoll FOUNDATION

HUMANITY UNITED

GREATER IMPACT foundation

Additional Support Provided by:

200,000 and Above

C&A Foundation

Greater Impact Foundation

Humanity United

Janet Wright Ketcham Foundation

The Skoll Foundation

The Walt Disney Company

UNICEF

U.S. Agency for International Development

U.S. Department of Labor, Bureau of International Labor Affairs

50,000 to 199,000

Global Giving

Global Fund to End Modern Slavery

U.S. Department of State, Office to Monitor and Combat Trafficking in Persons

5,000 to 49,999

Anbinder Family Foundation

Anonymous via Fidelity Charitable Gift Fund

Anonymous via Impact Assets

Estelle Friedman Gervis Family

Evangelical Lutheran Church in America

Kristi Nelson

Limited Brands Foundation

Macy's Foundation

Naomi & Nehemiah Cohen Foundation

Patricia Hambrick

The International Foundation

The Khaled Hosseini Foundation

The Thanksgiving Fund

The West Foundation, Inc.

Textile Recycling for Aid and International Development

In-Kind Gifts – Legal Counsel

Covington & Burling LLC

Mayer Brown LLC

Sunstein Kann Murphy & Timbers LLC

10 Staff and Governance

GoodWeave is grateful to have award-winning experts in child rights, social entrepreneurship, and certification serve in leadership and advisory roles in the organization.

International Board of Directors

Patricia Hambrick (Chair)

Kul Chandra Gautam (Co-Vice Chair)

Claude Fontheim (Co-Vice Chair)

Pat Zerega (Secretary)

Marc Triaureau (Treasurer)

Barbara Hawthorn

Dan Viederman

Edward Millard

Leslie Johnston

Nancy Wilson

Regatte Venkat Reddy

Emeritus Member: Pharis Harvey

Standards Committee

Walter Chapin, President and Co-founder, Company C, Inc.

David Hircock, Independent Expert (Environmental Impacts)

Hajar Husaini, Independent Expert (Supply Chain Monitoring)

Dinesh Jain, Managing Director, Flora Exports

Caroline Kent, Operations Manager, The Rug Company

Lobsang Lama, Managing Director and Chairman, Gomang Carpets Manex

Gerard Oonk, Director, India Committee of the Netherlands

Lee Swepston, Senior Advisor on Human Rights, International Labour Organization (ret.)

Indu Tuladhar, Independent Expert (Child Labor)

Scott Welker, Director of Business Development, GoodWeave International

Child Protection Committee

Pashtoon Atif, Director, GoodWeave Afghanistan

Jonathan Blagbrough, Co-founder, Children Unite

Uddhav Raj Poudyal, Independent Expert

Nitu Prasad, Senior Program Coordinator, GoodWeave India

Regatte Venkat Reddy, National Convenor, MV Foundation

Kushum Sharma, Social Programme Manager, Nepal GoodWeave Foundation

Certification Committee

Narayan Bhattarai, National Project Coordinator, International Labour Organization

Mathew John, Certification Director, GoodWeave International

Shawn MacDonald, CEO, Verite

David Ould, Board Member, GoodWeave UK

Oversight Committee

Chhatra Amatya, Independent Expert

Viraf Mehta, Independent Expert

Edward Millard, Director of Africa and South Asia, Rainforest Alliance

International Management Team and Staff

Nina Smith, CEO

Beth Huber, Deputy Director

Scott Welker, Director of Business Development

Pashtoon Atif, Afghanistan Country Director

Manoj Bhatt, India Country Director

Lubha Raj Neupane, Nepal Country Director

Mathew John, Director of Central Inspection Division

Biko Nagara, Senior Program Officer, Certification Standard Systems

Anoop Agarwal, Senior Program Manager

Cara Hagan, Business Development Associate

Alina Ruzmetova, Online Communications and PR Associate

Jessica Tsang, Strategic Partnerships Officer

Kimberly Trauner, Program Assistant

GoodWeave envisions a day when no child is made to work instead of going to school, and when freedom, access to education, and the right to childhood are guaranteed.

We look forward to partnering with you next year to realize this vision.