

**Fundación Solidaridad Latinoamericana**

(Panama, Republic of Panama)

**Financial Statements**

**December 31, 2015**

(With Independent Auditor's Report)

# **Fundación Solidaridad Latinoamericana**

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**BAKER TILLY  
PANAMA**

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of the Foundation Council of  
**Fundación Solidaridad Latinoamericana**  
Panama, Republic of Panama

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We have audited the accompanying statement of financial position of Fundación Solidaridad Latinoamericana, as of December 31, 2015, and the related income statement, changes in equity and cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory notes.

### *Management Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

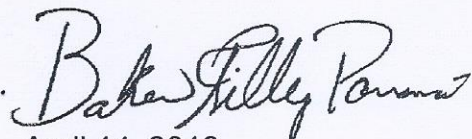
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fundación Solidaridad Latinoamericana as of December 31, 2015, its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards.

A handwritten signature in dark ink, appearing to read "Baker Tilly Panama", is written in a cursive, flowing style.

April 14, 2016

Panama, Republic of Panama



# Fundación Solidaridad Latinoamericana

## Statement of Financial Position

December 31, 2015

(Stated in US\$)

<b>ASSETS</b>	<b>Notes</b>	<b>2015</b>	<b>2014</b>
Current assets			
Bank checking accounts	4	4.319.737	5.196.875
Accounts receivable, related parties	5	10.000	10.000
Cash advances	6	202.682	185.986
Others assets	7	6.541	2.055
Total assets		<u>4.538.960</u>	<u>5.394.916</u>
<b>LIABILITIES AND EQUITY</b>		<b>2015</b>	<b>2014</b>
Current liabilities			
Trade accounts payable		166.413	2.122
Total liabilities		<u>166.413</u>	<u>2.122</u>
Equity			
Contribution of the Founder	8	10.000	10.000
Result before allocation of surplus		4.362.547	5.382.794
Total equity		<u>4.372.547</u>	<u>5.392.794</u>
Total liabilities and equity		<u>4.538.960</u>	<u>5.394.916</u>

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

# Fundación Solidaridad Latinoamericana

## Statement of Income and Expenses

For year ended December 31, 2015

(Stated in US\$)

	Notes	2015	2014
<b>Income</b>			
Income from own fundraising		2.969.529	5.093.995
Government subsidies	10	11.184.917	15.459.414
Other income		20.544	4.030
Total income		<u>14.174.990</u>	<u>20.557.439</u>
<b>Expenses</b>			
Information/awareness - raising		53.668	58.340
Structural aid		<u>14.293.446</u>	<u>19.447.863</u>
		14.347.114	19.506.203
Income generation			
Costs of own fundraising		<u>3.781</u>	<u>1.567</u>
		3.781	1.567
Management and administration		844.342	706.856
Total expenses	12	<u>15.195.237</u>	<u>20.214.626</u>
<b>Result before allocation of surpluses</b>	9	<u><b>(1.020.247)</b></u>	<u><b>342.813</b></u>
Continuity reserve		-	-
Reserve for financing operational assets		-	-
Reserve for financing for the following year		(1.020.247)	342.813
Reserve for financing exchange rate losses		-	-
<b>Total allocation of surplus</b>		<u><b>(1.020.247)</b></u>	<u><b>342.813</b></u>

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



## Fundación Solidaridad Latinoamericana

### Statement of Changes in Equity For year ended December 31, 2015

(Stated in US\$)

		Notes		
		Contribution of the Founder	Result before allocation of surpluses	Total equity
Balance as of December 31, 2013	8	10.000	5.039.981	5.049.981
Result before allocation of surplus - 2014		-	342.813	342.813
Balance as of December 31, 2014	8	10.000	5.382.794	5.392.794
Result before allocation of surplus - 2015		-	(1.020.247)	(1.020.247)
<b>Balance as of December 31, 2015</b>	<b>8</b>	<b>10.000</b>	<b>4.362.547</b>	<b>4.372.547</b>

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

# Fundación Solidaridad Latinoamericana

## Statement of Cash Flows

For year ended December 31, 2015

(Stated in US\$)

	Notes	2015	2014
<b>Cash flows from operating activities:</b>			
Result before allocation of surplus		(1.020.247)	342.813
Trade accounts payable		164.291	1.019
Cash advances		(16.696)	2.407
Others assets		(4.486)	5.945
Net cash provided by operating activities		<u>(877.138)</u>	<u>352.184</u>
<b>Increase in bank checking accounts</b>		<u>(877.138)</u>	<u>352.184</u>
Cash at banks			
Bank checking accounts at december 31, 2014		5.196.875	4.844.691
Bank checking accounts at december 31, 2015	4	<u><u>4.319.737</u></u>	<u><u>5.196.875</u></u>

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



# Fundación Solidaridad Latinoamericana

## Notes to the Financial Statements December 31, 2015

(Stated in US\$)

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### 1. Incorporation and nature of business

#### Incorporation

Fundación Solidaridad Latinoamericana (FSLA) is a Private Interest Foundation organized under the laws of the Republic of Panama by public deed No.2494 of March 5, 2009, duly recorded in the Panama Public Registry. The Foundation began operations on June 1, 2009.

Members of the Foundation Council are:

President:	Gonzalo La Cruz
Vice President:	Michaelyn Bachhuber Baur
Treasurer:	Jeroen Douglas
Secretary:	Silvia Gallo

#### Nature of business

The Foundation's objectives are to promote sustainable development and fair trade in Latin America, to hold, manage, invest, dispose and distribute the Foundation's assets for the benefit, support, maintenance and advancement of beneficiaries as provided in this charter or regulations.

The financial statements were approved by the Members of the Foundation Council and authorized for issuance on April 14, 2016.

### 2. Summary of significant accounting policies

**Basis of accounting** - The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), on the historical cost basis.

The accounting policies have been applied consistently for all periods presented in these financial statements.

**Functional currency** - The financial statements are stated in United States of America Dollar (US\$). The Republic of Panama does not issue paper currency, and the United States of America Dollar (US\$) is used as the legal currency.



# Fundación Solidaridad Latinoamericana

## Notes to the Financial Statements December 31, 2015

(Stated in US\$)

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**Cash** - For the purposes of the statement of cash flows, the Foundation considers all cash accounts which are not subject to withdrawal restrictions.

**Cash advances** - The Foundation maintains a policy to receive cash advances which are discounted at the time of use.

**Income** - Income is accounted for in the year in which it is received. In case of income specifically referring to the following year, it is reallocated to a reserve at the year-end.

### Fair Value Measurement

IFRS 13 sets out in a single IFRS a framework for measuring fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; or in the absence of a main market, in the most advantageous market for the asset or liability, independently if that price is directly observable or estimated using other techniques of valuation. The fair value of a liability reflects the risk of non-compliance.

When applicable, the Company measures fair value of a financial instrument using the quoted price in an active market for that instrument. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximizes the use of observable inputs and minimizes the use of data that are unobservable inputs. The chosen valuation techniques incorporate all factors that markets would consider when fixing a price of a transaction.

The fair value of financial assets and liabilities that are transacted in an active market are based on quoted prices. For all other instruments, the Company determines their fair value using other valuation techniques, including net present value, models of discounted cash flows, comparisons with similar instruments that have observable market prices, and other valuation models. The assumptions and input data used in the valuation techniques include reference rates free of risk, credit margins and other premises used to estimate the discount rates.



# **Fundación Solidaridad Latinoamericana**

## **Notes to the Financial Statements December 31, 2015**

**(Stated in US\$)**

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The Company measures fair value using the following hierarchy that considers the importance of the input data used for the measurement:

- Level 1 are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability.

### **3. Application of International Financial Reporting Standards (IFRS)**

#### **Standards, interpretations and amendments that apply from the 2015 period.**

The following standards and interpretations, new and revised, have been adopted in the current period and the impact of the adoption has no impact on the reported results or financial position of the Company.

#### **Annual improvements**

Cycle Annual improvements 2010 - 2012. Effective as of July 1, 2014.

- FRS 2 Share-based Payment - Modifies the definition of "vesting conditions" and "market conditions", and adds definitions of "performance condition" and "conditions of service."
- IFRS 13 Fair Value Measurements - Clarifies that the issue of IFRS 13 and amendments to IFRS 9 and IAS 39 does not eliminate the possibility of measuring certain receivables and payables in the short term without a discount.

#### **New rules**

- IAS 19 - Employee Benefits - Discount rate: theme of the regional market.

# Fundación Solidaridad Latinoamericana

## Notes to the Financial Statements

December 31, 2015

(Stated in US\$)

The Administration has not been able to evaluate the possible impact that their application will have on the entity's financial statements in the period of initial application. Consequently, it is not practicable to provide a reasonable estimate of the effects until the Company performs a detailed review.

### 4. Bank checking accounts

	2015	2014
Banks REC SAM	2,039,395	4,292,946
Banks REC CAM	1,053,495	586,682
Banks Guatemala (CAM)	171,630	126,008
Banks Paraguay (SAM)	306,428	100,451
Banks Brazil (SAM)	564,694	82,676
Banks Argentina (SAM)	1,849	7,467
Banks Colombia (ANDES)	182,246	645
	<u>4,319,737</u>	<u>5,196,875</u>

### 5. Balances with related parties

	2015	2014
<u>Balances</u>		
<u>Account receivable</u>		
Solidaridad	<u>10,000</u>	<u>10,000</u>

### 6. Cash advances

	2015	2014
Cash advanced SAM	12,231	22,160
Cash advanced CAM	75	258
Pending Reimbursement SAM	55,442	100,257
Pending Reimbursement ANDES	17,237	17,712
Other Credits SAM	117,697	45,599
	<u>202,682</u>	<u>185,986</u>



# Fundación Solidaridad Latinoamericana

## Notes to the Financial Statements December 31, 2015

(Stated in US\$)

### 7. Other assets

	2015	2014
Other assets SAM	865	1,102
Other assets CAM	950	953
Other assets ANDES	4,726	-
	<u>6,541</u>	<u>2,055</u>

### 8. Contribution of the founder

The contribution of the Founder of US\$10,000 is shown as part of the equity of the Foundation.

### 9. Result before allocation of surplus

	2015	2014
Continuity reserve	-	-
Reserve for financing operational assets	-	-
Reserve for financing for the following year	(1,020,247)	342,813
Reserve for financing exchange rate losses	-	-
	<u>(1,020,247)</u>	<u>342,813</u>

### 10. Government subsidies

Fundacion Solidaridad Latinoamericana (FSLA) receives subsidies mostly from the Dutch Government through transfers from Solidaridad Head Office and from other Governments directly to FSLA's bank account.

# Fundación Solidaridad Latinoamericana

## Notes to the Financial Statements December 31, 2015

(Stated in US\$)

### 11. Contributions to projects

Aid was granted to 110 projects in 2015 for an overall sum of US\$11,398,677. During 2014 aid was granted to 114 projects for an overall sum of US\$17,024,019.

	2015	2014
<b><u>Latin America</u></b>		
Brazil	3,881,543	4,424,985
Argentina	323,614	399,008
Ecuador	38,169	-
Honduras	350,428	1,936,483
Guatemala	172,995	319,831
Bolivia	193,032	196,817
<b><u>Latin America</u></b>		
Perú	186,609	352,967
Paraguay	1,470,944	1,020,955
Uruguay	98,951	105,876
Colombia	650,293	591,888
Mexico	482,253	1,095,666
Nicaragua	620,516	726,336
	<u>8,469,347</u>	<u>11,170,812</u>
<b><u>Asia</u></b>		
India	893,501	1,286,399
Indonesia	219,849	622,037
China	75,059	271,581
Malaysia	49,450	179,859
	<u>1,237,859</u>	<u>2,359,876</u>
<b><u>Africa</u></b>		
Malawi	148,794	557,816
Kenya	292,834	454,498
South Africa	127,447	454,171
Mozambique	204,149	339,492
Senegal	312,935	277,099

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# Fundación Solidaridad Latinoamericana

## Notes to the Financial Statements December 31, 2015

(Stated in US\$)

(Continuación)		2015	2014
<u>Africa</u>			
Namibia		33,869	271,526
Swaziland		-	180,192
Tanzania		78,341	163,719
Mali		86,614	139,022
Ghana		63,979	61,803
		<u>1,348,962</u>	<u>2,899,336</u>
<u>North America</u>			
United States		194,896	245,559
		<u>194,896</u>	<u>245,559</u>
<u>Europe</u>			
Switzerland		22,013	40,611
United Kingdom		44,804	-
The Netherlands		80,796	307,825
		<u>147,613</u>	<u>348,436</u>
		<u>11,398,677</u>	<u>17,024,019</u>

## 12. Specification and distribution of costs and expenses by category

	At december 31, 2015					Total 2015
	Structural	AIMS Information/ awareness - raising	Own Fundraising	Government Subsidies	Management and Administration	
<b>Expenses</b>						
Contributions to projects	11,398,677	-	3,586	-	-	11,402,263
Communication	20,714	10,953	-	-	35,941	67,608
Staff	1,621,774	35,652	-	-	346,515	2,003,941
Travel expenses	467,356	4,295	-	-	29,225	500,876
Accommodation	-	-	-	-	32,366	32,366
Office/general	59,724	-	-	-	347,329	407,053
Unrealized Gains/Exchange rate	725,201	2,768	195	-	52,966	781,130
	<u>14,293,446</u>	<u>53,668</u>	<u>3,781</u>	<u>-</u>	<u>844,342</u>	<u>15,195,237</u>

# Fundación Solidaridad Latinoamericana

## Notes to the Financial Statements December 31, 2015

(Stated in US\$)

	AIMS		At december 31, 2014 Generating income			Total 2015
	Structural	Information/ awareness - raising	Own Fundraising	Government Subsidies	Management and Administration	
<b>Expenses</b>						
Contributions to projects	17,024,019	-	1,519	-	-	17,025,538
Communication	10,175	16,875	-	-	27,321	54,371
Staff	1,437,498	28,637	-	-	187,419	1,653,554
Travel expenses	349,048	11,043	-	-	51,101	411,192
Accommodation	-	-	-	-	12,836	12,836
Office/general	32,234	-	-	-	406,557	438,791
Unrealized Gains/Exchange rate	594,889	1,785	48	-	21,622	618,344
	19,447,863	58,340	1,567	-	706,856	20,214,626

Contribution to projects: Costs related to AIMS include all of FSLA's beneficiary projects.

Communication: Made up by telephone, printing and design costs.

Staff: Includes 54 fte's located in Guatemala, Colombia, Paraguay, Argentina and Brazil offices.

Travel expenses: All travel expenses from fte's and consultants.

Accommodation (office): The rent of the Buenos Aires, Brazil, Paraguay, Guatemala and Colombia offices.

Office (general): Made up by general operational costs of the Panama, Buenos Aires, Brazil, Paraguay, Guatemala and Colombia offices.

### 13. Income tax

Under the current laws of the Republic of Panama Private Interest Foundations are not required to pay income taxes, as long they not perform activities that produce taxable income.



# Fundación Solidaridad Latinoamericana

## Notes to the Financial Statements December 31, 2015

(Stated in US\$)

### 14. Fair value of financial instruments

The following table summarizes the book value and estimated fair value of financial assets and liabilities and categorizes in the different levels of hierarchy of fair value measurement:

	2015		2014	
	Book value	Fair value (Level 3)	Book value	Fair value (Level 3)
<b>Assets:</b>				
Cash	4,319,737	4,319,737	5,196,875	5,196,875
Cash advances	202,682	202,682	185,986	185,986
Total	<u>4,522,419</u>	<u>4,522,419</u>	<u>5,382,861</u>	<u>5,382,861</u>
<b>Liabilities:</b>				
Trade accounts payable	166,413	166,413	2,122	2,122
Total	<u>166,413</u>	<u>166,413</u>	<u>2,122</u>	<u>2,122</u>

The book value of cash, cash advances and trade account payable approximate their fair value due to their short term.

### 15. Financial risk management

The Foundation will fulfill its objectives to the extent that it continues to receive funding from is related parties and contributions from the founder.

***SUPPLEMENTARY INFORMATION***



**Statement of Income and Expenses**  
**For year ended December 31, 2015**

(Stated in US\$)

	Notes	2015	2014	REC - 2015		REC - 2014			
				SAM	CAM	ANDES	SAM	CAM	ANDES
Income									
Income from own fundraising		2,969,529	5,093,995	1,585,672	658,257	725,600	1,747,620	2,883,703	462,672
Government subsidies		11,184,917	15,459,414	8,816,271	1,891,924	476,722	14,363,746	1,095,668	-
Other income		20,544	4,030	20,462	82	-	3,084	946	-
Total income		14,174,990	20,557,439	10,422,405	2,550,263	1,202,322	16,114,450	3,980,317	462,672
Expenses	12								
Information/awareness - raising		53,668	58,340	53,668	-	-	48,254	10,086	-
Structural aid		14,293,446	19,447,863	11,597,953	1,897,812	797,681	14,735,100	4,419,154	293,609
		14,347,114	19,506,203	11,651,621	1,897,812	797,681	14,783,354	4,429,240	293,609
Income generation									
Costs of own fundraising		3,781	1,567	3,781	-	-	1,567	-	-
Costs of acquiring government subsidies		-	-	-	-	-	-	-	-
Costs of investments		3,781	1,567	3,781	-	-	1,567	-	-
Management and administration									
Management and administration		844,342	706,856	491,641	133,911	218,790	392,989	163,162	150,705
Total expenses		15,195,237	20,214,626	12,147,043	2,031,723	1,016,471	15,177,910	4,592,402	444,314
Result before allocation of surpluses	9	(1,020,247)	342,813	(1,724,638)	518,540	185,851	935,540	(612,085)	18,358

## Fundación Solidaridad Latinoamericana

Schedule 2

Specification and Distribution of Costs by Category  
For year ended December 31, 2015  
(Stated in US\$)

	SAM		AIMS		Generating Income			Management and Administration	Total 2015
	Structural Aid	Information / awareness - raising	Own Fundraising	Government Subsidies					
Expenses									
Contributions to projects	9,717,741	-	3,586	-	-	-	9,721,327		
Communication	1,255	10,953	-	-	-	4,870	17,078		
Staff	995,521	35,652	-	-	-	241,561	1,272,734		
Travel expenses	236,406	4,295	-	-	-	4,558	245,259		
Accommodation	-	-	-	-	-	22,402	22,402		
Office/general	48,849	-	-	-	-	192,893	241,742		
Unrealized Gains/Exchange rate	598,181	2,768	195	-	-	25,357	626,501		
	11,597,953	53,668	3,781	-	-	491,641	12,147,043		

	CAM		AIMS		Generating income		Management and Administration	Total 2015
	Structural Aid	Information / awareness - raising	Own Fundraising	Government Subsidies				
<b>Expenses</b>								
Contributions to projects	1,349,565	-	-	-	-	-	1,349,565	
Communication	2,310	-	-	-	-	859	3,169	
Staff	358,182	-	-	-	-	71,762	429,944	
Travel expenses	141,386	-	-	-	-	8,686	150,072	
Accommodation	-	-	-	-	-	9,964	9,964	
Office/general	10,875	-	-	-	-	40,135	51,010	
Unrealized Gains/Exchange rate	35,494	-	-	-	-	2,505	37,999	
	<b>1,897,812</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>133,911</b>	<b>2,031,723</b>	

	ANDES		AIMS		Generating income			Management and Administration	Total 2015
	Structural Aid	Information / awareness - raising	Own Fundraising	Government Subsidies					
Expenses									
Contributions to projects	331,371	-	-	-	-	-	-	331,371	
Communication	17,149	-	-	-	-	-	30,212	47,361	
Staff	268,071	-	-	-	-	-	33,192	301,263	
Travel expenses	89,564	-	-	-	-	-	15,981	105,545	
Accommodation	-	-	-	-	-	-	-	-	
Office/general	-	-	-	-	-	-	114,301	114,301	
Unrealized Gains/Exchange rate	91,526	-	-	-	-	-	116,630	208,156	
	797,681	-	-	-	-	-	218,790	1,016,471	