

Fundación Solidaridad Latinoamericana

Independent Auditors' Report
and Financial Statements

For the year ended on December 31, 2018

Fundación Solidaridad Latinoamericana

CONTENTS

INDEPENDENT AUDITORS' REPORT	1 - 111
------------------------------	---------

FINANCIAL STATEMENTS

Statement of Financial Position	1
Statement of Income and Expenses	2
Statement of Changes in Net Funds	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 11

Appendix

SUPPLEMENTARY INFORMATION

Statement of Income and Expenses by Region	1
Specification and Distribution of Expenses by Category and Region	2

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, 2018 and the statements of income and expenses, changes in net funds 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, 2018 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 of the Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities in relation to 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 Accountant's 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 the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

In preparing the financial statements, Management is responsible for evaluating the Foundation's ability to continue as a going concern, revealing, as the case may be, matters relating to its continuity as a going concern and using the going concern basis of accounting unless Management intends to liquidate the Foundation to its cease 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 Responsibility in Relation to 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 auditors' report that includes our 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 the International Standards on Auditing, we exercise 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 audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of the internal control.
- Obtain an understanding of internal control relevant to the audit, 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a 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 up to the date of our auditors' report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

DO

June 5, 2019.
Panama, Republic of Panama.

Fundación Solidaridad Latinoamericana**Statement of Financial Position****December 31, 2018***(Expressed in United States Dollars)*

ASSETS	Note	2018	2017
Current assets:			
Cash	4	3,757,171	4,422,243
Accounts receivable - Related parties	5	10,000	10,000
Cash advances	6	256,531	259,205
Projects paid in advance	7	7,113	7,113
Other assets	8	11,966	11,904
Total assets		<u>4,042,781</u>	<u>4,710,465</u>
LIABILITIES AND NET FUND			
Current liabilities:			
Trade accounts payable	9	851,146	448,227
Projects to be executed - Short term	10	<u>3,741,347</u>	<u>4,515,627</u>
Total current liabilities		<u>4,592,493</u>	4,963,854
Non-current liabilities:			
Projects to executed - long term	10	<u>472,538</u>	<u>472,538</u>
Total non-current liabilities		<u>472,538</u>	<u>472,538</u>
Total liabilities		<u>5,065,031</u>	<u>5,436,392</u>
Net funds:			
Contribution from the Founder	11	10,000	10,000
Cumulative excess of expenses over income		<u>(1,032,250)</u>	<u>(735,927)</u>
Total net funds		<u>(1,022,250)</u>	<u>(725,927)</u>
Total liabilities and net fund		<u>4,042,781</u>	<u>4,710,465</u>

The notes on pages 5 to 11 are integral part of these financial statements.

Fundación Solidaridad Latinoamericana

Statement of Income and Expenses
For the year ended on December 31, 2018
(Expressed in United States Dollars)

	Note	2018	2017
Income:			
Income from own fundraising		3,460,491	2,752,369
Government funding	12	5,482,781	5,215,254
Other income		11,053	23,966
Total income		<u>8,954,325</u>	<u>7,991,589</u>
Expenses:			
Aims			
Information / awareness - raising	14	153,257	93,815
Structural aid	14	<u>8,395,075</u>	<u>6,873,856</u>
		<u>8,548,332</u>	<u>6,967,671</u>
Management and administration	14	<u>702,316</u>	614,040
Total expenses		<u>9,250,648</u>	<u>7,581,711</u>
(Expenses over income)			
surplus income over expenses		<u>{296,323}</u>	409,878

The notes on pages 5 to 11 are integral part of these financial statements.

Fundación Solidaridad Latinoamericana

Statement of Changes in Net Funds
For the year ended on December 31, 2018
(Expressed in United States Dollars)

	Contribution of the Founder	Result before allocation of surpluses	Total equity
Balance as of December 31, 2016	10,000	(1,145,805)	(1,135,805)
Surplus income over expenditures - 2017		409,878	409,878
Balance as of December 31, 2017	10,000	(735,927)	(725,927)
Expenditures over income - 2018		(296,323)	(296,323)
Balance as of December 31, 2018	10 000	{1,032,250}	{1,022,250}

The notes on pages 5 to 11 are integral part of these financial statements.

Fundación Solidaridad Latinoamericana

Statement of Cash Flow
For the year ended on December 31, 2018
(Expressed in United States Dollars)

	Note	2018	2017
Cash Flow from Operating Activities			
(Expenses over income) surplus income over expenses		(296,323)	409,878
Changes in operating assets and liabilities:			
(Increase) decrease in cash advances		2,674	(58,487)
Decrease in projects paid in advance			47,457
Increase in other assets		(62)	(5,099)
Increase in trade accounts payable		402,919	130,751
Decrease in projects to be executed		(774,280)	(158,632)
Net cash provided by (used in) operating activities		(665,072)	365,868
Net increase (decrease) in cash		(665,072)	365,868
Cash at the beginning of the year		4,422,243	4,056,375
Cash at the end of the year	4	3,757,171	4,422,243

The notes on pages 5 to 11 are integral part of these financial statements.

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended on December 31, 2018 (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.

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.

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended on December 31, 2018 (Expressed in United States Dollars)

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.

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 profit and losses at the time they are made, in accordance with the accrual basis of accounting.

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended on December 31, 2018 (Expressed in United States Dollars)

4. Cash

Cash include bank checking accounts in the following regions:

	2018	2017
<i>South America:</i>		
Panama (A)	1,845,775	2,408,599
Brazil	298,795	189,689
Paraguay	259,296	241,374
Colombia	93,689	86,706
Argentina	1,411	8,216
	<u>2,498,966</u>	<u>2,934,584</u>
<i>Central America</i>		
Panama (A)	1,098,502	1,372,550
Guatemala	127,351	115,109
Honduras	32,352	-
	<u>1,258,205</u>	<u>1,487,659</u>
	<u>3,757,171</u>	<u>4,422,243</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.

6. Cash advances

Cash advances is presented as follows:

	2018	2017
<i>South America.</i>		
Cash advanced	7,558	4,756
Pending Reimbursement	236,385	224,194
	<u>243,943</u>	<u>228,950</u>
<i>Central America</i>		
Cash advanced	12,588	30,255
	<u>256,531</u>	<u>259,205</u>

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended on December 31, 2018 (Expressed in United States Dollars)

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 2018, 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:

	2018	2017
South America	10,166	10,954
Central America	<u>1,800</u>	<u>950</u>
	<u>11,966</u>	<u>11,904</u>

9. Trade accounts payable

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

	2018	2017
South America	592,457	198,162
Central America	<u>258,689</u>	<u>250,065</u>
	<u>851,146</u>	<u>448,227</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:

	2018	2017
South America	2,587,727	3,174,549
Central America	<u>1,153,620</u>	<u>1,341,078</u>
Projects to be executed short term	<u>3,741,347</u>	<u>4,515,627</u>
South America		
Projects to be executed long term	<u>472,538</u>	<u>472,538</u>
	<u>4,213,885</u>	<u>4,988,165</u>

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended on December 31, 2018 (Expressed in United States Dollars)

11. Contribution of 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.

13. Contributions to projects

Aid was granted to 75 projects in 2018 for an overall amount of USD9,814,804. During 2017 aid was granted to 55 projects for an overall amount of USD3,401,150.

	2018	2017
Latin America		
Brazil	814,192	564,626
Honduras	446,647	493,622
Paraguay	439,466	191,085
México	427,127	484,427
Nicaragua	327,845	298,399
Argentina	304,829	160,488
Perú	259,885	152,164
Colombia	226,182	342,028
Guatemala	182,947	203,341
Haiti	138,184	211,781
Bolivia	116,541	83,384
	<u>3,683,845</u>	<u>3,185,345</u>
Asia		
Indonesia	177,163	-
China	-	43,802
	<u>177,163</u>	<u>43,802</u>
Africa		
Congo	119,902	99,449
South Africa	-	8,595
	<u>119,902</u>	<u>108,044</u>
North America		
United States of America	-	8,595
	<u>-</u>	<u>8,595</u>
Europe		
Netherlands	11,315	55,364
	<u>11,315</u>	<u>55,364</u>
	<u>3,992,225</u>	<u>3,401,150</u>

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended on December 31, 2018 (Expressed in United States Dollars)

14. Specification and distribution of expenses by category

Expenses by category are presented as follows:

<u>Expenses</u>	2018			<u>Total</u>
	<u>Structural</u>	<u>Information awareness-raising</u>	<u>Management and Administration</u>	
Contributions to projects (Note 13)	3,992,225	-	-	3,992,225
Communication	7,125	21,676	-	28,801
Staff	3,158,550	121,221	265,981	3,545,752
Travel Expenses	871,947	4,098	2,991	879,036
Office/ general	90,838	-	408,168	499,006
Unrealized Gains/ Exchange rate	<u>274,390</u>	<u>6,262</u>	<u>25,176</u>	<u>305,828</u>
	<u>8,395,075</u>	<u>153,257</u>	<u>702,316</u>	<u>9,250,648</u>

<u>Expenses</u>	2017			<u>Total</u>
	<u>Structural</u>	<u>Information awareness-raising</u>	<u>Management and Administration</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	<u>(345,312)</u>	<u>(5,500)</u>	<u>(33,582)</u>	<u>(384,394)</u>
	<u>6,873,856</u>	<u>93,815</u>	<u>614,040</u>	<u>7,581,711</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 111 full time employees \ (FTE) located in the offices in Panama, Argentina, Paraguay, Colombia, Guatemala, Brazil and, Honduras.

Country	Panama	Argentina	Paraguay	Colombia	Guatemala	Brazil	Honduras
Legal representative	-	75,680	74,229	51,473	176,258	79,592	34,088
Other employees	<u>94,032</u>	<u>228,347</u>	<u>103,053</u>	<u>323,200</u>	<u>1,093,526</u>	<u>1,161,755</u>	<u>50,519</u>
	<u>94,032</u>	<u>304,027</u>	<u>177,282</u>	<u>374,673</u>	<u>1,269,784</u>	<u>1,241,347</u>	<u>84,607</u>

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended on December 31, 2018 (Expressed in United States Dollars)

Travel expenses:

All travel expenses from FTE's and consultants.

Office (general):

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

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, 2018
(Expressed in United States Dollars)

			2018		2017	
	<u>2018</u>	2017	South America	Central America	South America	Central America
Income:						
Income from own fundraising	3,460,491	2,752,369	2,662,914	797,577	2,752,369	
Government funding	5,482,781	5,215,254	2,863,448	2,619,333	3,120,524	2,094,730
Other income	11,053	23,966	10,917	136	23,949	17
Total income	<u>8,954,325</u>	<u>7,991,589</u>	<u>5,537,279</u>	<u>3,417,046</u>	<u>5,896,842</u>	<u>2,094,747</u>
Expenses:						
Aims						
Information / awareness - raising	153,257	93,815	153,257		93,815	
Structural aid	8,395,075	6,873,856	5,131,173	3,263,902	4,091,664	2,782,192
	<u>8,548,332</u>	<u>6,967,671</u>	<u>5,284,430</u>	<u>3,263,902</u>	<u>4,185,479</u>	<u>2,782,192</u>
Management and administration	702,316	614,040	533,691	168,625	495,184	118,856
Total expenses	<u>9,250,648</u>	<u>7,581,711</u>	<u>5,818,121</u>	<u>3,432,527</u>	<u>4,680,663</u>	<u>2,901,048</u>
Surplus income over expenditures (expenditures over income)	<u>(296,323)</u>	<u>409,878</u>	<u>(280,842)</u>	<u>(15,481)</u>	<u>1,216,179</u>	<u>(806,301)</u>

Specification and Distribution of Expenses by Category and Region
 For the year ended on December 31, 2018
 (Expressed in United States Dollars)

	South America				South America			
	AIMS		Management and administration	Total 2018	AIMS		Management and administration	Total 2017
	Structural aid	Information / awareness - raising			Structural aid	Information / awareness - raising		
Expenses:								
Contribution to projects	2,469,476			2,469,476	1,709,580			1,709,580
Communication	7,125	21,676		28,801	45,280	4,981		50,261
Staff	1,873,733	121,221	196,406	2,191,360	1,959,334	89,977	187,683	2,236,994
Travel expenses	484,717	4,098	2,991	491,806	511,358	4,357	4,148	519,863
Office / general	85,987		312,436	398,423	106,535		332,451	438,986
Unrealized Gains / Exchange rate	210,135	6,262	21,858	238,255	(240,423)	(5,500)	(29,098)	(275,021)
	5,131,173	153,257	533,691	5,818,121	4,091,664	93,815	495,184	4,680,663

	Central America				Central America			
	AIMS		Management and administration	Total 2018	AIMS		Management and administration	Total 2017
	Structural aid	Information / awareness - raising			Structural aid	Information / awareness - raising		
Expenses								
Contribution to projects	1,522,749			1,522,749	1,691,570			1,691,570
Communication								
Staff	1,284,817		69,575	1,354,392	906,320		41,377	947,697
Travel expenses	387,230			387,230	285,928			285,928
Office / general	4,851		95,732	100,583	3,263		81,963	85,226
Unrealized Gains / Exchange rate	64,255		3,318	67,573	(104,889)		(4,484)	(109,373)
	3,263,902		168,625	3,432,527	2,782,192		118,856	2,901,048

	TOTAL				TOTAL			
	AIMS		Management and administration	Total 2018	AIMS		Management and administration	Total 2017
	Structural aid	Information / awareness - raising			Structural aid	Information / awareness - raising		
Expenses								
Contribution to projects	3,992,225			3,992,225	3,401,150			3,401,150
Communication	7,125	21,676		28,801	45,280	4,981		50,261
Staff	3,158,550	121,221	265,981	3,545,752	2,865,654	89,977	229,060	3,184,691
Travel expenses	871,947	4,098	2,991	879,036	797,286	4,357	4,148	805,791
Office / general	90,838		408,168	499,006	109,798		414,414	524,212
Unrealized Gains / Exchange rate	274,390	6,262	25,176	305,828	(345,312)	(5,500)	(33,582)	(384,394)
	8,395,075	153,257	702,316	9,250,648	6,873,856	93,815	614,040	7,581,711