

STICHTING INTERKERKELIJKE AKTIE VOOR  
LATIJNS AMERIKA - SOLIDARIDAD

Lima – Peru

FINANCIAL STATEMENTS

**2019**

STICHTING INTERKERKELIJKE AKTIE VOOR  
LATIJNS AMERIKA - SOLIDARIDAD

Lima - Peru

**REPORT ON THE REVIEW OF  
FINANCIAL STATEMENTS**

for the years ended on

December 31, 2019 and 2018

## 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.

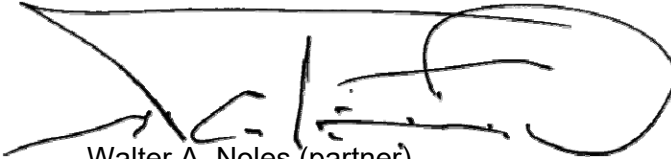
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 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**



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

# STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

## STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2019 AND 2018

(In Soles)

	<u>ASSETS</u>		<u>LIABILITIES AND EQUITY</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Current Assets:</b>			<b>Current liabilities:</b>	
Cash and cash equivalents (Note 4)	1 682 621	554 976	Trade accounts payable (Note 9)	22 976
Trade accounts receivable	41 078	--	Accounts to be executed from projects (Note 10)	3 962 620
Accounts receivable to related (Note 5)	--	51 754	Other accounts payable (Note 11)	648 842
Accounts receivable from projects (Note 6)	1 739 299	2 268 041		
Miscellaneous accounts receivable (Note 7)	400 083	136 346		
<b>Total current assets</b>	<b>3 863 081</b>	<b>3 011 117</b>	<b>Total liabilities</b>	<b>4 634 438</b>
<b>Non current assets:</b>			<b>Institutional Equity (Note 12)</b>	
Accounts receivable to related (Note 5)	--	--	Retained earnings	( 59 542)
Miscellaneous accounts receivable (Note 7)	548 303	675 821		17 220
Installations, furniture and equipment, net (Note 8)	163 512	204 227		
<b>Total non-current assets</b>	<b>711 815</b>	<b>880 048</b>	<b>Total equity</b>	<b>( 59 542)</b>
<b>TOTAL ASSETS</b>	<b>4 574 896</b>	<b>3 891 165</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4 574 896</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, 2019 AND 2018

(In Soles)

	<b>2 0 1 9</b>	<b>2 0 1 8</b>
<b>INCOME</b>		
Income from project management (Note 13)	7 356 010	6 464 503
Other institutional income (Note 14)	581 689	719 105
Miscellaneous income (Note 15)	107 580	23 046
	<b>8 045 279</b>	<b>7 206 654</b>
<b>EXPENSES</b>		
Personnel expenses (Note 16)	(2 229 758)	(1 598 279)
Services provided by third parties (Note 17)	(3 124 586)	(2 229 354)
Taxes	( 3 791)	( 3 731)
Miscellaneous operational expenses (Note 18)	(2 569 412)	(3 326 420)
Provisions	( 68 146)	( 63 854)
	<b>(7 995 693)</b>	<b>(7 221 638)</b>
Difference in change, net	( 126 787)	( 128 626)
	<b>( 77 201)</b>	<b>( 143 610)</b>

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

STICHTING INTERKERKELIJKE AKTIE  
VOOR LATIJNS AMERIKA - SOLIDARIDAD

**STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED AS OF DECEMBER 31, 2019 AND 2018**

(In Soles)

	<b><u>RETAINED EARNINGS</u></b>	<b><u>TOTAL EQUITY</u></b>
<b>Balance as of December 31, 2017</b>	<b>115 519</b>	<b>115 519</b>
Fixed asset adjustment	45 311	45 311
Deficit for the year 2018	( 143 610)	( 143 610)
	<hr/>	<hr/>
<b>Balance as of December 31, 2018</b>	<b>17 220</b>	<b>17 220</b>
Adjustment from previous years	439	439
Deficit for the year 2019	( 77 201)	( 77 201)
	<hr/>	<hr/>
<b>Balance as of December 31, 2019</b>	<b>( 59 542)</b>	<b>( 59 542)</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, 2019 AND 2018**

(In Soles)

	<b>2019</b>	<b>2018</b>
<b>OPERATING ACTIVITIES</b>		
Income from project execution	7 570 080	7 183 608
Other charges	284 190	307 181
Donations to entities	(1 812 442)	(2 363 754)
Goods and service suppliers	(2 699 805)	(2 517 180)
Remuneration and social benefits	(2 170 700)	(1 646 129)
Other payments	( 140 282)	(1 427 178)
	<b>1 031 041</b>	<b>( 463 452)</b>
<b>INVESTMENT ACTIVITIES</b>		
Purchase of fixed assets	( 30 915)	( 17 289)
Loan to Oro Blanco	--	89 461
Loan to Textil Incaholland S.A.C./Franky Ricky S.A.	127 519	54 672
	<b>96 604</b>	<b>126 844</b>
	<b>1 127 645</b>	<b>( 336 608)</b>
Cash balance at the beginning of the year	554 976	891 584
	<b>1 682 621</b>	<b>554 976</b>
	<b>1 682 621</b>	<b>554 976</b>



	<u>2 0 1 9</u>	<u>2 0 1 8</u>
<b>RECONCILIATION OF SURPLUS (DEFICIT) WITH CASH AND CASH EQUIVALENTS FROM (USED IN) OPERATING ACTIVITIES</b>		
Deficit of the year	( 77 201)	( 143 610)
<b>Net Income Adjustment according to the Statement of Financial Position:</b>		
Depreciation for the year	68 146	63 853
Fixed asset down	3 484	4 119
Social benefits	147 330	110 598
<b>Debits and credits for net changes in the assets and liabilities:</b>		
Accounts receivable from projects	287 185	307 181
Other accounts receivable	( 13 011)	--
Prepaid expenses	( 5 348)	( 5 398)
Trade accounts payable	17 827	1 306
Other accounts payable	156 317	( 158 448)
Projects to be executed	446 312	( 643 053)
<b>Cash and cash equivalents from (used in) operating activities</b>	<b><u>1 031 041</u></b>	<b><u>( 463 452)</u></b>

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

# STICHTING INTERKERKELIJKE AKTIE VOOR LATIJS AMERIKA - SOLIDARIDAD

## **NOTES TO THE FINANCIAL STATEMENTS**

(In Soles)

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

**STICHTING INTERKERKELIJKE AKTIE VOOR LATIJS AMERIKA - SOLIDARIDAD**, is a Civil Organization that is not for profit, it is part of the 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 Public Record Office of 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 PERU is part of the REC (Regional Expertise Center) Solidaridad South America (REC SAM), currently working six development programs (coffee, cocoa, gold, palm oil, fruit, 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 2019 have been approved by the Direction of SOLIDARIDAD and will be sent to its offices in the Netherlands. The financial statements for the year 2018 were forwarded to their offices in the Netherlands on March 28, 2019.

## **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).

#### **Going concern entity**

When preparing the financial statements, the Directorate 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 Directorate of the Organization draws up the financial statements applying the accrual basis, recognizing as assets, liabilities, net equity, 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 Directorate 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 Directorate 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 Directorate 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 Directorate 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 Directorate 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**

Miscellaneous furniture and 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. 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**

Income from subsidies constitutes the amount equivalent to the payments made by Solidaridad in the execution of the operational plans and the annual budgets of the projects that it executes according to the financing agreements signed with different cooperating entities. These incomes are recognized in the Statement of Income and Expenses and Changes in the Organization equity, 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 the mentioned differences.

### 3. TRANSACTIONS IN FOREIGN CURRENCY

The following are the balances in US Dollars (US \$) and Euros (€) as of December 31, 2019 and 2018:

	<u>2019</u> <u>US \$</u>	<u>2019</u> <u>€</u>	<u>2018</u> <u>US \$</u>	<u>2018</u> <u>€</u>
<b>Assets:</b>				
Cash and cash equivalents	113 844	197 224	37 718	116 282
Trade accounts receivable	12 407	--	--	--
Accounts receivable from projects	15 000	367 642	38 342	497 142
Miscellaneous accounts receivable	187 277	--	205 983	--
	<u>328 528</u>	<u>564 866</u>	<u>282 043</u>	<u>613 424</u>
<b>Liabilities:</b>				
Trade accounts payable	2 426	--	130	--
Accounts to execute projects	669 013	311 117	654 930	115 645
Other accounts payable	48 894	80 623	156 159	73 423
	<u>720 333</u>	<u>391 740</u>	<u>811 219</u>	<u>189 068</u>
<b>Monetary position active (passive), net</b>	<u>(391 805)</u>	<u>173 126</u>	<u>(529 176)</u>	<u>424 356</u>

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>2019</u> <u>US \$</u>	<u>2019</u> <u>€</u>	<u>2018</u> <u>US \$</u>	<u>2018</u> <u>€</u>
1 US\$ purchase exchange rate	3.311	3.652	3.369	3.695
1 US\$ sale exchange rate	3.317	3.877	3.379	4.150

As of December 31, 2019, the Organization recorded a loss for difference in net exchange rate of S/ 126,787 (loss for net exchange difference of S/ 128,626 as of December 31, 2018), which is presented in the item Exchange difference in the Statement of Income and Expenses:

	<u>2019</u>	<u>2018</u>
Gain on exchange difference	1 562 173	676 891
Loss due to exchange difference	(1 688 960)	(805 517)
	<u>(126 787)</u>	<u>(128 626)</u>

#### 4. CASH AND CASH EQUIVALENTS

Comprises:

	<u>2019</u>	<u>2018</u>
Fixed fund	2 100	600
Current accounts (a)	1 648 601	403 906
Savings accounts (b)	31 920	150 470
	-----	-----
	<b>1 682 621</b>	<b>554 976</b>
	=====	=====

(a) Corresponds mainly to dollar accounts dollar US\$ 104,204 and € 197,224 (US \$ -6,945 and € 116,282 in 2018).

(b) Corresponds mainly to dollar accounts for US \$ 9,640 (US \$ 44,663 in 2018).

The Organization maintains accounts in Banco de Credito del Peru 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 2019:</u>				
<b>Non Current (a)</b>				
Agrofair	51 574	--	(51 574)	--
Grupo Hualtaco S.A.C	547 432	--	(107 500)	439 932
(-)Estimation of doubtful collection	( 547 432)	--	107 500	(439 932)
	-----	-----	-----	-----
	<b>51 574</b>	<b>--</b>	<b>(51 574)</b>	<b>--</b>
	=====	=====	=====	=====



<u>RELATED</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DEDUC- TIONS</u>	<u>FINAL BALANCE</u>
<b><u>Year 2018:</u></b>				
<b>Non current (*)</b>				
Agrofair	--	51 574	--	51 574
Oro Blanco S.A	89 461	--	( 89 461)	--
Grupo Hualtaco S.A.C	537 690	9 742	--	547 432
(-)Estimation of doubtful collection	( 538 211)	( 9 221)	--	( 547 432)
	-----	-----	-----	-----
	<b>88 940</b>	<b>52 095</b>	<b>( 89 461)</b>	<b>51 574</b>
	=====	=====	=====	=====

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 for which Solidaridad promotes the development of its production chain.

(\*) In 2018, the balances were considered part of doubtful collection because Grupo Hualtaco S.A.C.; is in the process of liquidation.

## 6. ACCOUNTS RECEIVABLE FROM PROJECTS

	<u>2019</u>	<u>2018</u>
FSLA Colombia – Project PE 01017 and PE 01057	6 226	50 820
REC NL – Reimbursement of expenses	74 673	404 578
REC CAM	2 290	--
FSLA Panama – Latin American Matrix – Project PE 01052 and reimbursement of expenses (a)	619 887	406 406
Coffee Program	--	317 018
Rec Andes	877 911	967 841
Fruit Program	133 542	--
Palma Program	24 770	100 611
IDH	--	20 767
	-----	-----
	<b>1 739 299</b>	<b>2 268 041</b>
	=====	=====

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

## 7. MISCELLANEOUS ACCOUNTS RECEIVABLE

Comprises:

	<u>2019</u>	<u>2018</u>
Loans to staff	3 962	3 943
Deliveries to render	3 058	62
Loan to Lister Ramirez	1 987	1 987
Loan Franky y Ricky S.A (*)	546 315	673 834
Interests Franky y Ricky S.A	597 092	597 092
Deposits in guarantee	327 590	82 229
Balance in favor G.S.T.	23 875	13 859
Insurance paid in advance	41 599	36 253
(-)Estimation of doubtful collection	(597 092)	(597 092)
	-----	-----
	<b>948 386</b>	<b>812 167</b>
Short term	<b>(400 083)</b>	<b>(136 346)</b>
	-----	-----
Long term	<b>548 303</b>	<b>675 821</b>
	=====	=====

(\*) Equivalent to US \$ 165,000 as of December 31, 2019 and US \$ 200,000 as of December 31, 2018.

## 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 2019:</u></b>					
<b>Cost</b>					
Installations	24 074	--	--	24 074	
Transport units	162 554	--	--	162 554	
Furniture and fixtures	52 441	--	(700)	51 741	
Computer equipment	118 700	30 915	(15 970)	133 645	
Miscellaneous equipment	53 961	--	(5 267)	48 694	
	-----	-----	-----	-----	
	<b>411 730</b>	<b>30 915</b>	<b>(21 937)</b>	<b>420 708</b>	
	=====	=====	=====	=====	
<b>Accumulated depreciation</b>					
Installations	( 11 394)	( 858)	--	( 12 252)	<b>20</b>
Transport units	( 65 062)	( 29 851)	--	( 94 913)	<b>5</b>
Furniture and fixtures	( 37 438)	( 5 209)	526	( 42 121)	<b>10</b>
Computer equipment	( 62 866)	( 26 967)	14 544	( 75 289)	<b>4</b>
Miscellaneous equipment	( 30 743)	( 5 261)	3 383	( 32 621)	<b>10</b>
	-----	-----	-----	-----	
	<b>(207 503)</b>	<b>(68 146)</b>	<b>18 453</b>	<b>(257 196)</b>	
	=====	=====	=====	=====	
	<b>204 227</b>			<b>163 512</b>	
	=====			=====	

<u>CONCEPT</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DEDUC- TIONS</u>	<u>FINAL BALANCE</u>	<u>RATE %</u>
<b><u>Year 2018:</u></b>					
<b>Cost</b>					
Installations	24 074	--	--	24 074	
Transport units	173 969	--	(11 415)	162 554	
Furniture and fixtures	52 441	--	--	52 441	
Computer equipment	104 341	17 289	(2 930)	118 700	
Miscellaneous equipment	53 961	--	--	53 961	
	<b>408 786</b>	<b>17 289</b>	<b>(14 345)</b>	<b>411 730</b>	
<b>Accumulated depreciation</b>					
Installations	(10 190)	( 1 204)	--	( 11 394)	<b>20</b>
Transport units	(51 765)	( 33 333)	20 036	( 65 062)	<b>5</b>
Furniture and fixtures	(40 301)	( 5 524)	8 387	( 37 438)	<b>10</b>
Computer equipment	(67 246)	( 24 917)	29 297	( 62 866)	<b>4</b>
Miscellaneous equipment	(32 462)	( 5 993)	7 712	( 30 743)	<b>10</b>
	<b>(201 964)</b>	<b>(70 971)</b>	<b>65 432</b>	<b>(207 503)</b>	
	<b>206 822</b>			<b>204 227</b>	

## 9. TRADE ACCOUNTS PAYABLE

Comprises:

	<u>2019</u>	<u>2018</u>
Invoices payable	18 000	5 585
Fees payable	4 976	--
	<b>22 976</b>	<b>5 585</b>

## **10. ACCOUNTS TO BE EXECUTED FROM PROJECTS**

Comprises:

<b>Cod - Plaza</b>	<b>Name of the Project</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
F-0007	Fair Tex Peru	2 171 428	2 212 018
P-1556	International program coordinator	14 547	15 572
P-1315	Sustainable Coffee Program (SCP)	-.-	892
P-2095	Norad II – Peru	679 464	-.-
P-1831	GP&RI Responsible practices in the sectors of the Peruvian and Colombian ASM GOLD	104 990	101 119
P-1821	GP&RI Improving the potential of the Sustainable Trade platform	165 619	128 508
P-1488	EPE País- Country-Enabling regulatory environment for responsible small-scale mining	221 853	122 287
P-1551	EPE G&C Advocafe: Develop non-competitive collaboration capacity.	19 725	81 456
P-1556	IPC Coffee	-.-	882
P-2088	Cafe Colombia	-.-	97
P-2036	Innovate Palma Peru	278 644	11 702
P-2131	Fortalecimiento del Cluster de Banano Orgánico en Piura	258 661	
C-2003	ERDBE (Estrategia de Desarrollo de Bajo en Emisiones)	9 332	-.-
C-1826	DMNEM (Desarrollo de Modelo de Negocio de Escalas Minera)	38 357	-.-
P-2067	Empowering smallholder of Rios del Inka assoc with smart climate coffee	-.-	30 104
		<b>-----</b>	<b>-----</b>
		<b>3 962 620</b>	<b>2 704 637</b>
		<b>=====</b>	<b>=====</b>

## **11. OTHER ACCOUNTS PAYABLE**

Comprises:

	<b><u>2019</u></b>	<b><u>2018</u></b>
Taxes payable	47 015	44 563
Remuneration and vacations payable	174 549	130 664
Compensation for time of service	26 439	17 236
Funds to reimburse projects	12 640	707 461
Consultancy from abroad	136 317	208 194
Miscellaneous accounts payable	251 882	55 605
	<b>-----</b>	<b>-----</b>
	<b>648 842</b>	<b>1 163 723</b>
	<b>=====</b>	<b>=====</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:

	<u>2019</u>		<u>2018</u>	
	<u>S/</u>	<u>Eq. US\$</u>	<u>S/</u>	<u>Eq. US\$</u>
Fair Tex Peru	212	64	293	87
Cocoa Support Network – Ecuador	--	--	14 768	4 371
Peru Project	--	--	252 015	74 583
Training network for small producers of sustainable bananas	--	--	4 440	1 314
MSM Yanaquihua Project	--	--	60 911	18 026
Coffee Program	--	--	253 402	74 993
Sustainable coffee program-IDH	26 418	7 964	96 557	28 653
Sustainable coffee program – ECOM	135 050	40 715	558 564	165 746
Sustainable coffee program – CARCAFE	--	--	41 997	12 462
Sustainable coffee program – LDC	35 606	10 734	149 109	44 246
Increase in family income due to the activity of organic bananas, Piura region	--	--	57 738	17 087
Occupational health and safety initiative in the banana sector	--	--	344 169	101 855
Colombia: Land of sustainable flowers	--	--	59 077	17 484
EPE Country-Normative environment conducive to small-scale responsible mining	485 469	146 358	435 575	128 906
EPE G&C-Advocafe: Develop non-competitive collaboration capacity	443 362	133 663	397 002	117 491
DSO IPC Coffee	154 962	46 718	157 076	46 486
Ciban	--	--	22 706	6 720
Rural Horizons	--	--	88 121	26 079
GP&RI Responsible practices in the Peruvian and Colombian ASM gold sectors	482 330	145 411	536 492	158 772
GP&RI - Improving the potential of the Sustainable Trade Platform	1 300 238	391 992	1 149 589	340 216
Improvement of SAM Capacity	499 582	150 613	643 150	190 337
Sustainable coffee chain in Peru	--	--	19 913	5 893
Global Coffee Platform Colombia	--	--	304 357	90 342
Consultancy (Kering, Yanaquihua, Centrocafe)	--	--	18 493	5 473
Nestle Colombia	--	--	159 178	47 269
Own income	42 479	12 807	144 778	42 893
Henkel Colombia	132 807	40 038	186 803	55 284
Empowering smallholder of Rios del Inka assoc with smart climate coffee	75 873	22 874	43 660	12 921
Norad II Peru	1 710 836	515 778	115 741	34 253
Innovate Palma Peru	381 645	115 057	148 829	44 045
Fortalecimiento del Cluster de Banano Orgánico en Piura	573 571	172 919	--	--
ERDBE - Estrategia de Desarrollo de Bajo en Emisiones	219 483	66 169	--	--
CUSAF (Cesión en uso en sistemas agroforestales (PARA))	214 478	64 660	--	--
DMNEM - Desarrollo de Modelo de Negocio de Escalas Minera	94 380	28 453	--	--
Palma Program	273 894	82 573	--	--
Circular Coffee from Peru: creating value across the chain	73 335	22 109	--	--
	<b>7 356 010</b>	<b>2 217 669</b>	<b>6 464 503</b>	<b>1 914 287</b>

#### 14. OTHER INSTITUTIONAL INCOME

Comprises:

	<u>2019</u>		<u>2018</u>	
	S/	US\$	S/	US\$
EPE Pais - Country-Normative environment conducive to small-scale responsible mining	37 046	11 169	33 581	9 938
EPE G&C - Advocafe: Develop non-competitive collaboration capacity	21 283	6 416	49 538	14 661
Institutional Expenses	417 235	125 787	373 320	110 482
GP&RI Responsible practices in the Peruvian and Colombian ASM gold sectors	31 223	9 413	45 532	13 475
GP&RI - Improving the potential of the Sustainable Trade Platform	74 115	22 344	102 500	30 334
IDH - Sustainable Coffee Program in Colombia	787	237	1 983	587
Global Coffee Platform Colombia	--	--	35 932	10 634
Improvement of SAM Capacity	--	--	32 480	9 612
Nestle Colombia	--	--	44 239	13 092
	-----	-----	-----	-----
	<b>581 689</b>	<b>175 366</b>	<b>719 105</b>	<b>212 815</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>2019</u>	<u>2018</u>
	S/	S/
Recovery of doubtful accounts	107 500	21 876
Other Income	80	1 170
	-----	-----
	<b>107 580</b>	<b>23 046</b>
	=====	=====

## 16. PERSONNEL EXPENSES

Comprises:

	<u>2019</u>		<u>2018</u>	
	S/	US\$	S/	US\$
<b>Director of REC South America:</b>				
Salaries	212 341	63 538	184 163	55 941
Gratifications	40 148	12 011	38 604	11 727
Vacations	20 001	5 971	18 069	5 498
Security and social security	47 142	14 086	45 473	13 786
	-----	-----	-----	-----
	<b>319 632</b>	<b>95 606</b>	<b>286 309</b>	<b>86 952</b>
	-----	-----	-----	-----
<b>Legal representatives:</b>				
Salaries	530 646	158 725	387 619	117 884
Gratifications	111 872	33 491	78 525	23 856
Vacations	61 018	18 273	35 831	10 894
Security and social security	117 404	35 117	102 654	31 270
Training and attention to staff	-.-	-.-	2 829	864
	-----	-----	-----	-----
	<b>820 940</b>	<b>245 606</b>	<b>607 458</b>	<b>184 768</b>
	-----	-----	-----	-----
<b>Employees:</b>				
Salaries	696 794	208 252	442 675	134 508
Gratifications	127 268	38 048	89 477	27 170
Vacations	63 909	19 108	42 693	12 975
Bonuses	10 000	3 015	2 100	654
Security and social security	178 337	53 319	114 718	34 765
Training and attention to staff	12 878	3 844	12 850	3 877
	-----	-----	-----	-----
	<b>1 089 186</b>	<b>325 586</b>	<b>704 512</b>	<b>213 950</b>
	-----	-----	-----	-----
	<b>2 229 758</b>	<b>666 798</b>	<b>1 598 279</b>	<b>485 670</b>
	=====	=====	=====	=====

## 17. SERVICES PROVIDED BY THIRD PARTIES

Comprises:

	<u>2019</u>		<u>2018</u>	
	<u>S/</u>	<u>US\$</u>	<u>S/</u>	<u>US\$</u>
Travel expenses	693 339	209 026	603 989	182 665
Mail and telecommunications	20 193	6 088	13 347	4 051
Per diem	35 894	10 821	17 144	5 171
Fees, commissions and brokerage	1 529 365	461 069	1 082 563	328 541
Maintenance and repair	30 563	9 214	15 178	4 623
Rentals	175 492	52 907	230 922	70 153
Other services	639 740	192 867	266 211	80 624
	-----	-----	-----	-----
	<b>3 124 586</b>	<b>941 992</b>	<b>2 229 354</b>	<b>675 828</b>
	=====	=====	=====	=====

## 18. MISCELLANEOUS OPERATIONAL EXPENSES

Comprises:

	<u>2019</u>		<u>2018</u>	
	<u>S/</u>	<u>US\$</u>	<u>S/</u>	<u>US\$</u>
Miscellaneous donations	1 921 020	579 144	3 049 600	926 533
Supplies and toiletries and communications	17 263	5 204	11 766	3 587
Various insurance	16 829	5 074	14 246	4 330
Goods and other minor assets	73 041	22 020	6 970	2 118
Expenses of representation	5	2	391	120
Other operational expense	214 515	64 671	211 955	64 503
Fertilizers and seeds	305 499	92 101	9 520	2 957
Fuel	21 240	6 403	21 972	6 670
	-----	-----	-----	-----
	<b>2 569 412</b>	<b>774 619</b>	<b>3 326 420</b>	<b>1 010 818</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 National Superintendence of Tax Administration.

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

SOLIDARIDAD is registered in the National Registry of Foreign Entities and Institutions for International Technical Cooperation (ENIEX), indefinitely, which was communicated with a letter dated October 18, 2019.

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 2019, SOLIDARIDAD did not obtain a refund of G.S.T. 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. RISKS 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. EVENTS OCCURRED AFTER THE REPORTING PERIOD**

From December 31 to the date of this report, no event has occurred that significantly affects the financial statements for the year then ended.

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