



Salles Sainz

**Grant Thornton**

Consolidated financial statements and  
Independent auditor's report

Red de Agricultura Sostenible, A.C. and  
Subsidiary

December 31, 2021 and 2020

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## Independent auditor's report

To the Associates' Assembly of

Red de Agricultura Sostenible, A.C. and Subsidiary:

### **Opinion**

We have audited the accompanying consolidated financial statements of Red de Agricultura Sostenible, A.C. and Subsidiary (the Association), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of activities, and cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Red de Agricultura Sostenible, A.C. and Subsidiary as of December 31, 2021 and 2020, as well as its financial performance and cash flows for the years then ended, in conformity with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board.

### **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 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report, and the following 'Exhibit'. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Mexico in accordance with the Instituto Mexicano de Contadores Públicos A.C.'s Code of Professional Ethics (IMCP Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA and IMCP Codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management for the financial statements**

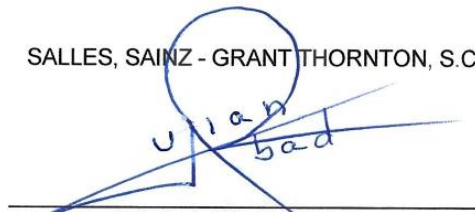
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as deemed necessary by Management to enable the preparation of financial statements that are free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

In the preparation of consolidated financial statements, Management is responsible for evaluating the Association's ability to continue as a going concern and disclosing, if applicable, those matters relative to the going concern and using the accounting postulate for a going concern, unless Management has the intent to liquidate the Association or suspend its operations, or there is no other more realistic alternative.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

**Auditor's Responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of Red de Agricultura Sostenible, A.C. and Subsidiary 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 IAS 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 made on the basis of these financial statements.

SALLES, SAINZ - GRANT THORNTON, S.C.  
  
C.P.C. Julián A. Abad Riera

Mexico City, Mexico  
June 17, 2022.

## Exhibit to the independent auditor's report

### **Additional description of our responsibilities for the audit of the consolidated financial statements**

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

- Identify and assess the risks of material misstatement of the consolidated financial statements of Red de Agricultura Sostenible, A.C. and Subsidiary, due to fraud or error, design and apply audit procedures to respond to those risks and obtain sufficient and appropriate audit evidence 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 knowledge of the 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 internal control of the Association.
- Evaluate the adequacy of the accounting policies used and the reasonableness of accounting estimates and the corresponding information disclosed 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate 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 identify during our audit.

**Consolidated statements of financial position****As of December 31, 2021 and 2020****(Amounts stated in US Dollars)**

	Notes	2021	2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	\$ 1,257,306	\$ 2,758,853
Accounts receivable	6	2,902,620	160,206
Prepaid expenses		26,201	31,550
<b>Total current assets</b>		<b>4,186,127</b>	<b>2,950,609</b>
<b>Noncurrent assets</b>			
Furniture and equipment	7	16,374	28,729
Software - Net		264	132
Lease guarantee		3,371	2,834
Deferred expenses		119,793	-
<b>Total noncurrent assets</b>		<b>139,802</b>	<b>31,695</b>
<b>Total assets</b>		<b>\$ 4,325,929</b>	<b>\$ 2,982,304</b>
<b>Liabilities</b>			
<b>Short-term</b>			
Accounts payable		\$ 169,385	\$ 16,161
Taxes and accrued expenses	10	42,987	54,745
Deferred revenue		1,526,695	-
<b>Total liabilities</b>		<b>1,739,067</b>	<b>70,906</b>
<b>Patrimony</b>			
Accumulated patrimony		3,428,269	3,651,524
Conversion effect		(841,407)	(740,126)
<b>Total patrimony</b>		<b>2,586,862</b>	<b>2,911,398</b>
<b>Total liabilities and patrimony</b>		<b>\$ 4,325,929</b>	<b>\$ 2,982,304</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated statements of activities****For the years ended December 31, 2021 and 2020****(Amounts stated in US Dollars)**

	Notas	2021	2020
Projects		\$ 1,595,226	\$ 862,526
Other revenue		10,595	3,099
		<b>1,605,821</b>	865,625
Operating expenses	12	1,924,128	1,614,099
Interest income		(7,104)	(2,548)
Interest expense		-	126
Exchange rate gain, net		(87,948)	(290,651)
		<b>1,829,076</b>	1,321,026
<b>Changes in patrimony before taxes</b>		<b>(223,255)</b>	(455,401)
Taxes on earnings	13	-	13,235
Remnant of the year		<b>(223,255)</b>	(468,636)
Patrimony at beginning of year		3,651,524	4,120,160
<b>Patrimony at end of year</b>		<b>\$ 3,428,269</b>	\$ 3,651,524

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated statements of cash flows****For the years ended December 31, 2021 y 2020****(Amounts stated in US Dollars)**

	2021	2020
<b>Operating activities</b>		
Changes in patrimony before taxes	\$ (223,255)	\$ (455,401)
Items related to investment activities:		
Depreciation and amortization	6,168	48,682
Interest earned	(7,104)	(2,548)
Items related to financing activities:		
Accrued interest	-	126
	<b>(224,191)</b>	<b>(409,141)</b>
<b>(Increase) decrease</b>		
Accounts receivable	<b>(2,742,414)</b>	<b>(3,514)</b>
Prepaid expenses, Lease guarantee	<b>4,812</b>	<b>6,965</b>
<b>(Decrease) increase</b>		
Accounts payable	<b>153,224</b>	<b>(18)</b>
Taxes, accrued expenses	<b>(11,758)</b>	<b>(7,021)</b>
Tax paid	-	<b>(9,427)</b>
Lease liability	-	<b>(54,902)</b>
<b>Net cash used in operating activities</b>	<b>(2,820,327)</b>	<b>(477,058)</b>
<b>Investing activities</b>		
Acquisition of furniture and equipment, net	<b>6,055</b>	<b>(10)</b>
Interest earned	<b>7,104</b>	<b>2,548</b>
Deferred expenses	<b>(119,793)</b>	<b>-</b>
<b>Net cash generated in investment activities</b>	<b>(106,634)</b>	<b>2,538</b>
<b>Financing activities</b>		
Interest paid	-	<b>(126)</b>
Deferred revenue	<b>1,526,695</b>	<b>-</b>
<b>Net cash in financing activities</b>	<b>1,526,695</b>	<b>(126)</b>
Net increase in cash and cash equivalents	<b>(1,400,266)</b>	<b>(474,646)</b>
Cash and cash equivalents at beginning of year	<b>2,758,853</b>	<b>3,519,000</b>
Effect of conversion due to changes in the value of cash, conversion of balances and cash flows of operations in different currency to the reporting currency	<b>(101,281)</b>	<b>(285,501)</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,257,306</b>	<b>\$ 2,758,853</b>

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



# Notes to the consolidated financial statements

December 31, 2021 and 2020

(Amounts stated in US Dollars)

## 1 NATURE OF OPERATIONS

Red de Agricultura Sostenible, A.C. and Subsidiary (the Association) is a not-for-profit organization formed in Mexico on January 22, 2010, which mainly fosters sustainable agriculture, preservation of biodiversity, and improvement of rural livelihoods on and away from farms through the technical services and experience and knowledge implemented by local partners.

The Association belongs to an international group of not-for-profit organizations that work to preserve biodiversity and rural development.

## 2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE WITH IFRS

Los estados financieros consolidados adjuntos han sido preparados de acuerdo con las Normas Internacionales de Información Financiera (“IFRS” *por sus siglas en inglés*), emitidas por el Consejo Internacional de Normas de Contabilidad (“IASB” *por sus siglas en inglés*).

### Effects of Labor Reform in Mexico

On April 23, 2021, was published the decree that modifies various federal laws concerning the subcontracting of personnel services, thereby prohibiting subcontracting and only allowing those that qualify as specialized services or execution of a specialized work. These modifications contemplate a maximum limit for the payment of Employee Profit Sharing (PTU – for its acronym in Spanish), corresponding to the highest amount between the equivalent of three months of the employee’s salary or the average paid for PTU in the last three years. This reform did not have a significant impact on the Company in view that it does not have services provided by a third party.

### Covid-19 Impact

The Covid-19 pandemic in the organization manifested itself in several ways. The restrictions on the mobility of people forced adjustments to the deliverables of the projects, in order to give continuity to them. The following actions are highlighted:

- The entire staff was sent to remote work and their state of health was monitored. There were no infected persons requiring hospitalization.

- The necessary adjustments to the work plans were negotiated with each of the clients in order to meet expectations. Budgets were then directed to ensure the business was running without having a negative financial impact, while maintaining revenue.
- Meetings were held with the Executive Committee on a regular basis in order to establish business continuity strategies, review of the Strategic Plan 2019-2024 and the establishment of short- and medium-term objectives and goals.
- Financial reserves were monitored to ensure they maintained their financial value.
- A restructuring of the staff was established in order to reinforce those activities that promoted the achievement of fresh resources and new businesses.

It can be emphasized that the economic results for 2021 were better than those of the previous year, indicating that the actions taken had a positive effect.

### **3 CHANGES IN ACCOUNTING POLICIES**

#### **New standards adopted on January 1, 2021**

Some accounting pronouncements which have become effective from January 1, 2021 and have therefore been adopted do not have a significant impact on the Association financial results or position.

Management expects all relevant pronouncements will be adopted in the Association's accounting policies for the first period that starts after the effective date of the pronouncement. The new standards, interpretations, and modifications, which have not been adopted yet, are not expected to have a material impact on the consolidated financial statements of the Association.

### **4 SIGNIFICANT ACCOUNTING POLICIES**

The most significant accounting policies are summarized below:

#### **a. Basis of preparation**

The consolidated financial statements have been prepared on an accrual basis and under a historical cost premise.

#### **b. Basis of consolidation**

The consolidated financial statements include the financial statements of the Controlling Association and its subsidiary Red de Agricultura Sostenible CR, S.A., as of December 31, 2021 and 2020. The subsidiary has a reporting date of December 31.

The subsidiary is consolidated from the date on which control is transferred to the Association and they no longer consolidate as of the date on which control is lost.

All intercompany transactions and balances between the Association and its subsidiary have been eliminated in consolidation. The amounts reported in the financial statements of the subsidiary have been adjusted when it is necessary to assure consistency with the accounting policies of the Association.

**c. Conversion of foreign currency****Recording and presentation currency**

The Controlling Association is located in Mexico and pursuant to legal requirements, it maintains the Mexican peso as its recording and presentation currency. The subsidiary, which is located in Costa Rica, maintains colones as the recording and presentation currency.

**Functional currency**

The Association has determined the U.S. dollar as its functional currency, since its cash flows from operating activities, as well as a representative percentage of its revenue, and various operating expenses are carried out in that currency. The consolidated financial statements are presented in U.S. Dollars, thereby generating conversion effects.

**Foreign currency balances and transactions**

Foreign currency transactions are translated into the functional currency of the Association. In this case, the Association used the exchange rates prevailing on transaction dates. Exchange gains and losses arising from the settlement of those transactions and the valuation of monetary items at the year-end exchange rate are recognized in the consolidated statement of activities.

Nonmonetary items are not translated at the exchange rate of the closing of the period, and they are measured at historical cost (translated by using exchange rates at the date of the transaction).

**Transactions abroad**

In the financial statements of the Association, all assets, liabilities, and operations of the subsidiary company carried out with a functional currency other than the peso (recording currency of the Association) are translated into pesos at the time of consolidation. The functional currency of the subsidiary company has remained unchanged during the reporting period.

At the time of consolidation, assets and liabilities have been translated into US dollars at the closing exchange rate of the reporting date. Revenue and expenses have been translated into the recording currency of the Association at an average exchange rate during the reporting period. Exchange differences are charged / credited to the consolidated statements of activities, and they are recognized as a conversion effect in the patrimony. At the time of disposing of a foreign operation, the effects of accumulated conversion recognized in the patrimony are reclassified to the consolidated statement of activities as part of the gain on loss on the disposal.

**d. Cash and cash equivalent**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments of cash and which are subject to an insignificant risk of changes in value.

**e. Financial instruments****Recognition, initial measurement, and derecognition of financial instruments**

Financial assets and liabilities are recognized when the Association forms part of the terms and conditions of a financial instrument.

Financial assets are derecognized when the contractual rights on the cash flows of the financial asset expire or when the asset and substantially all its risks and benefits are transferred. A financial liability is derecognized when it is extinguished, cancelled or it expires.

### **Classification and initial measurement of financial assets**

Except for accounts receivable that do not have a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value, adjusted by transaction costs (if applicable).

Financial assets that are not designated and effective as hedge instruments are classified in the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVTOCI).

In the periods presented, the Association does not have financial assets classified as FVTPL or FVTOCI.

The classification is determined by:

- the business model of the Association for managing the financial asset, as well as
- the contractual characteristics of the cash flow of the financial asset.

All revenue and expenses related to financial assets are recognized in the consolidated statement of activities and presented in the cost of financing, except for impairment of accounts receivable, which is presented in general expenses.

### **Subsequent measurement of financial assets**

#### Financial assets at amortized cost

Financial assets are measured at amortized costs if the assets meet the following conditions (and they are not designated as FVTPL):

- are maintained within a business model whose objective is to hold financial assets and collect their contractual cash flows
- the contractual terms of financial assets give rise to cash flows that are only payments of capital and interest on the balance of outstanding capital.

After the initial recognition, financial assets are measured at amortized cost by using the effective interest method. The discount is omitted when the effect of the discount is immaterial. Cash of the Association, accounts receivable, and most other receivables fall into this category of financial instruments.

### **Financial asset impairment**

IFRS 9 impairment requirements use more future information for recognizing expected credit losses, the 'expected credit loss model (ECL)'. This replaces the 'incurred loss model' of IAS 39. Instruments within the scope of new requirements include accounts receivable and other financial assets.

Accounts receivable and other receivables and contract assets

The Association makes use of a simplified approach for recording accounts receivable and other receivables, as well as contract assets. It further recognizes the impairment allowance as expected credit losses in the lifetime.

These are the expected deficits in contractual cash flows, considering potential nonperformance at any time throughout the life of the financial instrument. Upon calculating, the Association uses its historical experience, external indicators, and future information to calculate expected credit losses by using a provision matrix.

The Association evaluates impairment of accounts receivable on a collective basis, since they have shared credit risk characteristics that have been grouped based on days in arrears.

**Classification and measurement of financial liabilities**

Insofar as financial liabilities continue to be recorded in the same manner according to IFRS 9 in comparison with IAS 39, the Association's financial liabilities were not impacted by the adoption of IFRS 9. However, for purposes of integrity, the accounting policy is disclosed below.

- The financial liabilities of the Association include accounts payable and other accrued liabilities.
- Financial liabilities are initially measured at fair value, and when this applies, they are adjusted for transaction costs. Subsequently, financial liabilities are measured at amortized cost by using the effective interest method.
- All charges related to interest are recognized in the consolidated statement of activities and included in the cost of financing.

**f. Prepaid Expenses**

They represent advances for services that will be received in the future, and they are amortized in the period in which those services are received. Prepaid expenses correspond to insurance policies and surety bonds.

**g. Furniture and equipment**

Furniture and equipment are stated at their acquisition value, including any cost directly attributable for transferring assets at the location and in conditions necessary to operate in the manner foreseen by the Association's Management. Depreciation of furniture and equipment is calculated by the straight-line method, based on the estimated useful lives of those assets, net of the estimated residual value by using the following average years:

	Average years
Leasehold adaptations	3
Furniture and equipment	10
Computer equipment	5

Adaptations of leased real property are amortized during the lower of the period between the useful live thereof and the life of the lease agreement.

## **h. Leased assets**

### **Accounting policy applicable beginning January 1, 2019**

For any new agreement entered into beginning or after January 1, 2019, the Association considers whether an agreement is or contains a lease. A lease is defined as ‘an agreement or part of an agreement that grants the right of use of an asset (the underlying asset) during a period of time in exchange for a payment’. In order to apply this definition, the Association evaluates if the agreements comply with three key evaluations, as follows:

- the agreement has an identified asset that is identified either explicitly in the agreement or implicitly upon being identified at the time at which the asset is placed at the disposal of the Association;
- the Association is entitled to substantially obtain all the economic benefits arising from the use of the asset identified during the period of use, and its rights are considered within the defined scope in the agreement; and
- the Association is entitled to direct the use of the asset identified during the period of use. The Association evaluates whether it is entitled to direct the ‘how and for what purpose’ the asset is used during the period of use.

### **Measurement and recognition of leases as a lessee**

The Association has chosen to record short-term leases and low value asset leases by using practical solutions. Instead of recognizing a right-of-use asset and a lease liability, the related payments are recognized on a straight-line as an expense during the lease term. Associated costs such as maintenance and insurance are recognized in the consolidated statement of activities as incurred. As of December 31, 2021, due to the COVID-19 sanitary emergency and the disuse of its offices, the Association’s Management decided to conclude its lease agreement of the real property in Costa Rica, thereby writing off its right-of-use asset of offices and its lease liabilities.

## **i. Provisions, contingent liabilities and contingent assets**

Provisions are recognized when current obligations arising from a past event will probably lead to an outflow of economic resources of the Association, and the amounts can be estimated reliably. The time or the amount of the outflow can still be uncertain. A current obligation arises from the presence of a legal or implied commitment, as the result of past events. Provisions do not recognize losses of future operations.

Provisions are the necessary amounts of disbursements estimated to liquidate the current obligation based on the most reliable evidence available at the date of presentation of the financial statements, including risks and uncertainties associated with the current obligation.

When there is a number of similar obligations, the likelihood that the disbursement required for the liquidation is determined considering the overall type of obligations. Provisions are discounted at their present value where the value of the money through time is material.

All provisions are reviewed at the date of the financial statements, and they are adjusted to reflect the best current estimate. No liability is recognized in those cases in which a possible outflow of economic resources is deemed improbable as a result of a present obligation. These situations are disclosed as contingent liabilities, unless the outflow of resources is remote.

**j. Taxes on earnings**

The Association in Mexico is not subject to paying Income Tax (ISR-Spanish acronym); therefore, in conformity with the applicable provisions, it only pays taxes on the distributable remaining balance or items deemed as such. Consequently, Deferred Income Tax is not recognized either, in accordance with IAS 12 - Taxes on earnings, since it is a not-for-profit organization.

The consolidated information of the Association reports a tax on earnings arising from the operations of Red de Agricultura Sostenible CR, S.A. in Costa Rica (subsidiary company), which calculates its taxes on earnings individually, in accordance with the regulation in effect in that country.

**k. Revenue recognition**

Revenues from projects are recognized as increases in patrimony when services are realized. Donations of goods and services are recognized at their fair value in the financial statements.

**l. Operating costs and expenses**

General costs are recognized in the consolidated statement of activities at the time the service is used, the materials are consumed, or as incurred.

**m. Costs of financing**

Interest income and interest expense are reported on an accrual basis, by using the effective interest method. They are presented as part of the consolidated statement of activities.

**n. Significant judgment by Management upon applying accounting policies and uncertainty in estimates**

Upon preparing the financial statements, Management makes various judgments, estimates, and assumptions for the recognition and measurement of assets, liabilities, revenues, and expenses.

**Significant judgments by Management**

As of December 31, 2021 and 2020, Management considers that the judgments made in the application of the accounting policies of the Association are immaterial and, therefore, do not have any significant effect on the financial statements.

**Estimate uncertainty**

Information about estimates and assumptions that has the most significant effect on the recognition and measurement of assets, liabilities, revenues, and expenses is provided below. Actual results can be substantially different.

***Useful lives of depreciable assets***

Management reviews the useful lives of depreciable assets on each reporting date, based on the expected use of each asset. Uncertainty in these estimates arises from the use that can modify the estimated useful life.

***Allowances for doubtful accounts***

The Association uses estimates for determining allowances on trade accounts receivable. The factors considered by the Association in estimating doubtful accounts and being clarified are mainly the risk of the financial position of the debtor, unsecured accounts, and considerable delays in collection, in accordance with established credit limits.

***Revenue***

Amounts recognized as revenue and their relative receivables reflect Management's best estimate of the gain or loss of each contract and their percentage of completion. For more particularly complex contracts, costs for completing and profitability of the contract are subject to a significant degree of uncertainty in the estimate.

**5 CASH AND CASH EQUIVALENTS**

As of December 31, 2021 and 2020, cash and cash equivalents are summarized as follows:

	<u>2021</u>	<u>2020</u>
Cash on Banks	\$ 1,257,306	\$ 2,428,853
Highly liquid investments	-	330,000
	<u>\$ 1,257,306</u>	<u>\$ 2,758,853</u>

**6 ACCOUNTS RECEIVABLE**

As of December 31, 2021 and 2020, accounts receivable are summarized as follows:

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 2,807,264	\$ 114,392
Other receivables	27,009	4,882
Taxes recoverable, mainly value added tax (VAT)	68,347	40,932
	<u>\$ 2,902,620</u>	<u>\$ 160,206</u>

**7 FURNITURE AND EQUIPMENT, NET**

At December 31, 2021 and 2020, Furniture and equipment are summarized as follows:

	<u>2021</u>	<u>2020</u>
Gross investment at cost:		
Furniture and equipment	\$ 13,853	\$ 47,230
Computer equipment	11,785	9,222
	<u>25,638</u>	<u>56,452</u>



## Accumulated depreciation:

Furniture and equipment	(5,996)	(22,931)
Computer equipment	(3,268)	(4,792)
	<u>(9,264)</u>	<u>(27,723)</u>
	<u>\$ 16,374</u>	<u>\$ 28,729</u>

## Net investment:

Furniture and equipment	\$ 7,857	\$ 24,299
Computer equipment	8,517	4,430
	<u>\$ 16,374</u>	<u>\$ 28,729</u>

a) The reconciliation between net book values of furniture and equipment is as follows:

	Furniture and equipment	Computer equipment	Right-of- use of offices	Total furniture and equipment
Balances as of December 31, 2019	\$ 28,528	\$ 6,674	\$ 42,209	\$ 77,411
Additions	-	-	-	-
Retirements	-	-	-	-
Depreciation	(4,229)	(2,244)	(42,209)	(48,682)
Balances as of December 31, 2020	24,299	4,430	-	28,729
<b>Additions</b>	<b>1,873</b>	<b>5,974</b>	-	<b>7,847</b>
<b>Retirements</b>	<b>(35,249)</b>	<b>(3,411)</b>	-	<b>(38,660)</b>
<b>Depreciation -expenses</b>	<b>(4,127)</b>	<b>(1,887)</b>	-	<b>(6,014)</b>
<b>Depreciation acc. - retirements</b>	<b>21,061</b>	<b>3,411</b>	-	<b>24,472</b>
<b>Balances as of December 31, 2021</b>	<b>\$ 7,857</b>	<b>\$ 8,517</b>	<b>\$ -</b>	<b>\$ 16,374</b>

## 8 LEASES

Lease liabilities are presented in the statement of financial position as follows:

	2021	2020
Current assets	\$ -	\$ -
Noncurrent assets	-	-
	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2021 and 2020, due to the COVID-19 sanitary emergency and the disuse of its offices, the Association's Management decided to finish the lease of its offices in Costa Rica, thereby writing off its right-of-use asset of offices and its lease liabilities.

**Lease payments not recognized as liabilities**

The Association has chosen not to recognize short-term lease liabilities (leases with an expected 12-month term or less) or for leases of low value assets. Payments made for these lease agreements are recognized in the consolidated statement of activities on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and they are recognized in the consolidated statement of activities as incurred.

The expense related to the payments not included in the measurement of the lease liability is as follows:

	<u>2021</u>	<u>2020</u>
Short-term leases	\$ 18,000	\$ 18,000
Low value leases	3,240	3,480
Warehouse lease - finished may 2022	4,410	-
	<u>\$ 25,650</u>	<u>\$ 21,480</u>

**9 FINANCIAL ASSETS AND LIABILITIES**

As at December 31, 2021 and 2020, financial assets and liabilities are summarized as shown below:

	<u>2021</u>	<u>2020</u>
<b>Financial assets</b>		
<i>Valued at amortized cost</i>		
Cash and cash equivalents	\$ 1,257,306	\$ 2,758,853
Accounts receivable and other receivables	2,834,273	119,274
	<u>\$ 4,091,579</u>	<u>\$ 2,878,127</u>
<b>Financial liabilities</b>		
<i>Valued at amortized cost</i>		
Accounts payable	\$ 169,385	\$ 16,161
	<u>\$ 169,385</u>	<u>\$ 16,161</u>

As of December 31, 2021 and 2020, the carrying value of financial assets and liabilities at amortized cost is considered similar to its fair value.

A description of the financial instrument risks, including in Note 14.

**10 TAXES AND ACCRUED EXPENSES**

As at December 31, 2021 and 2020, balances of taxes payable and accrued expenses are shown below:

	<u>2021</u>	<u>2020</u>
Taxes payable	\$ 3,502	\$ 7,681
Accrued operating expenses	39,485	47,064
	<u>\$ 42,987</u>	<u>\$ 54,745</u>

## 11 RELATED PARTY TRANSACTIONS

Related party transactions for the years ended December 31, 2021 and 2020, are summarized below:

	<u>2021</u>	<u>2020</u>
<b><u>Revenues:</u></b>		
Professional services	<u>\$ 17,758</u>	<u>\$ 2,750</u>
<b><u>Expenses:</u></b>		
Reimbursements	<u>\$ 437,698</u>	<u>\$ 301,625</u>

## 12 OPERATING EXPENSES

As at December 31, 2021 and 2020, operating expenses are summarized as shown below:

	<u>2021</u>	<u>2020</u>
Fees	\$ 831,387	\$ 714,784
Employee benefits	595,709	744,815
Travel expenses	14,955	10,037
Insurance	60,049	69,261
Lease	26,111	34,927
Subscriptions	29,588	6,529
Depreciation and amortization	6,168	6,592
Telecommunications	3,475	836
Maintenance	107	1,019
Bank fees	6,312	5,497
Support for Nestle program	306,609	-
Other operating expenses	43,658	19,802
	<u>\$ 1,924,128</u>	<u>\$ 1,614,099</u>

## 13 TAXES ON EARNINGS

In conformity with the provisions set forth in Article 79, subsection XII of the Income Tax Law in Mexico, the Association is not subject to this tax. The Association may be subject to paying Income Tax only for nondeductible expenses incurred and for revenue arising from activities other than those for which it was authorized to receive donations.

As of December 31, 2021 and 2020, the consolidated information of the Association reports a tax on earnings arising from the operations of Red de Agricultura Sostenible CR, S.A. in Costa Rica, which calculates its taxes on earnings individually, in accordance with the regulation of that country. That tax amounts to \$0 and \$13,235, respectively.

As of December 31, 2021 and 2020, the components of deferred tax assets are summarized as follows:

	<u>2021</u>	<u>2020</u>
Excess of book over tax value of assets	\$ -	\$ -
Tax rate	<b>30%</b>	<b>30%</b>
	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2020, the Association stopped leasing its administrative offices; therefore, the right-of-use asset of its offices and lease liabilities were written off in the fiscal year. The Association charged a balance in the amount of \$3,808 to the consolidated statement of activities.

## 14 FINANCIAL INSTRUMENTS RISK

### Risk management objectives and policies

The Association and subsidiary are exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 9. The main types of risks are market risk, credit risk and liquidity risk.

The risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

### Foreign currency sensitivity

Exposures to exchange rates arise from the services rendered and expenses abroad of the Association and its subsidiary, which are denominated in US dollars (USD), Mexican pesos, and Costa Rican colones. The Subsidiary Company has an investment in USD.

### Liquidity risk analysis

Liquidity risk is that the Association and subsidiary might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

## 15 DEFERRED REVENUE AND EXPENSES

As of December 31, 2021, deferred revenue and expenses are summarized as shown below

	<u>Valuation</u>
<b><u>Deferred revenue:</u></b>	
Nestlé vegetables	\$ 1,400,849
Nestlé spices	58,776
Syngenta Swiss Fase II	<u>67,000</u>
	<u>\$ 1,526,625</u>
<b><u>Deferred expenses:</u></b>	
ISEAL BLUERPRINT project	\$ 68,362
Ferrero Malaysia project	50,145
OSAN project	<u>1,286</u>
	<u>\$ 119,793</u>

## 16 CONTINGENCIES

The Association has entered into service contracts with affiliated companies that are related to revenue and service expenses.

In accordance with the Income Tax Law, companies that carry out related party transactions are subject to tax obligations, with respect to the determination of prices agreed upon. Such prices should be comparable to prices that would be used with or between independent parties in arm's length transactions. In the event that the tax authorities should reject the amounts determined, they could also demand taxes and accessories, fines that could be as high as 100% of the restated amount of the contributions.

In accordance with tax legislation, the authorities may exercise their inspection powers in the normal course of the Association's operations. The authority has the power to review up to the five fiscal years prior to the last income tax return filed by the Association. Management cannot foresee if those reviews could give rise to future contingencies. However, they will be disclosed and/or recognized when they are known.

## 17 EVENTS AFTER THE REPORTING DATE

No adjusting or significant non-adjusting events have occurred between the December 31 reporting date and the date of authorization

## 18 AUTHORIZATION OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements and their notes were approved by Carlos Rodolfo Cortés Tormo (Director of Corporate Services) on June 17, 2022. Consequently, they do not reflect events that took place after that date.

The General Corporate Law and the Association's bylaws grant powers to the Board of Directors to modify the consolidated financial statements after they are issued. The financial statements will be submitted for approval at the General Associates' Assembly.