



Salles Sainz

Grant Thornton

**Consolidated financial statements and
Independent auditor's report**

**Red de Agricultura Sostenible, A.C. and Subsidiary
December 31, 2020 and 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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.

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.A. Julián A. Abad Riera

Mexico City, Mexico
May 21, 2021

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, 2020 and 2019****(Amounts stated in US Dollars)**

	Notes	2020	2019
Assets			
Current assets			
Cash and cash equivalents	5	\$ 2,758,853	\$ 3,519,000
Accounts receivable	6	160,206	156,692
Prepaid expenses		31,550	38,510
Total current assets		2,950,609	3,714,202
Noncurrent assets			
Furniture and equipment	7	28,729	77,411
Software - Net		132	122
Guaranty deposits		2,834	2,839
Deferred tax	13	-	3,808
Total noncurrent assets		31,695	84,180
Total assets		\$ 2,982,304	\$ 3,798,382
Liabilities			
Short-term			
Trade payables		\$ 16,161	\$ 16,179
Taxes and accrued expenses	10	54,745	61,766
Lease liability	8	-	31,634
Total short-term liabilities		70,906	109,579
Long-term			
Lease liability	8	-	23,268
Total long-term liabilities		-	23,268
Total liabilities		70,906	132,847
Patrimony			
Accumulated patrimony		3,651,524	4,120,160
Effect of translation		(740,126)	(454,625)
Total patrimony		2,911,398	3,665,535
Total liabilities and patrimony		\$ 2,982,304	\$ 3,798,382

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

Consolidated statements of activities**For the years ended December 31, 2020 y 2019****(Amounts stated in US Dollars)**

	Notas	2020	2019
Royalties		\$ -	\$ 1,018,004
Other revenue		865,625	944,751
		865,625	1,962,755
Operating expenses	12	1,614,099	1,563,784
Interest income		(2,548)	(2,420)
Interest expense		126	5,737
Foreign exchange (gain) loss, net		(290,651)	168,606
		1,321,026	1,735,707
Changes in patrimony before taxes		(455,401)	227,048
Taxes on earnings	13	13,235	11,394
Remnant of the year		(468,636)	215,654
Patrimony at beginning of year		4,120,160	3,904,506
Patrimony at end of year		\$ 3,651,524	\$ 4,120,160

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

Consolidated statements of cash flows**For the years ended December 31, 2020 y 2019****(Amounts stated in US Dollars)**

	2020	2019
Operating activities		
Changes in patrimony before taxes	\$ (455,401)	\$ 227,048
Items related to investment activities:		
Depreciation and amortization	48,682	34,222
Interest earned	(2,548)	(2,420)
Items related to financing activities:		
Accrued interest	126	5,737
	(409,141)	264,587
(Increase) decrease		
Accounts receivable	(3,514)	20,540
Prepaid expenses, guaranty deposits	6,965	(4,619)
(Decrease) increase		
Trade payables	(18)	13,275
Taxes, accrued expenses	(7,021)	(17,787)
Tax paid	(9,427)	(15,202)
Lease liability	(54,902)	(27,776)
Net cash used in operating activities	(477,058)	233,018
Investing activities		
Acquisition of furniture and equipment, net	(10)	(1,842)
Interest earned	2,548	2,420
Net cash used in investing activities	2,538	578
Financing activities		
Interest paid	(126)	(5,737)
Net cash in financing activities	(126)	(5,737)
Net increase in cash and cash equivalents	(474,646)	227,859
Cash and cash equivalents at beginning of year	3,519,000	3,142,868
Effect of translation due to changes in value of cash, translation of balances and cash flows of its foreign operations to the reporting currency	(285,501)	148,273
Cash and cash equivalents at end of year	\$ 2,758,853	\$ 3,519,000

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

Notes to the consolidated financial statements

December 31, 2020 and 2019

(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.

On June 30, 2017, Red de Agricultura Sostenible, A.C. terminated the contract that it had with Rainforest Alliance, Inc. On January 7, 2019, it received the last deposit of the settlement of this contract with which it generated its revenues. As of the date of this report, the Association has not renewed any other contract.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE WITH IFRS

The consolidated financial statements of the Association have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They have been prepared under the assumption that the Association operates on a going concern basis.

3 CHANGES IN ACCOUNTING POLICIES

New standards adopted as of January 1, 2020

Some accounting pronouncements which have become effective from January 1, 2020 and have therefore been adopted do not have a significant impact on the Association financial results or position.

Other Standards and amendments that are effective for the first time in 2020 and could be applicable are:

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to References to the Conceptual Framework (Various Standards)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16)

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Association.

Other Standards and amendments that are not yet effective and have not been adopted early by the Association include:

- References to the Conceptual Framework
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore the disclosures have not been made.

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, 2020 and 2019. 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. Translation 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 translation 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 translation effect in the patrimony. At the time of disposing of a foreign operation, the effects of accumulated translation 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, 2020

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, 2020, 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.

Royalties

Royalties are recognized as accrued, in accordance with the substance of the agreement on which they are based (provided that it is probable that the economic benefits will flow toward the Association, and that revenues can be valued reliably). Royalties determined over a period of time are recognized through the straight-line method during the period of the agreement. Royalty agreements based on production, sales, and other measurements are recognized by reference to the underlying agreement.

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, 2020 and 2019, 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.

Royalties and other revenue

Amounts recognized as royalties and other 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

	2020	2019
Cash on banks	\$ 2,428,853	\$ 3,519,000
Highly liquid investments	330,000	-
	\$ 2,758,853	\$ 3,519,000

6 ACCOUNTS RECEIVABLE

As of December 31, 2020 and 2019, accounts receivable are summarized as follows:

	2020	2019
Accounts receivable	\$ 114,391	\$ 125,111
Other receivables	4,882	6,508
Taxes recoverable, mainly value added tax (VAT)	40,932	25,073
	\$ 160,206	\$ 156,692

7 FURNITURE AND EQUIPMENT, NET

At December 31, 2020 and 2019, Furniture and equipment are summarized as follows:

	<u>2020</u>	<u>2019</u>
Gross investment at cost:		
Leasehold adaptations	\$ -	\$ 8,100
Furniture and equipment	47,230	47,230
Computer equipment	9,222	21,506
Right-of-use of offices	-	151,952
	<u>56,452</u>	<u>228,788</u>
Accumulated depreciation:		
Leasehold adaptations	\$ -	\$ (8,100)
Furniture and equipment	(22,931)	(18,702)
Computer equipment	(4,792)	(14,832)
Right-of-use of offices	-	(109,743)
	<u>(27,723)</u>	<u>(151,377)</u>
Net investment:		
Leasehold adaptations	\$ -	\$ -
Furniture and equipment	24,299	28,528
Computer equipment	4,430	6,674
Right-of-use of offices	-	42,209
	<u>\$ 28,729</u>	<u>\$ 77,411</u>

As of December 31, 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.

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

	<u>Leasehold adaptations</u>	<u>Furniture and equipment</u>	<u>Computer equipment</u>	<u>Right-of-use of offices</u>	<u>Total furniture and equipment</u>
Balances as at December 31, 2018	\$ -	\$ 32,741	\$ 9,516	\$ 67,534	\$ 109,791
Additions	-	-	1,842	-	1,842
Retirements	-	-	-	-	-
Depreciation	-	(4,213)	(4,684)	(25,325)	(34,222)
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	<u>\$ -</u>	<u>\$ 24,299</u>	<u>\$ 4,430</u>	<u>\$ -</u>	<u>\$ 28,729</u>

8 LEASES

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

	<u>2020</u>	<u>2019</u>
Current assets	\$ -	\$ 31,634
Noncurrent assets	-	23,268
	<u>\$ -</u>	<u>\$ 54,902</u>

As of December 31, 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.

As of December 31, 2019 the subsidiary company has leased corporate offices in Costa Rica. Except for short-term leases and low value underlying assets, the lease is recorded in the consolidated statement of financial position as a right-of-use asset and a lease liability. The Association classifies its right-of-use assets consistently with its furniture and equipment (see Note 7).

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>2020</u>	<u>2019</u>
Short-term leases	\$ 18,000	\$ 11,450
Low value leases	3,480	3,480
	<u>\$ 21,480</u>	<u>\$ 14,930</u>

9 FINANCIAL ASSETS AND LIABILITIES

As at December 31, 2020 and 2019, financial assets and liabilities are summarized as shown below:

	<u>2020</u>	<u>2019</u>
Financial assets		
<i>Valued at amortized cost</i>		
Cash	\$ 2,758,853	\$ 3,519,000
Accounts receivable and other receivables	119,274	131,619
	<u>\$ 2,878,127</u>	<u>\$ 3,650,619</u>
Financial liabilities		
<i>Valued at amortized cost</i>		
Trade payables	\$ 16,161	\$ 16,179
	<u>\$ 16,161</u>	<u>\$ 16,179</u>

As of December 31, 2020 and 2019, the carrying value of financial assets and liabilities at amortized cost is considered similar to its fair value.

10 TAXES AND ACCRUED EXPENSES

As at December 31, 2020 and 2019, balances of taxes payable and accrued expenses are shown below:

	<u>2020</u>	<u>2019</u>
Taxes payable	\$ 7,681	\$ 4,857
Accrued operating expenses	<u>47,064</u>	<u>56,909</u>
	<u>\$ 54,745</u>	<u>\$ 61,766</u>

11 RELATED PARTY TRANSACTIONS

Related party transactions for the years ended December 31, 2020 and 2019, are summarized below:

	<u>2020</u>	<u>2019</u>
<u>Revenues:</u>		
Completion of Rain Forest Alliance contract	<u>\$ 2,750</u>	<u>\$ 1,000,000</u>
<u>Expenses:</u>		
Reimbursements	<u>\$ 301,625</u>	<u>\$ 151,907</u>

12 OPERATING EXPENSES

As at December 31, 2020 and 2019, operating expenses are summarized as shown below:

	<u>2020</u>	<u>2019</u>
Fees	\$ 714,784	\$ 604,945
Employee benefits	744,815	706,513
Travel expenses	10,037	86,881
Insurance	69,261	62,260
Lease	34,927	39,909
Subscriptions	6,529	18,072
Depreciation and amortization	6,592	8,920
Telecommunications	836	239
Maintenance	1,019	1,619
Bank fees	5,497	6,654
Other operating expenses	<u>19,802</u>	<u>27,772</u>
	<u>\$ 1,614,099</u>	<u>\$ 1,563,784</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, 2020 and 2019, 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 \$9,427 and \$15,202, respectively.

As of December 31, 2020 and 2019, the components of deferred tax assets are summarized as follows:

	<u>2020</u>	<u>2019</u>
Excess of book over tax value of assets	\$ -	\$ 12,694
Tax rate	30%	30%
	<u>\$ -</u>	<u>\$ 3,808</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.

As of December 31, 2019, credits to the consolidated statement of activities amount to \$3,808, and they are generated by right-of-use assets of offices and lease.

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 COVID CONTINGENCY

Beginning December 31, 2020, the outbreak of COVID-19 has strongly impacted many local economies around the world. In many countries, businesses and companies are being obligated to stop their operations for long and/or undefined periods of time. The measures that have been taken to contain the spread of the virus, even prohibiting travel, quarantines, social distancing, and closings of services that are not essential have brought about significant interruptions of many businesses worldwide, thereby resulting in an economic slowdown. Stock markets in the world have also experience high volatility and significant weakening. Governments and central banks have responded with monetary and tax interventions to stabilize economic conditions.

The Association has determined that these subsequent events do not require adjustments. Accordingly, the financial position and gain or loss on its activities for the year ended December 31, 2020 have not been adjusted to reflect their impact. The duration and impact of the pandemic of COVID-19, as well as the effectiveness of the responses of the government and central bank continue to be uncertain up to this time.

It is not possible to estimate the duration and seriousness of these consequences reliably, nor their impact on the financial position and activities of the Association for future periods.

Apart from the foregoing, no facts or events have been presented that require adjustments or disclosures of the accompanying financial statements.

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 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 May 21, 2021. 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.