

# **SOLIDARIDAD LATINOAMERICANA**

Lima – Peru

CONSOLIDATED FINANCIAL STATEMENTS

PERU - PANAMA

**2016**

# **SOLIDARIDAD LATINOAMERICANA**

Lima - Peru

## **REPORT ON EFFECTIVE RESULTS IN CONNECTION WITH THE AMOUNTS OF THE CONSOLIDATED FINANCIAL STATEMENTS PERU - PANAMA**

For the year ended

December 31, 2016

**REPORT ON EFFECTIVE RESULTS IN CONNECTION WITH THE AMOUNTS  
OF THE CONSOLIDATED FINANCIAL STATEMENTS PERU - PANAMA  
AS OF DECEMBER 31, 2016**

To the Directorate of

**SOLIDARIDAD LATINOAMERICANA**

We have performed the procedures agreed upon with you and listed below with respect to the Consolidated Financial Statements, expressed in US Dollars, of **SOLIDARIDAD LATINOAMERICANA** as of December 31, 2016. Our commitment was assumed in accordance with the International Standard on Related Services applicable to Commitments on agreed procedures. The procedures were carried out solely to assist you in evaluating the methodology applied by you in consolidating the Financial Statements formulated by your offices in Peru and Panama, which are part of the Latin American Network, summarized below:

1. Contrast the amounts set forth in the financial statements prepared by your Peruvian and Panama offices with the information contained in the worksheet that you prepared for consolidation purposes.
2. Examine the methodology applied in the combination of similar items of assets, liabilities, equity, income and expenses, and cash flows, of said financial statements.
3. To examine the methodology applied in the elimination of assets, liabilities, equity, income and expenses, and cash flows, related to intra-group transactions, of said financial statements.

We report on our results below:

- (a) With respect to item 1, we find that the amounts contained in the worksheet, prepared by the Organization, correspond to the information set forth in the financial statements prepared by the offices of SOLIDARIDAD Peru and Panama.
- (b) With respect to point 2, we find that the Organization applied the methodology in a proper manner.
- (c) With respect to item 3, we find that the Organization applied the methodology in.

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Audidores y Consultores

Because the procedures listed above do not constitute an audit, or a review conducted in accordance with International Standards on Auditing or International Standards on Review Commitments, we do not express any assurance as to the consolidated amounts as of December 31, 2016. The balances of the financial statements ended as of December 31, 2015, have not been subject to our evaluation, and are presented for comparative purposes only. However, we consider it very important for the Organization to examine these financial statements, with special emphasis on accumulated losses in Panama's financial statements, which amount to US \$ 1,145,805 as of December 31, 2016.

If we had performed additional procedures or if we had performed an audit or a review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Commitments, other matters could have caught our attention that could have been reported to them.

Our report is for the sole purpose set forth in the first paragraph of this report, and should not be used for any other purpose or distributed to other parties. This report relates only to the evaluation of the methodology applied by you in the consolidation of the financial statements prepared by your Peru and Panama offices.

Lima Peru  
May 26, 2017

**NOLES MONTEBLANCO & ASOCIADOS**

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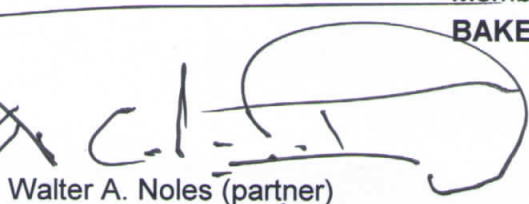
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Walter A. Noles (partner)  
Certified Public Accountant  
Registration N° 7208



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# SOLIDARIDAD LATINOAMERICANA

## CONSOLIDATED STATEMENTS OF FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 AND 2015

(In American Dollars)

<u>ASSETS</u>		<u>LIABILITIES AND EQUITY</u>			
	<u>2 0 1 6</u>	<u>2 0 1 5</u>		<u>2 0 1 6</u>	<u>2 0 1 5</u>
Current Assets :			Current liabilities :		
Cash and cash equivalents (Note 3)	4 582 425	5 992 078	Miscellaneous accounts payable (Note 9)	437 881	265 010
Accounts receivable from related parties (Note 4)	280 994	201 213	Accounts for project execution (Note 10)	6 192 100	7 717 438
Miscellaneous Accounts receivable (Note 5)	242 344	257 299			
Advance payments related to Projects (Note 6)	149 342	63 308			
Other assets (Note 7)	6 805	6 541			
Total current assets	5 261 910	6 520 439	Total liabilities	6 629 981	7 982 448
Non current Assets :			Equity (Note 11)		
Accounts receivable from related parties (Note 4)	51 123	50 283	Contribution of founders	10 000	10 000
Miscellaneous Accounts receivable (Note 5)	225 600	250 000	Retained earnings	(1 056 509)	(1 092 467)
Installations, furniture and equipment, net (Note 8)	44 839	79 259			
Total non-current assets	321 562	379 542	Total equity	(1 046 509)	(1 082 467)
TOTAL ASSETS	5 583 472	6 899 981	TOTAL LIABILITIES AND EQUITY	5 583 472	6 899 981

The accompanying notes form an integral part of these financial statements.

# SOLIDARIDAD LATINOAMERICANA

## CONSOLIDATED INCOME AND EXPENSES STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In American Dollars)

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
<b>INCOME</b>		
Project income (Note 12)	15 359 574	17 912 645
Other income	48 436	20 845
	<hr/>	<hr/>
<b>Total income</b>	<b>15 408 010</b>	<b>17 933 490</b>
	<hr/>	<hr/>
<b>EXPENSES</b>		
Direct costs (Note 13)	(14 231 032)	(17 349 530)
Management and administration (Note 14)	(1 080 473)	(1 213 477)
	<hr/>	<hr/>
<b>Total expenses</b>	<b>(15 311 505)</b>	<b>(18 563 007)</b>
	<hr/>	<hr/>
Currency translation difference	1 471	( 114 076)
	<hr/>	<hr/>
<b>RESULT OF THE EXCERSICE</b>	<b>97 976</b>	<b>( 743 593)</b>
	<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements.

# SOLIDARIDAD LATINOAMERICANA

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED AS OF DECEMBER 31, 2016 AND 2015

(In American Dollars)

	CONTRIBUTION OF FOUNDERS	RETAINED EARNINGS	TOTAL EQUITY
<b>Balance as of December 31, 2014</b>	<b>10 000</b>	<b>( 360 833)</b>	<b>( 350 833)</b>
Depreciation adjustment of equipment under control in order accounts	-.-	11 959	11 959
Result of the excersice, 2015	-.-	( 743 593)	( 743 593)
<b>Balance as of December 31, 2015</b>	<b>10 000</b>	<b>(1 092 467)</b>	<b>(1 082 467)</b>
Currency translation difference adjustment	-.-	( 62 018)	( 62 018)
Result of the excersice, 2016	-.-	97 976	97 976
<b>Balance as of December 31, 2016</b>	<b>10 000</b>	<b>(1 056 509)</b>	<b>(1 046 509)</b>

The accompanying notes form an integral part of these financial statements.

# SOLIDARIDAD LATINOAMERICANA

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AS OF DECEMBER 31, 2016 AND 2015

(In American Dollars)

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
<b>OPERATING ACTIVITIES</b>		
Income from project execution and provision of services	2 951 285	3 139 602
Other charges	167 172	88 723
Payments for project execution and other payments	(1 848 462)	( 267 430)
Donations to entities	(1 295 945)	(1 952 366)
Suppliers of goods and services	( 963 634)	( 870 532)
Compensation and social benefits	( 535 717)	( 532 189)
<b>Cash and cash equivalents used in operating activities</b>	<u><b>(1 525 301)</b></u>	<u><b>( 394 192)</b></u>
<b>INVESTMENT ACTIVITIES</b>		
Purchase of fixed assets	( 9 105)	( 13 862)
Textile Loan Incaholland S.A.C./Franky Ricky S.A.	24 400	.-
Loans to related companies	100 353	.-
<b>Cash and cash equivalents from (used in) investment activities</b>	<u><b>115 648</b></u>	<u><b>( 13 862)</b></u>
<b>Decrease in cash</b>	<u><b>(1 409 653)</b></u>	<u><b>( 408 054)</b></u>
Cash balance at the beginning of the year	5 992 078	6 400 132
<b>Cash balance at the end of the year</b>	<u><u><b>4 582 425</b></u></u>	<u><u><b>5 992 078</b></u></u>



	<u>2 0 1 6</u>	<u>2 0 1 5</u>
<b>RECONCILIATION OF NET INCOME WITH CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES</b>		
Result of the exercise	97 976	( 743 593)
<b>Net Income Adjustment by Statement of Financial Position:</b>		
Depreciation for the year	20 600	21 478
Other provisions	60 043	197
Adjustment	-.-	( 11 959)
<b>Charges and credits for net changes in assets and liabilities :</b>		
Other accounts receivable	( 83 809)	229 908
Prepaid expenses	( 2 961)	1 114
Other accounts payable	( 76 822)	( 108 321)
Projects to be executed	(1 540 328)	216 984
<b>Cash and cash equivalents used in Operating activities</b>	<u><b>(1 525 301)</b></u>	<u><b>( 394 192)</b></u>

The accompanying notes form an integral part of these financial statements.

# **SOLIDARIDAD LATINOAMERICANA**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In American Dollars)

### **1. ECONOMIC ACTIVITIES**

**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 own partners in the planning, implementation, communication and evaluation of programs, as well as in the dissemination of their results.

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

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

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

**STICHING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA – SOLIDARIDAD PERÚ** 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 development 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, nine development programs (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, Paraguay, Brazil and Panama
- REC ANDES: Colombia
- REC CAM: Guatemala

The objectives of the Foundation are:

- a) Promote sustainable development and fair trade in Latin America.
- b) To maintain, administer, invest, dispose and distribute the assets of the Foundation for the benefit, support, maintenance and improvement of the beneficiaries as provided in the regulation.

### **Consolidated financial statements**

The consolidated financial statements include the accounts of its Panama office, where the accounts of the other countries that make up the Fundación Solidaridad Latinoamericana (FSLA) are centralized and included.

Certain items in the previous period have been restructured to make them comparable to those of the current year.

These financial statements have been prepared following generally accepted accounting principles and practices for Peru for the preparation and presentation of consolidated financial statements applied to the financial statements of the organization.

## **2. PRINCIPALS AND ACCOUNTING PRACTICES**

The following summarizes the main accounting principles and practices followed in the preparation of the financial statements:

### **a. Basis of presentation**

#### **Applicable regulations**

The financial statements of the Organization are prepared in accordance with legal provisions on the subject and generally accepted accounting principles in Peru and Latin America. Generally accepted accounting principles substantially comprise the International Financial Reporting Standards (IFRS), made official through Resolutions of the Accounting Standards Board (CNC).

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

#### **Accounting basis of accrual (or accrual)**

Except for information on cash flows, the Direction of the Organizations prepare the financial statements applying the accrual basis, recognizing as assets, liabilities, equity, income and expenses the elements that meet the definitions And the recognition criteria set out in the framework for such elements.

#### **Uniformity in presentation**

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

#### **Materiality or relative importance and grouping of data**

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

### **b. Principles of consolidation**

The consolidated financial statements include the balances of the financial statements of the Organizations as indicated in Note 1.

The organizations are fully consolidated from the date on which they acquire effective control of the same and are no longer consolidated from the date on which the control ceases. All balances, unrealized transactions between these organizations have been eliminated for consolidation purposes. Unrealized losses are also eliminated unless the cost of the related assets cannot be recovered.

**c. Application of accounting estimates**

The process of preparing the financial statements requires that estimates be made for the determination of the balances of assets and liabilities, the amount of contingencies and the recognition of income and expenses. These estimates should be based on direction's best judgment at the date of the financial statements and will vary as a result of the changes in the premises on which they were based. The balances of the financial statements are corrected at the date of the change of the estimates. The main estimates related to the financial statements refer to the depreciation of facilities, furniture and equipment, and compensation for time of services.

**d. Transactions and balances in foreign currency**

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

Transactions in foreign currency are initially recorded in their currency of origin by applying the exchange rates prevailing on the transaction dates to be displayed in the local currency. Monetary assets and liabilities denominated in foreign currency are subsequently adjusted to the functional currency using the closing exchange rate in effect on the date of the statement of financial position. Exchange gains or losses resulting from the settlement of such transactions and the translation of monetary assets and liabilities in foreign currency at the exchange rates as of the date of the statement of financial position are recognized in the statement of income and expenses.

Non-monetary assets and liabilities denominated in foreign currency, established at historical cost, are translated into the local currency of each country at the exchange rate prevailing at the date of the transaction.

**e. Cash and cash equivalents**

Cash comprises the fixed fund, the current and savings accounts, and a fixed-term account.

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

**f. Accounts receivable**

The various accounts receivable are recorded at face value.

**g. Project assets and liabilities accounts**

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.

**h. Installations, furniture and equipment**

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 is 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 own internal policies or regulations to its country; however, when reporting to Panama, they must do so under Panama's recognition policies.

**i. Provisions**

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

**j. Contingent assets and liabilities**

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

**k. Income recognition**

Donations are the amount equivalent to the payments made by Solidaridad Latinoamericana in the execution of the operational plans and annual budgets of the projects that it executes according to the financing agreements signed with different cooperating entities. These income are recognized in the Statement of Income and Expenses 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 Organization are recognized as they accrue and in the periods with which they relate, regardless of when they are collected.

**l. Recognition of expenses**

Disbursements made by Solidaridad Latinoamericana in connection with the execution of its projects for the placement of resources, as well as those disbursements made to finance the operation of Solidaridad Latinoamericana, are recognized in the statement of income and expenses at the time they are made, Accordance with the accrual basis of accounting.

**m. Currency Translation Difference**

For Peruvian Financial Statements converted from local currency to US Dollars, the closing exchange rates of each year have been used for the statement of financial position and the exchange rates of the day of the transaction for the statements of income and expenses.

For the Financial Statements of FSLA, the transformation of the local currency to the dollar, they do it using the average exchange rate of every 10 days, which they obtain from the following page: [www.xe.com](http://www.xe.com). This practice is acceptable in Panama.

### 3. CASH AND CASH EQUIVALENTS

Comprises:

	<u>2016</u>	<u>2015</u>
FSLA Panama (SAM)	2 589 403	2 039 395
FSLA Panama (CAM)	576 316	1 053 495
FSLA Guatemala (CAM)	165 997	171 630
FSLA Paraguay (SAM)	241 001	306 428
FSLA Brasil (SAM)	366 950	564 694
FSLA Argentina (SAM)	22 710	1 849
FSLA Colombia (SAM)	93 998	182 246
Solidaridad Peru (SAM)	526 050	1 672 341
	-----	-----
	<b>4 582 425</b>	<b>5 992 078</b>
	=====	=====

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: 2 current accounts in euros and 2 current accounts in US dollars; 1 account in euros and 1 account in US dollars are administered by REC CAM and the other 2 are managed by REC SAM.
- FSLA Guatemala: 2 current accounts in US dollars, 2 current accounts in quetzales and 1 account in euros
- FSLA Argentina: 1 current account in Argentine Pesos.
- FSLA Paraguay: 1 current account in Guarani.
- FSLA Brazil: 1 current account in Reais.
- FSLA Colombia: 1 current account in Colombian Pesos.
- Solidaridad Peru: 4 current accounts in soles, 1 savings account in soles, 2 current accounts in US dollars, 2 savings accounts in US dollars and 1 current account in euros.



#### 4. ACCOUNTS RECEIVABLE FROM RELATED PARTIES

Comprises:

	<u>2016</u>	<u>2015</u>
<b>Current part:</b>		
FSLA Panama (SAM)	10 000	10 000
Companies related to Solidaridad Perú (SAM) (*)	270 994	191 213
<b>Total current</b>	<b>280 994</b>	<b>201 213</b>
<b>Non current part:</b>		
Companies related to Solidaridad Perú (SAM) (*)	51 123	50 283
<b>Total non-current</b>	<b>51 123</b>	<b>50 283</b>
<b>TOTAL</b>	<b>332 117</b>	<b>251 496</b>

(\*) Corresponds to loans for short-term working capital in Local currency and US Dollars, generates 6% annual interest.

#### 5. MISCELLANEOUS ACCOUNTS RECEIVABLE

Comprises:

	<u>2016</u>	<u>2015</u>
<b>Current part:</b>		
FSLA Reimbursement (SAM)	73 461	72 679
Cash Advance FSLA (SAM)	17 322	12 231
Cash Advance FSLA (CAM)	1 052	75
Other accounts receivable FSLA (SAM) (a)	108 883	117 697
Other accounts receivable Solidaridad Peru (SAM) (b)	41 626	54 617
	<b>242 344</b>	<b>257 299</b>

	<u>2016</u>	<u>2015</u>
<b>Non current part:</b>		
Other accounts receivable Solidaridad Peru (SAM) (b)	225 600	250 000
	-----	-----
	<b>225 600</b>	<b>250 000</b>
	-----	-----
	<b>467 944</b>	<b>507 299</b>
	=====	=====

(a) Mainly corresponds to advances of funds to be rendered by the Los Grobo Organization.

(b) Corresponds mainly to the loan of Franky y Ricky S.A., equivalent to US\$ 225,000; at the end of the year, the Organization charged US\$ 25,000.

## 6. ADVANCE PAYMENTS RELATED TO PROJECTS

Comprises:

	<u>2016</u>	<u>2015</u>
FSLA (SAM) (a)	54 570	54 570
Solidaridad Perú (SAM) (b)	94 772	8 738
	-----	-----
	<b>149 342</b>	<b>63 308</b>
	=====	=====

(a) Corresponds mainly to accounts receivable from REC NL.

(b) Corresponds mainly to accounts receivable to the Netherlands Embassy and the European Commission Peru.

## 7. OTHER ASSETS

Comprises:

	<u>2016</u>	<u>2015</u>
Guarantee Deposit FSLA (SAM)	5 855	5 591
Guarantee Deposit FSLA (CAM)	950	950
	-----	-----
	<b>6 805</b>	<b>6 541</b>
	=====	=====

Corresponds to guarantees for rent.

## 8. INSTALLATIONS, FURNITURE AND EQUIPMENT, NET

Comprises:

	2016	2015	TASA %
	-----	-----	-----
<b>Cost</b>			
Installations	7 182	7 064	
Transportation Units	20 052	49 420	
Furniture and fixtures	15 644	16 930	
Computer equipment	29 731	37 679	
Miscellaneous equipment	23 024	22 672	
	-----	-----	
	<b>95 633</b>	<b>133 765</b>	
	-----	-----	
<b>Accumulated depreciation</b>			
Installations	(2 675)	(2 280)	<b>5</b>
Transportation Units	(9 906)	(15 533)	<b>20</b>
Furniture and fixtures	(10 517)	(8 817)	<b>10</b>
Computer equipment	(15 424)	(18 011)	<b>4</b>
Miscellaneous equipment	(12 272)	(9 865)	<b>10</b>
	-----	-----	
	<b>(50 794)</b>	<b>(54 506)</b>	
	-----	-----	
	<b>44 839</b>	<b>79 259</b>	
	=====	=====	

It corresponds to the fixed assets of Solidaridad Peru.

## 9. MISCELLANEOUS ACCOUNTS PAYABLE

Comprises:

	<u>2016</u>	<u>2015</u>
Solidaridad Perú (SAM)	120 405	98 597
FSLA Guatemala (CAM)	203 908	79 156
FSLA Colombia (SAM)	49 477	.-
FSLA Argentina (SAM)	37 215	844
FSLA Paraguay (SAM)	11 170	810
FSLA Otros (SAM) (*)	15 706	85 603
	-----	-----
	<b>437 881</b>	<b>265 010</b>
	=====	=====

(\*) Corresponding to the countries of Panama and Brazil.

## 10. ACCOUNTS FOR EXECUTING PROJECTS

Comprises:

	<u>2016</u>	<u>2015</u>
FSLA (SAM)	4 429 656	4 290 460
FSLA (CAM)	717 141	1 299 747
Solidaridad Peru (SAM)	1 045 303	2 127 231
	-----	-----
	<b>6 192 100</b>	<b>7 717 438</b>
	=====	=====

## 11. EQUITY

It is constituted by the accumulated result of the management of Solidaridad Peru and Fundación Solidaridad Latinoamericana (FSLA) and is derived mainly from the variations by difference in exchange.

Comprises:

	<u>2016</u>	<u>2015</u>
Equity FSLA Panama	(1 135 805)	(1 163 090)
Equity Solidaridad Peru	89 296	80 623
	-----	-----
	<b>(1 046 509)</b>	<b>(1 082 467)</b>
	=====	=====

## 12. PROJECT INCOME

Comprises:

	<u>2016</u>	<u>2015</u>
Project Management Income Panama	12 435 225	14 414 108
Income from Project Management Peru	2 924 349	3 498 537
	-----	-----
	<b>15 359 574</b>	<b>17 912 645</b>
	=====	=====

### 13. DIRECT COSTS

Comprises:

	<u>2016</u>	<u>2015</u>
FSLA Projects	11 723 947	14 293 446
Solidaridad Peru Projects	2 507 085	3 056 084
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	<b>14 231 032</b>	<b>17 349 530</b>
	=====	=====

Corresponds to expenses for contributions for the execution of projects.

### 14. MANAGEMENT AND ADMINISTRATION

Comprises:

	<u>2016</u>	<u>2015</u>
FSLA Expenses	731 552	901 791
Peru Expenses	348 921	311 686
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<b>Total</b>	<b>1 080 473</b>	<b>1 213 477</b>
	=====	=====

Corresponds to expenses of communication, office, personnel and trips made by the administrative area.

### 15. TAX SITUATION

#### **Income Tax**

SOLIDARIDAD PERU, is exempt from the payment of Income Tax, and is registered in the Register of Entities Exonerated from Income Tax and in Registry of Entities Perceiving Donations deductible from the Income Tax of the Superintendencia Nacional de Administración Tributaria.

FSLA is exempt from Income Tax in all countries where it has representation with the exception of 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.

## **General Sales Tax - GST**

SOLIDARIDAD PERU is registered in the National Register of Entities and Foreign Institutions of International Technical Cooperation (ENIEX), until October 14, 2017, according to Directorial Resolution N° 449-2015 / APCI-DOC, which was issued on October 14, 2015.

SOLIDARIDAD PERU is unaffected to the GST by the donations of material that it receives from the Cooperante as indicated in article 2, paragraph k) of the Single Consolidated Text of the General Sales Tax and Selective Tax on Consumption, approved by Supreme Decree N° 055-99 EF.

The organizations that comprise FSLA in Latin America are subject to GST.

The Direction of the Organization considers that a possible revision by the Tax Administration will not generate significant liabilities, and therefore did not consider it necessary to provide provision in this regard.

## **16. RISK MANAGEMENT**

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

- a. Exchange rate risk:** The Direction of the Organization believes that there is no significant exchange rate risk that could lead the Organization to a difficult financial situation.
- b. Interest, credit and liquidity risk:** The Organization's operating income and cash flows are substantially independent of changes in market interest rates. The Organization does not have significant assets accruing interest and significant risks of concentration of credit given its conservative policies on the matter. Management also considers that it has no liquidity risk to the extent that the payment of its long-term liabilities has been scheduled in coordination with its future cash flows.

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