

**STICHTING INTERKERKELIJKE AKTIE VOOR  
LATIJNS AMERIKA - SOLIDARIDAD**

Lima – Peru

FINANCIAL STATEMENTS

**2017**

# **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD**

Lima - Peru

## **REPORT ON THE EXAMINATION OF FINANCIAL STATEMENTS**

for the years ended on

December 31, 2017 and 2016



## REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders

### **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD**

We have audited the accompanying financial statements of **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD**, which comprise the statements of financial position as of december 31, 2017 and 2016, and the statements of income and expenses, of changes in equity, and of cash flows effective for the years ending on those dates, as well as the summary of significant accounting policies and other explanatory notes

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y Existencias

Gobierno  
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Outsourcing  
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### **Management's Responsibility for Financial Statements**

The Direction 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 the relevant internal control in the preparation and fair presentation of financial statements so that they are free of material misstatement, whether as a result of fraud or error; select and apply the appropriate accounting policies; and make 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 do not contain material misstatements.

An audit involves the execution of procedures to obtain evidence about the balances and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, which includes assessing the risk that the financial statements contain material misstatements either 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.





**Noles**  
**Monteblanco & Asociados**



**BAKER TILLY**  
**PERÚ**  
Auditores y Consultores

### Opinion

In our opinion, the accompanying financial statements fairly present in all material respects, the financial situation of **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD**, as of december 31, 2017 and 2016, the results of its operations, and its cash flows from the years ended on that date, in accordance with Generally Accepted Accounting Principles.

Lima Peru  
March 16, 2018

**NOLES MONTEBLANCO & ASOCIADOS**  
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Walter A. Noles (partner)  
Certified Public Accountant  
Registration N° 7208



an independent member of  
**BAKER TILLY**  
**INTERNATIONAL**

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Firma miembro de Baker Tilly International desde abril de 2011

# STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

## STATEMENT OF FINANCIAL SITUATION AS OF DECEMBER 31, 2017 AND 2016

(In Soles)

<u>ASSETS</u>		<u>LIABILITIES AND EQUITY</u>		
	<u>2 0 1 7</u>	<u>2 0 1 6</u>	<u>2 0 1 7</u>	<u>2 0 1 6</u>
<b>Current Assets:</b>			<b>Current liabilities:</b>	
Cash and cash equivalents (Note 4)	891 584	1 763 320	Trade accounts payable (Note 9)	7 037
Trade accounts receivable	21 283	-.-	Accounts to be executed from projects (Note 10)	2 813 088
Accounts receivable to related (Note 5)	-.-	266 125	Other accounts payable (Note 11)	984 549
Accounts receivable from projects (Note 6)	1 838 448	1 585 607		
Miscellaneous accounts receivable (Note 7)	143 911	141 350		
<b>Total current assets</b>	<b>2 895 226</b>	<b>3 756 402</b>	<b>Total liabilities</b>	<b>3 804 674</b>
<b>Non current assets:</b>			<b>Institutional Equity (Note 12)</b>	
Accounts receivable to related (Note 5)	88 940	171 364	Accumulated results	115 519
Miscellaneous accounts receivable (Note 7)	729 205	756 211		36 585
Installations, furniture and equipment, net (Note 8)	206 822	149 896		
<b>Total non-current assets</b>	<b>1 024 967</b>	<b>1 077 471</b>	<b>Total equity</b>	<b>115 519</b>
<b>TOTAL ASSETS</b>	<b>3 920 193</b>	<b>4 833 873</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3 920 193</b>
				<b>4 833 873</b>

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

# STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

## STATEMENTS OF INCOME AND EXPENSES

FOR THE YEARS ENDED AS OF DECEMBER 31, 2017 AND 2016

(In Soles)

	<u>2 0 1 7</u>	<u>2 0 1 6</u>
<b>INCOME</b>		
Income from project management (Note 13)	8 211 308	11 782 158
Other institutional income (Note 14)	544 180	963 942
Miscellaneous income (Note 15)	328	1 724
	<u>                    </u>	<u>                    </u>
<b>Total income</b>	<b>8 755 816</b>	<b>12 747 824</b>
	<u>                    </u>	<u>                    </u>
<b>EXPENSES</b>		
Personnel expenses (Note 16)	(1 694 080)	(1 852 626)
Services provided by third parties (Note 17)	(1 746 979)	(2 917 354)
Taxes	( 1 123)	( 5 444)
Miscellaneous management charges (Note 18)	(4 717 571)	(8 075 110)
Provisions	( 594 112)	( 53 245)
	<u>                    </u>	<u>                    </u>
<b>Total expenses</b>	<b>(8 753 865)</b>	<b>(12 903 779)</b>
	<u>                    </u>	<u>                    </u>
Financial income	39	1 247
Difference in change, net	78 471	142 710
	<u>                    </u>	<u>                    </u>
<b>SURPLUS (DEFICIT) OF THE EXERCISE</b>	<b>80 461</b>	<b>( 11 998)</b>
	<u>                    </u>	<u>                    </u>

**STICHTING INTERKERKELIJKE AKTIE  
VOOR LATIJNS AMERIKA - SOLIDARIDAD**

**STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED AS OF DECEMBER 31, 2017 AND 2016**

(In Soles)

	<b><u>RETAINED EARNINGS</u></b>	<b><u>TOTAL EQUITY</u></b>
<b>Balance as of December 31, 2015</b>	<b>7 768</b>	<b>7 768</b>
Depreciation adjustment	40 815	40 815
Deficit for the year 2016	( 11 998)	( 11 998)
	<hr/>	<hr/>
<b>Balance as of December 31, 2016</b>	<b>36 585</b>	<b>36 585</b>
EU equipment donation	( 1 527)	( 1 527)
Surplus for the year 2017	80 461	80 461
	<hr/>	<hr/>
<b>Balance as of December 31, 2017</b>	<b>115 519</b>	<b>115 519</b>
	<hr/> <hr/>	<hr/> <hr/>

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

**STICHTING INTERKERKELIJKE AKTIE  
VOOR LATIJNS AMERIKA - SOLIDARIDAD**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AS OF DECEMBER 31, 2017 AND 2016**

(In Soles)

	<b><u>2 0 1 7</u></b>	<b><u>2 0 1 6</u></b>
<b>OPERATING ACTIVITIES</b>		
Income from project execution	8 733 305	12 746 100
Other charges	14 580	50 811
Donations to entities	(4 481 875)	(7 627 395)
Goods and service suppliers	(1 983 592)	(3 261 138)
Remuneration and social benefits	(1 724 519)	(1 812 795)
Other payments	(1 112 541)	(4 456 485)
<b>Cash and cash equivalents used in operating activities</b>	<b><u>( 554 642)</u></b>	<b><u>(4 360 902)</u></b>
<b>INVESTMENT ACTIVITIES</b>		
Purchase of fixed assets	( 127 432)	( 30 521)
Loan to Textil Incaholland S.A.C./Franky Ricky S.A.	-.-	106 092
Loans to related companies	( 189 662)	349 313
<b>Cash and cash equivalents from (used in) of investment activities</b>	<b><u>( 317 094)</u></b>	<b><u>424 884</u></b>
<b>Net decrease in cash</b>	<b><u>( 871 736)</u></b>	<b><u>(3 936 018)</u></b>
Cash balance at the beginning of the year	1 763 320	5 699 338
<b>Cash balance at the end of the year</b>	<b><u><u>891 584</u></u></b>	<b><u><u>1 763 320</u></u></b>



	<u>2 0 1 7</u>	<u>2 0 1 6</u>
<b>RECONCILIATION OF SURPLUS (DEFICIT) WITH CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES</b>		
Surplus (Deficit) of the exercise	80 461	( 11 998)
<b>Net Income Adjustment by Statement of Financial Position:</b>		
Depreciation for the year	55 901	68 011
Fixed asset down	13 078	41 641
Adjustment	-.-	40 814
<b>Debits and credits for net changes in the active and passive :</b>		
Accounts receivable from projects	( 252 841)	(1 388 945)
Other accounts receivable	531 438	41 061
Prepaid expenses	9 935	( 9 492)
Trade accounts payable	( 5 860)	19 922
Other accounts payable	344 823	84 520
Projects to be executed	(1 331 577)	(3 246 436)
<b>Cash and cash equivalents used in operating activities</b>	<u><b>( 554 642)</b></u>	<u><b>(4 360 902)</b></u>

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

# **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD**

## **NOTES TO THE FINANCIAL STATEMENTS**

(In Soles)

### **1. ECONOMIC ACTIVITY OF THE ORGANIZATION**

**STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD**, is a Civil Organization that is not for profit, it is part of the Network Solidarity Network entity established in the Netherlands for international cooperation with global experience in facilitating responsible social and environmental development, through the sustainable development of twelve (12) supply chains of products, operating through a network of nine (9) regional centers in five (5) continents.

It was incorporated by means of a public deed dated November 17, 2003, as recorded in item N° 11613699 of the Registry of Foreign Legal Persons of the Oficina de Registros Públicos de Lima, the duration of the Organization being indefinite. Its fiscal domicile and administrative office is located at Roosevelt Ave. N° 5866, district of Miraflores, Lima - Peru.

SOLIDARIDAD PERÚ is part of the REC (Regional Expertise Center) Solidaridad South America (REC SAM), currently working seven development programs (coffee, cocoa, gold, palm oil, fruit, agriculture, and sugarcane) in Peru, Colombia, Bolivia and Ecuador, has the following objectives:

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

SOLIDARIDAD according to its constitution, aims to support the efforts of churches, groups and people in Latin America to ensure that the inhabitants of this region can shape themselves and their life and society, for which it can, among others things, disseminate information about Latin America, collecting from the Netherlands, providing financial support for activities that are considered to contribute to the achievement of this objective.

### **APPROVAL OF THE FINANCIAL STATEMENTS**

The accompanying financial statements for the year 2017 have been approved by the Direction of SOLIDARIDAD and will be sent to its offices in the Netherlands. The financial statements for the year 2016 were forwarded to their offices in the Netherlands on April 11, 2017.

## **2. PRINCIPLES AND/OR ACCOUNTING PRACTICES**

The accounting policies are the principles, bases, agreements, rules and specific procedures adopted by the Direction in the preparation and presentation of its financial statements. A change in an accounting estimate is an adjustment in the carrying amount of an asset or a liability, or for consumption of an asset, which occurs after the evaluation of the current situation of the item, as well as of the expected future benefits and obligations associated with the corresponding assets and liabilities. Changes in accounting estimates are the result of new information or new events and, as a result, are not bug fixes.

The Direction recognizes in its financial statements the events that occurred after the date of the statement of financial position that imply adjustments, in order to reflect its impact.

The main accounting policies applied in the preparation of the financial statements are detailed below. These policies have been applied uniformly in the formulation of these financial statements, which have been prepared from the accounting records of the Organization, following the accounting criteria of historical cost.

### **a. Bases of presentation**

#### **Applicable regulations**

The financial statements are prepared in accordance with the legal provisions on the matter and with accounting principles in Peru. The generally accepted accounting principles in Peru include, 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).

#### **Entity in march**

When preparing the financial statements, the Direction of the Organization evaluates the ability of the Organization to continue operating. The financial statements have been prepared under the going entity hypothesis.

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

Except in relation to information on cash flows, the Direction of the Organization draws up the financial statements applying the accrual basis, recognizing as assets, liabilities, net worth, income and expenses the elements that satisfy the definitions and the recognition criteria provided in the Conceptual Framework for such elements.

## **Uniformity in the presentation**

The Direction of the Organization 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. Items of a different nature or function are presented separately, unless they are not material.

## **Compensation**

In the formulation of the financial statements, the Direction of the Organization does not compensate the assets with liabilities, nor income with expenditures, except when compensation is required or permitted by any Standard or Interpretation, in which case this situation is revealed in notes to financial statements.

### **b. Application of accounting estimates**

The preparation process of the financial statements requires the Direction of the Organization to carry out estimations for the determination of the balances of the assets and liabilities, the amount of the contingencies and the recognition of the income and expenses. These estimates should be based on the best judgment of the Direction of the Organization at the date of the financial statements, and will vary as a result of the modifications in the premises on which they were based. The balances of the financial statements are corrected on the date of the change in 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.

### **c. Transactions in foreign currency**

The Direction of the Organization considers that its functional and presentation currency is the Sol, because it is the currency of the main economic environment in which the entity operates.

Transactions in foreign currency are initially recorded in their currency of origin applying the exchange rates in effect on the dates of the transactions to be shown in soles. Monetary assets and liabilities denominated in foreign currency are subsequently adjusted to the functional currency using the closing exchange rate in force on the date of the statement of financial position, established by the Superintendencia de Banca y Seguros. Gains or losses on exchange difference resulting from the settlement of such transactions and the transfer of monetary assets and liabilities in foreign currency at the exchange rates 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 transferred to Soles at the exchange rate prevailing at the date of the transaction.

**d. Cash and cash equivalents**

Cash comprises both the fixed fund and current and savings accounts.

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

**e. Accounts receivable**

Accounts receivable are recorded at their net nominal value of the corresponding impairment estimate.

The estimate for impairment of accounts receivable is determined based on when there is evidence that Solidaridad will not be able to collect the amounts due in accordance with their original conditions. The amount of the estimate is recognized in the financial statements. Accounts are punished when they are identified as such.

**f. Project assets and liabilities accounts**

These items record the funds receivable and payable to the institutions from which the financing for the execution of projects is received, said accounts receivable and payable are related to the funds pending reimbursement by the financing sources, and funds pending execution and surrender by SOLIDARIDAD, respectively.

**g. Installations, furniture and equipment**

Furniture and miscellaneous equipment are presented at acquisition cost, net of accumulated depreciation, the acquisition cost includes the 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 it is probable that future economic benefits will be produced that exceed the standard performance originally evaluated for the asset.

The corresponding depreciation is calculated based on the straight line method, at legally permitted rates considered appropriate, to extinguish said cost at the end of the estimated useful life of the respective assets.

The depreciation method used reflects the pattern according to 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 is eliminated and any profit or loss resulting from their disposal is included in the statement of income and expenses.

#### **h. Compensation for time of service**

In accordance with current legal provisions, the compensation for time of services is calculated for each worker based on the time worked in the Organization based on the remuneration received.

The compensation for service time is included in the Other Accounts Payable item, which is recorded with a charge to results to the extent that the obligation accrues, calculated in accordance with current labor legislation. The amount of the recorded liability is the amount that would have to be paid to the workers, assuming that the labor relationship will culminate at the date of these financial statements.

#### **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 will be 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 it.

#### **j. Assets and contingent 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 constitute the amount equivalent to the payments made by Solidaridad in the execution of the operating plans and the annual budgets of the projects executed according to the financing agreements signed with different cooperating entities. These incomes are recognized in the Statement of Income and Expenses and Changes in institutional patrimony, simultaneously with the execution of the related expenditure.

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

#### **l. Recognition of expenses**

The disbursements made by Solidaridad in relation to the execution of its resource allocation projects, as well as those disbursements made to fund the Solidaridad operation, are recognized in the statement of income and expenses at the time they are made, in accordance with the accrual basis of accounting.

### m. Exchange rate

Gains or losses on foreign currency exchange resulting from the payment of transactions and the conversion at the year-end exchange rate of monetary assets and liabilities denominated in foreign currency are recognized in the results of the period in which they are denominated. they produce the mentioned differences

### 3. TRANSACTIONS IN FOREIGN CURRENCY

The following are the balances in US Dollars (US \$) and Euros (€) as of December 31, 2017 and 2016:

	<u>2017</u> <u>US \$</u>	<u>2017</u> <u>€</u>	<u>2016</u> <u>US \$</u>	<u>2016</u> <u>€</u>
<b>Assets:</b>				
Cash and cash equivalents	13 841	194 654	90 845	344 550
Trade accounts receivable	6 573	-.-	-.-	-.-
Accounts receivable from projects	57 583	444 223	127 123	-.-
Accounts receivable	231 600	-.-	231 600	-.-
	-----	-----	-----	-----
	<b>309 597</b>	<b>638 877</b>	<b>449 568</b>	<b>344 550</b>
	-----	-----	-----	-----
<b>Liabilities:</b>				
Trade accounts payable	1 225	-.-	23	-.-
Accounts to execute projects	698 367	122 401	965 644	227 173
Other accounts payable	127 695	81 049	81 757	-.-
	-----	-----	-----	-----
	<b>827 287</b>	<b>203 450</b>	<b>1 047 444</b>	<b>227 173</b>
	-----	-----	-----	-----
<b>Monetary position</b>				
<b>Active (passive), net</b>	<b>(517 690)</b>	<b>435 427</b>	<b>(597 876)</b>	<b>117 377</b>
	=====	=====	=====	=====

These balances have been expressed in Soles at the following exchange rates established by the SBS and effective as of December 31, as detailed below:

	<u>2017</u> <u>US \$</u>	<u>2017</u> <u>€</u>	<u>2016</u> <u>US \$</u>	<u>2016</u> <u>€</u>
1 US\$ exchange rate purchase	3.238	3.718	3.352	3.381
1 US\$ exchange rate sale	3.245	3.945	3.360	3.601

As of December 31, 2017, the Organization recorded a net exchange difference gain of S/ 78,471 (net gain difference of S/ 142,710 as of december 31, 2016), which is presented under the heading Exchange difference in the Statement of Income and Expenses:

	<u>2017</u>	<u>2016</u>
Gain on exchange difference	1 079 529	1 568 685
Loss due to exchange difference	(1 001 058)	(1 425 975)
	-----	-----
	<b>78 471</b>	<b>142 710</b>
	=====	=====

#### 4. CASH AND CASH EQUIVALENTS

Comprises:

	<u>2017</u>	<u>2016</u>
Fixed fund	3 600	3 752
Current accounts (a)	823 921	1 437 437
Savings accounts (b)	64 063	322 131
	<u>891 584</u>	<u>1 763 320</u>
	=====	=====

(a) Corresponds mainly to dollar accounts for US \$ 5,943 and € 194,654 (US \$ 12,490 and € 344,550 in 2016).

(b) Corresponds mainly to accounts in dollars for US \$ 19,784 (US \$ 78,355 in 2016).

The Organization maintains accounts in Banco de Crédito del Perú in Soles, US Dollars and Euros, are freely available.

#### 5. ACCOUNTS RECEIVABLE TO RELATED

They are summarized as follows:

<u>RELATED</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DEDUC- TIONS</u>	<u>FINAL BALANCE</u>
<u>Year 2017:</u>				
<b>Current (a)</b>				
Grupo Hualtaco S.A.C	266 125	-.-	(266 125)	-.-
	<u>266 125</u>	<u>-.-</u>	<u>(266 125)</u>	<u>-.-</u>
<b>Non Current (b)</b>				
Oro Blanco S.A	89 461	-.-	-.-	89 461
Grupo Hualtaco S.A.C	81 903	455 787	-.-	537 690
(-) Estimation of doubtful collection	-.-	(538 211)	-.-	(538 211)
	<u>171 364</u>	<u>(82 424)</u>	<u>-.-</u>	<u>88 940</u>
	<u>437 489</u>	<u>(82 424)</u>	<u>(266 125)</u>	<u>88 940</u>
	=====	=====	=====	=====



<u>RELATED</u>	<u>BEGINNING</u> <u>BALANCE</u>	<u>ADDITIONS</u>	<u>DEDUC-</u> <u>TIONS</u>	<u>FINAL</u> <u>BALANCE</u>
<b><u>Year 2016:</u></b>				
<b>Current (a)</b>				
Oro Blanco S.A	225 588	18 173	(243 761)	-.-
Grupo Hualtaco S.A.C	389 850	285 893	(409 618)	266 125
	-----	-----	-----	-----
	<b>615 438</b>	<b>304 066</b>	<b>(653 379)</b>	<b>266 125</b>
	-----	-----	-----	-----
<b>Non Current (b)</b>				
Oro Blanco S.A	89 461	-.-	-.-	89 461
Grupo Hualtaco S.A.C	81 903	-.-	-.-	81 903
	-----	-----	-----	-----
	<b>171 364</b>	<b>-.-</b>	<b>-.-</b>	<b>171 364</b>
	-----	-----	-----	-----
	<b>786 802</b>	<b>304 066</b>	<b>(653 379)</b>	<b>437 489</b>
	=====	=====	=====	=====

Oro Blanco S.A, is dedicated to the purchase sale of cotton and its derivatives, especially organic cotton, produces cotton yarn that is sold in the local market.

Grupo Hualtaco S.A.C is dedicated to the production and export of organic fruits. Both companies belong to the textile and fruit sectors, sectors through which Solidaridad promotes the development of its production chain.

- (a) In 2016 it corresponded to loans for working capital of very short term in Soles and Dollars, which generated an annual interest of 6%. In 2017, the balances were considered as part of doubtful collection because Grupo Hualtaco S.A.C.; is in the process of liquidation.
- (b) It is expected that, in the near future, this amount will be capitalized with Oro Blanco, a related company.

## 6. ACCOUNTS RECEIVABLE FROM PROJECTS

Comprises:

	<u>2017</u>	<u>2016</u>
FSLA Colombia - PE Project 01017	20 469	20 871
REC NL - Reimbursement of expenses (a)	7 383	-.-
FSLA Panama - Latin American Matrix - PE Project 01047 and reimbursement of expenses (b)	1 028 475	610 070
REC NA (b)	-.-	6 049
Norad (NICFI) - Project PE 01040	34 647	62 079
European Commission Peru - PE Project 01029	-.-	205 112
Dutch Embassy (Netherlands) – PE Project 01030	-.-	462 173
Mining Program	4 470	59 641
Coffee Program	318 991	90 902
Seefood Trade Intelligence Portal (Stip) – PE Project 01046	37 070	19 435
Rec Andes	386 943	49 275
	<u>1 838 448</u>	<u>1 585 607</u>

(a) Refunds for travel expenses of the Coffee CPI

(b) Reimbursement of fixed expenses (salaries, electricity, water, rent, among others) made by Solidaridad Perú.

## 7. MISCELLANEOUS ACCOUNTS RECEIVABLE

Comprises:

	<u>2017</u>	<u>2016</u>
Loans to staff	6 255	6 690
Deliveries to render	22 396	70
Loan Franky and Ricky S.A (*)	730 493	754 200
Interests Franky and Ricky S.A	595 731	616 705
Deposits in guarantee	77 854	79 938
Balance in favor G.S.T.	6 551	9 728
Other accounts receivable	-.-	7 617
Insurance paid in advance	30 855	34 790
Rentals paid in advance	-.-	6 000
(-) Estimation of doubtful collection	(597 019)	(618 177)
	<u>873 116</u>	<u>897 561</u>
Short term	<u>(143 911)</u>	<u>(141 350)</u>
Long term	<u>729 205</u>	<u>756 211</u>

(\*) Equivalent to US \$ 225,000 as of december 31, 2017 and 2016.

## 8. INSTALLATIONS, FURNITURE AND EQUIPMENT, NET

They are summarized as follows:

<u>CONCEPT</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DEDUC- TIONS</u>	<u>FINAL BALANCE</u>	<u>RATE %</u>
<b><u>Year 2017:</u></b>					
<b>Cost</b>					
Installations	24 074	-.-	-.-	24 074	
Transport units	67 214	106 755	-.-	173 969	
Furniture and fixtures	52 441	-.-	-.-	52 441	
Computer equipment	99 660	20 677	(15 996)	104 341	
Miscellaneous equipment	77 173	-.-	(23 212)	53 961	
	-----	-----	-----	-----	
	<b>320 562</b>	<b>127 432</b>	<b>(39 208)</b>	<b>408 786</b>	
	=====	=====	=====	=====	
<b>Accumulated depreciation</b>					
Installations	(8 987)	(1 203)	-.-	(10 190)	<b>20</b>
Transport units	(33 284)	(18 481)	-.-	(51 765)	<b>5</b>
Furniture and fixtures	(35 336)	(4 965)	-.-	(40 301)	<b>10</b>
Computer equipment	(51 825)	(25 128)	9 707	(67 246)	<b>4</b>
Miscellaneous equipment	(41 234)	(6 124)	14 896	(32 462)	<b>10</b>
	-----	-----	-----	-----	
	<b>(170 666)</b>	<b>(55 901)</b>	<b>24 603</b>	<b>201 964</b>	
	=====	=====	=====	=====	
	<b>149 896</b>			<b>206 822</b>	
	=====			=====	
<b><u>Year 2016:</u></b>					
<b>Cost</b>					
Installations	24 074	-.-	-.-	24 074	
Transport units	168 422	-.-	(101 208)	67 214	
Furniture and fixtures	57 699	-.-	(5 258)	52 441	
Computer equipment	128 412	26 971	(55 723)	99 660	
Miscellaneous equipment	77 265	3 550	(3 642)	77 173	
	-----	-----	-----	-----	
	<b>455 872</b>	<b>30 521</b>	<b>(165 831)</b>	<b>320 562</b>	
	=====	=====	=====	=====	
<b>Accumulated depreciation</b>					
Installations	(7 783)	(1 204)	-.-	(8 987)	<b>20</b>
Transport units	(82 647)	(25 677)	75 040	(33 284)	<b>5</b>
Furniture and fixtures	(31 660)	(5 638)	1 962	(35 336)	<b>10</b>
Computer equipment	(70 045)	(27 655)	45 875	(51 825)	<b>4</b>
Miscellaneous equipment	(34 710)	(7 837)	1 313	(41 234)	<b>10</b>
	-----	-----	-----	-----	
	<b>(226 845)</b>	<b>(68 011)</b>	<b>124 190</b>	<b>(170 666)</b>	
	=====	=====	=====	=====	
	<b>229 027</b>			<b>149 896</b>	
	=====			=====	

## 9. TRADE ACCOUNTS PAYABLE

Comprises:

	<u>2017</u>	<u>2016</u>
Invoices payable	174	6 034
Fees payable	6 863	14 998
	-----	-----
	<b>7 037</b>	<b>21 032</b>
	=====	=====

## 10. ACCOUNTS TO BE EXECUTED FOR PROJECTS

Comprises:

<b>Cod - Plaza</b>	<b>Name of the Project</b>	<u>2017</u>	<u>2016</u>
F-0007	Fair Tex Peru <b>(1)</b>	2 124 511	2 757 180
F-0007	Cocoa support network - Ecuador <b>(2)</b>	15 778	105 627
P-1052	Yanaquihua Mining Project <b>(3)</b>	64 815	.-
P-1556	International program coordinator <b>(4)</b>	32 141	.-
P-1315	Sustainable Coffee Program (SCP) <b>(5)</b>	47 099	890
F-0007	Land of sustainable flowers <b>(6)</b>	61 545	56 178
P-1042	Development of the banana chain <b>(7)</b>	4 767	51 608
P-1295	Increase in family income due to organic banana activity, Piura region <b>(8)</b>	58 899	52 721
P-1831	GP & RI Responsible practices in the sectors of the Peruvian and Colombian ASM GOLD <b>(9)</b>	90 786	.-
P-1478	Occupational health and safety initiative in the banana sector	.-	11 698
P-1810	STIP Peru <b>(10)</b>	23 452	.-
P-1821	GP & RI Improving the potential of the Sustainable Trade platform <b>(11)</b>	39 492	.-
P-1930	Sustainable coffee chain in Peru <b>(12)</b>	21 120	.-
P-1315	Sustainable coffee program - ECOM <b>(13)</b>	94 592	127 572
P-1315	Sustainable coffee program - PURPROJECT	.-	358 989
P-1488	EPE Country-Enabling regulatory environment for responsible small-scale mining <b>(14)</b>	19 183	108 104
P-1551	EPE G & C Advocafe: Develop non-competitive collaboration capacity. <b>(15)</b>	24 854	.-
P-1402/1403 /1404/1452	PFC BTB - Improving the potential of the sustainable commercial platform	.-	401 111
F-0007	Ciban <b>(16)</b>	5 114	29 264
P-1808	Rural Horizons <b>(17)</b>	84 940	83 723
		-----	-----
		<b>2 813 088</b>	<b>4 144 665</b>
		=====	=====

- (1) Investment fund for the development of the textile and apparel chain in Peru (US \$ 654,703 in 2017 and US \$ 820,589 in 2016).
- (2) Development program for the cocoa chain in Ecuador (€ 3,999 in 2017 and € 29,333 in 2016).
- (3) Project that serves to strengthen the Pallaqueras, so that they are recognized within the Gold chain (€ 16,430).
- (4) Corresponds to the funds destined to travel, lodging, and food for the international coordinator (€ 8,147).
- (5) IDH Program, which serves to strengthen the Coffee chain in Colombia, working with private companies (US \$ 14,514).
- (6) Project to improve environmental labor conditions in the flower sector in Colombia (€ 15,601 in 2017 and € 15,601 in 2016).
- (7) Project that seeks to improve the competitiveness of the banana production chain, at the level of small producers and workers in the valleys of Chira and San Lorenzo (€ 1,208 in 2017 and € 14,332 in 2016).
- (8) Project that consists of increasing family income through the banana production chain at the level of small producers.
- (9) Project to strengthen the Gold chain in Peru and Colombia (€ 23,013).
- (10) Program that supports the aquaculture chain in Peru (€ 5,945).
- (11) Corresponds to the commodities of the Colombia Project for palm, coffee, sugarcane, banana and meat products (€ 10,011).
- (12) Program that serves to strengthen coffee chain in Peru (€ 5,354).
- (13) Executed by the company ECOM, to accelerate sustainable production at sector level and promote collaboration between local governments and the industry (US \$ 29,150 in 2017 and US \$ 37,968 in 2016).
- (14) Executed by Solidaridad Peru, to increase the productivity of the sector and develop policies that promote the formalization of small-scale mining in Bolivia (€ 4,862 in 2017 and € 30,021 in 2016).
- (15) Project that corresponds to the development of capacities and to adopt policies of smart climate inclusion of gender in the coffee sector (€ 6,300).
- (16) International Banana Congress, was held in Piura, and was organized by Solidaridad Peru on behalf of the Banana Technical Board.
- (17) Executed by Ezio Varese (Peru) and Andrea Olivar (Colombia), for the creation of a tool for coffee valuation in Peru and Colombia (€ 21,531 in 2017 and € 23,250 in 2016).

## 11. OTHER ACCOUNTS PAYABLE

Comprises:

	<u>2017</u>	<u>2016</u>
Taxes payable	40 599	45 821
Remuneration and vacations payable	179 955	208 924
Compensation for time of service	18 244	18 446
Funds to reimburse projects	542 145	248 138
Consulting from abroad	137 059	51 996
Other accounts payable	66 547	58 266
	-----	-----
	<b>984 549</b>	<b>631 591</b>
	=====	=====

## 12. INSTITUTIONAL EQUITY

It is constituted by the accumulated result of the management of SOLIDARIDAD and is derived mainly from provisions for depreciation and exchange differences.

## 13. INCOME FROM PROJECT MANAGEMENT

Comprises:

	S/	2017 Eq .US\$	S/	2016 Eq. US\$
Fair Tex Perú	538 441	165 929	401	119
Cocoa Support Network - Ecuador	89 881	27 698	-.-	-.-
Funds for coffee in Latin America (Hivos Int)	-.-	-.-	35 229	10 485
Peru Project	368 904	113 684		
Training network for small producers of sustainable bananas	46 518	14 335	57 384	17 078
MSM Yanaquihua Project	44 295	13 650	340 088	101 217
Madre de Dios ASM Project-Coffee Grower Improvement Tools of Coffee workers	-.-	-.-	40 071	11 926
EU Project – Fair Gold	-.-	-.-	341 425	101 615
Sustainable trading platform	-.-	-.-	2 193 514	652 832
Coffee Program	245 701	75 717	1 521 715	452 891
Sustainable coffee program-IDH	140 155	43 191	451 030	134 235
Sustainable coffee program – ECOM	361 837	111 506	507 444	151 018
Sustainable coffee program – TECHNOSERVE	18 999	5 855	78 144	23 256
Sustainable coffee program – PURPROJECT	498 176	153 521	945 269	281 317
Sustainable coffee program – CAFEXPORT	-.-	-.-	153 492	45 680
Sustainable coffee program – CARCAFE	224 814	69 280	859 871	255 903
Sustainable coffee program – NESCAFE	327 177	100 825	1 402 689	417 448
Sustainable coffee program – LDC	128 924	39 730	103 223	30 720
Creation of a platform for responsible Mining in LA	-.-	-.-	133 543	39 743
Increase in family income due to the activity of organic bananas, Piura region	404 818	124 751	585 950	174 382
Occupational health and safety initiative in the banana sector	11 533	3 554	81 469	24 245
Adaptation of the rural horizon in the context of sugarcane in Colombia	-.-	-.-	7 109	2 116
Study of the potential to improve low carbon agriculture and forest investment in the Peruvian Amazon	158 260	48 770	417 169	124 152
International program coordinator	-.-	-.-	29 463	8 769
Colombia: Land of sustainable flowers	-.-	-.-	49 996	14 880
EPE Country-Normative environment conducive to small-scale responsible mining	472 334	145 557	166 383	49 517
EPE G&C-Advocafe: Develop non-competitive collaboration capacity	320 482	98 762	236 997	70 532
DSO IPC Coffee	141 910	43 732	151 910	45 209
PFC BTB: Improving the potential of the sustainable trade platform	371 841	114 589	601 803	179 100
Ciban	24 150	7 442	46 720	13 904
Rural Horizons	197 122	60 746	223 222	66 432
Seefood Trade Intelligence Portal -STIP	30 918	9 528	19 435	5 784
GP&RI: Responsible practices in the Peruvian and Colombian ASM gold sectors	496 498	153 004	-.-	-.-
GP&RI - Improving the potential of the Sustainable Trade Platform	1 163 993	358 704	-.-	-.-
Improvement of SAM Capacity	328 728	101 303	-.-	-.-
Improvement of SAM Gender Ability	26 479	8 160	-.-	-.-
Sustainable coffee chain in Peru	20 062	6 182	-.-	-.-
Global Coffee Platform Colombia	928 968	286 277	-.-	-.-
Consulting (Kering, Yanaquihua, Centrocafe)	79 081	24 370	-.-	-.-
Nestle Colombia	309	95	-.-	-.-
	<b>8 211 308</b>	<b>2 530 447</b>	<b>11 782 158</b>	<b>3 506 505</b>

#### 14. OTHER INSTITUTIONAL INCOME

Comprises:

	<u>2017</u>		<u>2016</u>	
	S/	US\$	S/	US\$
Coffee knowledge and carbon REDD + Peru	--	--	40 765	12 132
Coffee knowledge and carbon REDD + Colombia	--	--	51 343	15 280
Sustainable trade platform	--	--	128 307	38 185
MSM Yanaquihua Project	--	--	17 465	5 198
Increase in family income due to the activity of organic bananas	--	--	31 603	9 405
Own income	--	--	148 221	44 111
Colombia: Land of sustainable flowers	--	--	9 197	2 737
Study of the potential to improve low carbon agriculture and forest investment in the Peruvian Amazon	--	--	16 919	5 035
EPE Country-Normative environment conducive to small-scale responsible mining	24 510	7 553	17 521	5 214
EPE G & C-Advocafe: Develop non-competitive collaboration capacity	21 476	6 618	15 174	4 516
PFC BTB: Improving the potential of the sustainable trade platform	--	--	91 721	27 297
Ciban	--	--	8 442	2 513
Rec Andes	--	--	386 694	115 082
Institutional Expenses	366 592	112 971	--	--
GP & RI: Responsible practices in the Peruvian and Colombian ASM gold sectors	36 856	11 358	--	--
GP & RI - Improving the potential of the Sustainable Trade Platform	72 839	22 446	--	--
IDH - Sustainable Coffee Program in Colombia	3 329	1 026	--	--
Global Coffee Platform Colombia	18 578	5 725	--	--
Other income	--	--	570	169
	<b>544 180</b>	<b>167 697</b>	<b>963 942</b>	<b>286 874</b>
	=====	=====	=====	=====

It corresponds to flexible own income and mainly to the income that SOLIDARIDAD receives for the administration of the projects, which is granted based on a percentage agreed between the donor and SOLIDARIDAD in relation to the expenses incurred in the period.

## 15. MISCELLANEOUS INCOME

Comprises:

	<u>2017</u>		<u>2016</u>	
	S/	US\$	S/	US\$
Other Income	328	101	1 724	513
	-----	-----	-----	-----
	<b>328</b>	<b>101</b>	<b>1 724</b>	<b>513</b>
	=====	=====	=====	=====

## 16. PERSONNEL EXPENSES

Comprises:

	<u>2017</u>		<u>2016</u>	
	S/	US\$	S/	US\$
<b>Director of REC South America:</b>				
Salaries	191 856	58 955	207 088	61 086
Gratifications	38 145	11 719	39 574	11 718
Vacations	16 859	5 177	30 602	9 043
Security and social security	48 693	14 955	48 024	14 193
Training and attention to staff	.-	.-	196	58
	-----	-----	-----	-----
	<b>295 553</b>	<b>90 806</b>	<b>325 484</b>	<b>96 098</b>
	-----	-----	-----	-----
<b>Employees:</b>				
Salaries	881 776	270 886	978 661	289 443
Gratifications	184 072	56 561	189 689	56 178
Vacations	95 695	29 406	84 994	25 159
Bonuses	8 450	2 597	19 285	5 746
Security and social security	219 133	67 316	216 686	64 082
Training and attention to staff	9 401	2 876	37 827	11 107
	-----	-----	-----	-----
	<b>1 398 527</b>	<b>429 642</b>	<b>1 527 142</b>	<b>451 715</b>
	-----	-----	-----	-----
	<b>1 694 080</b>	<b>520 448</b>	<b>1 852 626</b>	<b>547 813</b>
	=====	=====	=====	=====



## 17. SERVICES PROVIDED BY THIRD PARTIES

Comprises:

	<u>2017</u>		<u>2016</u>	
	<u>S/</u>	<u>US\$</u>	<u>S/</u>	<u>US\$</u>
Travel expenses	325 653	99 972	414 870	122 495
Mail and telecommunications	4 130	1 267	22 760	6 728
Viatical	13 611	4 175	98 665	29 188
Fees, commissions and brokerage	973 414	298 126	1 581 870	467 593
Maintenance and repair	22 663	6 946	43 505	12 904
Rentals	217 511	66 804	267 060	78 861
Other services	189 997	58 298	488 624	144 164
	-----	-----	-----	-----
	<b>1 746 979</b>	<b>535 588</b>	<b>2 917 354</b>	<b>861 933</b>
	=====	=====	=====	=====

## 18. MISCELLANEOUS MANAGEMENT CHARGES

Comprises:

	<u>2017</u>		<u>2016</u>	
	<u>S/</u>	<u>US\$</u>	<u>S/</u>	<u>US\$</u>
Diverse donations	4 481 875	1 375 354	7 629 118	2 239 962
Tools and articles				
Toilet and communications	18 735	5 736	30 973	9 170
Various insurance	20 962	6 438	25 876	7 659
Assets and Other				
Assets minors	17 728	5 423	39 063	11 539
Expenses of representation	2 952	899	1 900	562
Other loads of management	109 422	33 671	230 289	67 895
Fertilizers and seeds	33 848	10 397	80 461	24 176
Fuel	32 049	9 837	37 430	11 071
	-----	-----	-----	-----
	<b>4 717 571</b>	<b>1 447 755</b>	<b>8 075 110</b>	<b>2 372 034</b>
	=====	=====	=====	=====

## **19. TAX SITUATION**

### **Income tax**

SOLIDARIDAD is exempt from the payment of Income Tax, since may 01, 2004, being registered in the Register of Exempt Entities of Income Tax and in Registration of Entities Receiving Donations deductible from Income Tax, the Superintendencia Nacional de Administración Tributaria.

### **General Sales Tax - GST**

SOLIDARIDAD is registered in the National Registry of Foreign Institutions and Institutions of International Technical Cooperation (ENIEX), until November 10, 2019, according to Directorial Resolution N° 650-2017 / APCI-DOC, which was issued on November 10, 2017.

SOLIDARIDAD is unaffected by the GST for donations of material received from the Cooperator as indicated in article 2, paragraph k) of the Consolidated Text of the General Sales Tax and Selective Consumption Tax Law, approved by Supreme Decree N° 055 - 99 EF.

For the fiscal year 2017, SOLIDARIDAD did not obtain a refund of I.G.V and IPM, due to any request to APCI.

The Direction of the Organization considers that a possible revision by the Tax Administration will not generate significant liabilities, for which reason it has not considered necessary to constitute a provision in this regard.

## **20. RISK ADMINISTRATION**

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

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

## **21. MODIFICATIONS APPLICABLE TO EXERCISE 2017 AND FOLLOWING**

### **Exemption from Third Category Income Tax**

Law N° 30404 has established that the exonerations included in Article 19 of the TUO of the Income Tax Law will be in force until December 31, 2018. Section m) of the aforementioned article related to private universities is repealed.

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