

Fundación Solidaridad Latinoamericana

Independent Auditors' Report
and Financial Statements

For the year ended on December 31, 2017

Fundación Solidaridad Latinoamericana

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Fundación Solidaridad Latinoamericana, which comprise the statement of financial position as of December 31, 2017 and the statements of income and expenses, changes in net fund and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Fundación Solidaridad Latinoamericana as of December 31, 2017, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs).

Basis for the Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Panama, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

The financial statements of Fundación Solidaridad Latinoamericana for 2016 were audited by other auditors, who expressed an unqualified opinion dated May 27, 2017.

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

*Management's Responsibilities and of the Corporate Governance Officers of the Foundation
on the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Foundation or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the auditor's report that includes our qualified opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we apply our professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform the audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit qualified opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

To the Members of the Foundation Council of
Fundación Solidaria Latinoamericana
Panama, Republic of Panama

- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures of information made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the evidence obtained, whether there is a material uncertainty exists related to events or conditions that may cast a significant doubt on the Foundation's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the financial statements or, if such disclosures are inadequate to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date on our auditors' report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and significant deficiencies in internal control that we identify during our audit.

BDO

June 5, 2019.

Panama, Republic of Panama.

Fundación Solidaridad Latinoamericana

Statement of Financial Position

December 31, 2017

(Expressed in United States Dollars)

ASSETS	Note	2017	2016
Current assets:			
Cash	4	4,422,243	4,056,375
Accounts receivable - Related parties	5	10,000	10,000
Cash advances	6	259,205	200,718
Projects paid in advance	7	7,113	54,570
Other assets	8	11,904	6,805
Total assets		<u>4,710,465</u>	<u>4,328,468</u>
LIABILITIES AND NET FUND			
Current liabilities:			
Trade accounts payable	9	448,227	317,476
Projects to be executed	10	4,515,627	4,674,259
Total current liabilities		<u>4,963,854</u>	<u>4,991,735</u>
Non-current liabilities:			
Projects to be executed - long term	10	472,538	472,538
Total non-current liabilities		<u>472,538</u>	<u>472,538</u>
Total liabilities		<u>5,436,392</u>	<u>5,464,273</u>
Net funds:			
Contribution from the Founder	11	10,000	10,000
Cumulative excess of expenses over income		(735,927)	(1,145,805)
Total net funds		<u>(725,927)</u>	<u>(1,135,805)</u>
Total liabilities and net fund		<u>4,710,465</u>	<u>4,328,468</u>

The notes on pages 5 to 12 are integral part of these financial statements.

Fundación Solidaridad Latinoamericana

Statement of Income and Expenses For the year ended on December 31, 2017 (Expressed in United States Dollars)

	Note	2017	2016
Income:			
Income from own fundraising		2,752,369	1,413,655
Government subsidies	12	5,215,254	11,600,576
Other income		23,966	47,559
Total income		<u>7,991,589</u>	<u>13,061,790</u>
Expenses:			
Aims			
Information / awareness · raising	14	93,815	33,666
Structurat aid	14	6,873,856	12,302,953
		<u>6,967,671</u>	<u>12,336,619</u>
Management and administration	14	614,040	697,886
Total expenses		<u>7,581,711</u>	<u>13,034,505</u>
Surplus income over expenses		<u>409,878</u>	<u>27,285</u>

The notes on pages 5 to 12 are integral part of these financia/ statements .

Fundación Solidaridad Latinoamericana

Statement of Changes in Net Funds
For the year ended on December 31, 2017
(Expressed in United States Dollars)

	Contribution of the Founder	Result before allocation of surpluses	Total equity
Balance as of December 31, 2015	10,000	(1,173,090)	(1,163,090)
Surplus income over expenses - 2016		27,285	27,285
Balance as of December 31, 2016	10,000	(1,145,805)	(1,135,805)
Surplus income over expenses - 2017		409,878	409,878
Balance as of December 31, 2017	10,000	_(?35,927)	(725,927)

The notes on pages 5 to 12 are integral part of these financia/ statements .

Fundación Solidaridad Latinoamericana

Statement of Cash Flow

For the year ended on December 31, 2017

(Expressed in United States Dollars)

	Note	2017	2016
Cash Flow from Operating Activities			
Surplus income over expenses		409,878	27,285
Changes in operating assets and liabilities:			
(Increase) decrease in cash advances		(58,487)	1,964
Decrease in projects paid in advance		47,457	
Increase in other assets		(5,099)	(264)
Increase in trade accounts payable		130,751	151,063
Decrease in projects to be executed		(158,632)	(443,410)
Net cash provided by (used in) operating activities		365,868	<u>(263,362)</u>
Net increase (decrease) in cash		365,868	(263,362)
Cash at the beginning of the year		<u>4,056,375</u>	<u>4,319,737</u>
Cash at the end of the year	4	<u>4,422,243</u>	<u>4,056,375</u>

The notes on pages 5 to 12 are integral part of these financial statements .

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended on December 31, 2017 (Expressed in United States Dollars)

1. Organization and operations

Fundación Solidaridad Latinoamericana (“the Foundation”) 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 its operations on June 1, 2009.

Members of the Board of the Foundation are:

President	Gonzalo la Cruz
Vice-President	Michaelyn Bachhuber Baur
Secretary	Silvia Gallo

Nature of the 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.

Approval of financial statements

The financial statements were approved by the Members of the Foundation Council on June 5, 2019.

2. Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs).

Basis of measurement

The financial statements have been prepared under the historical cost basis.

Functional and presentation currency

The financial statements are expressed in United States Dollars (USD) which is at par with and freely exchangeable with the Balboa (B/.), the monetary unit of the Republic of Panama. The Republic of Panama does not issue paper currency and the US Dollar is used as legal tender.

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended on December 31, 2017 (Expressed in United States Dollars)

Changes in accounting policies

The International Accounting Standards Board (IASB) published amendments to the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) in May 2015. Entities that prepare their financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) are required to report that they apply the amendments to annual periods beginning on or after January 1, 2017.

There were no new standards, interpretations and amendments effective for the first time for periods beginning on or after January 1, 2018.

3. Summary of significant accounting policies

A summary of the principal accounting policies applied in the preparation of financial statements is presented below. The accounting policies are consistent with those used in the previous year.

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.

Project assets and liabilities accounts

These items record the receivables and payables to the institutions from which the financing for project execution is received. These accounts receivable and payable are related to the funds pending repayment by the sources of financing and to the funds pending execution and surrender by the Foundation, respectively.

Income

Donations are the amount equivalent to the payments made by the Foundation 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 Profit and Losses and Changes in Equity, simultaneously with the execution of the related discharge.

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended on December 31, 2017 (Expressed in United States Dollars)

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

Expenses

Disbursements made by the Foundation in connection with the execution of its projects for the placement of resources, as well as those disbursements made to finance 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.

4. Cash

Cash include bank checking accounts in the following regions:

	2017	2016
<i>South America:</i>		
Panama (A)	2,408,599	2,589,403
Paraguay	241,374	241,001
Brazil	189,689	366,950
Colombia	86,706	93,998
Argentina	<u>8,216</u>	<u>22,710</u>
	<u>2,934,584</u>	<u>3,314,062</u>
 <i>Central America</i>		
Panama (A)	1,372,550	576,316
Guatemala	<u>115,109</u>	<u>165,997</u>
	<u>1,487,659</u>	<u>742,313</u>
	<u>4,422,243</u>	<u>4,056,375</u>

(A) The Foundation maintains its headquarter in the Republic of Panama, from where it manages projects in South America and Central America, and in order to maintain clarity with its accounts, it has opened different bank accounts for the previously mentioned regions.

5. Balances with related parties

Accounts receivable for USD10,000 include a balance with Solidaridad Network.

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended on December 31, 2017 (Expressed in United States Dollars)

6. Cash advances

Cash advances is presented as follows:

	2017	2016
<i>South America.</i>		
Cash advanced	4,756	17,322
Pending Reimbursements	<u>224,194</u>	<u>182,344</u>
	228,950	199,666
<i>Central America</i>		
Cash advanced	<u>30,255</u>	<u>1,052</u>
	<u>259,205</u>	<u>200,718</u>

7. Projects paid in advance

Projects paid in advance of USD7,113 represent amounts paid for a project already executed by South America as of 31 December 2017, part of the reimbursement from the donor are still pending.

8. Other assets

Other assets include guarantee deposits paid for the operating locations in the following regions:

	2017	2016
South America	10,954	5,855
Central America	<u>950</u>	<u>950</u>
	<u>11,904</u>	<u>6,805</u>

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended on December 31, 2017 (Expressed in United States Dollars)

9. Trade accounts payable

Trade accounts is used to record the debts at the close of the projects, presented as follows:

	2017	2016
South America	198,162	113,568
Central America	250,065	203,908
	<u>448,227</u>	<u>317,476</u>

10. Projects to be executed

The foundation receives funds from the donors and registers the debt that it has with them according to the region to which it corresponds, then deducts the appropriate amount registered as income, presented as follows:

	2017	2016
South America	3,174,549	3,957,118
Central America	1,341,078	717,141
Projects to be executed short term	<u>4,515,627</u>	<u>4,674,259</u>
South America	472,538	472,538
Projects to be executed long term	<u>472,538</u>	<u>472,538</u>
	<u>4,988,165</u>	<u>5,146,797</u>

11. Contribution from the founder

The contribution of the founder for USD10,000 is shown as part of the equity of the Foundation.

12. Government fundings

The Foundation receives fundings mainly from the Dutch Government through transfers from Solidaridad Head Office and from other Governments directly to the Foundation's bank account.

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended on December 31, 2017 (Expressed in United States Dollars)

13. Contributions to projects

Aid was granted to 55 projects in 2017 for an overall amount of USD3,401,150. During 2016 aid was granted to 99 projects for an overall amount of USD9,814,804.

	2017	2016
Latin America:		
Brazil	564,626	1,889,555
Honduras	493,622	270,399
Mexico	484,427	106,418
Colombia	342,028	975,340
Nicaragua	298,399	757,596
Haiti	211,781	-
Guatemala	203,341	99,641
Paraguay	191,085	440,617
Argentina	160,488	145,124
Peru	152,164	-
Bolivia	83,384	99,216
Uruguay	-	18,361
	<u>3,185,345</u>	<u>4,802,267</u>
Asia:		
China	43,802	482,900
India	-	1,429,886
Indonesia	-	682,318
Bangladesh/ Malaysia	-	175,811
	<u>43,802</u>	<u>2,770,915</u>
Africa:		
Congo	99,449	-
South Africa	8,595	639,110
Liberia	-	436,300
Kenya	-	366,544
Zambia	-	200,411
Ghana	-	184,191
Uganda	-	175,811
Ethiopia	-	138,078
Tanzania	-	80,827
	<u>108,044</u>	<u>2,221,272</u>
North America:		
United States of America	<u>8,595</u>	<u>-</u>
Europe:		
Netherlands	<u>55,364</u>	<u>20,350</u>
	<u>3,401,150</u>	<u>9,814,804</u>

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended on December 31, 2017 (Expressed in United States Dollars)

14. Specification and distribution of expenses by category

Expenses by category are presented as follows:

2017				
<u>Expenses</u>	<u>Structural</u>	<u>Information awareness-raising</u>	<u>Management and Administration</u>	<u>Total</u>
Contributions to Projects (Note 13)	3,401,150	-	-	3,401,150
Communication	45,280	4,981	-	50,261
Staff	2,865,654	89,977	229,060	3,184,691
Travel Expenses	797,286	4,357	4,148	805,791
Office/ general	109,798	-	414,414	524,212
Unrealized Gains/ Exchange rate	(345,312)	(5,500)	(33,582)	(384,394)
Total	<u>6,873,856</u>	<u>93,815</u>	<u>614,040</u>	<u>7,581,711</u>

2016				
<u>Expenses</u>	<u>Structural</u>	<u>Information awareness-raising</u>	<u>Management and Administration</u>	<u>Total</u>
Contributions to projects (Note 13)	9,814,804	-	-	9,814,804
Communication	19,287	15,598	29,702	64,587
Staff	1,871,849	18,083	282,192	2,172,124
Travel Expenses	550,401	-	10,040	560,441
Office/ general	28,018	-	374,256	402,274
Unrealized Gains/ Exchange rate	18,594	(15)	1,696	20,275
Total	<u>12,302,953</u>	<u>33,666</u>	<u>697,886</u>	<u>13,034,505</u>

Contribution to projects:

Costs related to aims include all the Foundation's beneficiary projects.

Communication:

Made up by telephone, printing and design costs.

Staff:

Includes 87 full time employees \ (FTE) located in the offices in Panama, Argentina, Paraguay, Colombia, Guatemala and Brazil offices.

Country	Panama	Argentina	Paraguay	Colombia	Guatemala	Brasil
Legal Representative	-	60,218	74,006	42,414	170,723	85,056
Other employees	<u>118,435</u>	<u>364,573</u>	<u>116,305</u>	<u>228,844</u>	<u>776,975</u>	<u>1,147,142</u>
Total	<u>118,435</u>	<u>424,791</u>	<u>190,311</u>	<u>271,258</u>	<u>947,698</u>	<u>1,232,198</u>

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended on December 31, 2017 (Expressed in United States Dollars)

Travel expenses:

All travel expenses from FTE's and consultants.

Office (general):

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

15. 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.

SUPPLEMENTARY INFORMATION

Statement of Income and Expenses by Region
 For the year ended on December 31, 2017
 (Expressed in United States Dollars)

			2017		2016	
	2017	2016	South America	Central America	South America	Central America
Income:						
Income from own fundrasing	2,752,369	1,413,655	2,752,369		998,500	415,155
Government subsidies	5,215,254	11,600,576	3,120,524	2,094,730	9,514,525	2,086,051
Other income	23,966	47,559	23,949	17	47,438	121
Total Income	7,991,589	13,061,790	5,896,842	2,094,747	10,560,463	2,501,327
Expenses:						
Aims						
Information / awareness - raising	93,815	33,666	93,815		33,666	
Structural aid	6,873,856	12,302,953	4,091,664	2,782,192	10,037,330	2,265,623
	6,967,671	12,336,619	4,185,479	2,782,192	10,070,996	2,265,623
Management and administration						
	614,040	697,886	495,184	118,856	438,201	259,685
Total Expenses	7,581,711	13,034,505	4,680,663	2,901,048	10,509,197	2,525,308
Surplus income over expenditures (expenditures over income)	409,878	27,285	1,216,179	(806,301)	51,266	(23,981)

