Solidaridad

ANNUAL REPORT 2019

Solidaridad Latin America

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PRESENTATION

This document presents the financial information of Solidaridad in Latin America.

In terms of management and administration, Solidaridad has its main office in Panama and two Regional Expertise Centres (REC) on two jurisdictions:

- REC CAM for Central America, Mexico and the Caribbean (Mesoamerica region) with offices in Guatemala, Honduras and Mexico.

- REC SAM for South America with offices in Argentina, Brazil, Colombia, Paraguay and Peru.

In legal terms, Solidaridad offices belong to two legal entities:

- Fundación Solidaridad Latinoamericana (FSLA), established in Panama in 2009 that brings together all offices in the region except for the office in Peru.

- Stichting Interkerkelijke Aktie voor Latijns Amerika 'Solidaridad' (Solidaridad Peru) that operates through the office established in Peru in 2004 prior to the establishment of FSLA.

Solidaridad in Latin America has one Continental Supervisory Board (CSB) that oversees and advises the work of both REC CAM and REC SAM each led by one Managing Director.

The Chair of the CSB sits at the International Supervisory Board that brings together the representatives of the five continental boards where Solidaridad works.

MANAGEMENT REPORT

Our Strategy

Solidaridad envisions a world in which all we produce, and all we consume, can sustain us while respecting the planet, each other and the next generations. Our mission is to bring together supply chain players and engage them with innovative solutions to improve production, ensuring the transition to a sustainable and inclusive economy that maximizes the benefit for all.

In Central America, Mexico and the Caribbean, Solidaridad facilitates the implementation of good economic, environmental and social practices; promoting adaptation and mitigation to climate change, as well as the conservation and improvement of natural resources and biodiversity. Since 2018, Solidaridad has developed an integrated landscape management strategy - MESA: Accelerating Living Landscapes Across Mesoamerica - that leverages on our regional commodity programmes and facilitates the development of suitable, unique and inclusive business models for landscape transformation; that include payments for environmental services. In this way, MESA is an innovative engine to achieve the Sustainable Development Goals, and at the same time contributes to the achievement of the National Determined Contributions (NDC), in the framework of the Paris Agreements. In 2019, Solidaridad signed multiple bilateral agreements with governments, private sector and civil society organizations, and co-designed numerous high impact landscape programmes such as the Zero Deforestation Declaration in Honduras, that are expected to come to fruition in 2020.

In South America, Solidaridad works in alignment to its five-year plan centred on the sustainable sector transformation at national and landscape level. Solidaridad works towards this ambition in 12 commodity sectors (banana, beef, citrus, cocoa, coffee, cotton, dairy, gold, palm oil, sugar cane, soy and tea/yerba mate) in seven countries. Solidaridad organizes its strategy for sustainable sector transformation in three areas of intervention: (i) the continuous improvement of sustainable production; (ii) the market uptake of sustainable trade and (iii) an enabling environment.

Inhouse digital solutions are becoming a key part of the technical assistance towards achieving more sustainable production, as they provide producer organizations and companies with strategic insights on the challenges faced by farmers and production trends. For instance, almost half of the sugar cane producers enrolled in our programme with Raízen in Brazil reached the highest level of professional performance using the self-learning digital tool Farming Solution, and can now receive better prices following the public Consecana policy. Climate-smart solutions are the central focus of our work in several commodities in the region. New carbon balance calculations are validating models of lower emissions in coffee, cocoa, beef and dairy. Solidaridad is providing digital solutions to support the execution of environmental action plans for farmers to access payments for environmental services in the Atlantic Forest. Multi-stakeholder platforms continue to prove successful to enhance sustainability interventions and policies, as the Sustainable Trade Platform in Colombia that facilitated the adoption of sustainable practices that covers 80% of Colombia's coffee exports and 39% of palm oil national production.

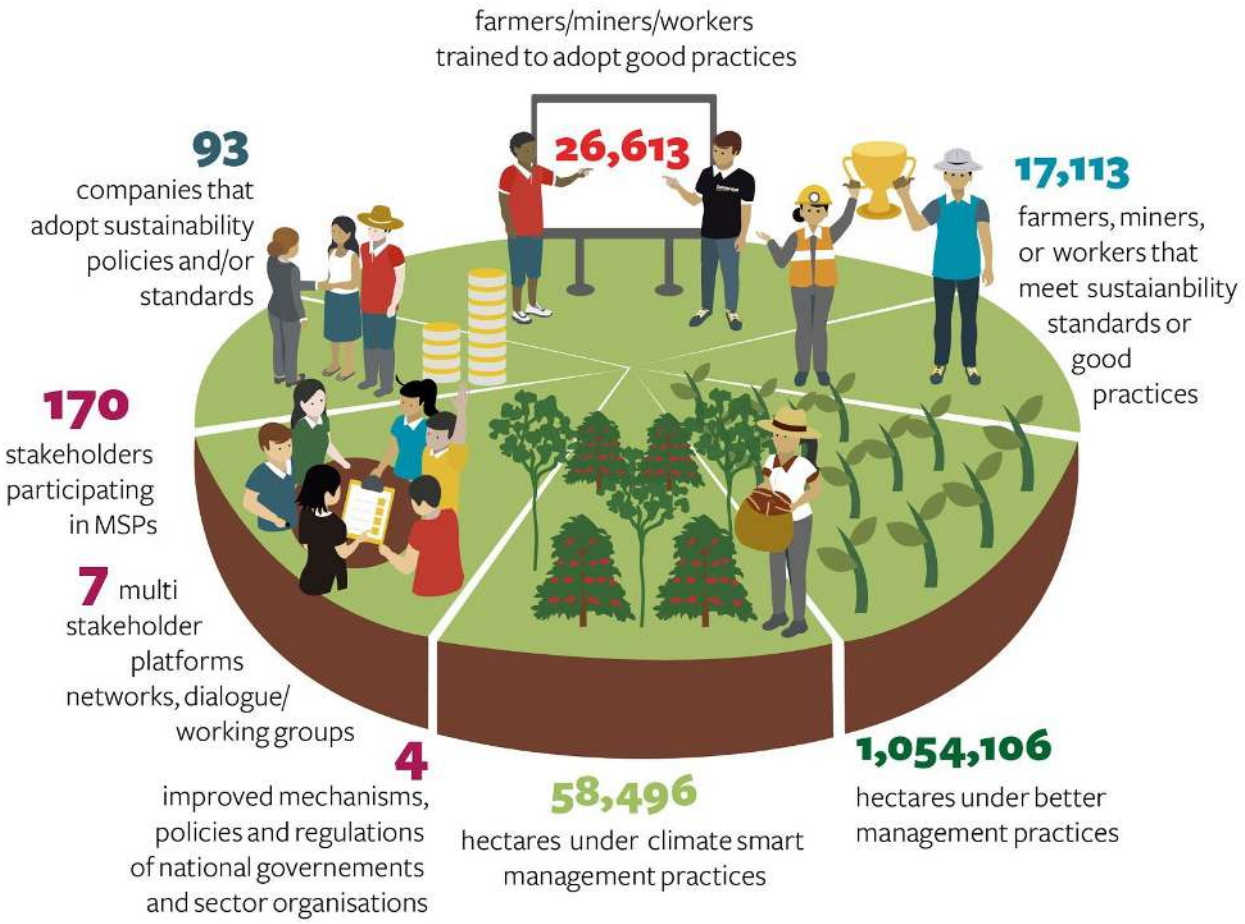
Core Figures

Central America continues to work via learning and exchange platforms across the region. PanameriCaña and the Mesoamerican Palm Oil Alliance (MAPA) have been two game-changing initiatives that are leading sugar and palm oil sector transformation across the region. Our Climate Smart Coffee Lab in Mexico, in partnership with the cooperative Comon Yaj Noptic, has linked with our national coffee platforms in Honduras and Nicaragua, facilitating the exchange of knowledge, tools and policy recommendations for climate mitigation and adaptation, social inclusion, digital solutions and new impact investment models. Women-led businesses across the region have built capacity in the sustainable production of cocoa. Finally, Solidaridad led the facilitation and negotiation of the first sector-wide, multi-stakeholder Zero Deforestation Declaration with Honduran palm oil companies, and moved quickly into unprecedented levels of transparency for independent, scientific validation. This declaration is rapidly influencing other sectors and

countries across the region, including livestock and palm oil in Nicaragua, palm oil in Guatemala, and coffee in Honduras.

The most salient achievements in 2019 are shown below:

South America's figures are particularly significant due to the impact that more sustainable production has had on producers' social and economic conditions. In Brazil, for example, cocoa producers have increased their productivity by 37% and their income by 58% since we started our intervention. Dairy producers in Paraguay have also increased their productivity by 17% while reducing emissions by 62%. Regarding the improved enabling environment, one case to be highlighted is in Peru, where we coordinated the approval of the "No to Tropical Race 4" with private sector stakeholders in the banana cluster and SENASA, the national authority. On the market uptake area, Solidaridad, Olam and Jacobs Douwe Egberts, the biggest roaster globally, launched the first circular coffee value chain from Peruvian farms to Dutch consumers. In Brazil, a new no-competitive partnership with Coca-Cola, Cutrale, Innocent Drinks and Eckes Granini will support the citrus smallholder producers of the Sao Paulo citrus belt to remain competitive. Relevant data on our achievements in REC SAM in 2019 are summarized below.



Our Organisation

Solidaridad Central America implements projects in 8 countries and has a legal presence in Guatemala (regional headquarters), Mexico and Honduras. During the year there was an average of 41 full-time staff under contract (FTEs) across the region. Solidaridad has its salary structure, which is based on job descriptions, and weighed based on a number of characteristics, including knowledge and experience, independence, social skills and risks, responsibility and influence, among others. REC CAM has strong gender and socially inclusive hiring practices, as well as family-friendly policies that encourage equity in the office and the home. We believe that Solidaridad's staff should reflect the regional population wherever possible. Solidaridad REC CAM has 19 female (including office maintenance staff) and 22 male employees at the end of 2019. The average age is 43 years. Eight employees left in 2019 and nine new employees joined. The rate of absence due to sickness is estimated to be below 2%.

In 2019, Solidaridad South America implemented projects in six countries, having a legal presence in Argentina, Brazil, Colombia, Paraguay and Peru. South America closed the year with 115 members of staff. This is the first year that we tipped our gender balance, with 55% male staff and 45% are female. 14 people left the organisation, and 39 new people were recruited. 33% of the staff are new employees.

Our Finances

The tables below present the income and expenditure of REC CAM and REC SAM by the main categories for the years 2015 to 2020.

REC CAM

INCOME	2019	2018	2017	2016	2015
Income Solidaridad entities (related organisations)	2,420,323	2,513,336	2,503,857	2,202,927	1,778,980
Other Income	728,879	347,560	130,816	71,369	29,308
Total Income	**3,149,203**	**2,860,896**	**2,634,673**	**2,274,296**	**1,88,288**
EXPENDITURE					
Direct costs					
Activity costs	1,046,155	1,097,284	1,035,218	807,670	607,499
Partners and consultants	505,765	535,832	698,172	698,997	607,471
Solidaridad staff costs	1,554,207	1,145,744	832,505	674,285	525,506
Other costs	1,380	82,036	68,877	93,344	67,811
Expenditure Solidaridad entities (related organisations)	28,410				
Total Expenditure	**3,135,918**	**2,860,896**	**2,634,772**	**2,274,296**	**1,808,288**
Result excluding financial income & expenditure	**13,285**	**0**	**0**	**0**	**0**
Result on Financial Income & Expenditure	(58,423)				
RESULT	**(45,138)**	**0**	**0**	**0**	**0**

Over the last 5 years, REC CAM has obtained financing for its projects from the Dutch government, Henkel, Cohan, among others, through Solidaridad Europe. Over this timeframe, REC CAM's ability to increase its own contracting has steadily increased. The span from 2015 to 2017 represented an average of 3.44 % of total income. For 2018, the average growth of own collection of 12% of total income has been obtained and for 2019 the average increase is 23% of total income. As the years go by the ability to harness own income has been increasing.

REC SAM

INCOME	2019	2018	2017	2016	2015
Income Solidaridad entities (related organisations)	3,830,570	3,367,377	2,173,394	3,651,869	4,083.669
Other Income	2,568,720	2,516,183	3,630,078	7,033,877	10,837,043
Total Income	**6,399,290**	**5,883,560**	**5,803,471**	**10,685,746**	**14,920,712**
EXPENDITURE					
Direct costs					
Activity costs	1,875,924	2,423,816	2,082,743	2,421,538	2,744,948
Partners and consultants	835,428	820,900	1,148,528	2,766,482	6,585,903
Solidaridad staff costs	2,930,982	2,369,012	2,416,320	2,109,287	2,064,544
Other costs	18,341				
Expenditure Solidaridad entities (related organisations)	744,906	269,832	134,534	3,388,439	3,038,700
Total Expenditure	**6,405,581**	**5,883,559**	**5,782,124**	**10,685,746**	**14,434,095**
Result excluding financial income & expenditure	**(6,291)**	**0**	**21,347**	**0**	**486,617**
Result on Financial Income & Expenditure	(197,742)	(258,907)	(449,906)	1,345	40
RESULT	**(204,033)**	**(258,907)**	**(428,559)**	**1,344**	**486,657**

Until 2015, REC SAM implemented projects financed mainly by the Dutch Government, IDH, Norad and SPFB. Nowadays, REC SAM does not receive financial support from IDH and SPFB but receives important funding from the Dutch Government, Norad and the Good Energies Foundation which represent 77% of its Budget in 2020.

The drastic drop in funds from 2016 to 2017 is because, in 2015 and 2016, REC SAM was in charge of receiving funds from the Dutch Government to be distributed to other RECs; as of 2017, this function became the responsibility of REC Europe. Besides, IDH reduced significantly its support to the soy projects and later on to the coffee projects. Norad postponed the allocation of the new budget from 2016 to 2018 and consequently reduced it from approx. Euro 11 million to Euro 6 million.

The next table presents the sum of the figures of REC CAM and REC SAM:

LATAM

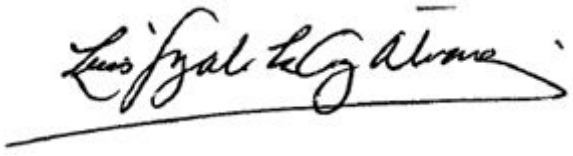
INCOME	2019	2018	2017	2016	2015
Income Solidaridad entities (related organisations)	6,250,893	5,880,713	4,677,251	5,854,796	5,862,649
Other Income	3,297,599	2,863,742	3,760,894	7,105,246	10,866,351
Total Income	**9,548,493**	**8,744,455**	**8,438,144**	**12,960,042**	**16,729,000**
EXPENDITURE					
Direct costs					
Activity costs	2,922,079	3,586,568	3,117,961	3,229,208	3,352,447
Partners and consultants	1,341,193	1,356,732	1,846,700	3,465,479	7,193,374
Solidaridad staff costs	4,485,190	3,514,756	3,248,826	2,783,572	2,590,050
Other costs	19,721	16,568	68,877	93,344	67,812
Expenditure Solidaridad entities (related organisations)	773,316	269,832	134,534	3,388,439	3,038,700
Total Expenditure	**9,541,498**	**8,744,456**	**8,416,896**	**12,960,042**	**16,242,383**
Result excluding financial income & expenditure	**6,994**	**0**	**21,248**	**0**	**486,617**
Result on Financial Income & Expenditure	(256,165)	(258,907)	(449,906)	1,345	40
RESULT	**(256,165)**	**(258,907)**	**(428,559)**	**1,344**	**486,657**

Signing

The Managing Directors (MD) approved this Annual Report by signing it on April 20th 2020.

Michaelyn Baur

REC CAM Managing Director



Gonzalo La Cruz

REC SAM Managing Director

REPORT OF THE SUPERVISORY BOARD

The Continental Supervisory Board (CSB) is the highest governance body of Solidaridad in Latin America. The CSB ensures the strategic orientation of Solidaridad's work in alignment with its vision and mission. In addition to this, the CSB also supervises the quality, ethics of the organization, solvency and correct management of finances, and in general, the compliance with the principles, internal control systems and work execution determined by the Solidaridad Network Secretariat.

The CSB evaluates the work of the two Managing Directors, one for each Regional Expertise Centre. The Managing Director is officially responsible for the management and execution of the work in his/her region. The Solidaridad Managing Directors, from the eight RECs, make up the highest executive body in Solidaridad (the Executive Board of Directors).

The CSB delegates to its Chair the representation of Solidaridad Latin America in the International Supervisory Board (ISB) that groups representatives from the five Continental Supervisory Boards (Latin America, Africa, Asia, Europe and North America).

The CSB is autonomous in the nomination of its members. Each member of the CSB agrees to work for a term of four years and may work for an additional period of four years. The CSB member who assumes the Chair can work up to three terms, totalling 12 years.

The members of the Continental Supervisory Board of Solidaridad Latin America as of December 2019 are:

Name	**Nationality**	**Function in the board**	**Start of term**
Roxana Barrantes	Peruvian	Chair	November 2012
Roberto Ugaz	Peruvian	Member	May 2018
Bernardo Roehrs	Guatemalan	Member	March 2019
Marina Stadhagen (*)	Nicaraguan	Member	December 2011

(*) Marina Stadhagen concluded her participation as a member of the CSB in November 2019.

The members of the International Supervisory Board as of December 2019 are:

Name	Function in the board	Start of term	Representing
Mariam Gabala Epse Dao	Chair	Started as a member on December 2014, became Chairperson on June 2015	CSB Africa
Roxana Barrantes	Member	January 2018	CSB Latin America
Shamanin Sahadat Zaman	Member	December 2016	CSB Asia
Kannan Pashupathy	Member	June 2014	CSB North America
Jan Karel Mak	Member	December 2018	CSB Europe

SOLIDARIDAD LATIN AMERICA
CONSOLIDATED BALANCE SHEET ON 31 DECEMBER 2019

(in Euros after allocation of surpluses)

Balance sheet						
ASSETS		**31-12- 2019**			**31-12-2018**	
Tangible fixed assets		44,006			52,993	
			44,006			52,993
Receivables, prepayments and accrued income		1,232,347			788,228	
Cash and bank balances		2,797,453			3,433,260	
			4,029,801			4,221,488
Total assets			**4,073,807**			**4,274,481**
LIABILITIES						
Reserves and funds						
Reserves						
Issued capital		8,722			8,742	
Continuity reserve		171,000			206,071	
Accumulated Result		(1,066,578)			(807,671)	
Result for the year		(249,171)			(258,907)	
			(1,136,027)			(851.765)
Long-term debts			122,959			
Short-term debts			5,086,876			5,126,246
Total liabilities			**4,073,807**			**4,274,481**

SOLIDARIDAD LATIN AMERICA CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE FOR 2019

(in Euros)

		2019 Actual		2019 Budget		2018 Actual
INCOME						
Income Solidaridad entities (related organisations)		6,250,893		6,261,665		5,880,713
Other Income		3,297,599		1,837,317		2,863,742
Total income		**9,548,493**		**8,098,982**		**8,744,455**
EXPENDITURE						
Activity costs		2,922,079		4,011,396		3,586,568
Partners and consultants		1,341,193				1,356,732
Solidaridad staff costs		4,485,190		4,087,586		3,514,756
Other costs		19,720				16,568
Expenditure Solidaridad entities (related organisations)		773,316				269,832
Total expenditure		**9,541,498**		**8,098,982**		**8,744,456**
Result excluding financial income & expenditure		**6,994**		**0**		**0**
Result on Financial Income & Expenditure		(256,165)				(258,907)
RESULT		**(249,171)**		**0**		**(258,908)**

GENERAL NOTES TO THE ACCOUNTS

Organization and Operations

SOLIDARIDAD is an international network organization with offices all over the world.
The interconnected network emphasizes decentralized accountability and implementation by regional teams. Local knowledge, experience and vision are guiding principles. The network connection is fostered by a global vision, strategy, programming, communication and internal systems of quality control. Each part of the network contributes to the whole.

The premise of the structure is that it promotes capacity building: to strengthen Solidaridad teams in the region, allowing them to take control of the supervision tasks and manage the programming themselves. The regional teams of Solidaridad cooperate with their partners in the planning, implementation, communication and evaluation of programs, as well as in the dissemination of their results.

SOLIDARIDAD NETWORK is composed of eight Regional Expertise Centers (RECs) located in Asia (REC Asia), South America (REC SAM), Southern Africa (REC SAF), East and Central Africa (REC ECA), West Africa (REC WAF), Central America (REC CAM), North America (REC NA) and Europe (REC Europe), each with its own specific experience and focus.

The programs of Solidaridad are developed and implemented by these RECs, each of which is registered and has a local legal structure.

In Latin America, REC CAM and REC SAM are located and registered under the following legal organizations:

STITCHING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA – SOLIDARIDAD PERU is a Civil Organization that does not pursue profit. It was constituted by public deed dated November 17, 2003, as stated in item N° 11613699 of the Registry of Foreign Legal Entities of the Office of Public Records of Lima, the duration of the Organization being undefined. Its fiscal domicile and administrative office is in Roosevelt Ave. N ° 5866, district of Miraflores, Lima - Peru.
SOLIDARIDAD PERU is part of REC SAM, currently working on seven commodity programs (coffee, cocoa, gold, palm oil, fruit, flowers and sugar cane) in Peru, Colombia, Bolivia and Ecuador. It has the following objectives:

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

FUNDACIÓN SOLIDARIDAD LATINOAMERICANA (FSLA) is a Foundation of Private Interest, organized under the laws of the Republic of Panama, under public fund No. 2494 of March 5, 2009, duly registered in the Public Registry of Panama. The Foundation began operations on June 01, 2009.
Currently, FSLA works in 9 commodity programmes (coffee, fruits, cocoa, palm oil, sugar cane, soy, livestock, tea and cotton/textiles)

The consolidated financial statements in Panama contain the accounting information of the following countries:

- REC SAM: Argentina, Colombia, Paraguay, Brazil and Panama
- REC CAM: Guatemala, Honduras and Mexico

The objectives of the Foundation are:

(a) The purposes of the Foundation will be to promote sustainable development and fair trade in Latin America, maintain, manage, invest, dispose and distribute the assets of the Foundation for the benefit, sustenance, maintenance, progress and development of the Beneficiaries as it is stipulated in this Act or the Regulations.
(b) The Foundation will not have commercial purposes but may participate in commercial activities to the extent that they are used for the purposes of the Foundation.

Guidelines for annual reporting

The financial statements are **prepared** following the legal provisions on the matter and with Solidaridad's Generally Accepted Accounting Principles (Gaap). Solidaridad's Gaap includes, 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).

Consolidation Basis

The consolidated financial statements include the accounts of all countries that make up the Fundación Solidaridad Latinoamericana (FSLA) and Solidaridad Peru.

Organizations are fully consolidated from the date on which they acquire effective control over them and cease to be consolidated from the date on which said control ceases. All balances, unrealized transactions

between these organizations have been eliminated for consolidation purposes. Unrealized losses are also eliminated unless the cost of related assets cannot be recovered.

Foreign currency

The Direction of the Organization considers that it's functional and the presentation currency is the local currency of each country because it is the currency of the main economic environment in which the entities operate.

Assets and liabilities denominated in foreign currency are translated at the fx rate prevailing on the balance sheet date. Differences between the fx rate on the date of transaction (contract date) and the fx rate on the balance sheet date will be taken to the unrealised fx reserve in the balance sheet.

Income and expenditure are reported using the fx rate of the settlement date (date of receipt or payment). The difference between the fx rate on the date of transaction (contract date) and the settlement date will be taken to the realised fx reserve in the Income & Expenditure statement. Any remaining unrealised fx differences relating to the transaction will be removed.

ACCOUNTING PRINCIPLES OF VALUATION AND DETERMINATION OF THE RESULT

Tangible fixed assets

Furniture and miscellaneous equipment are presented at acquisition cost, net of accumulated depreciation; the cost of acquisition includes disbursements that are directly attributable to the acquisition of the assets. Maintenance and repair costs are charged to results, any renewal and significant improvement are capitalized only when future economic benefits are likely to exceed the standard performance originally assessed for the asset.

The corresponding depreciation is calculated using the straight-line method, at legally permitted rates considered appropriate, to extinguish the cost at the end of the estimated useful lives of the respective assets.
The depreciation method used reflects the pattern under 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 are eliminated and any gain or loss resulting from their disposition is included in the statement of income and expenses.

For FSLA the policy they currently manage is that they only recognize fixed assets when the cost of these is higher than USD 5,000; but each country has the power to recognize smaller fixed assets depending on its internal policies or regulations to its country; however, when reporting to Panama, they must do so under Panama's recognition policies.

Receivables

The various accounts receivable are recorded at face value.

Project assets and liabilities

These items record the receivables and payable 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 SOLIDARIDAD, respectively.

Provisions

A provision is recognized only when the Organization has a present obligation (legal or implicit) as a result of a past event, resources are probably 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 to cancel.

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.

Income and expenditure

A distinction is made between restricted and unrestricted income. Restricted income is related to grants with conditions associated with it by the donor regarding the duration and/or purpose of the grant. If there are no restrictions, income is unrestricted. Examples of unrestricted income are inheritances, grants with no restriction in any form, income from campaigns or direct mailing and income from interest or investments.

Restricted income from grants is accounted for in the year to which it relates and to the extent that the grant has been utilised by the end of the financial year. (Portions of) received grants that are not utilised are shown on the balance sheet as liabilities (deferred income from grants).

Utilised grants that are not yet received are shown on the balance sheet as assets (accrued income from grants).
Unrestricted income is recognised on a cash basis. If the income leads to a positive result for the year, the positive result will be added to the general reserves.

Taxation

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

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

All FSLA's offices are exempt from Income Tax in all countries where it has representation except for Argentina. One measure taken by the Organization to reduce the payment of the tax is to transfer to Argentina the funds strictly necessary to cover its fixed and project costs.

SPECIFIC NOTES TO THE ACCOUNTS

ASSETS

Tangible fixed assets

	Total	Buildings	Vehicles	Computers	Furniture & Fixtures
AS AT 1 JANUARY 2019					
Cost	110,811	6,479	43,346	46,469	14,517
Depreciation	(55,846)	(3,066)	(17,510)	(25,193)	(10,076)
Book value as at 1 january	54,965	3,413	25,835	21,276	4,441
CHANGES IN BOOK VALUE					
Additions	8,320			8,320	
Disposal (cost)	(5,904)			(5,716)	(188)
Disposal (depreciation)	4,966			4,825	141
Depreciation	(18,341)	(231)	(8,034)	(8,674)	(1,402)
Movement	(10,959)				
AS AT 31 DECEMBER 2019					
Cost	113,227	6,479	43,346	49,074	14,328
Depreciation	(69,221)	(3,297)	(25,544)	(29,043)	(11,336)
As at 31 december 2019	44,006	3,182	17,801	20,031	2,992

The tangible fixed assets have been retained for our operations. The expected useful economic life per category is:

	Useful economic life (in years)	Depreciation percentage
Buildings	20	5%
Vehicles	5	20%
Computers	4	25%
Furniture & fixtures	10	10%

Cash and bank balances

		31-12-2019		31-12-2018
FSLA Guatemala		165,978		111,328
FSLA Honduras		32,220		28,282
FSLA Mexico		64,474		
FSLA Panama		1,789,176		2,573,983
FSLA Argentina		11,305		1,234
FSLA Colombia		22,945		81,901
FSLA Brazil		105,657		261,200
FSLA Paraguay		149,282		226,671
Solidaridad Peru		456,416		148,661
Total cash and bank balance		**2,797,453**		**3,433,260**

The Organization maintains fixed funds, checking and savings accounts, in local currency, Euros and US Dollars, which are freely available. These accounts correspond to the different countries that make up the Consolidated Financial Statement, as detailed below:

FSLA Panama: three current accounts in euros and three current accounts in US dollars; one account in euros and one account in US dollars (based in Panama) are administered by REC CAM and the other four are managed by REC SAM, two of them are based in Panama and the other two are based in Peru.
FSLA Guatemala: two current accounts in US dollars, two current accounts in Quetzales and two accounts in euros
FSLA Honduras: one current account in Lempiras and one current account in US dollars.
FSLA Mexico: one current account in US dollars, one current account in Mexican Pesos and one account in euros
FSLA Argentina: one current account in Argentine Pesos.
FSLA Paraguay: two current accounts in Guarani and one current account in US dollars.
FSLA Brazil: three current accounts in Reais.
FSLA Colombia: two current accounts in Colombian Pesos.
Solidaridad Peru: four current accounts in Soles, two current accounts in US dollars, one saving account in US dollars and one current account in euros.

Receivables, prepayments and accrued income

		31-12-2019		31-12-2018
Debtors		302,440		215,143
Other prepaid expenditures		15,726		19,889
Working advances to staff		9,398		18,650
Receivables from related (Solidaridad) organisations		231,026		
Accrued income from related (Solidaridad) organisations		351,106		166,180
Other accrued income				94,252
Other receivables		322,651		274,115
Total receivables, prepayments and accrued income		**1,232,347**		**788,228**

Related parties

Income, expenditure and receivable or payable balances with related (Solidaridad) entities are disclosed under the relevant headers. Other than transactions with other Solidaridad entities, there were no transactions with related parties.

LIABILITIES

Reserves and funds

By designating funds and reserves, management indicates how they intend to employ the resources available to them. A designated fund is formed as a result of a (contractual) agreement with a third party, such as a donor. The fund is part of equity, meaning that the third party has transferred the ownership of the fund to the entity, but with restrictions. A designated reserve is a designation of the free, non-earmarked general reserve. The decision on the designation is decided on by management and then approved by the Supervisory Board of Solidaridad.

Reserves

	Total		Issued Capital	Continuity reserve REC CAM	Continuity reserve REC SAM	Designated reserve (B)	Foreign currency revaluation reserve	Accumulated results
Balance on 1 January	(851,765)		8,742	0	206,071			(1,066,578)
Dotation (+)	0							
Withdrawal (-)	(284,262)		(20)		(35,071)			(249.171)
Balance on 31 December	(1,136,027)		8,722	0	171,000	0	0	(1,315,749)

Continuity reserve REC CAM

The continuity reserve is intended to cover short-term risks and to ensure that REC CAM can continue to meet its moral and other obligations. REC CAM bases itself on the concept of sustainable relationships with its partners and with its staff. The size of the general reserve is determined as the trade-off between the desirability of deploying as much as possible of our reserves for our objectives and the need to maintain a healthy financial basis for the future. The Executive Board of Directors of Solidaridad Network have prepared guidelines, which the Supervisory Boards have approved, stating that:

A reservation of resources is desirable for the continuity of the support given to the charity's goals;
The continuity should be no more than 1.5 times the annual costs of maintaining the operational structure.

The costs for maintaining REC CAM's operational structure in 2019 were € 1,110,852. Beyond the retention of severance payments (payables), REC CAM has not been able to build meaningful operational reserves. We anticipate the fee-for-service model currently employed by PanameriCaña, and opportunities in the pipeline, will support the development of these reserves, and per the income forecast, REC CAM will attain a reserve amount under Network recommendations in 2025.

Continuity reserve REC SAM

The continuity reserve is intended to cover short-term risks and to ensure that REC SAM can continue to meet its moral and other obligations. REC SAM bases itself on the concept of sustainable relationships with its partners and with its staff. The size of the general reserve is determined as the trade-off between the desirability of deploying as much as possible of our reserves for our objectives and the need to maintain a healthy financial basis for the future. The Executive Board of Directors of Solidaridad Network have prepared guidelines, which the Supervisory Boards have approved, stating that:

A reservation of resources is desirable for the continuity of the support given to the charity's goals;
The continuity should be no more than 1.5 times the annual costs of maintaining the operational structure.

Currently, REC SAM implements a model in which country offices contribute proportionally to regional overhead costs. As of today, regional reserves in FSLA Panama are not used to finance operational or administrative costs. Therefore, our reserves have remained at the same level for the past years. Any additional reserves resulted from implementation are maintained at the country level. We expect to reach 0.76 by 2020.

The costs for maintaining REC SAM's operational structure in 2019 were € 1.6 million. At the end of 2019, the general reserve amounted to € 171,000, i.e. 0.1 times of the annual costs of maintaining the operational structure.

Short term debts

		31-12-2019		31-12-2018
Payables to partners and consultants		12,628		
Payables to related (Solidaridad) organisations		102,961		
Accrued expenditures to other organisations		439,154		217,559
Deferred income from related (Solidaridad) organisations		702,805		1,246,763
Deferred income from other organisations		3,815,028		3,328,594
Other payables		137,258		333,330
Total short term debts		**5,209,834**		**5,126,246**

INCOME

Income from related (Solidaridad) organisations

Solidaridad LATAM receives contributions from other Solidaridad offices worldwide to achieve joint goals. The breakdown is as follows:

	Received until 31-12-2019	recognized as income until 31-12-2018	recognized as income in 2019	Deferred (-) or accrued (+) income
Income from Solidaridad Europe	6,953,698	5,880,713	6,250,893	702,805
Total	**6,953,698**	**5,880,713**	**6,250,893**	**702,805**

This fund financed the projects of the programmes Advocacy for change (AfC) & Practice for Change (PfC) of the Ministry of Foreign Affairs of Netherlands by Eur 3.5 million and the projects of the Norwegian Agency for Development Cooperation by Eur 1 million during 2019, among others

Other income

Solidaridad LATAM also receives contributions from other Organizations worldwide.
The main income source comes from companies (31%), non-profit organizations (27%), government grants (26%) and others (16%)

The breakdown is as follows:

	2019	2018
Innovate	257,083	
Green Energies Foundation (GEF)	758,537	961,800
Raizen	217,363	29,602
Bayer	274,131	
C&A	111,807	143,379
Piasa	149,805	
Cohan	126,746	
AgroAmerica	137,211	
SAM Digital Unit	366,802	257,102
Income from other donors	898,114	1,471,859
Other income		
Total other income	**3,297,599**	**2,863,742**

EXPENDITURE

Activity costs

	2019	2018
Travel and living expenses	1,251,884	915,238
Office expenses	440,422	507,695
Communication expenses	66,631	24,104
Program expenses	714,373	1,946,420
Other activity costs	448,769	507,695
Total activity costs	**2,922,079**	**3,586,568**

Partners and consultants

	2019	2018
Louis Dreyfus	9,983	34,845
Compañia Agroindustrial	37,866	80,947
Cumbres del Sajama	53,323	
REDMUCH	36,166	36,104
Cooperativa Departamental de Caficultores de Risaralda	70,983	51,657
Asociaciones Palmicultoras / Fedepalma	55,583	35,391
Procaña	7,527	6,702
Fedegan	25,659	7,079
Community Cloud Forest Conservation	20,513	16,535
Programas Sustentables para la Certificación	25,816	329,266
Wildlife Conservation Society	132,870	
CIAT	47,080	116,250
FLASHERZ E.U.	11,801	
Asociación de Grupos CREA del Paraguay	33,222	81,440
Rios del Inka	14,547	2,188
Other partners	758,254	558,328
Total partner and consultant costs	**1,341,193**	**1,356,732**

Solidaridad staff costs

	2019	2019	2018
	actual	budget	actual
Gross salaries	4,485,190	4,087,586	3,514,756
Total Solidaridad staff costs	**4,485,190**	**4,087,586**	**3,514,756**

During the year 2019 and 2018 the average number of staff members employed, expressed as full-time equivalents (FTEs) was:

	2019	2018
FSLA Guatemala	13	12
FSLA Honduras	7	4
FSLA Mexico	16	15
Nicaragua	5	6
FSLA Argentina	7	7
FSLA Brazil	39	31
FSLA Colombia	27	18
FSLA Paraguay	16	14
Solidaridad Peru	26	17
Total FTE	**156**	**124**

Under Solidaridad's statutes, the members of the Supervisory Boards of Solidaridad receive no remuneration of any kind.

Other costs

	2019	2018
Depreciation costs	19,720	16,568
Other costs		
Total other costs	**19,720**	**16,568**

Expenditures related (Solidaridad) entities

	2019	2018
Solidaridad East and Central Africa		60,773
Solidaridad Asia	303,064	147,800
Solidaridad Peru	100,000	
Solidaridad Central America		61,259
Network Secretariat	370,252	
Total expenditure to related (Solidaridad) entities	**773,316**	**269,832**

Financial income and expenditure

	2019	2018
Interest income (expense) on bank accounts	31,968	
Foreign Exchange Gain and Loss	(265,085)	(258,907)
Taxes on financial transaction	(23,049)	
Total financial income and expenditure	**(256,165)**	**(258,907**

OTHER INFORMATION

CONSOLIDATED STATE OF INCOME AND EXPENDITURE BY REC & LEGAL ENTITY

REC CAM

Statement of Comprehensive Income and Expenses
For year ended December 31, 2019
(Stated in EUR)

	REC CAM				
	FSLA Guatemala	FSLA Honduras	FSLA Panamá - CAM	FSLA México	Total REC CAM
Income					
Direct Income					
Income from companies	479,414	-	177,200	21,774	678,388
Income from government grants	-	-	-	-	-
Income from non-profit organis	-	50,491	-	-	50,491
Income from other organisation	-	-	-	-	-
Total Direct Income	**479,414**	**50,491**	**177,200**	**21,774**	**728,879**
Income Solidaridad Entities					
Income from Solidaridad Entiti	677,150	270,172	1,328,734	144,268	2,420,323
Total income	**1,156,564**	**320,663**	**1,505,934**	**166,042**	**3,149,203**
Expenses					
Direct Expenses					
Employee Expenses	583,811	165,803	758,760	45,834	1,554,207
Office Expenses	53,019	8,418	71,865	13,509	146,812
Professional Fees	2,081	3,491	10,983	10,641	27,196
Communication expenses	1,713	1,642	7,895	92	11,342
Travel and Living Expenses	313,226	55,926	183,160	18,584	570,897
Program Expenses	201,424	85,175	430,574	78,501	795,674
Depreciation Expenses	1,380	-	-	-	1,380
Total Direct Expenses	**1,156,654**	**320,455**	**1,463,237**	**167,161**	**3,107,507**
Expenditure Solidaridad Entities					
Expense Solidaridad Entities	-	-	28,410	-	28,410
TOTAL EXPENDITURE	**1,156,654**	**320,455**	**1,491,648**	**167,161**	**3,135,917**
Result before non operating inc & exp	**- 90**	**208**	**14,287**	**- 1,119**	**13,285**
Non-operating income & expenses					
Financial Income & Expenses	- 21,003	1,018	- 34,295	- 4,143	- 58,423
Income Tax	-	-	-	-	-
Result on Non operating Income & Expenditure	**- 21,003**	**1,018**	**- 34,295**	**- 4,143**	**- 58,423**
Surplus income over expenditur	**- 21,094**	**1,226**	**- 20,008**	**- 5,262**	**- 45,138**

REC SAM

Statement of Comprehensive Income and Expenses
For year ended December 31, 2019
(Stated in EUR)

	REC SAM						
	FSLA Panamá - SAM	FSLA Argentina	FSLA Paraguay	FSLA Colombia	FSLA Brasil	Solidaridad Peru	Total REC SAM
Income							
Direct Income							
Income from companies	8,113	24,640	47,894	209,748	103,274	165,449	559,119
Income from government grants	-	-	3,833	- 0	-	277,402	281,234
Income from non-profit organis	348,666	150,517	32,583	-	417,779	112,678	1,062,223
Income from other organisation	303,948	-	-	-	221,792	140,404	666,144
Total Direct Income	**660,727**	**175,157**	**84,310**	**209,748**	**742,846**	**695,934**	**2,568,720**
Income Solidaridad Entities							
Income from Solidaridad Entiti	208,764	230,590	541,161	833,595	1,041,377	975,084	3,830,570
Total income	**869,490**	**405,746**	**625,471**	**1,043,342**	**1,784,222**	**1,671,017**	**6,399,290**
Expenses							
Direct Expenses							
Employee Expenses	20,000	246,299	183,152	547,166	1,334,256	600,108	2,930,982
Office Expenses	15,046	28,756	40,488	37,313	111,859	60,148	293,610
Professional Fees	28.585	19.325	9.749	56	81.900	381.958	521.574
Communication expenses	391	4,552	1,327	-	49,019	-	55,289
Travel and Living Expenses	36,226	41,575	100,593	101,891	190,127	210,576	680,987
Program Expenses	85.349	58.200	292.526	330.767	6.511	386.541	1.159.893
Depreciation Expenses	-	-	-	-	-	18,341	18,341
Total Direct Expenses	**185,597**	**398,707**	**627,834**	**1,017,193**	**1,773,672**	**1,657,672**	**5,660,675**
Expenditure Solidaridad Entities							
Expense Solidaridad Entities	744,906	-	-	-	-	-	744,906
TOTAL EXPENDITURE	930,503	398,707	627,834	1,017,193	1,773,672	1,657,672	6,405,581
Result before non operating inc & exp	**- 61,013**	**7,040**	**- 2,363**	**26,149**	**10,550**	**13,345**	**- 6,291**
Non-operating income & expenses							
Financial Income & Expenses	- 4,254	- 20,625	- 15,796	- 30,354	- 38,316	- 65,350	- 174,694
Income Tax	-	-	-	- 23,049	-	-	- 23,049
Result on Non operating Income & Expenditure	**- 4,254**	**- 20,625**	**- 15,796**	**- 53,402**	**- 38,316**	**- 65,350**	**- 197,742**
Surplus income over expenditur	**- 65,267**	**- 13,585**	**- 18,158**	**- 27,253**	**- 27,766**	**- 52,004**	**- 204,033**

EXPENDITURE BY PROJECTS

REC CAM

Projects implemented by REC CAM during 2019:

Project Title	2019
1422 - Q'eqchi Girls & Women Empowerment in the Cocoa Sector	21,693
1437 - LI&EPE Country - An integrated landscape management approach in RACS, NI	212,588
1464 - LI - From farm to landscape in Zona Litoral del Norte, Honduras	467,039
1466 - EPE G&C - Sugarcane in the Americas, PanAmericaña	142,349
1530 - PanAmericana: The Alliance for Better Sugarcane in the Americas	387
1713 - Mexico, Palm Oil Henkel	281,040
1714 - Nicaragua, Palm Oil Henkel	104,149
1739 - Operational Project CAM-GUA	125,358
1758 - Capacity Enhancement CAM	225,332
1798 - Haiti Smallholder Sugar Cane	124,234
1832 - GP&RI - Mesoamerican Palm Oil Alliance (MAPA)	258,227
1833 - GP&RI - PanameriCaña	141,297
1834 - GP&RI - Scaling CSA through investment in resilience of coffee. STIR UP	133,646
1835 - GP&RI - Integrated Systems, RACS	93,452
1918 - ADVOCAFE Honduras y Nicaragua	64,373
1927 - Palma Oil GT Project	168
1968 - IKI-VCS Landscape Standard	22,274
2070 - Mexico Smallholder Sugarcane BAYER	274,131
2076 - Sugarcane in the Americas-Piasa	149,805
2112 - WEC REDMUCH Production and Commercialization of cocoa	26,343
2115 - Conservation of Biodiversity in the South of the Laguna del Tigre	132,870
2120 - RSPO Certification for Palm Oil Smallholders in Ixcan Region, Guatemala	35,422
2136 - RSPO Smallholder certification from an inte- grated landscape in HN	24,548
2162 - Barry Callebaut Panamericaña	45
2163 - Operational Project CAM-MEX	31
2164 - Operational Project CAM-HON	7,143
2165 - Operational Project CAM-PAN	83,386
Total	**3,151,330**

REC SAM

Projects implemented by REC SAM during 2019:

Project Title	2019
1982 - Peru: Commodity Management & Evaluation	96,474
1176 - Cargill supports Biocosta´s smallholders	206
1799 - Improving Sustainability Performance in Argentina´s Tea	31,938
1705 - Chaco Incubating Climate Smart Business	84,828
1862 - Sustainable yerba mate agroforestry systems in the Atlantic Forest	29,686
2125 - Argentina Office - Operational Project	12,915
1421 - EPE G&C-Feeding the world: conducive policies for lower deforestation	78,376
1424 - EPE Country-Improving policy design in territorial organization & land use	34,247
1557 - IPC Soy	32,868
1826 - Continuous Improvement with CCU soy producers as part of COFCO Int	24,874
1827 - Continuous Improvement with Cargill Soy Producers in Paraguay	47,317
2182 - BNF Paraguay	3,876
1554 - EPE G&C - Advocafe: Building capacity for non-competitive collaboration	114,540
1556 - IPC Coffee	41,998
1975 - Manejo integrado de Broca - MIB	5,196
2096 - NORAD II - COLOMBIA	517,852
1315 - IDH - Sustainable Coffee Programme Colombia	8,424
2131 - Fortalecimiento del Cluster de Banano Orgánico en Piura	154,369
2067 - Empowering smallholder of Ríos del Inka assoc with smart climate coffee	21,124
2095 - NORAD II - PERU	488,053
2180 - PERU - Circular Coffee from Peru: creating value across the chain	20,319
2054 - Operational Project SAM	320,458
1756 - Capacity Enhancement SAM	206,004
1858 - GP&RI - Climate Smart Beef in Dry Chaco Paraguay	95,938
1430 - LI in the Paraguayan Chaco	419,015
1821 - GP&RI - Enhancing the potential of the Sustainable Trade Platform	341,215
2097 - NORAD II - BRAZIL	447,096
2128 - CFA/TNC - Brazil & China soy initiative phase II - Bridge Fund	26,640
1187 - Amazon Incubating climate smart business to overcome poverty-driven def	47,900
2036 - Innovate Palma Peru	172,169
1961 - Brazil Office	212,922
1986 - GEF PME & Staff	106,296
1987 - Elo Programme phase 5. Support to sugarcane farmers continuous improvement	4,441
2105 - Projeto Mate Brasil - Região Sul	38,705
2116 - Conexão Bananal	10,336
1883 - Intercambio de Experiencias e/ Productores del Chaco Americano y Pantanal	32,613
1914 - Development & implementation of Farming Solution for palm oil, Colombia	47,029
2005 - ECOLOGICAL PRODUCTION MANAGEMENT INFORMATION SYSTEM	78,094
2135 - DIGITISING CACAO PRODUCTION IN COLOMBIA	48,872
1831 - GP&RI - Responsible practices in the ASM Peru and Colombian gold sectors	143,156
1488 - EPE Country - Conducive policy environment for a responsib small-scale mining	145,443
2157 - PERU - CUSAF (Cesión en uso en sistemas agroforestales (PARA))	59,036
1985 - REC SAM GEF - PME & Communication Global	60,000
2087 - General Fund Colombia Administrative Expenses	84,741
1621 - Digital 3S Panama	107,175

1624 - Digital 3S Brazil	521,695
2189 - NORAD II - BRASIL (B2R)	31,643
1815 - GP&RI - Develop a collaborative and cost-effective technical assist model	331,257
1411 - Intensific and improvement of cotton production by smallholder producers	111,546
2155 - Strengthening sustainable orange production in Brazil	222
2000 - GEF - DR Congo - EAF - Daniel Knoop	15,469
Indonesia Incubating climate smart business	273,564
	6,390,168

INDEPENDENT AUDITOR'S REPORT

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REPORT OF THE INDEPENDENT AUDITORS

To the Directorate

STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

We have audited the accompanying financial statements of **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA – SOLIDARIDAD**, comprising the statements of financial position as of December 31, 2019 and 2018, and the statements of income and expenses, changes in equity, and of cash flows for the years then ended, as well as the summary of significant accounting policies and other explanatory notes

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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

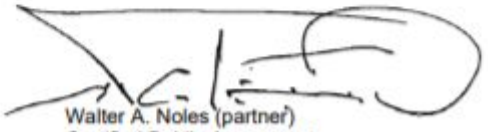
Auditoría Financiera | Auditoría Tributaria | Outsourcing Contable | Consultoría Internacional | Procesos de Lavado de Activos | Procesos Tributarios | Asesoría Legal - Laboral

Opinion

In our opinion, 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, 2019 and 2018, the results of its operations, and its cash flows from the years then ended, in accordance with Generally Accepted Accounting Principles.

Lima, Peru
February 21, 2020

NOLES MONTEBLANCO & ASOCIADOS
member firm of
BAKER TILLY INTERNATIONAL



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