

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

Lima – Peru

FINANCIAL STATEMENTS

2021

STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

Lima - Peru

REPORT ON THE REVIEW OF FINANCIAL STATEMENTS

for the years ended on

December 31, 2021 and 2020

REPORT OF THE INDEPENDENT AUDITORS

To the Directorate of the Institution

STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

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1. We have audited the accompanying financial statements of **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA – SOLIDARIDAD**, comprising the statement of financial position as of December 31, 2021, and the statements of income and expenses, changes in equity, and of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. Previously, we audited and expressed our opinion on the financial statements for the financial year 2020, and express a qualified opinion, dated March 25, 2021.

2. Management's Responsibility on Financial Statements

The Directorate 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.

3. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except for what is mentioned in paragraph 4, 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 Institution 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 Institution'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.

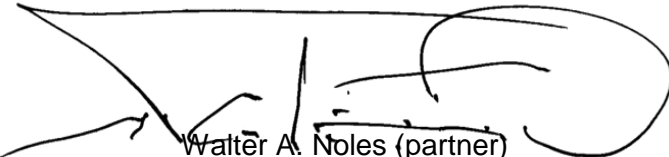
4. Our examination was subject to the following limitations:

- 4.1. The item of Accounts Receivable from Projects - Related Parties, includes balances from fiscal years 2020 and 2021, which are disclosed in current assets of the Statement of Financial Position amounting to S/ 376,585 and S/ 438,748, respectively. The Projects executed by the Institution are financed by international cooperating sources, however, as revealed in the aforementioned item, there are balances receivable from a cooperating source, amounting to a total of S/ 815,333, according to the accounting records as of December 31 of 2021. The alternative auditing procedures have not allowed us to be satisfied with the subsequent collection of the aforementioned balances, as of that date.
- 4.2. The item of Miscellaneous Accounts Receivable includes a balance from previous financial years, which is disclosed in non-current assets of the Statement of Financial Position amounting to S/ 391,935, as of December 31, 2021, on which the Institution has not provided sufficient and appropriate evidence of his subsequent recovery. Said balance originated from a loan to a third party, which was amortized in December 2021 with the application of institutional reserves in an amount amounting to S/ 219,505. The institution has not provided us with sufficient and appropriate documentary support that its institutional objective corresponds to dealing with third-party debts with its own resources. The institution agreed on an annual payment schedule, having established that in September 2021 the debt repayment would amount to US\$20,000, however, in December said collection amounted to US\$12,000. The financial statements do not include the accounting record of interest that would have accrued as of that date, in relation to the aforementioned balance receivable. This situation is described in Note 9.a to the financial statements as of December 31, 2021.
- 4.3. From the tax point of view, loans granted to related parties and third parties should generate interest and be collected in full, in order to avoid the presumption of indirect distribution of income. To this end, STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA – SOLIDARIDAD must not provision the debt as doubtful collection and must not write it off. Otherwise, in a possible audit by SUNAT, there could be a risk of losing the Income Tax exemption.

5. Qualified opinion

In our opinion, except for the potential effects of the situations referred to in paragraph 4, 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, 2021, its financial performance, and its cash flows from the year then ended, in accordance with Generally Accepted Accounting Principles.

Lima, Peru
April 19, 2022



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

NOLES MONTEBLANCO & ASOCIADOS
member firm of
BAKER TILLY INTERNATIONAL

STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2021 AND 2020

(In Soles)

| | <u>ASSETS</u> | | <u>LIABILITIES AND EQUITY</u> | |
|---|------------------|------------------|---|----------------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Current Assets: | | | Current liabilities: | |
| Cash and cash equivalents (Note 6) | 3 922 338 | 1 600 667 | Trade accounts payable (Note 11) | -.- 33 099 |
| Trade accounts receivable | 1 968 | 19 042 | Accounts to be executed from projects (Note 12) | 3 068 086 4 038 746 |
| Accounts receivable to related (Note 7) | -.- | -.- | Accounts payable from projects (Note 13) | 1 343 786 74 147 |
| Accounts receivable from projects (Note 8) | 2 168 007 | 2 062 616 | Other accounts payable (Note 14) | 388 730 416 592 |
| Miscellaneous accounts receivable (Note 9) | 476 266 | 218 363 | | |
| | | | | |
| Total current assets | 6 568 579 | 3 900 688 | Total liabilities | 4 800 602 4 562 584 |
| | | | | |
| Non current assets: | | | Institutional Equity (Note 15) | |
| Miscellaneous accounts receivable (Note 9) | 391 935 | 599 141 | Retained earnings | 2 296 147 73 090 |
| Installations, furniture and equipment, net (Note 10) | 136 235 | 135 845 | | |
| | | | | |
| Total non-current assets | 528 170 | 734 986 | Total equity | 2 296 147 73 090 |
| | | | | |
| TOTAL ASSETS | 7 096 749 | 4 635 674 | TOTAL LIABILITIES AND EQUITY | 7 096 749 4 635 674 |

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, 2021 AND 2020

(In Soles)

| | 2 0 2 1 | 2 0 2 0 |
|--|--------------------|--------------------|
| INCOME | | |
| Income from project management (Note 16) | 8 401 873 | 7 395 578 |
| Other institutional income (Note 17) | 3 264 325 | 472 136 |
| Miscellaneous income (Note 18) | 30 | 166 |
| | 11 666 228 | 7 867 880 |
| EXPENSES | | |
| Personnel expenses (Note 19) | (3 282 447) | (2 567 074) |
| Services provided by third parties (Note 20) | (2 937 400) | (2 406 244) |
| Taxes | (5 628) | (2 167) |
| Miscellaneous operational expenses (Note 21) | (2 762 193) | (2 831 405) |
| Provisions (Note 22) | (69 581) | (61 377) |
| | (9 057 249) | (7 868 267) |
| Financial income | 342 | -- |
| Exchange difference, net (Note 5) | (386 264) | 19 471 |
| | 2 222 715 | 19 084 |
| SURPLUS FOR THE YEAR | | |

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, 2021 AND 2020

(In Soles)

| | <u>RETAINED EARNINGS</u> | <u>TOTAL EQUITY</u> |
|--|-------------------------------------|--------------------------------|
| Balance as of December 31, 2019 | (59 542) | (59 542) |
| Adjustment from previous years | 113 548 | 113 548 |
| Surplus for the year 2020 | 19 084 | 19 084 |
| | <hr/> | <hr/> |
| Balance as of December 31, 2020 | 73 090 | 73 090 |
| Surplus for the year 2021 | 2 223 057 | 2 223 057 |
| | <hr/> | <hr/> |
| Balance as of December 31, 2021 | 2 296 147 | 2 296 147 |
| | <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, 2021 AND 2020

(In Soles)

| | 2021 | 2020 |
|---|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Income from project execution | 11 240 449 | 8 465 178 |
| Other charges | 40 328 | 20 750 |
| Donations to entities | (1 641 061) | (2 319 543) |
| Goods and service suppliers | (3 160 435) | (2 966 787) |
| Remuneration and social benefits | (3 240 657) | (2 515 765) |
| Other payments | (892 646) | (732 242) |
| | 2 345 978 | (48 409) |
| INVESTMENT ACTIVITIES | | |
| Purchase of fixed assets | (72 019) | (33 545) |
| Loan collection to Franky Ricky S.A. | 47 712 | -- |
| | (24 307) | (33 545) |
| | 2 321 671 | (81 954) |
| Cash balance at the beginning of the year | 1 600 667 | 1 682 621 |
| | 3 922 338 | 1 600 667 |
| | 3 922 338 | 1 600 667 |

| | <u>2 0 2 1</u> | <u>2 0 2 0</u> |
|---|-------------------------|-------------------------|
| RECONCILIATION OF SURPLUS WITH CASH AND CASH EQUIVALENTS FROM (USED IN) OPERATING ACTIVITIES | | |
| Surplus of the year | 2 223 057 | 19 084 |
| Net Income Adjustment according to the Statement of Financial Position: | | |
| Depreciation for the year | 69 581 | 61 377 |
| Derecognition of fixed asset | 2 050 | -.- |
| Social benefits | 225 293 | 168 195 |
| Other settings | -.- | (51 005) |
| Debits and credits for net changes in the assets and liabilities: | | |
| Accounts receivable from projects | (376 641) | 18 776 |
| Other accounts receivable | 26 829 | (12 069) |
| Prepaid expenses | 3 591 | (12 720) |
| Trade accounts payable | (33 099) | 10 122 |
| Other accounts payable | (253 156) | (400 442) |
| Projects to be executed | 458 473 | 150 273 |
| Cash and cash equivalents from (used in) operating activities | <u>2 345 978</u> | <u>(48 409)</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 Solidaridad 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 eight (8) 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.

2. IMPACT OF THE PANDEMIC AND NATIONAL STATE OF EMERGENCY

In December 2019, a new strain of Coronavirus (SARS-CoV-2) was discovered in Wuhan - China, which began to spread exponentially throughout the world and generates the disease called COVID-19.

In March 2020, the World Health Organization declared it a pandemic, since it spread to all continents and to most countries in the world, and to date, there being no cure for it, there have been many deaths to world level.

As measures to combat this new virus, most countries in the world chose to close their borders, declare mandatory quarantines for people in various regions, reallocate budgets to strengthen health systems and to meet the basic needs of the least favored people. Among other measures, which have caused the interruption of international trade and human trafficking between cities and countries, and in general the temporary closure of many commercial establishments, which affected employment and the possibility that many companies could carry out their corporate purpose.

To counteract the economic effects on companies, the Government has postponed the payment of taxes and services, created credit lines with lower rates and provided economic aid to the less favored sectors.

The coronavirus pandemic, together with a temporary drop in oil prices, caused mainly by the slowdown in the economy (especially in China) and the paralysis of important economic activities, have led most analysts to estimate that the economy it still has a risk of falling into recession.

In the same way, the risks associated with the accounting record and the respective measurement of the assets, liabilities and income statements have been managed.

The negative economic impacts and the consequences for the Organization's operations have been significant; However, the Organization's December 2020 results suggest that the effects of the reopening of the economy would continue to generate an economic recovery during 2021. That said, it should be noted that the final impact of COVID-19 on the operations of the Organization are uncertain and will depend to a great extent on the evolution and extension of the pandemic in the following months, as well as the following measures that the state can take to face this situation and, on the reaction, and adaptation capacity of all economic agents. shocked.

The Organization has adopted the necessary measures and actions so that the preparation of the financial statements and the notes that accompany them, were prepared under the going concern hypothesis, are duly reflected and disclosed, the economic effects to the extent that was applicable from according to the circumstances.

3. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements for the year 2021 have been approved by the Directorate of SOLIDARIDAD and will be sent to its offices in the Netherlands. The financial statements for the year 2020 were forwarded to their offices in the Netherlands on April 16, 2021.

4. PRINCIPLES AND/OR ACCOUNTING PRACTICES

The accounting policies are the principles, bases, agreements, rules and specific procedures adopted by the Directorate 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 Directorate 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. Basis 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 Superintendence of Banking and Insurance. 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.

n. Subsequent events

Events after the end of the fiscal year that provide additional information on Solidaridad's financial position as of the date of the statement of financial position (adjustment events) are included in the financial statements. Subsequent significant events that are not adjustment events are disclosed in notes to the financial statements.

5. TRANSACTIONS IN FOREIGN CURRENCY

The following are the balances in US Dollars (US \$) and Euros (€) as of December 31, 2021 and 2020:

| | <u>2021</u> <u>US \$</u> | <u>2021</u> <u>€</u> | <u>2020</u> <u>US \$</u> | <u>2020</u> <u>€</u> |
|---|-----------------------------|-------------------------|-----------------------------|-------------------------|
| Assets: | | | | |
| Cash and cash equivalents | 443 547 | 140 820 | 84 605 | 261 125 |
| Accounts receivable from projects | 121 758 | 455 552 | 15 000 | 393 616 |
| Miscellaneous accounts receivable | 121 036 | -.- | 171 381 | 8 458 |
| | <u>686 341</u> | <u>596 372</u> | <u>270 986</u> | <u>663 199</u> |
| Liabilities: | | | | |
| Trade accounts payable | -.- | -.- | 190 | -.- |
| Accounts to execute projects | 84 077 | 533 004 | 702 075 | 297 319 |
| Accounts payable to related parties | 309 | 12 471 | 309 | 9 475 |
| Other accounts payable | 33 685 | -.- | 58 062 | -.- |
| | <u>118 071</u> | <u>545 475</u> | <u>760 636</u> | <u>306 794</u> |
| Asset (liability) monetary position, net | <u>568 270</u> | <u>50 897</u> | <u>(489 650)</u> | <u>356 405</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>2021</u> <u>US \$</u> | <u>2021</u> <u>€</u> | <u>2020</u> <u>US \$</u> | <u>2020</u> <u>€</u> |
|-------------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|
| 1 US\$ purchase exchange rate | 3.975 | 4.344 | 3.618 | 4.446 |
| 1 US\$ sale exchange rate | 3.998 | 4.846 | 3.624 | 4.906 |

As of December 31, 2021, the Organization recorded a net exchange difference loss of S/ 386,264 (net exchange difference gain of S/ 19,471 as of December 31, 2020), the same as presented in the exchange difference item in the Income and Expenses Statement:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|------------------|---------------|
| Gain on exchange difference | 1 766 732 | 16 747 274 |
| Loss due to exchange difference | (2 152 996) | (16 727 803) |
| | ----- | ----- |
| | (386 264) | 19 471 |
| | ===== | ===== |

6. CASH AND CASH EQUIVALENTS

Comprises:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|------------------|------------------|
| Fixed fund | 2 000 | 2 100 |
| Current accounts (a) | 3 603 762 | 1 310 459 |
| Savings accounts (b) | 316 576 | 288 108 |
| | ----- | ----- |
| | 3 922 338 | 1 600 667 |
| | ===== | ===== |

(a) Corresponds mainly to accounts in soles S/ 1,545,518, in US dollars for US\$ 363,905 and € 140,820 (S/ 131,504, US\$ 4,974 and € 261,125 in 2020).

(b) Corresponds mainly to accounts in dollars for US\$79,642 (US\$79,632 in 2020).

The Organization maintains accounts in the Banco de Credito del Peru in Soles, US Dollars and in BBVA (Banco Continental) in Soles, US Dollars and Euros, they are freely available.

7. 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 2021:</u> | | | | |
| Non Current (a) | | | | |
| Grupo Hualtaco S.A.C | 439 932 | -.- | -.- | 439 932 |
| (-)Doubtful collection estimate | (439 932) | -.- | -.- | (439 932) |
| | ----- | ----- | ----- | ----- |
| | -.- | -.- | -.- | -.- |
| | ===== | ===== | ===== | ===== |
| <u>Año 2020:</u> | | | | |
| Non Current (a) | | | | |
| Grupo Hualtaco S.A.C | 439 932 | -.- | -.- | 439 932 |
| (-) Doubtful collection estimate | (439 932) | -.- | -.- | (439 932) |
| | ----- | ----- | ----- | ----- |
| | -.- | -.- | -.- | -.- |
| | ===== | ===== | ===== | ===== |

Grupo Hualtaco S.A.C, a company in liquidation process, was dedicated to the production and export of organic fruits.

8. ACCOUNTS RECEIVABLE FROM PROJECTS

Comprises:

| | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|
| FSLA Colombia – Project PE 01051 and PE 01066 | -.- | 347 438 |
| FSLA Colombia – BBC consultancy payment | 126 304 | |
| REC NL – Reimbursement of expenses (a) | 968 161 | 276 044 |
| FSLA Panama – Latin American Matrix – Project PE 01068 and reimbursement of expenses (b) | 705 820 | 366 249 |
| Project Peru | -.- | 939 343 |
| Fruit Program | -.- | 133 542 |
| Solidaridad Network (c) | 367 722 | -.- |
| | ----- | ----- |
| | 2 168 007 | 2 062 616 |
| | ===== | ===== |

(a) Corresponds to funds receivable for the execution of the Circular Economy Project for the year 2021 Eur 66,148, for the year 2020 Eur 62,088, Overhead for Eur 59,456, Platform Colombia Project for reimbursement of expenses Eur 13,111 and Reclaim sustainability for reimbursement of expenses Eur16,480.

(b) Reimbursements of fixed expenses (salaries, electricity, water, rent, among others) made by Solidaridad Peru, due June 30, 2022.

(c) Corresponds to one (01) internal financing contract for the disbursements made for the liquidation of Grupo Hualtaco amounting to Eur 84,651, which will be assumed by Stichting Solidaridad Network, maturing on December 31, 2022.

9. MISCELLANEOUS ACCOUNTS RECEIVABLE

Comprises:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|----------------|----------------|
| Loans to staff | 3 299 | 4 099 |
| Advances in staff compensation | 345 | 1 000 |
| Deliveries to render | 12 492 | 945 |
| Loan to Lister Ramírez | 2 385 | 2 171 |
| Loan to Franky y Ricky S.A (a) | 389 550 | 596 970 |
| Interests Franky y Ricky S.A | 597 092 | 597 092 |
| Deposits in guarantee | 20 869 | 18 995 |
| Miscellaneous accounts receivable (b) | 388 534 | 102 087 |
| Balance in favor G.S.T. | -.- | 36 919 |
| Insurance paid in advance | 50 727 | 54 318 |
| (-) Doubtful Collection Estimate | (597 092) | (597 092) |
| | ----- | ----- |
| | 868 201 | 817 504 |
| | ----- | ----- |
| Short term | 476 266 | 218 363 |
| | ----- | ----- |
| Long term | 391 935 | 599 141 |
| | ===== | ===== |

- (a) Equivalent to US\$98,000 as of December 31, 2021 and US\$165,000 as of December 31, 2020. On April 30, 2021, the Institution agreed on an annual payment schedule for the cancellation of the aforementioned debt:

| Date | US\$ |
|-----------|----------------|
| 9/05/2021 | 20,000 |
| 9/01/2022 | 30,000 |
| 9/01/2023 | 30,000 |
| 0/01/2024 | 30,000 |
| | 110,000 |

On December 30, 2021, the partial payment of the first installment was made, in an amount of US\$12,000.

The Executive Directorate of the Institution took into account that Franky & Ricky was going through serious financial times due to COVID-19, so, on December 31, 2021, it ordered that part of its institutional reserves be allocated to reduce the amount of its collection right in US\$ 55,000, equivalent to S/ 219,505, for considering them uncollectible. The record of the deductions of the aforementioned collection right can be seen below:

| Concept | US\$ |
|--|---------------|
| Beginning balance 2021 | 165,000 |
| Payment by bank transfer | (12,000) |
| Application of institutional reserves | (55,000) |
| Balance as of December 31, 2021 | 98,000 |

The Institution has considered not applying interest on the aforementioned collection right.

- (b) Corresponds to deliveries to be rendered Projects & More – Valerie for S/ 43,390 (US\$ 10,916), OLAM reimbursement - Audit Reimbursement of Year 2 of the Circular Economy Project for S/ 15,010 (US\$ 3,776), reimbursement of Project Expenses RABOBANK S / 21,227, Ecuador consultancy - Barry Callebaut S/ 95,083 (US\$ 23,920), BBC RABOBANK consultancy for S/ 124,443 (US\$ 31,307), Suriname Newmont consultancy for S/ 65,779 (US\$ 16,548) and others for S/ 23,602.

10. 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>RECLASSI- FICATIONS</u> | <u>FINAL BALANCE</u> | <u>RATE %</u> |
|---------------------------------|------------------------------|------------------|-------------------------|--------------------------------|--------------------------|-------------------|
| <u>Year 2021:</u> | | | | | | |
| Cost | | | | | | |
| Installations | 24 074 | -.- | -.- | -.- | 24 074 | |
| Transport units | 162 554 | -.- | -.- | -.- | 162 554 | |
| Furniture and fixtures | 51 741 | -.- | -.- | -.- | 51 741 | |
| Computer equipment | 167 190 | 67 934 | -.- | -.- | 235 124 | |
| Miscellaneous equipment | 48 694 | 4 085 | (12 675) | -.- | 40 104 | |
| | 454 253 | 72 019 | (12 675) | -.- | 513 597 | |
| Accumulated depreciation | | | | | | |
| Installations | (13 456) | (1 203) | -.- | -.- | (14 659) | 20 |
| Transport units | (120 198) | (24 788) | -.- | -.- | (144 986) | 5 |
| Furniture and fixtures | (45 571) | (2 806) | -.- | -.- | (48 377) | 10 |
| Computer equipment | (98 340) | (36 744) | -.- | -.- | (135 084) | 4 |
| Miscellaneous equipment | (40 843) | (4 039) | 10 626 | -.- | (34 256) | 10 |
| | (318 408) | (69 580) | 10 626 | -.- | (377 362) | |
| | 135 845 | | | | 136 235 | |
| <u>Year 2020:</u> | | | | | | |
| Cost | | | | | | |
| Installations | 24 074 | -.- | -.- | -.- | 24 074 | |
| Transport units | 162 554 | -.- | -.- | -.- | 162 554 | |
| Furniture and fixtures | 51 741 | -.- | -.- | -.- | 51 741 | |
| Computer equipment | 133 645 | 33 545 | -.- | -.- | 167 190 | |
| Miscellaneous equipment | 48 694 | -.- | -.- | -.- | 48 694 | |
| | 420 708 | 33 545 | -.- | -.- | 454 253 | |
| Accumulated depreciation | | | | | | |
| Installations | (12 252) | (1 204) | -.- | -.- | (13 456) | 20 |
| Transport units | (94 913) | (25 285) | -.- | -.- | (120 198) | 5 |
| Furniture and fixtures | (42 121) | (3 450) | -.- | -.- | (45 571) | 10 |
| Computer equipment | (75 289) | (26 599) | 166 | 3 382 | (98 340) | 4 |
| Miscellaneous equipment | (32 621) | (4 840) | -.- | (3 382) | (40 843) | 10 |
| | (257 196) | (61 378) | 166 | -.- | (318 408) | |
| | 163 512 | | | | 135 845 | |

Depreciation expense for the years ended December 31, 2021 and 2020 has been allocated in the statements of comprehensive income as follows:

| | <u>2021</u> | <u>2020</u> |
|-------------------------|---------------|---------------|
| Administration expenses | 69 580 | 61 378 |
| | 69 580 | 61 378 |

11. TRADE ACCOUNTS PAYABLE

Comprises:

| | <u>2021</u> | <u>2020</u> |
|------------------|-------------|---------------|
| Invoices payable | -.- | 20 564 |
| Fees payable | -.- | 12 535 |
| | ----- | ----- |
| | <u>-.-</u> | <u>33 099</u> |
| | ===== | ===== |

12. ACCOUNTS TO BE EXECUTED FROM PROJECTS

Comprises:

| Cod - Plaza | Project's name | <u>2021</u> | <u>2020</u> |
|-------------|---|------------------|------------------|
| P-1982 | Fair Tex Peru | -.- | 2 372 673 |
| P-1982 | International program coordinator | 18 183 | 18 408 |
| C-2462 | Analysis and systematization of innovative cooperation programs between large-scale mining projects and ASM | -.- | 24 475 |
| P-2095 | Norad II – Peru | -.- | 1 366 969 |
| C-1826 | DMNEM (Mining Scale Business Model Development) | -.- | 16 327 |
| C-2460 | Alliance for Sustainable & Competitive Coffee | 27 374 | 35 781 |
| P-2233 | Tropical Forest Alliance - TFA | 71 698 | 130 843 |
| P-2244 | Relief Platform for Pallaqueras Facing Covid 19 | -.- | 7 755 |
| C-2461 | From Bunch Bags to Corner Boards – Recycling Banana Plastic | -.- | 43 546 |
| P-2067 | Empowering smallholder of Rios del Inka assoc with smart climate coffee | 3 198 | 21 969 |
| PR-002221 | Operational Project-Peru Office | 50 082 | -.- |
| PR-002221 | Operational Project-Peru Office | 125 761 | -.- |
| C - 2729 | Rabobank | 19 538 | -.- |
| C - 2622 | EU Good Governance Project KOFI II | 28 121 | -.- |
| PR-002217 | GP&RI - Responsible practices in the ASM Peruvian and Colombian gold sectors | 94 037 | -.- |
| PR-002235 | CUSAF (Cesión en uso en sistemas agroforestales (PARA) (a) | 617 506 | -.- |
| C - 2625 | Good productive practices in palm and renewal of seedlings | 13 414 | -.- |
| PR-003041 | Inclusive sustainable oil palm program | 99 606 | -.- |
| PR-002236 | Circular Coffee from Peru: creating value across the chain - RVO | 337 858 | -.- |
| PR-002236 | Circular Coffee from Peru: creating value across the chain - JDE | 27 184 | -.- |
| PR-003045 | RS! Peru - Gold | 199 231 | -.- |
| PR-003921 | New Synergies for ASM financial inclusion through processing plants | 31 287 | -.- |
| PR-003995 | Promote a low-emission, biosafe, inclusive and competitive organic banana chain (b) | 1 304 008 | -.- |
| | | ----- | ----- |
| | | <u>3 068 086</u> | <u>4 038 746</u> |
| | | ===== | ===== |

(a) Contract signed with "The International Center for Research in Agroforestry (ICRAF)", expiring on March 31, 2022.

(b) Contract signed with the "Spanish Agency for International Development Cooperation (AECID)", expiring on May 22, 2023.

13. ACCOUNTS PAYABLE FROM PROJECTS

Comprende:

| | <u>2021</u> | <u>2020</u> |
|--------------------------|------------------|---------------|
| FSLA Panama | 61 664 | 48 022 |
| FSLA Brasil | 9 182 | 5 878 |
| FSLA Guatemala (REC CAM) | -.- | 20 247 |
| FSLA Colombia (a) | 1 097 547 | -.- |
| FSLA Argentina (b) | 175 393 | -.- |
| | ----- | ----- |
| | 1 343 786 | 74 147 |
| | ===== | ===== |

(a) Expenditure reimbursement for Project PE0148 - DDE for Eur 48,612, Project RS! Eur 17,130, Project PE01051 – Colombia Platform for Eur 156,025, reimbursement of funds Project PE01032 – NORAD for Eur 4,640 and others for US\$ 93.

(b) Reimbursement of expenses for Project PE01048 – DDE for Eur 5,791, Project RS! EUR 30,403.

14. OTHER ACCOUNTS PAYABLE

Comprises:

| | <u>2021</u> | <u>2020</u> |
|--|----------------|----------------|
| Taxes and contributions to the pension and health system payable | 76 665 | 52 397 |
| Remuneration and vacations payable | 246 638 | 220 837 |
| Compensation for time of service | 38 440 | 30 192 |
| Miscellaneous accounts payable | 26 987 | 113 166 |
| | ----- | ----- |
| | 388 730 | 416 592 |
| | ===== | ===== |

15. 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.

16. INCOME FROM PROJECT MANAGEMENT

Comprises:

| | <u>2021</u> | | <u>2020</u> | |
|---|------------------|------------------|------------------|------------------|
| | <u>S/</u> | <u>Eq. US\$</u> | <u>S/</u> | <u>Eq. US\$</u> |
| EPE Pais - Regulatory environment conducive to responsible small-scale mining | -.- | -.- | 788 599 | 217 605 |
| EPE G&C - Advocafe: Develop non-competitive collaboration capacity | -.- | -.- | 402 527 | 111 073 |
| DSO IPC Coffee | -.- | -.- | 162 383 | 44 808 |
| GP&RI Responsible practices in the Peruvian and Colombian ASM gold sectors | 937 878 | 234 587 | 717 844 | 198 081 |
| GP&RI - Enhancing the potential of the Sustainable Trade Platform | 1 816 871 | 454 445 | 1 567 735 | 432 598 |
| Improvement of SAM Capacity | -.- | -.- | 361 949 | 99 876 |
| Tropical Forest Alliance - TFA | 334 144 | 83 578 | 185 521 | 51 192 |
| Relief Platform for Pallaqueras Facing Covid -19 | 2 753 | 689 | 77 219 | 21 308 |
| From Bunch Bags to corner Boards – Recycling Banana Plastic | 76 462 | 19 125 | 21 060 | 5 811 |
| Own income | 169 323 | 42 352 | 92 003 | 25 387 |
| Empowering smallholder of Rios del Inka assoc with smart climate coffee | 67 211 | 16 811 | 47 082 | 12 992 |
| Norad II Peru | 1 661 046 | 415 469 | 1 605 236 | 442 946 |
| Innovate Palma Peru | -.- | -.- | 296 787 | 81 895 |
| Strengthening of the Organic Banana Cluster in Piura | -.- | -.- | 291 162 | 80 343 |
| ERDBE - Low Emission Development Strategy | -.- | -.- | 10 449 | 2 883 |
| CUSAF (Cesión en uso en sistemas agroforestales (PARA)) | 284 808 | 71 238 | 99 127 | 27 353 |
| DMNEM - Mining Scale Business Model Development | 834 | 208 | 25 558 | 7 053 |
| Palma Program | 530 157 | 132 606 | 225 767 | 62 298 |
| Circular Coffee from Peru: creating value across the chain | 583 951 | 146 061 | 417 570 | 115 224 |
| RS! Peru - Gold | 1 258 734 | 314 841 | -.- | -.- |
| ACORN Platform | 189 316 | 47 353 | -.- | -.- |
| General Coordination Banana Cluster of Peru | 50 843 | 12 717 | -.- | -.- |
| Implementation of the Cocoa Amazon | 128 818 | 32 221 | -.- | -.- |
| New Synergies for ASM financial inclusion through processing plants | 236 908 | 59 257 | -.- | -.- |
| ASM Technical support & Alternative Livelihoods Program | 66 044 | 16 519 | -.- | -.- |
| Promote a low-emission, biosafe, inclusive and competitive organic banana chain | 5 772 | 1 444 | -.- | -.- |
| | 8 401 873 | 2 101 521 | 7 395 578 | 2 040 726 |

17. OTHER INSTITUTIONAL INCOME

Comprises:

| | <u>2021</u> | | <u>2020</u> | |
|--|------------------|----------------|----------------|----------------|
| | S/ | US\$ | S/ | US\$ |
| EPE Pais - Normative environment conducive to small-scale responsible mining | -- | -- | 36 285 | 10 012 |
| EPE G&C - Advocafe: Develop non-competitive collaboration capacity | -- | -- | 24 367 | 6 724 |
| Institutional Expenses | 332 304 | 83 117 | 293 795 | 81 069 |
| GP&RI Responsible practices in the Peruvian and Colombian ASM gold sectors | 62 186 | 15 554 | 38 980 | 10 756 |
| GP&RI - Improving the potential of the Sustainable Trade Platform | 97 791 | 24 460 | 78 709 | 21 719 |
| Fair Tex Peru (a) | 2 613 013 | 653 580 | -- | -- |
| RS! Peru - Gold | 159 031 | 39 778 | -- | -- |
| | ----- | ----- | ----- | ----- |
| | 3 264 325 | 816 489 | 472 136 | 130 280 |
| | ===== | ===== | ===== | ===== |

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.

(a) Corresponds to freely available reserves generated by the balance of the Fair Tex Peru project completed on 12.31.2006. These reserves are made up of the balance of the project and the bank interest generated from its movements. Management confirms that its institutional reserves were kept in the Projects to be Executed item under the name of the Fair Tex Peru Project in order to use them to finance administrative costs and project activities not financed by other donors.

18. MISCELLANEOUS INCOME

Comprises:

| | <u>2021</u> | <u>2020</u> |
|--------------|-------------|-------------|
| | S/ | S/ |
| Other Income | 30 | 166 |
| | ----- | ----- |
| | 30 | 166 |
| | ===== | ===== |

19. PERSONNEL EXPENSES

Comprises:

| | <u>2021</u> | | <u>2020</u> | |
|---------------------------------------|------------------|------------------|------------------|----------------|
| | S/ | US\$ | S/ | US\$ |
| Director of REC South America: | | | | |
| Salaries | 264 719 | 67 795 | 247 929 | 70 810 |
| Gratifications | 54 021 | 13 766 | 47 378 | 13 501 |
| Vacations | 26 769 | 6 848 | 31 343 | 8 998 |
| Security and social security | 55 455 | 14 201 | 49 032 | 13 990 |
| | ----- | ----- | ----- | ----- |
| | 400 964 | 102 610 | 375 682 | 107 299 |
| | ----- | ----- | ----- | ----- |
| Legal representatives: | | | | |
| Salaries | 617 030 | 158 511 | 592 268 | 169 177 |
| Gratifications | 122 757 | 31 400 | 116 093 | 33 105 |
| Vacations | 58 719 | 15 067 | 55 765 | 15 927 |
| Security and social security | 131 683 | 33 777 | 119 431 | 34 075 |
| Training and attention to staff | 2 977 | 762 | 7 960 | 2 296 |
| | ----- | ----- | ----- | ----- |
| | 933 166 | 2 395 518 | 891 517 | 254 580 |
| | ----- | ----- | ----- | ----- |
| Employees: | | | | |
| Salaries | 1 254 085 | 320 814 | 799 712 | 227 945 |
| Gratifications | 239 246 | 61 000 | 145 810 | 41 511 |
| Vacations | 120 468 | 30 796 | 73 392 | 20 912 |
| Bonuses | -.- | -.- | 25 677 | 7 627 |
| Security and social security | 308 924 | 79 061 | 205 785 | 58 710 |
| Training and attention to staff | 25 594 | 6522 | 39 517 | 11 605 |
| Compensation | -.- | -.- | 9 982 | 2 787 |
| | ----- | ----- | ----- | ----- |
| | 1 948 317 | 498 192 | 1 299 875 | 371 097 |
| | ----- | ----- | ----- | ----- |
| | 3 282 447 | 840 320 | 2 567 074 | 732 976 |
| | ===== | ===== | ===== | ===== |

20. SERVICES PROVIDED BY THIRD PARTIES

Comprises:

| | <u>2021</u> | | <u>2020</u> | |
|------------------------------------|------------------|----------------|------------------|----------------|
| | <u>S/</u> | <u>US\$</u> | <u>S/</u> | <u>US\$</u> |
| Travel expenses | 293 457 | 73 401 | 202 083 | 55 762 |
| Mail and telecommunications | 20 933 | 5 236 | 21 713 | 5 991 |
| Per diem | 1 770 | 443 | 6 025 | 1663 |
| Fees, commissions and brokerage | 1 772 016 | 443 226 | 1 334 334 | 368 194 |
| Maintenance and repair | 22 351 | 5 591 | 10 746 | 2 965 |
| Rentals | 208 408 | 52 128 | 139 922 | 38 610 |
| Other services | 618 465 | 154 694 | 691 421 | 190 789 |
| | ----- | ----- | ----- | ----- |
| | 2 937 400 | 734 719 | 2 406 244 | 663 974 |
| | ===== | ===== | ===== | ===== |

21. MISCELLANEOUS OPERATIONAL EXPENSES

Comprises:

| | <u>2021</u> | | <u>2020</u> | |
|---|------------------|----------------|------------------|----------------|
| | <u>S/</u> | <u>US\$</u> | <u>S/</u> | <u>US\$</u> |
| Miscellaneous donations | 2 537 261 | 634 632 | 2 331 710 | 643 408 |
| Supplies and toiletries and communications | 8 494 | 2 125 | 4 850 | 1 338 |
| Various insurance | 24 550 | 6 140 | 12 795 | 3 531 |
| Goods and other minor assets | 84 445 | 21 122 | 11 295 | 3 117 |
| Representation expenses | 942 | 235 | 310 | 86 |
| Other operational expense | 57 858 | 14 472 | 409 047 | 112 872 |
| Fertilizers and seeds | 31 410 | 7 856 | 56 565 | 15 608 |
| Fuel | 17 233 | 4 310 | 4 833 | 1 334 |
| | ----- | ----- | ----- | ----- |
| | 2 762 193 | 690 892 | 2 831 405 | 781 294 |
| | ===== | ===== | ===== | ===== |

22. PROVISIONS

Comprises:

| | <u>2021</u> | | <u>2020</u> | |
|--------------|---------------|---------------|---------------|---------------|
| | <u>S/</u> | <u>US\$</u> | <u>S/</u> | <u>US\$</u> |
| Depreciation | 69 581 | 17 404 | 61 377 | 16 936 |
| | ----- | ----- | ----- | ----- |
| | 69 581 | 17 404 | 61 377 | 16 936 |
| | ===== | ===== | ===== | ===== |

23. 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.

Law N° 31106 has established that the exemptions included in article 19° of the TUO of the Income Tax Law will be in force until December 31, 2023.

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 2021, SOLIDARIDAD did not obtain a refund of G.S.T. and IPM, due to any request to APCI.

The Directorate 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.

24. RISKS ADMINISTRATION

The activities of the Organization expose it to a variety of financial risks whose potential adverse effects are permanently evaluated by the Directorate 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 Directorate 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 Directorate 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.

25. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Through Supreme Decree N° 005-2022-PCM, which modifies the aforementioned Supreme Decree N° 184-2020-PCM, the measures that citizens must follow in the new social coexistence are established, considering the current context due to the spread of the new variant of COVID-19, to strengthen surveillance and transmission prevention measures; extending the effective date of restrictions on the exercise of constitutional rights; as well as, modifying the provisions and the Alert Level by Province where some of these restrictions are being applied, in order to protect the fundamental rights to life and health of Peruvians.

The Management has been taking the necessary measures to mitigate the negative impact of these events on the entity's activities, and manage the possible effects on the Entity's operations, in order to ensure their continuity in the foreseeable future, under the going concern principle.

From December 31, 2021 to the date of this report, no event has occurred that significantly affects the financial statements for the year then ended. However, the following subsequent collections of balances have been made, which are disclosed in Note 8:

- On April 14, 2022, the balance receivable from FSLA Panama was reduced by Eur 12,471, by offsetting the aforementioned collection right with payment obligations to the same entity, likewise, the collection of Eur 133,349 was made; leaving a balance receivable of US\$72,378, which is expected to be recovered when the respective cooperating source approves the corresponding audit reports related to Projects executed by the Institution.
- On April 19, 2022, the balance receivable from Solidaridad Network was recovered, amounting to Eur 84,651.

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