

Fundación Solidaridad Latinoamericana

Independent Auditors' Report
and Financial Statements

For the year ended December 31, 2021

Fundación Solidaridad Latinoamericana

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Fundación Solidaridad Latinoamericana, which includes the statement of financial position as of December 31, 2021, and the related statements of income and expenses, changes in net funds and cash flows, for the year ended on that date, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial situation of Fundación Solidaridad Latinoamericana. as of December 31, 2021, with the financial performance and cash flows for the year ended on that date, of compliance with the International Financial Reporting Standards for Small and Midium-sized Entities (IFRS for SMEs).

Basis for Opinion

We conducted our audit in accordance with international Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of Financial Statements of our report*. We are independent of Fundación Solidaridad Latinoamericana in accordance with the ethical requirements, which that are relevant to our audit of the financial statements in the Republic of Panama, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing these financial statements, management is responsible for assessing the Foundation ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of these financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In compliance with Law No.280 of December 30, 2021, which regulates the profession of Certified Public Accountant in the Republic of Panama, we declare the following:

- That the direction, execution and supervision of this audit work has been carried out physically in Panamanian territory.
- The audit partner who has prepared this independent auditor's report is Gabriel A. Holness with the suitability number of Certified Public Accountant No.8935.
- The work team received in the audit, to which this report refers, is made up of Gabriel A. Holness, partner in charge, and Jonathan Yanis, manager in charge.



June 6, 2022
Panama, Republic of Panama



Gabriel A. Holness
CPA 8935

Fundación Solidaridad Latinoamericana

Statement of Financial Position

December 31, 2021

(Stated in USD)

ASSETS	Notes	2021	2020
Current assets			
Cash	4	3,550,006	3,055,812
Accounts receivable, related parties	5	10,000	10,000
Cash advances	6	1,208,199	800,858
Others assets	7	12,354	12,212
Total current assets		<u>4,780,559</u>	<u>3,878,882</u>
Non current assets			
Furniture and equipment	8	2,868	-
Total assets		<u>4,783,427</u>	<u>3,878,882</u>
LIABILITIES AND NET FUND			
Current liabilities			
Trade accounts payable	9	1,349,499	918,785
Projects to be executed	10	4,127,851	3,624,255
Total liabilities		<u>5,477,350</u>	<u>4,543,040</u>
Non current liabilities			
Projects to executed - long term	10	472,538	472,538
Total liabilities		<u>5,949,888</u>	<u>5,015,578</u>
Net funds:			
Contribution of the Founders	11	10,000	10,000
Cumulative excess of expenditures over income	12	(638,160)	(897,826)
Accumulated other comprehensive loss		(538,301)	(248,870)
Total net funds		<u>(1,166,461)</u>	<u>(1,136,696)</u>
Total liabilities and net funds		<u>4,783,427</u>	<u>3,878,882</u>

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

Fundación Solidaridad Latinoamericana

Statement of Income and Expenses

For year ended December 31, 2021

(Stated in USD)

	Notes	2021	2020
Income			
Income from companies	13	2,334,370	1,890,208
Income from government grants	13	89,067	342,134
Income from non-profit organisations	13	1,899,437	809,750
Income from consultancy services	13	373,937	-
Income solidaridad entities	13	4,409,406	6,006,406
Other income	13	56,717	11,002
Total income		<u>9,162,934</u>	<u>9,059,500</u>
Expenses			
Program expenses	14	1,463,820	2,041,290
Expenses on solidaridad entities	14	329,565	810,949
Communication expenses	14	212,157	85,278
Employee expenses	14	5,519,421	4,823,878
Travel and living expenses	14	466,909	421,682
Professional fees	14	72,799	189,640
Office expenses	14	756,568	664,717
Depreciation expenses	8, 14	11	-
Loss (gain) on foreign currency	14	82,018	(185,299)
Total expenses		<u>8,903,268</u>	<u>8,852,135</u>
Income over expenses		<u>259,666</u>	<u>207,365</u>
Other comprehensive loss:			
Loss on foreign currency	15	<u>289,431</u>	<u>118,968</u>
Total comprehensive (expenses over income) income over expenses		<u>(29,765)</u>	<u>88,397</u>

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

Fundación Solidaridad Latinoamericana

Statement of Changes in Net Funds For year ended December 31, 2021

(Stated in USD)

	<u>Contribution of the Founder</u>	<u>Cumulative excess of expenses over income</u>	<u>Accumulated other comprehensive loss</u>	<u>Total net funds</u>
Balance as of December 31, 2019	10,000	(1,105,191)	(129,902)	(1,225,093)
Income over expenses - 2020	-	207,365	(118,968)	88,397
Balance as of December 31, 2020	10,000	(897,826)	(248,870)	(1,136,696)
Income over expenses - 2021	-	259,666	(289,431)	(29,765)
Balance as of December 31, 2021	10,000	(638,160)	(538,301)	(1,166,461)

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

Fundación Solidaridad Latinoamericana

Statement of Cash Flows For year ended December 31, 2021

(Stated in USD)

	Notes	2021	2020
Cash flows from operating activities:			
Income over expenses		259,666	207,365
Adjustments for:			
Other comprehensive loss	15	(289,431)	(118,968)
Depreciation expenses	8	11	-
Chages in operating assets and liabilities:			
Cash advances		(407,341)	(209,620)
Projects paid in advance		-	7,113
Other assets		(142)	(94)
Trade accounts payable		430,714	331,704
Projects to be executed		503,596	158,048
Net cash provided by operating activities		<u>497,073</u>	<u>375,548</u>
Cash flow from investing activities:			
Acquisition of furniture and equipment	8	<u>(2,879)</u>	-
Cash flows used in investing activities		<u>(2,879)</u>	-
Net increase in cash		494,194	375,548
Cash at the beginnig of the year		<u>3,055,812</u>	<u>2,680,264</u>
Cash at the end of the year	4	<u>3,550,006</u>	<u>3,055,812</u>

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

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended December 31, 2021

(Stated in USD)

1. Incorporation and nature of business

Incorporation

Fundación Solidaridad Latinoamericana (the Foundation) is a Private Interest Foundation organized under the laws of the Republic of Panama by public deed No.2494 of March 5, 2009, duly recorded in the Panama Public Registry. The Foundation began its operations on June 1, 2009.

Members of the Board of the Foundation are:

President	Gonzalo la Cruz
Vice-President	Michaelyn Bachhuber Baur
Secretary	Silvia Gallo

Nature of the business

The Foundation's objectives are to promote sustainable development and fair trade in Latin America, to hold, manage, invest, dispose and distribute the Foundation's assets for the benefit, support, maintenance and advancement of beneficiaries as provided in this charter or regulations.

The financial statements were approved by the Members of the Foundation Council on June 6, 2022.

2. Basis of presentation

The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs).

Basis of measurement

The financial statements have been prepared under the historical cost basis.

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended December 31, 2021

(Stated in USD)

Functional and presentation currency

The financial statements are expressed in United States Dollars (USD) for their reporting purposes. The functional currency of the Foundation is Euros, the conversion at the exchange rates at the end of the year of monetary assets and liabilities denominated in foreign currency, as well as the exchange difference originated by the restatement of the local currencies of the headquarters abroad, for the purposes of consolidating their accounting with the accounting of Fundación Solidaridad Latinoamericana Panamá (as parent Foundation) in dollars, are recognized in the results of the period in which the aforementioned differences occur.

Changes in accounting policies

The International Accounting Standards Board (IASB) published amendments to the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) in May 2015. Entities that prepare their financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) are required to report that they apply the amendments to annual periods beginning on or after January 1, 2017.

There were no new standards, interpretations and amendments effective for the first time for periods beginning on or after January 1, 2021.

with which they relate, regardless of when they are collected.

3. Summary of significant accounting policies

A summary of the principal accounting policies applied in the preparation of financial statements is presented below. The accounting policies are consistent with those used in the previous year.

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended December 31, 2021

(Stated in USD)

Use of estimates

In the preparation of financial statements, management has made certain accounting estimates and assumptions, and has used a formal criterion in the process of applying the accounting policies, that affect the presentation of its assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported figures in the income statement during the year. The related estimates and assumptions are based on circumstances, that give as a result the basis on which the book value of some assets and liabilities are established, that cannot be determined another way. Actual results may differ from these estimates.

The estimates and assumptions made by Management that are particularly susceptible to significant changes in the future are related with the useful life of fixed assets and the employee benefits.

Cash

For the purposes of the statement of cash flows, the Foundation considers all cash accounts which are not subject to withdrawal restrictions.

Cash advances

The Foundation maintains a policy to receive cash advances which are discounted at the time of use.

Furniture and equipment

Furniture and equipment are recorded at cost, less accumulated depreciation. Significant renewals and additions are capitalized, while minor replacement, repair and maintenance, which do not improve the asset or extend the useful life, are recorded as expense when incurred.

Depreciation – Depreciation is computed by the straight-line method, over the estimated useful life of the asset, as follows:

	<u>Years</u>
Furniture and equipment	3 and 5

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended December 31, 2021

(Stated in USD)

Project assets and liabilities accounts

These items record the receivables and payables to the institutions from which the financing for project execution is received. These accounts receivable and payable are related to the funds pending repayment by the sources of financing and to the funds pending execution and surrender by the Foundation, respectively.

Income

Donations are the amount equivalent to the payments made by the Foundation in the execution of the operational plans and the annual budgets of the projects that it executes according to the financing agreements signed with different cooperating entities. These incomes are recognized in the Statement of Profit and Losses and Changes in Equity, simultaneously with the execution of the related discharge.

Other income from training services and any other contributions from mediators or other services of the Foundation are recognized as they accrue and in the periods with which they relate, regardless of when they are collected

Expenses

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

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended December 31, 2021

(Stated in USD)

4. Cash

Cash include bank checking accounts in the following regions:

	2021	2020
<i>South America:</i>		
Brazil	965,437	1,026,350
Colombia	901,602	71,980
Panama (A)	266,184	481,610
Paraguay	238,418	528,972
Argentina	7,966	10,962
	<u>2,379,607</u>	<u>2,119,874</u>
<i>Central America</i>		
Panama (A)	801,715	684,227
Guatemala	243,421	210,965
Honduras	78,261	35,671
Mexico SdRL	27,444	-
Mexico	19,558	5,075
	<u>1,170,399</u>	<u>935,938</u>
	<u>3,550,006</u>	<u>3,055,812</u>

(A) The Foundation maintains its headquarter in the Republic of Panama, from where it manages projects in South America and Central America, and in order to maintain clarity with its accounts, it has opened different bank accounts for the previously mentioned regions.

5. Balances with related parties

Accounts receivable for USD10,000 include a balance with Solidaridad Europe.

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended December 31, 2021

(Stated in USD)

6. Cash advances

Cash advances are presented as follows:

	2021	2020
<i>South America</i>		
Cash advances	4,007	14,146
Pending reimbursement	233,509	783,207
Other credits	100,985	763
	<u>338,501</u>	<u>798,116</u>
<i>Central America</i>		
Cash advances	-	2,742
Pending reimbursement	869,698	-
	<u>869,698</u>	<u>2,742</u>
	<u>1,208,199</u>	<u>800,858</u>

7. Other assets

Other assets include guarantee deposits paid for the operating locations in the following regions:

	2021	2020
South America	8,728	10,081
Central America	3,626	2,131
	<u>12,354</u>	<u>12,212</u>

8. Furniture and equipment

	<u>2021</u>	
Central America	Furniture and equipment	Total
Cost		
Additions	2,879	2,879
At the end of the year	<u>2,879</u>	<u>2,879</u>
Accumulated depreciation		
Depreciation	11	11
At the end of the year	<u>11</u>	<u>11</u>
	<u>2,868</u>	<u>2,868</u>

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended December 31, 2021

(Stated in USD)

9. Trade accounts payable

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

	2021	2020
Central America	755,361	584,208
South America	594,138	334,577
	<u>1,349,499</u>	<u>918,785</u>

10. Projects to be executed

The foundation receives funds from the donors and registers the debt that it has with them according to the region to which it corresponds, then deducts the appropriate amount registered as income, presented as follows:

	2021	2020
South America	2,532,084	2,891,706
Central America	1,595,767	732,549
Projects to be executed short term	<u>4,127,851</u>	<u>3,624,255</u>
South America		
Projects to be executed long term	<u>472,538</u>	<u>472,538</u>
	<u>4,600,389</u>	<u>4,096,793</u>

11. Contribution of the founder

The contribution of the founder for USD10,000 is shown as part of the equity of the Foundation.

12. Cumulative excess of expenses over income

Cumulative excess of expenses over income includes, for the most part, unrealized exchange differences resulting from the conversion of balances and transactions in foreign currency into dollars. These losses due to exchange differences do not represent a real loss for the Foundation and do not affect the normal performance of its operations. For the period 2021 USD638,160 (2020: USD652,448).

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended December 31, 2021

(Stated in USD)

Multi Annual Strategic Plan 2021-2025

The foundation has defined its strategic project development plan for the next 5 years in which it plans to develop projects of social and environmental impact in the Latin American region, mainly in the countries of Colombia and Brazil.

13. Income

The Foundation receives funding mainly from the Dutch Government through transfers from Solidaridad Head Office and from other Governments directly to the Foundation's bank account. Also receives funds from companies and other non-profit entities.

14. Projects

Aid was granted to 94 projects in 2021 for an overall amount of USD8,903,268. During 2020, aid was granted to 85 projects for an overall amount of USD8,852,135.

	2021	2020
Latin America		
Argentina	353,307	474,896
Bolivia	89,351	191,379
Brazil	2,131,003	1,922,306
Colombia	2,452,481	1,835,039
Guatemala	990,339	695,275
Honduras	603,090	563,665
México	942,238	813,251
Nicaragua	516,977	518,439
Panama	115,280	243,697
Paraguay	391,098	789,063
Peru	209,522	650,766
	<u>8,794,716</u>	<u>8,697,776</u>
Europe		
Netherlands	<u>108,552</u>	<u>60,660</u>
Total expenditures	<u>8,903,268</u>	<u>8,852,135</u>

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended December 31, 2021

(Stated in USD)

15. Foreign currency

The exchange differences originated by the balances and transactions from the parent company and its local currency, for the purposes of consolidating with the accounting of Fundación Solidaridad Latinoamericana Panamá (as parent company) in dollars, are recognized in other comprehensive income.

16. Specification and distribution of expenses by category

Expenses by category are presented as follows:

Program Expenses:

All the costs directly related to the Foundation's aims in projects spread all over the world. Includes transfers to our implementing partners which helps us to reach our objectives.

Expenses on Solidaridad Entities:

Costs related to transfers to Solidaridad Entities which do not belong to FSLA, and they implement projects related to the Foundation's aims.

Communication Expenses:

Made up by cost in generating awareness, publications, advertisements, design and web hosting costs.

Employee Expenses:

Includes 159 full time employees (FTE) located in the offices in Panama, Argentina, Paraguay, Colombia, Guatemala, Brazil, Honduras and Mexico.

	2021			2020		
	Legal representative	Other Employees	Total	Legal representative	Other employees	Total
Latin America						
Argentina	72,786	221,871	294,657	66,671	215,029	281,700
Brazil	87,555	1,380,444	1,467,999	78,638	1,280,907	1,359,545
Colombia	60,487	1,490,292	1,550,779	55,763	924,125	979,888
Guatemala	115,791	562,716	678,507	115,825	547,690	663,515
Honduras	62,443	229,633	292,076	67,346	194,767	262,113
México	97,192	81,823	179,015	61,198	69,107	130,305
México SdRL	103,262	109,421	212,683	-	-	-
Panama	213,287	461,464	674,751	206,087	626,691	832,778
Paraguay	71,275	97,679	168,954	70,737	243,296	314,033
Total	884,078	4,635,343	5,519,421	716,915	4,106,963	4,823,878

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements For the year ended December 31, 2021

(Stated in USD)

Travel and Living Expenses:

All travel expenses from FTE's and consultants from the offices in Panama, Argentina, Brazil, Paraguay, Guatemala, Colombia, Honduras and Mexico.

Professional Fees:

Costs related to legal, accounting, auditing and other advisory cost from the offices in Panama, Argentina, Brazil, Paraguay, Guatemala, Colombia, Honduras and Mexico.

Office Expenses:

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

Difference Exchange Rate:

The differences in foreign currency exchange are recognized in the results of the period.

17. Income tax

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

SUPPLEMENTARY INFORMATION

Statement of Income and Expenses by Region
For year ended December 31, 2021

(Stated in USD)

	2021	2020	2021		2020	
			South America	Central America	South America	Central America
Income:						
Income from companies	2,334,370	1,890,208	1,712,559	621,811	1,185,893	704,315
Income from government grants	89,067	342,134	89,067	-	342,134	-
Income from non-profit organisations	1,899,437	809,750	1,824,631	74,806	789,162	20,588
Income from consultancy services	373,937	-	79,284	294,653	-	-
Income solidaridad entities	4,409,406	6,006,406	2,334,698	2,074,708	3,737,498	2,268,908
Other income	56,717	11,002	56,320	397	10,385	617
Total income	<u>9,162,934</u>	<u>9,059,500</u>	<u>6,096,559</u>	<u>3,066,375</u>	<u>6,065,072</u>	<u>2,994,428</u>
Expenses:						
Program expenses	1,463,820	2,041,290	970,256	493,564	1,481,801	559,489
Expenses on solidaridad entities	329,565	810,949	164,724	164,841	640,359	170,590
Communication expenses	212,157	85,278	190,429	21,728	71,366	13,912
Employee expenses	5,519,421	4,823,878	3,495,656	2,023,765	3,030,968	1,792,910
Travel and living expenses	466,909	421,682	250,374	216,535	193,884	227,798
Professional fees	72,799	189,640	43,338	29,461	149,406	40,234
Office expenses	756,568	664,717	583,131	173,437	491,005	173,712
Depreciation expenses	11	-	-	11	-	-
(Gain) Loss on foreign currency	82,018	(185,299)	45,196	36,822	(161,124)	(24,175)
Total expenses	<u>8,903,268</u>	<u>8,852,135</u>	<u>5,743,104</u>	<u>3,160,164</u>	<u>5,897,665</u>	<u>2,954,470</u>
Income over expenses	<u>259,666</u>	<u>207,365</u>	<u>353,455</u>	<u>(93,789)</u>	<u>167,407</u>	<u>39,958</u>
Other comprehensive loss:						
Loss on foreign currency	289,431	118,968	366,220	(76,789)	139,135	(20,167)
Total comprehensive (expenses over income) income over expenses	<u>(29,765)</u>	<u>88,397</u>	<u>(12,765)</u>	<u>(17,000)</u>	<u>28,272</u>	<u>60,125</u>