

Fundación Solidaridad Latinoamericana
(Panama, Republic of Panama)

Financial Statements

December 31, 2014

(With Independent Auditor's Report)

Fundación Solidaridad Latinoamericana

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Fundación Solidaridad Latinoamericana, as of December 31, 2014, and the related income statement, changes in equity and cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory notes.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating 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 financial statements present fairly, in all material respects, the financial position of Fundación Solidaridad Latinoamericana as of December 31, 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "Baker Tilly Panama". The signature is written in a cursive, flowing style.

May 22, 2015
Panama, Republic of Panama

Fundación Solidaridad Latinoamericana

Statement of Financial Position December 31, 2014

(Stated in US\$)

ASSETS	Notes	2014	2013
Current assets			
Bank checking accounts	4	5,196,875	4,844,691
Accounts receivable, related parties	5	10,000	10,000
Cash advances	6	185,986	188,393
Others assets	7	2,055	8,000
Total assets		<u>5,394,916</u>	<u>5,051,084</u>
LIABILITIES AND EQUITY		2014	2013
Current liabilities			
Trade accounts payable		<u>2,122</u>	<u>1,103</u>
Total liabilities		<u>2,122</u>	<u>1,103</u>
Equity			
Contribution of the founder	8	10,000	10,000
Result before allocation of surplus		<u>5,382,794</u>	<u>5,039,981</u>
Total equity		<u>5,392,794</u>	<u>5,049,981</u>
Total liabilities and equity		<u>5,394,916</u>	<u>5,051,084</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, 2014

(Stated in US\$)

	Notes	2014	2013
Income			
Income from own fundraising		5,093,995	2,295,589
Government subsidies	10	15,459,414	11,064,041
Other income		4,030	1,573
Total income		<u>20,557,439</u>	<u>13,361,203</u>
Expenses			
Information/awareness - raising		58,340	31,405
Structural aid		19,447,863	13,616,256
		<u>19,506,203</u>	<u>13,647,661</u>
Income generation			
Costs of own fundraising		1,567	6,911
Costs of acquiring government subsidies		-	484
		<u>1,567</u>	<u>7,395</u>
Management and administration		706,856	172,906
Total expenses	12	<u>20,214,626</u>	<u>13,827,962</u>
Result before allocation of surplus	9	<u>342,813</u>	<u>(466,759)</u>
Continuity reserve		-	-
Reserve for financing operational assets		-	-
Reserve for financing for the following year		342,813	(466,759)
Reserve for financing exchange rate losses		-	-
Total allocation of surplus		<u>342,813</u>	<u>(466,759)</u>

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

Fundación Solidaridad Latinoamericana

Statement of Changes in Equity For year ended December 31, 2014

(Stated in US\$)

	Notes	Contribution of the Founder	Result before allocation of surplus	Total equity
Balance as of December 31, 2012	8	10,000	5,506,740	5,516,740
Result before allocation of surplus - 2013		-	(466,759)	(466,759)
Balance as of December 31, 2013	8	10,000	5,039,981	5,049,981
Result before allocation of surplus - 2014		-	342,813	342,813
Balance as of December 31, 2014	8	10,000	5,382,794	5,392,794

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

Fundación Solidaridad Latinoamericana

Statement of Cash Flows For year ended December 31, 2014

(Stated in US\$)

	Note	2014	2013
Cash flows from operating activities:			
Result before allocation of surplus		342,813	(466,759)
Trade accounts payable		1,019	(11,548)
Cash advances		2,407	(126,350)
Others assets		5,945	-
Net cash provided by (used in) operating activities		<u>352,184</u>	<u>(604,657)</u>
Increase in bank checking accounts		<u>352,184</u>	<u>(604,657)</u>
Cash at banks			
Bank checking accounts at december 31, 2013		<u>4,844,691</u>	<u>5,449,348</u>
Bank checking accounts at december 31, 2014	4	<u><u>5,196,875</u></u>	<u><u>4,844,691</u></u>

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

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements December 31, 2014

(Stated in US\$)

1. Incorporation and nature of business

Incorporation

Fundación Solidaridad Latinoamericana (FSLA) 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 operations on June 1, 2009.

Members of the Foundation Council are:

President:	Jeroen Douglas
Vice President:	Michaelyn Bachhuber Baur
Treasurer:	Gonzalo La Cruz
Secretary:	Silvia Gallo

Nature of 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 and authorized for issuance on May 22, 2015.

2. Summary of significant accounting policies

Basis of accounting - The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), on the historical cost basis.

The accounting policies have been applied consistently for all periods presented in these financial statements.

Functional currency - The financial statements are stated in United States of America Dollar (US\$). The Republic of Panama does not issue paper currency, and the United States of America Dollar (US\$) is used as the legal currency.

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements December 31, 2014

(Stated in US\$)

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.

Income - Income is accounted for in the year in which it is received. In case of income specifically referring to the following year, it is reallocated to a reserve at the year-end.

Fair Value Measurement

IFRS 13 sets out in a single IFRS a framework for measuring fair value.

The Company has adopted IFRS 13 Fair Value Measurement with an initial application date of January 1, 2013. In accordance with transitional provisions of IFRS 13, the Company has applied the new guide of measurement of fair value prospectively, and has not provided comparative information for the new disclosures. Nevertheless, the changes have not had an important impact on the measurements of the Company's assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; or in the absence of a main market, in the most advantageous market for the asset or liability, independently if that price is directly observable or estimated using other techniques of valuation. The fair value of a liability reflects the risk of non-compliance.

When applicable, the Company measures fair value of a financial instrument using the quoted price in an active market for that instrument. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximizes the use of observable inputs and minimizes the use of data that are unobservable inputs. The chosen valuation techniques incorporate all factors that markets would consider when fixing a price of a transaction.

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements December 31, 2014

(Stated in US\$)

The fair value of financial assets and liabilities that are transacted in an active market are based on quoted prices. For all other instruments, the Company determines their fair value using other valuation techniques, including net present value, models of discounted cash flows, comparisons with similar instruments that have observable market prices, and other valuation models. The assumptions and input data used in the valuation techniques include reference rates free of risk, credit margins and other premises used to estimate the discount rates.

The Company measures fair value using the following hierarchy that considers the importance of the input data used for the measurement:

- Level 1 are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability.

3. Application of International Financial Reporting Standards

- **Amendments to IFRSs and the new interpretation that are mandatory effective for the current year**
 - In the current year, the Company has applied a number of amendments to IFRSs and new interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January, 2014.

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements December 31, 2014

(Stated in US\$)

— *IAS 32 Financial Instruments: Presentation, amendment of December 2011.* Amendments clarifying the application of the offsetting rules of assets and liabilities. Effective date January 1, 2014.

• **New and revised IFRSs in issue but not yet effective**

Following is the list of standards, interpretations and amendments:

— *Annual improvements project 2012 – 2014.* Minor amendments to four standards. Effective date January 1, 2016.

— *IFRS 15 Revenue from Contracts with Customers, published in May 2014.* Apply new standard replacing IAS 18 Revenue and IAS 11 Construction Contracts, which requires a five-step approach to all contracts with customers. Effective date January 1, 2017.

— *Annual improvements project 2010 – 2012.* Minor amendments to seven standards. Effective date July 1, 2014.

— *Annual improvements project 2011 – 2013.* Minor amendments to four standards. Effective date July 1, 2014.

The Administration has not been able to evaluate the possible impact that their application will have on the entity's financial statements in the period of initial application. Consequently, it is not practicable to provide a reasonable estimate of the effects until the Company performs a detailed review.

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements December 31, 2014

(Stated in US\$)

4. Bank checking accounts

	2014	2013
Banks REC SAM	4,292,946	3,696,805
Banks REC CAM	586,682	1,147,886
Banks Guatemala (CAM)	126,008	-
Banks Paraguay (SAM)	100,451	-
Banks Brazil (SAM)	82,676	-
Banks Argentina (SAM)	7,467	-
Banks Colombia (ANDES)	645	-
	<u>5,196,875</u>	<u>4,844,691</u>

5. Balances with related parties

	2014	2013
<u>Balances</u>		
<u>Account receivable</u>		
Solidaridad	<u>10,000</u>	<u>10,000</u>

6. Cash advances

	2014	2013
Cash advanced SAM	22,160	21,682
Cash advanced CAM	258	-
Pending Reimbursement SAM	100,257	128,614
Pending Reimbursement ANDES	17,712	-
Other Credits SAM	45,599	38,097
	<u>185,986</u>	<u>188,393</u>

7. Other assets

	2014	2013
Other assets SAM	1,102	-
Other assets CAM	953	-
	<u>2,055</u>	<u>-</u>

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements December 31, 2014

(Stated in US\$)

8. Contribution of the founder

The contribution of the Founder of US\$ 10,000 is shown as part of the equity of the Foundation.

9. Result before allocation of surplus

	2014	2013
Continuity reserve	-	-
Reserve for financing operational assets	-	-
Reserve for financing for the following year	342,813	(466,759)
Reserve for financing exchange rate losses	-	-
	<u>342,813</u>	<u>(466,759)</u>

10. Government subsidies

Fundacion Solidaridad Latinoamericana (FSLA) receives subsidies mostly from the Dutch Government through transfers from Solidaridad Head Office and from other Governments directly to FSLA's bank account.

11. Contributions to projects

Aid was granted to 114 projects in 2014 for an overall sum of US\$ 17,024,019. During 2013 aid was granted to 99 projects for an overall sum of US\$ 12,848,071.

	2014	2013
<u>Latin America</u>		
Brazil	4,424,985	3,132,185
Argentina	399,008	1,168,518
Belize	-	59,089
Honduras	1,936,483	826,137
Guatemala	319,831	119,186
Bolivia	196,817	154,952

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Fundación Solidaridad Latinoamericana

Notes to the Financial Statements December 31, 2014

(Stated in US\$)

(Continuation)

	2014	2013
<u>Latin America</u>		
Perú	352,967	261,357
Paraguay	1,020,955	310,017
Uruguay	105,876	121,334
Colombia	591,888	568,179
Mexico	1,095,666	231,633
Nicaragua	726,336	124,261
	11,170,812	7,076,848
<u>Asia</u>		
India	1,286,399	2,088,616
Indonesia	622,037	91,823
China	271,581	328,676
Pakistan	-	24,206
Malaysia	179,859	-
	2,359,876	2,533,321
<u>Africa</u>		
Malawi	557,816	-
Kenia	454,498	473,486
South Africa	454,171	1,848,720
Mozambique	339,492	-
Senegal	277,099	-
Nambia	271,526	-
Swaziland	180,192	-
Tanzania	163,719	253,667
Mali	139,022	95,004
Ghana	61,803	134,945
	2,899,336	2,805,822
<u>North America</u>		
United States	245,559	201,062
	245,559	201,062

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Fundación Solidaridad Latinoamericana

Notes to the Financial Statements December 31, 2014

(Stated in US\$)

(Continuation)

	2014	2013
<u>Europe</u>		
Switzerland	40,611	120,456
United Kingdom	-	70,323
The Netherlands	307,825	40,239
	<u>348,436</u>	<u>231,018</u>
	<u>17,024,019</u>	<u>12,848,071</u>

12. Specification and distribution of costs and expenses by category

	At december 31, 2014					Total 2014
	AIMS		Generating income		Management and Administration	
	Structural	Information / awareness - raising	Own Fundraising	Government Subsidies		
Expenses						
Contributions to projects	17,024,019	-	1,519	-	-	17,025,538
Communication	10,175	16,875	-	-	27,321	54,371
Staff	1,437,498	28,637	-	-	187,419	1,653,554
Travel expenses	349,048	11,043	-	-	51,101	411,192
Accommodation	-	-	-	-	12,836	12,836
Office/general	32,234	-	-	-	406,557	438,791
Unrealized Gains/Exchange rate	594,889	1,785	48	-	21,622	618,344
	<u>19,447,863</u>	<u>58,340</u>	<u>1,567</u>	<u>-</u>	<u>706,856</u>	<u>20,214,626</u>

	At december 31, 2013					Total 2013
	AIMS		Generating income		Management and administration	
	Structural	Information / awareness - raising	Fundraising	Subsidies		
Expenses						
Contributions to projects	12,848,071	-	2,657	-	-	12,850,728
Communication	4,967	15,147	-	-	3,106	23,220
Staff	576,649	11,534	-	-	81,436	669,619
Travel expenses	200,046	4,829	4,279	484	2,698	212,336
Accommodation	154	-	-	-	8,825	8,979
Office/general	37,659	-	-	-	77,492	115,151
Unrealized Gains/Exchange rate	(51,290)	(105)	(25)	-	(651)	(52,071)
	<u>13,616,256</u>	<u>31,405</u>	<u>6,911</u>	<u>484</u>	<u>172,906</u>	<u>13,827,962</u>

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements

December 31, 2014

(Stated in US\$)

Contribution to projects: Costs related to AIMS include all of FSLA's beneficiary projects.

Communication: Made up by telephone, printing and design costs.

Staff: Includes 52 fte's located in Guatemala, Colombia, Paraguay, Argentina and Brazil offices.

Travel expenses: All travel expenses from fte's and consultants.

Accommodation (office): The rent of the Buenos Aires, Brazil, Paraguay, Guatemala and Colombia offices.

Office (general): Made up by general operational costs of the Panama, Buenos Aires, Brazil, Paraguay, Guatemala and Colombia offices.

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.

13. Fair value of financial instruments

The following table summarizes the book value and estimated fair value of financial assets and liabilities and categorizes in the different levels of hierarchy of fair value measurement:

	2014		2013	
	Book value	Fair value (Level 3)	Book value	Fair value (Level 3)
Assets:				
Cash	5,196,875	5,196,875	4,844,691	4,844,691
Cash advances	185,986	185,986	183,393	183,393
Total	<u>5,382,861</u>	<u>5,382,861</u>	<u>5,028,084</u>	<u>5,028,084</u>

(Continue)

Fundación Solidaridad Latinoamericana

Notes to the Financial Statements December 31, 2014

(Stated in US\$)

(Continuation)

	2014		2013	
	Book value	Fair value (Level 3)	Book value	Fair value (Level 3)
Liabilities:				
Trade accounts payable	2,122	2,122	1,103	1,103
Total	<u>2,122</u>	<u>2,122</u>	<u>1,103</u>	<u>1,103</u>

The book value of cash, cash advances and trade account payable approximate their fair value due to their short term.

14. Financial risk management

The Foundation will fulfill its objectives to the extent that it continues to receive funding from is related parties and contributions from the founder.

SUPPLEMENTARY INFORMATION

Fundación Solidaridad Latinoamericana

Schedule 2

Specification and distribution of costs by category

For year ended December 31, 2014

(Stated in US\$)

	SAM		Generating income			Total 2014
	AIMS Structural Aid	Information / awareness - raising	Own Fundraising	Government Subsidies	Management and Administration	
Expenses						
Contributions to projects	13,119,149	-	1,519	-	-	13,120,668
Communication	6,827	10,279	-	-	2,901	20,007
Staff	929,795	28,637	-	-	108,751	1,067,183
Travel expenses	182,589	7,825	-	-	2,663	193,077
Accommodation	-	-	-	-	4,580	4,580
Office/general	27,570	-	-	-	260,258	287,828
Unrealized Gains/Exchange rate	469,170	1,513	48	-	13,836	484,567
	14,735,100	48,254	1,567	-	392,989	15,177,910

	CAM		Generating income			Total 2014
	AIMS Structural Aid	Information / awareness - raising	Own Fundraising	Government Subsidies	Management and Administration	
Expenses						
Contributions to projects	3,803,784	-	-	-	-	3,803,784
Communication	3,348	6,596	-	-	7,144	17,088
Staff	395,523	-	-	-	47,128	442,651
Travel expenses	92,716	3,218	-	-	36,449	132,383
Accommodation	-	-	-	-	8,256	8,256
Office/general	4,664	-	-	-	59,787	64,451
Unrealized Gains/Exchange rate	119,119	272	-	-	4,398	123,789
	4,419,154	10,086	-	-	163,162	4,592,402

	ANDES		Generating income			Total 2014
	AIMS Structural Aid	Information / awareness - raising	Own Fundraising	Government Subsidies	Management and Administration	
Expenses						
Contributions to projects	101,086	-	-	-	-	101,086
Communication	-	-	-	-	17,276	17,276
Staff	112,180	-	-	-	31,540	143,720
Travel expenses	73,743	-	-	-	11,989	85,732
Accommodation	-	-	-	-	-	-
Office/general	-	-	-	-	86,512	86,512
Unrealized Gains/Exchange rate	6,600	-	-	-	3,388	9,988
	293,609	-	-	-	150,705	444,314

Fundación Solidaridad Latinoamericana

Schedule 1

Statement of Income and Expenses

For year ended December 31, 2014

(Stated in US\$)

	Notes	2014	2013	REC 2014			REC 2013	
				SAM	CAM	ANDES	SAM	CAM
Income								
Income from own fundraising		5,093,995	2,295,589	1,747,620	2,883,703	462,672	1,966,275	329,314
Government subsidies		15,459,414	11,064,041	14,363,746	1,095,668	-	9,569,044	1,494,997
Other income		4,030	1,573	3,084	946	-	1,573	-
Total income		<u>20,557,439</u>	<u>13,361,203</u>	<u>16,114,450</u>	<u>3,980,317</u>	<u>462,672</u>	<u>11,536,892</u>	<u>1,824,311</u>
Expenses								
Information/awareness - raising	12	58,340	31,405	48,254	10,086	-	31,405	-
Structural aid		19,447,863	13,616,256	14,735,100	4,419,154	293,609	12,948,342	667,914
		<u>19,506,203</u>	<u>13,647,661</u>	<u>14,783,354</u>	<u>4,429,240</u>	<u>293,609</u>	<u>12,979,747</u>	<u>667,914</u>
Income generation								
Costs of own fundraising		1,567	6,911	1,567	-	-	6,911	-
Costs of acquiring government subsidies		-	484	-	-	-	484	-
Costs of investments		<u>1,567</u>	<u>7,395</u>	<u>1,567</u>	<u>-</u>	<u>-</u>	<u>7,395</u>	<u>-</u>
Management and administration								
Management and administration		706,856	172,906	392,989	163,162	150,705	164,394	8,512
Total expenses		<u>20,214,626</u>	<u>13,827,962</u>	<u>15,177,910</u>	<u>4,592,402</u>	<u>444,314</u>	<u>13,151,536</u>	<u>676,426</u>
Result before allocation of surpluses	9	<u><u>342,813</u></u>	<u><u>(466,759)</u></u>	<u><u>936,540</u></u>	<u><u>(612,085)</u></u>	<u><u>18,358</u></u>	<u><u>(1,614,644)</u></u>	<u><u>1,147,885</u></u>