

STICHTING INTERKERKELIJKE AKTIE VOOR
LATIJNS AMERIKA - SOLIDARIDAD

Lima – Peru

FINANCIAL STATEMENTS

2020

STICHTING INTERKERKELIJKE AKTIE VOOR
LATIJNS AMERIKA - SOLIDARIDAD

Lima - Peru

**REPORT ON THE REVIEW OF
FINANCIAL STATEMENTS**

for the years ended on

December 31, 2020 and 2019

REPORT OF THE INDEPENDENT AUDITORS

To the Directorate of the Institution

STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

1. We have audited the accompanying financial statements of **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA – SOLIDARIDAD**, comprising the statement of financial position as of December 31, 2020, and the statements of income and expenses, changes in equity, and of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. Previously, we audited and expressed our opinion on the financial statements for the financial year 2019.

2. Management's Responsibility on Financial Statements

The Directorate of the Organization is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement importance, whether due to fraud or error; selecting and applying appropriate accounting policies; and making reasonable accounting estimates according to the circumstances.

3. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except for what is mentioned in paragraph 4, our audit was conducted in accordance with International Auditing Standards approved for its application in Peru, by the Board of Deans of Public Accountants of Peru. Such standards require that we comply with ethical requirements and that we plan and perform the audit in order to obtain reasonable assurance that the financial statements are free of material misstatement importance.

An audit involves performing procedures to obtain evidence about the balances and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk that the financial statements contain material misstatement importance whether as a result of fraud or error. In conducting this risk assessment, the auditor takes into consideration the relevant internal control of the company in the preparation and fair presentation of financial statements in order to design audit procedures in accordance with the circumstances, but not for the purpose of expressing an opinion about the effectiveness of the company's internal control. An audit also includes evaluating whether the accounting principles applied are appropriate and whether the accounting estimates made by management are reasonable, as well as an evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Our examination was subject to the following limitations:

- a. Accounts receivable from Projects - related parties, includes balances from previous financial years, which are disclosed in the current assets of the Statement of Financial Position amounting to S / 939,000, approximately, as of December 31, 2020, on which the Institution has not provided sufficient and appropriate evidence of the right and timing of its corresponding collection, including the respective interest generated.
- b. The Miscellaneous Accounts Receivable item includes balances from previous fiscal years, which are disclosed in non-current assets in the Statement of Financial Position amounting to S / 596,000, approximately, as of December 31, 2020, on which the Institution, has not provided sufficient and appropriate evidence on the timing of its corresponding collection.

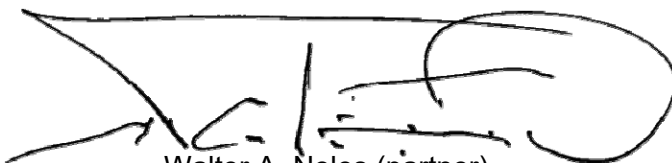
From the tax point of view, the loans granted to related parties and third parties should generate interest and be charged in full, in order to avoid the presumption of indirect distribution of income. For this, **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD** should not provision the debt as doubtful collection and neither should it punish it. Otherwise, in an eventual inspection of SUNAT, there could be a risk of losing the Income Tax exemption.

5. Opinion

In our opinion, except for the potential effects of the situations referred to in paragraph 4, the accompanying financial statements present reasonably in all material respects, the financial position of **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD**, as of December 31, 2020, the results of its operations, and its cash flows from the years then ended, in accordance with Generally Accepted Accounting Principles.

Lima, Peru
March 25, 2021

NOLES MONTEBLANCO & ASOCIADOS
member firm of
BAKER TILLY INTERNATIONAL



Walter A. Noles (partner)
Certified Public Accountant
Registration N° 7208

STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2020 AND 2019

(In Soles)

	<u>ASSETS</u>		<u>LIABILITIES AND EQUITY</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current Assets:			Current liabilities:	
Cash and cash equivalents (Note 6)	1 600 667	1 682 621	Trade accounts payable (Note 11)	33 099
Trade accounts receivable	19 042	41 078	Accounts to be executed from projects (Note 12)	4 038 746
Accounts receivable to related (Note 7)	-.-	-.-	Accounts payable from projects (Note 13)	74 147
Accounts receivable from projects (Note 8)	2 062 616	1 739 299	Other accounts payable (Note 14)	416 592
Miscellaneous accounts receivable (Note 9)	218 363	400 083		
Total current assets	3 900 688	3 863 081	Total liabilities	4 562 584
Non current assets:			Institutional Equity (Note 15)	
Accounts receivable to related (Note 9)	599 141	548 303	Retained earnings	73 090
Installations, furniture and equipment, net (Note 8)	135 845	163 512		(59 542)
Total non-current assets	734 986	711 815	Total equity	73 090
TOTAL ASSETS	4 635 674	4 574 896	TOTAL LIABILITIES AND EQUITY	4 635 674

The accompanying notes are an integral part of the financial statements.

STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

STATEMENTS OF INCOME AND EXPENSES

FOR THE YEARS ENDED AS OF DECEMBER 31, 2020 AND 2019

(In Soles)

	2020	2019
INCOME		
Income from project management (Note 16)	7 395 578	7 356 010
Other institutional income (Note 17)	472 136	581 689
Miscellaneous income (Note 18)	166	107 580
	7 867 880	8 045 279
EXPENSES		
Personnel expenses (Note 19)	(2 567 074)	(2 229 758)
Services provided by third parties (Note 20)	(2 406 244)	(3 124 586)
Taxes	(2 167)	(3 791)
Miscellaneous operational expenses (Note 21)	(2 831 405)	(2 569 412)
Provisions (Note 22)	(61 377)	(68 146)
	(7 868 267)	(7 995 693)
Difference in change, net (Note 5)	19 471	(126 787)
	19 084	(77 201)
SURPLUS (DEFICIT) FOR THE YEAR		

The accompanying notes are an integral part of the financial statements.

STICHTING INTERKERKELIJKE AKTIE
VOOR LATIJS AMERIKA - SOLIDARIDAD

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED AS OF DECEMBER 31, 2020 AND 2019

(In Soles)

	RETAINED EARNINGS	TOTAL EQUITY
Balance as of December 31, 2018	17 220	17 220
Adjustment from previous years	439	439
Deficit for the year 2019	(77 201)	(77 201)
	(59 542)	(59 542)
Balance as of December 31, 2019		
Adjustment from previous years	113 548	113 548
Surplus for the year 2020	19 084	19 084
	73 090	73 090
Balance as of December 31, 2020	73 090	73 090

The accompanying notes are an integral part of the financial statements.

STICHTING INTERKERKELIJKE AKTIE
VOOR LATIJNS AMERIKA - SOLIDARIDAD

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AS OF DECEMBER 31, 2020 AND 2019

(In Soles)

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Income from project execution	8 465 178	7 570 080
Other charges	20 750	284 190
Donations to entities	(2 319 543)	(1 812 442)
Goods and service suppliers	(2 966 787)	(2 699 805)
Remuneration and social benefits	(2 515 765)	(2 170 700)
Other payments	(732 242)	(140 282)
	<u>(48 409)</u>	<u>1 031 041</u>
INVESTMENT ACTIVITIES		
Purchase of fixed assets	(33 545)	(30 915)
Loan to Textil Incaholland S.A.C./Franky Ricky S.A.	--	127 519
	<u>(33 545)</u>	<u>96 604</u>
	<u>(81 954)</u>	<u>1 127 645</u>
Cash balance at the beginning of the year	1 682 621	554 976
	<u>1 600 667</u>	<u>1 682 621</u>

	<u>2 0 2 0</u>	<u>2 0 1 9</u>
RECONCILIATION OF SURPLUS (DEFICIT) WITH CASH AND CASH EQUIVALENTS FROM (USED IN) OPERATING ACTIVITIES		
Surplus (Deficit) of the year	19 084	(77 201)
Net Income Adjustment according to the Statement of Financial Position:		
Depreciation for the year	61 377	68 146
Fixed asset down	--	3 484
Social benefits	168 195	147 330
Other settings	(51 005)	--
Debits and credits for net changes in the assets and liabilities:		
Accounts receivable from projects	18 776	287 185
Other accounts receivable	(12 069)	(13 011)
Prepaid expenses	(12 720)	(5 348)
Trade accounts payable	10 122	17 827
Other accounts payable	(400 442)	156 317
Projects to be executed	150 273	446 312
Cash and cash equivalents from (used in) operating activities	<u>(48 409)</u>	<u>1 031 041</u>

The accompanying notes are an integral part of the financial statements.

STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

NOTES TO THE FINANCIAL STATEMENTS

(In Soles)

1. ECONOMIC ACTIVITY OF THE ORGANIZATION

STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD, is a Civil Organization that is not for profit, it is part of the Solidarity Network entity established in the Netherlands for international cooperation with global experience in facilitating responsible social and environmental development, through the sustainable development of twelve (12) supply chains of products, operating through a network of eight (8) regional centers in five (5) continents.

It was incorporated by means of a public deed dated November 17, 2003, as recorded in item N° 11613699 of the Registry of Foreign Legal Persons of the Public Record Office of Lima, the duration of the Organization being indefinite. Its fiscal domicile and administrative office is located at Roosevelt Ave. N° 5866, district of Miraflores, Lima - Peru.

SOLIDARIDAD PERU is part of the REC (Regional Expertise Center) Solidaridad South America (REC SAM), currently working six development programs (coffee, cocoa, gold, palm oil, fruit, and sugarcane) in Peru, Colombia, Bolivia and Ecuador, has the following objectives:

- a) Provide support to producer organizations, civil society organizations and companies that seek to grow and fight in an innovative way against poverty and damage to the environment.
- b) Strengthen producer organizations and civil society organizations that work towards the sustainable development of their economies.
- c) Involve companies and investors in the development of sustainable commercial chains that have an added value for producers, resorting to fair trade and corporate social responsibility.

SOLIDARIDAD according to its constitution, aims to support the efforts of churches, groups and people in Latin America to ensure that the inhabitants of this region can shape themselves and their life and society, for which it can, among others things, disseminate information about Latin America, collecting from the Netherlands, providing financial support for activities that are considered to contribute to the achievement of this objective.

2. IMPACT OF THE PANDEMIC AND NATIONAL STATE OF EMERGENCY

In December 2019, a new strain of Coronavirus (SARS-CoV-2) was discovered in Wuhan - China, which began to spread exponentially throughout the world and generates the disease called COVID-19.

In March 2020, the World Health Organization declared it a pandemic, since it spread to all continents and to most countries in the world, and to date, there being no cure for it, there have been many deaths to world level.

As measures to combat this new virus, most countries in the world chose to close their borders, declare mandatory quarantines for people in various regions, reallocate budgets to strengthen health systems and to meet the basic needs of the least favored people. Among other measures, which have caused the interruption of international trade and human trafficking between cities and countries, and in general the temporary closure of many commercial establishments, which affected employment and the possibility that many companies could carry out their corporate purpose .

To counteract the economic effects on companies, the Government has postponed the payment of taxes and services, created credit lines with lower rates and provided economic aid to the less favored sectors.

The coronavirus pandemic, together with a temporary drop in oil prices, caused mainly by the slowdown in the economy (especially in China) and the paralysis of important economic activities, have led most analysts to estimate that the economy it still has a risk of falling into recession.

In the same way, the risks associated with the accounting record and the respective measurement of the assets, liabilities and income statements have been managed.

The negative economic impacts and the consequences for the Organization's operations have been significant; However, the Organization's December 2020 results suggest that the effects of the reopening of the economy would continue to generate an economic recovery during 2021. That said, it should be noted that the final impact of COVID-19 on the operations of the Organization are uncertain and will depend to a great extent on the evolution and extension of the pandemic in the following months, as well as the following measures that the state can take to face this situation and on the reaction and adaptation capacity of all economic agents. shocked.

The Organization has adopted the necessary measures and actions so that the preparation of the financial statements and the notes that accompany them, were prepared under the going concern hypothesis, are duly reflected and disclosed, the economic effects to the extent that was applicable from according to the circumstances.

3. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements for the year 2020 have been approved by the Directorate of SOLIDARIDAD and will be sent to its offices in the Netherlands. The financial statements for the year 2019 were forwarded to their offices in the Netherlands on April 07, 2020.

4. PRINCIPLES AND/OR ACCOUNTING PRACTICES

The accounting policies are the principles, bases, agreements, rules and specific procedures adopted by the Direction in the preparation and presentation of its financial statements. A change in an accounting estimate is an adjustment in the carrying amount of an asset or a liability, or for consumption of an asset, which occurs after the evaluation of the current situation of the item, as well as of the expected future benefits and obligations associated with the corresponding assets and liabilities. Changes in accounting estimates are the result of new information or new events and, as a result, are not bug fixes.

The Directorate recognizes in its financial statements the events that occurred after the date of the statement of financial position that imply adjustments, in order to reflect its impact.

The main accounting policies applied in the preparation of the financial statements are detailed below. These policies have been applied uniformly in the formulation of these financial statements, which have been prepared from the accounting records of the Organization, following the accounting criteria of historical cost.

a. Basis of presentation

Applicable regulations

The financial statements are prepared in accordance with the legal provisions on the matter and with accounting principles in Peru. The generally accepted accounting principles in Peru include, substantially, International Financial Reporting Standards (IFRS), formalized through Resolutions of the Accounting Standards Board (ISB).

The International Financial Reporting Standards (IFRS) are the Standards and Interpretations adopted by the International Accounting Standards Board (IASB). Those Standards include: (a) the International Financial Reporting Standards; (b) International Accounting Standards; and (c) the Interpretations, whether those originated by the Interpretations Committee of the International Financial Reporting Standards (IFRIC) or the old Interpretations (SIC).

Going concern entity

When preparing the financial statements, the Directorate of the Organization evaluates the ability of the Organization to continue operating. The financial statements have been prepared under the going entity hypothesis.

Accounting basis of accumulation (or accrual)

Except in relation to information on cash flows, the Directorate of the Organization draws up the financial statements applying the accrual basis, recognizing as assets, liabilities, net equity, income and expenses the elements that satisfy the definitions and the recognition criteria provided in the Conceptual Framework for such elements.

Uniformity in the presentation

The Directorate of the Organization considers that the presentation and classification applied in the financial statements are kept from one period to another.

Materiality or relative importance and grouping of data

Each class of similar items, which are of sufficient relative importance, are presented separately in the financial statements. Items of a different nature or function are presented separately, unless they are not material.

Compensation

In the formulation of the financial statements, the Directorate of the Organization does not compensate the assets with liabilities, nor income with expenditures, except when compensation is required or permitted by any Standard or Interpretation, in which case this situation is revealed in notes to financial statements.

b. Application of accounting estimates

The preparation process of the financial statements requires the Directorate of the Organization to carry out estimations for the determination of the balances of the assets and liabilities, the amount of the contingencies and the recognition of the income and expenses. These estimates should be based on the best judgment of the Directorate of the Organization at the date of the financial statements, and will vary as a result of the modifications in the premises on which they were based. The balances of the financial statements are corrected on the date of the change in the estimates. The main estimates related to the financial statements refer to the depreciation of facilities, furniture and equipment, and compensation for time of services.

c. Transactions in foreign currency

The Directorate of the Organization considers that its functional and presentation currency is the Sol, because it is the currency of the main economic environment in which the entity operates.

Transactions in foreign currency are initially recorded in their currency of origin applying the exchange rates in effect on the dates of the transactions to be shown in soles. Monetary assets and liabilities denominated in foreign currency are subsequently adjusted to the functional currency using the closing exchange rate in force on the date of the statement of financial position, established by the Superintendencia de Banca y Seguros. Gains or losses on exchange difference resulting from the settlement of such transactions and the transfer of monetary assets and liabilities in foreign currency at the exchange rates of the date of the statement of financial position, are recognized in the statement of income and expenses.

Non-monetary assets and liabilities denominated in foreign currency, established at historical cost, are transferred to Soles at the exchange rate prevailing at the date of the transaction.

d. Cash and cash equivalents

Cash comprises both the fixed fund and current and savings accounts.

The cash exposed in the statement of cash flows is made up of the balance of cash and cash equivalents of the Statement of Financial Position.

e. Accounts receivable

Accounts receivable are recorded at their net nominal value of the corresponding impairment estimate.

The estimate for impairment of accounts receivable is determined based on when there is evidence that Solidaridad will not be able to collect the amounts due in accordance with their original conditions. The amount of the estimate is recognized in the financial statements. Accounts are punished when they are identified as such.

f. Project assets and liabilities accounts

These items record the funds receivable and payable to the institutions from which the financing for the execution of projects is received, said accounts receivable and payable are related to the funds pending reimbursement by the financing sources, and funds pending execution and surrender by SOLIDARIDAD, respectively.

g. Installations, furniture and equipment

Miscellaneous furniture and equipment are presented at acquisition cost, net of accumulated depreciation, the acquisition cost includes the disbursements that are directly attributable to the acquisition of the assets. Maintenance and repair costs are charged to results, any renewal and significant improvement is capitalized only when it is probable that future economic benefits will be produced that exceed the standard performance originally evaluated for the asset.

The corresponding depreciation is calculated based on the straight-line method, at legally permitted rates considered appropriate, to extinguish said cost at the end of the estimated useful life of the respective assets.

The depreciation method used reflects the pattern according to which the future economic benefits of the asset are expected to be consumed by the Organization.

When assets are sold or withdrawn, their cost and depreciation is eliminated and any profit or loss resulting from their disposal is included in the statement of income and expenses.

h. Compensation for time of service

In accordance with current legal provisions, the compensation for time of services is calculated for each worker based on the time worked in the Organization based on the remuneration received.

The compensation for service time is included in the Other Accounts Payable item, which is recorded with a charge to results to the extent that the obligation accrues, calculated in accordance with current labor legislation. The amount of the recorded liability is the amount that would have to be paid to the workers, assuming that the labor relationship will culminate at the date of these financial statements.

i. Provisions

A provision is recognized only when the Organization has a present obligation (legal or implicit) as a result of a past event, it is probable that resources will be required to cancel the obligation and the amount of the obligation can be estimated reliably. Provisions are reviewed each period and adjusted to reflect the best estimate at the date of the statement of financial position. When the effect of the value of money over time is important, the amount of the provision is the present value of the expenses that are expected to be incurred in order to cancel it.

j. Contingent assets and liabilities

Contingent assets and liabilities are not recognized in the financial statements. These are disclosed in notes to the financial statements, unless there is the possibility of income or disbursements of remote economic flows.

k. Income recognition

Income from subsidies constitutes the amount equivalent to the payments made by Solidaridad in the execution of the operational plans and the annual budgets of the projects that it executes according to the financing agreements signed with different cooperating entities. These incomes are recognized in the Statement of Income and Expenses and Changes in the Organization equity, simultaneously with the execution of the related expenditure.

Other income from training services and any other contribution from mediators or other services of the Organization are recognized as they accrue and in the periods to which they relate, regardless of when they are collected.

l. Recognition of expenses

The disbursements made by Solidaridad in relation to the execution of its resource allocation projects, as well as those disbursements made to fund the Solidaridad operation, are recognized in the statement of income and expenses at the time they are made, in accordance with the accrual basis of accounting.

m. Exchange rate

Gains or losses on foreign currency exchange resulting from the payment of transactions and the conversion at the year-end exchange rate of monetary assets and liabilities denominated in foreign currency are recognized in the results of the period in which they are denominated the mentioned differences.

n. Contingencies

Contingencies are assets or liabilities that arise as a result of past events, the existence of which will be confirmed only if future events occur that are not entirely under Solidaridad's control.

Contingent assets are not recorded in the financial statements, but are disclosed in notes to the financial statements when their degree of contingency is probable.

Contingent liabilities are not recorded in the financial statements and are disclosed in notes to the financial statements only when there is a possible obligation.

o. Subsequent events

Events after the end of the fiscal year that provide additional information on Solidaridad's financial position as of the date of the statement of financial position (adjustment events) are included in the financial statements. Subsequent significant events that are not adjustment events are disclosed in notes to the financial statements.

5. TRANSACTIONS IN FOREIGN CURRENCY

The following are the balances in US Dollars (US \$) and Euros (€) as of December 31, 2020 and 2019:

	<u>2020</u> <u>US \$</u>	<u>2020</u> <u>€</u>	<u>2019</u> <u>US \$</u>	<u>2019</u> <u>€</u>
Assets:				
Cash and cash equivalents	84 605	261 125	113 844	197 224
Trade accounts receivable	--	--	12 407	--
Accounts receivable from projects	15 000	393 616	15 000	367 642
Miscellaneous accounts receivable	171 381	8 458	187 277	59 458
	<u>270 986</u>	<u>663 199</u>	<u>328 528</u>	<u>624 324</u>
Liabilities:				
Trade accounts payable	190	--	2 426	--
Accounts to execute projects	702 075	297 319	669 013	311 117
Accounts payable to related parties	309	9 475	--	--
Other accounts payable	58 062	--	48 894	80 623
	<u>760 636</u>	<u>306 794</u>	<u>720 333</u>	<u>391 740</u>
Monetary position active (passive), net	<u>(489 650)</u>	<u>356 405</u>	<u>(391 805)</u>	<u>232 584</u>

These balances have been expressed in Soles at the following exchange rates established by the SBS and effective as of December 31, as detailed below:

	<u>2020</u> <u>US \$</u>	<u>2020</u> <u>€</u>	<u>2019</u> <u>US \$</u>	<u>2019</u> <u>€</u>
1 US\$ purchase exchange rate	3.618	4.446	3.311	3.652
1 US\$ sale exchange rate	3.624	4.906	3.317	3.877

As of December 31, 2020, the Organization recorded a gain for net exchange difference of S / 19,471 (loss for net exchange difference of S/ 126,787 as of December 31, 2019), the same that is presented in the exchange difference item In the Statement of Income and Expenses:

	<u>2019</u>	<u>2019</u>
Gain on exchange difference	16 747 274	1 562 173
Loss due to exchange difference	(16 727 803)	(1 688 960)
	-----	-----
	19 471	(126 787)
	=====	=====

6. EFFECTIVO CASH AND CASH EQUIVALENTS

Comprises:

	<u>2020</u>	<u>2019</u>
Fixed fund	2 100	2 100
Current accounts (a)	1 310 459	1 648 601
Savings accounts (b)	288 108	31 920
	-----	-----
	1 600 667	1 682 621
	=====	=====

(a) Corresponds mainly to accounts in dollars for US \$ 4,974 and € 261,125 (US \$ 104,204 and € 197,224 in 2019).

(b) Corresponds mainly to accounts in dollars for US \$ 79,632 (US \$ 9,640 in 2019).

The Organization maintains accounts in the Banco de Credito del Peru in Soles, US Dollars and Euros, they are freely available.

7. ACCOUNTS RECEIVABLE TO RELATED

They are summarized as follows:

<u>RELATED</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DEDUC- TIONS</u>	<u>FINAL BALANCE</u>
<u>Year 2020:</u>				
Non Current (a)				
Grupo Hualtaco S.A.C	439 932	-.-	-.-	439 932
(-)Estimation of doubtful collection	(439 932)	-.-	-.-	(439 932)
	-----	-----	-----	-----
	-.-	-.-	-.-	-.-
	=====	=====	=====	=====
<u>Year 2019:</u>				
Non Current (a)				
Agrofair	51 574	-.-	(51 574)	-.-
Grupo Hualtaco S.A.C	547 432	-.-	(107 500)	439 932
(-)Estimation of doubtful collection	(547 432)	-.-	107 500	(439 932)
	-----	-----	-----	-----
	51 574	-.-	(51 574)	-.-
	=====	=====	=====	=====

Grupo Hualtaco S.A.C, company in the process of liquidation, was dedicated to the production and export of organic fruits.

8. ACCOUNTS RECEIVABLE FROM PROJECTS

	<u>2020</u>	<u>2019</u>
FSLA Colombia – Project PE 01051 and PE 01066	347 438	6 226
REC NL – Reimbursement of expenses (a)	276 044	74 673
REC CAM	-.-	2 290
FSLA Panama – Latin American Matrix – Project		
PE 01052 and reimbursement of expenses (b)	366 249	619 887
Project Peru (c)	939 343	877 911
Fruit Program	133 542	133 542
Palma Program	-.-	24 770
	-----	-----
	2 062 616	1 739 299
	=====	=====

(a) Corresponds to funds receivable for the execution of the Circular Economy Project Eur 12,107 (balance receivable from the July 2019 to June 2020 report) equivalent to S / 53,828 and Eur 38,542 (balance receivable from the July to December 2020 report) equivalent to S/ 171,358, in addition to the delivery of funds to the Project partners, Olam Agro Perú SAC for Eur 8,000 equivalent to S/ 35,568 and to Cuenca del Huallaga for Eur 3,439 equivalent to S/ 15,290.

(b) Refunds of fixed expenses (salaries, electricity, water, rent, among others) made by Solidaridad Peru.

(c) Correspond to disbursements receivable from Solidaridad Europa, for liquidation expenses of the company Grupo Hualtaco S.A.C.

9. MISCELLANEOUS ACCOUNTS RECEIVABLE

Comprises:

	<u>2020</u>	<u>2019</u>
Loans to staff	4 099	3 962
Advances in staff compensation	1 000	-.-
Deliveries to render	945	3 058
Loan to Lister Ramirez	2 171	1 987
Loan Franky y Ricky S.A (*)	596 970	546 315
Interests Franky y Ricky S.A	597 092	597 092
Security deposits and other accounts receivable miscellaneous	121 082	327 590
Balance in favor G.S.T.	36 919	23 875
Insurance paid in advance	54 318	41 599
(-) Estimation of doubtful collection	(597 092)	(597 092)
	-----	-----
	817 504	948 386
	-----	-----
Short term	218 363	400 083
	-----	-----
Long term	599 141	548 303
	=====	=====

(*) Equivalent to US \$ 165,000 as of December 31, 2020 and 2019, respectively.

10. INSTALLATIONS, FURNITURE AND EQUIPMENT, NET

They are summarized as follows:

<u>CONCEPT</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DEDUC- TIONS</u>	<u>RECLASSI- FICATIONS</u>	<u>FINAL BALANCE</u>	<u>RATE %</u>
<u>Year 2020:</u>						
Cost						
Installations	24 074	-.-	-.-	-.-	24 074	
Transport units	162 554	-.-	-.-	-.-	162 554	
Furniture and fixtures	51 741	-.-	-.-	-.-	51 741	
Computer equipment	133 645	33 545	-.-	-.-	167 190	
Miscellaneous equipment	48 694	-.-	-.-	-.-	48 694	
	-----	-----	-----	-----	-----	
	420 708	33 545	-.-	-.-	454 253	
	=====	=====	=====	=====	=====	
Accumulated depreciation						
Installations	(12 252)	(1 204)	-.-	-.-	(13 456)	20
Transport units	(94 913)	(25 285)	-.-	-.-	(120 198)	5
Furniture and fixtures	(42 121)	(3 450)	-.-	-.-	(45 571)	10
Computer equipment	(75 289)	(26 599)	166	3 382	(98 340)	4
Miscellaneous equipment	(32 621)	(4 840)	-.-	(3 382)	(40 843)	10
	-----	-----	-----	-----	-----	
	(257 196)	(61 378)	166	-.-	(318 408)	
	=====	=====	=====	=====	=====	
	163 512				135 845	
	=====				=====	

<u>CONCEPT</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DEDUC- TIONS</u>	<u>FINAL BALANCE</u>	<u>RATE %</u>
<u>Year 2019:</u>					
Cost					
Installations	24 074	--	--	24 074	
Transport units	162 554	--	--	162 554	
Furniture and fixtures	52 441	--	(700)	51 741	
Computer equipment	118 700	30 915	(15 970)	133 645	
Miscellaneous equipment	53 961	--	(5 267)	48 694	
	-----	-----	-----	-----	
	411 730	30 915	(21 937)	420 708	
	=====	=====	=====	=====	
Accumulated depreciation					
Installations	(11 394)	(858)	--	(12 252)	20
Transport units	(65 062)	(29 851)	--	(94 913)	5
Furniture and fixtures	(37 438)	(5 209)	526	(42 121)	10
Computer equipment	(62 866)	(26 967)	14 544	(75 289)	4
Miscellaneous equipment	(30 743)	(5 261)	3 383	(32 621)	10
	-----	-----	-----	-----	
	(207 503)	(68 146)	18 453	(257 196)	
	=====	=====	=====	=====	
	204 227			163 512	
	=====			=====	

11. TRADE ACCOUNTS PAYABLE

Comprises:

	<u>2020</u>	<u>2019</u>
Invoices payable	20 564	18 000
Fees payable	12 535	4 976
	-----	-----
	33 099	22 976
	=====	=====

12. ACCOUNTS TO BE EXECUTED FROM PROJECTS

Comprises:

Cod - Plaza	Name of the Project	<u>2020</u>	<u>2019</u>
P-1982	Fair Tex Peru	2 372 673	2 171 428
P-1982	International program coordinator	18 408	14 547
C-2462	Analysis and systematization of innovative cooperation programs between large-scale mining projects and ASM	24 475	.-
P-2095	Norad II – Peru	1 366 969	679 464
P-1831	GP&RI Responsible practices in the Peruvian and Colombian ASM GOLD sectors	.-	104 990
P-1821	GP&RI Improving the potential of the Sustainable Trade platform	.-	165 619
P-1488	EPE País- Country-Enabling regulatory environment for responsible small-scale mining	.-	221 853
P-1554	EPE G&C Advocafe: Develop non-competitive collaboration capacity.	.-	19 725
P-2036	Inno vatePalma Peru	.-	278 644
P-2131	Strengthening of the Organic Banana Cluster in Piura	.-	258 661
C-2003	ERDBE (Low Emission Development Strategy)	.-	9 332
C-1826	DMNEM (Mining Scale Business Model Development)	16 327	38 357
C-2460	Alliance for Sustainable & Competitive Coffee	35 781	.-
P-2233	Tropical Forest Alliance - TFA	130 843	.-
P-2244	Relief Platform for Pallaqueras Facing Covid 19	7 755	.-
C-2461	From Bunch Bags to Corner Boards – Recycling Banana Plastic	43 546	.-
P-2067	Empowering smallholder of Rios del Inka assoc with smart climate coffee	21 969	.-
		-----	-----
		4 038 746	3 962 620
		=====	=====

13. ACCOUNTS PAYABLE FOR PROJECTS

Comprises:

	<u>2020</u>	<u>2019</u>
FSLA Panama	48 022	-.-
FSLA Brasil	5 878	-.-
FSLA Guatemala (REC CAM)	20 247	-.-
	-----	-----
	74 147	-.-
	=====	=====

14. OTHER ACCOUNTS PAYABLE

Comprises:

	<u>2020</u>	<u>2019</u>
Taxes and contributions to the pension and health system payable	52 397	47 015
Remuneration and vacations payable	220 837	174 549
Compensation for time of service	30 192	26 439
Funds to reimburse projects	-.-	12 640
Consultancy from abroad	-.-	136 317
Miscellaneous accounts payable	113 166	251 882
	-----	-----
	416 592	648 842
	=====	=====

15. INSTITUTIONAL EQUITY

It is constituted by the accumulated result of the management of SOLIDARIDAD and is derived mainly from provisions for depreciation and exchange differences.

16. INCOME FROM PROJECT MANAGEMENT

Comprises:

	<u>2020</u>		<u>2019</u>	
	<u>S/</u>	<u>Eq. US\$</u>	<u>S/</u>	<u>Eq. US\$</u>
Fair Tex Peru	--	--	212	64
Sustainable coffee program -IDH	--	--	26 418	7 964
Sustainable coffee program – ECOM	--	--	135 050	40 715
Sustainable coffee program – LDC	--	--	35 606	10 734
EPE Pais - Regulatory environment conducive to responsible small-scale mining	788 599	217 605	485 469	146 358
EPE G&C-Advocafe: Develop non-competitive collaboration capacity	402 527	111 073	443 362	133 663
DSO IPC Coffee	162 383	44 808	154 962	46 718
GP&RI Responsible practices in the Peruvian and Colombian ASM gold sectors	717 844	198 081	482 330	145 411
GP&RI - Enhancing the potential of the Sustainable Trade Platform	1 567 735	432 598	1 300 238	391 992
Improvement of SAM Capacity	361 949	99 876	499 582	150 613
Tropical Forest Alliance - TFA	185 521	51 192	--	--
Relief Platform for Pallaqueras Facing Covid -19	77 219	21 308	--	--
From Bunch Bags to corner Boards – Recycling Banana Plastic	21 060	5 811	--	--
Own income	92 003	25 387	42 479	12 807
Henkel Colombia	--	--	132 807	40 038
Empowering smallholder of Rios del Inka assoc with smart climate coffee	47 082	12 992	75 873	22 874
Norad II Peru	1 605 236	442 946	1 710 836	515 778
Innovate Palma Peru	296 787	81 895	381 645	115 057
Strengthening of the Organic Banana Cluster in Piura	291 162	80 343	573 571	172 919
ERDBE - Low Emission Development Strategy	10 449	2 883	219 483	66 169
CUSAF (Cesión en uso en sistemas agroforestales (PARA))	99 127	27 353	214 478	64 660
DMNEM - Mining Scale Business Model Development	25 558	7 053	94 380	28 453
Palma Program	225 767	62 298	273 894	82 573
Circular Coffee from Peru: creating value across the chain	417 570	115 224	73 335	22 109
	-----	-----	-----	-----
	7 395 578	2 040 726	7 356 010	2 217 669
	=====	=====	=====	=====

17. OTHER INSTITUTIONAL INCOME

Comprises:

	<u>2020</u>		<u>2019</u>	
	S/	US\$	S/	US\$
EPE Pais - Country-Normative environment conducive to small-scale responsible mining	36 285	10 012	37 046	11 169
EPE G&C - Advocafe: Develop non-competitive collaboration capacity	24 367	6 724	21 283	6 416
Institutional Expenses	293 795	81 069	417 235	125 787
GP&RI Responsible practices in the Peruvian and Colombian ASM gold sectors	38 980	10 756	31 223	9 413
GP&RI - Improving the potential of the Sustainable Trade Platform	78 709	21 719	74 115	22 344
IDH - Sustainable Coffee Program in Colombia	--	--	787	237
	-----	-----	-----	-----
	472 136	130 280	581 689	175 366
	=====	=====	=====	=====

It corresponds to flexible own income and mainly to the income that SOLIDARIDAD receives for the administration of the projects, which is granted based on a percentage agreed between the donor and SOLIDARIDAD in relation to the expenses incurred in the period.

18. MISCELLANEOUS INCOME

Comprises:

	<u>2020</u>	<u>2019</u>
	S/	S/
Recovery of doubtful accounts	--	107 500
Other Income	166	80
	-----	-----
	166	107 580
	=====	=====

19. PERSONNEL EXPENSES

Comprises:

	<u>2020</u>		<u>2019</u>	
	S/	US\$	S/	US\$
Director of REC South America:				
Salaries	247 929	70 810	212 341	63 538
Gratifications	47 378	13 501	40 148	12 011
Vacations	31 343	8 998	20 001	5 971
Security and social security	49 032	13 990	47 142	14 086
	-----	-----	-----	-----
	375 682	107 299	319 632	95 606
	-----	-----	-----	-----
Legal representatives:				
Salaries	592 268	169 177	530 646	158 725
Gratifications	116 093	33 105	111 872	33 491
Vacations	55 765	15 927	61 018	18 273
Bonuses	119 431	34 075	117 404	35 117
Security and social security	7 960	2 296	--	--
	-----	-----	-----	-----
	891 517	254 580	820 940	245 606
	-----	-----	-----	-----
Empleados:				
Salaries	799 712	227 945	696 794	208 252
Gratifications	145 810	41 511	127 268	38 048
Vacations	73 392	20 912	63 909	19 108
Bonuses	25 677	7 627	10 000	3 015
Security and social security	205 785	58 710	178 337	53 319
Training and attention to staff	39 517	11 605	12 878	3 844
Compensation	9 982	2 787	--	--
	-----	-----	-----	-----
	1 299 875	371 097	1 089 186	325 586
	-----	-----	-----	-----
	2 567 074	732 976	2 229 758	666 798
	=====	=====	=====	=====

20. SERVICES PROVIDED BY THIRD PARTIES

Comprises:

	<u>2020</u>		<u>2019</u>	
	<u>S/</u>	<u>US\$</u>	<u>S/</u>	<u>US\$</u>
Travel expenses	202 083	55 762	693 339	209 026
Mail and telecommunications	21 713	5 991	20 193	6 088
Per diem	6 025	1 663	35 894	10 821
Fees, commissions and brokerage	1 334 334	368 194	1 529 365	461 069
Maintenance and repair	10 746	2 965	30 563	9 214
Rentals	139 922	38 610	175 492	52 907
Other services	691 421	190 789	639 740	192 867
	-----	-----	-----	-----
	2 406 244	663 974	3 124 586	941 992
	=====	=====	=====	=====

21. MISCELLANEOUS OPERATIONAL EXPENSES

Comprises:

	<u>2020</u>		<u>2019</u>	
	<u>S/</u>	<u>US\$</u>	<u>S/</u>	<u>US\$</u>
Miscellaneous donations	2 331 710	643 408	1 921 020	579 144
Supplies and toiletries and communications	4 850	1 338	17 263	5 204
Various insurance	12 795	3 531	16 829	5 074
Goods and other minor assets	11 295	3 117	73 041	22 020
Expenses of representation	310	86	5	2
Other operational expense	409 047	112 872	214 515	64 671
Fertilizers and seeds	56 565	15 608	305 499	92 101
Fuel	4 833	1 334	21 240	6 403
	-----	-----	-----	-----
	2 831 405	781 294	2 569 412	774 619
	=====	=====	=====	=====

22. PROVISIONS

Comprises:

	<u>2020</u>		<u>2019</u>	
	<u>S/</u>	<u>US\$</u>	<u>S/</u>	<u>US\$</u>
Depreciation	61 377	16 936	68 146	18 804
	-----	-----	-----	-----
	61 377	16 936	68 146	18 804
	=====	=====	=====	=====

23. TAX SITUATION

Income tax

SOLIDARIDAD is exempt from the payment of Income Tax, since May 01, 2004, being registered in the Register of Exempt Entities of Income Tax and in Registration of Entities Receiving Donations deductible from Income Tax, the National Superintendence of Tax Administration.

General Sales Tax - GST

SOLIDARIDAD is registered in the National Registry of Foreign Entities and Institutions for International Technical Cooperation (ENIEX), indefinitely, which was communicated with a letter dated October 18, 2019.

SOLIDARIDAD is unaffected by the GST for donations of material received from the Cooperator as indicated in article 2, paragraph k) of the Consolidated Text of the General Sales Tax and Selective Consumption Tax Law, approved by Supreme Decree N° 055 - 99 EF.

For the fiscal year 2020, SOLIDARIDAD did not obtain a refund of G.S.T. and IPM, due to any request to APCI.

The Direction of the Organization considers that a possible revision by the Tax Administration will not generate significant liabilities, for which reason it has not considered necessary to constitute a provision in this regard.

24. RISKS ADMINISTRATION

The activities of the Organization expose it to a variety of financial risks whose potential adverse effects are permanently evaluated by the Direction of the Organization in order to minimize them. Next, we present the financial risks to which the Organization is exposed.

- a. **Exchange rate risk:** The Direction of the Organization considers that there is no significant exchange rate risk that could lead the Organization to a financial situation that is difficult to manage.

- b. **Interest, credit and liquidity risk:** The operating income and cash flows of the Organization are substantially independent of changes in market interest rates. The Organization does not have significant assets that accrue interest and significant risks of concentration of credit given its conservative policies on the matter. Likewise, the Management of the Organization considers that it does not have liquidity risks to the extent that the payments of its long-term liabilities have been programmed in coordination with its future cash flows.

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