

INROADS DE MÉXICO, A.C.

FINANCIAL STATEMENTS,
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Inroads de México, A.C.

Opinion

We have audited the financial statements of Inroads de México, A.C. (The Association), which comprises of the statements of financial position as of December 31, 2022 and 2021, and the statements of operations and cash flows for the years then ended, as well as the notes to the financial statements. The financial statements also include a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Inroads de México, AC, as of December 31, 2022 and 2021, as well as its activities and cash flows for the years ended on those dates, in accordance with the Mexican Financial Reporting Standards (MFRS).

Basis of opinion

We have conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are described later in the section Responsibilities of the auditor in relation to the audit of the financial statements of this report. We are independent of the Association in accordance with the Code of Professional Ethics of the Mexican Institute of Public Accountants, A.C., along with the ethical requirements that are applicable to our audits of financial statements in Mexico. We believe that the audit evidence we have obtained provides a sufficient and adequate basis for our opinion.

Responsibilities of the Administration in relation to the financial statements

Management of the Association is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with the MFRS and related internal control it deems necessary to enable the preparation of financial statements free from material misstatement due to fraud or error.

In the preparation of the financial statements, Management is responsible for assessing the Association's ability to continue as a going concern, revealing, as appropriate, issues related to the Company in operation and using the operating accounting principle except if the administration intends to liquidate the association or cease its operations, or there is no other realistic alternative.

Those responsible for the governance of the Association are responsible for supervising the financial information process of the Association.

Responsibilities of the auditor in relation to the audit of the financial statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, due to fraud or error, and to issue an audit report containing our opinion. Reasonable safety is a high degree of safety but does not guarantee that an audit performed in accordance with ISA will always detect a material misstatement when it exists. Misrepresentations may be due to fraud or error and are considered

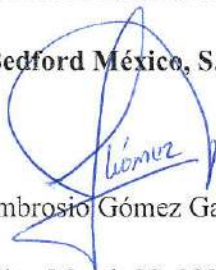


material if, individually or in aggregate form, they can reasonably be expected to influence economic decisions that users make based on the financial statements.

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

- Identify and assess the risks of material misstatement in the financial statements, due to fraud or error, design and apply audit procedures to respond to those risks, and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than in the case of a material misstatement due to error, since fraud may involve collusion, falsification, deliberate omissions, intentionally erroneous manifestations or circumvention of internal control.
- Obtain knowledge of the internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances and 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 applied and the reasonableness of the accounting estimates and the corresponding information disclosed by management.
- We concluded on the adequacy of the usage, by the Management, of the accounting principle of going concern and, based on the obtained audit evidence, we conclude about the existence or lack of a material uncertainty related to events or conditions that can generate significant doubts about the capacity of the Association to continue as a going concern. If we conclude that a material uncertainty exists, it is required that we draw attention in our audit report to the corresponding information disclosed in the financial statements or, if the mentioned disclosures are not adequate, that we express a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Association to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including disclosed information, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate to those in charge of the Association's governance regarding, among other topics, the scope and timing of the planned audit and the significant findings of the audit, as well as any significant deficiencies in internal control that we identified in the course of the audit.

Russell Bedford México, S.C.



C.P.A. Ambrosio Gómez García

Mexico City, March 28, 2023

INROADS DE MEXICO, A.C.
Statement of financial position
(Figures in Mexican pesos)

	December 31, 2022			December 31, 2021
	Unrestricted	Temporarily restricted	Total	
Assets				
Current assets:				
Cash and cash equivalents (Note 6)	\$ 7,247,920	\$ 2,904,225	\$ 10,152,145	\$ 5,347,913
Accounts receivable (Note 7)	625,569		625,569	73,692
Total current assets	7,873,489	2,904,225	10,777,714	5,421,605
Non-current assets:				
Furniture and computer equipment - Net (Note 8)	235,383		235,383	262,466
Total assets	\$ 8,108,872	\$ 2,904,225	\$ 11,013,097	\$ 5,684,071
Liabilities and equity				
Short term liabilities:				
Suppliers, accumulated liabilities and other accounts payable	\$ 341,085		\$ 341,085	\$ 181,710
Sponsorship advances (Note 9)	-	\$ 2,904,225	2,904,225	3,170,654
Salaries and benefits payable (Note 10)	863,571		863,571	299,316
Compromised donations and sponsorship	552,500		552,500	72,883
Income tax payable (Note 12)	70,888		70,888	7,939
Other taxes and contributions	261,066		261,066	366,064
Total liabilities	2,089,110	2,904,225	4,993,335	4,098,566
Equity (Note 11):				
Unrestricted	6,019,762		6,019,762	1,585,505
Total liabilities and equity	\$ 8,108,871	\$ 2,904,225	\$ 11,013,097	\$ 5,684,071

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

Lic. Beatriz Coll
Managing Director

INROADS DE MEXICO, A.C.

Statements of activities

(Figures in Mexican pesos)

	Year ending December 31	
	<u>2022</u>	<u>2021</u>
<u>Income:</u>		
Sponsorship	\$ 3,603,200	\$ 1,879,000
Donations	13,333,531	4,473,455
Exchange rate profit	<u>290,518</u>	<u>55,996</u>
Total revenue	<u>17,227,249</u>	<u>6,408,451</u>
<u>Expenses:</u>		
Wages and labor obligations	8,734,015	3,883,768
Operating expenses	3,386,688	910,305
Exchange rate loss	595,570	54,183
Income tax	70,888	7,939
Other expenses	<u>5,831</u>	<u>-</u>
Total expenses	<u>12,792,992</u>	<u>4,856,195</u>
Increase in equity	4,434,257	1,552,256
Beginning equity	<u>1,585,505</u>	<u>33,249</u>
Ending equity	<u>\$ 6,019,762</u>	<u>\$ 1,585,505</u>

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

Ms. Beatriz Coll
Managing Director

INROADS DE MÉXICO, A.C.

Statement of Cash Flow

(Figures in Mexican pesos)

	Year ending December 31	
	<u>2022</u>	<u>2021</u>
Operating activities:		
Increase in equity	\$ 4,434,257	\$ 1,552,256
Items related to investment activities:		
Depreciation	<u>58,113</u>	<u>32,507</u>
	4,492,370	1,584,763
(Increase) decrease in accounts and documents by sponsors and others	(551,877)	74,171
Increase in suppliers, accumulated liabilities and other accounts payable	<u>894,769</u>	<u>2,761,978</u>
Net cash flows from operating activities	4,835,262	4,420,912
Investment activities:		
Furniture and equipment acquisition	<u>(31,030)</u>	<u>(129,299)</u>
Net cash flows from investing activities	<u>(31,030)</u>	<u>(129,299)</u>
Net increase in cash and cash equivalents	4,804,232	4,291,613
Beginning cash and cash equivalents	<u>5,347,913</u>	<u>1,056,300</u>
Ending cash and cash equivalents	<u>\$ 10,152,145</u>	<u>\$ 5,347,913</u>

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

Ms. Beatriz Coll
Managing Director

INROADS DE MÉXICO, A.C.
Notes to the financial statements
December 31, 2022 and 2021

(Figures expressed in Mexican pesos)

NOTE 1 - AUTHORIZATION FOR THE ISSUANCE OF THE FINANCIAL STATEMENTS

On March 28, 2023 Ms. Beatriz Coll (Managing Director) responsible for financial information authorized the issuance of the financial statements for presentation to the board of directors for final approval.

NOTE 2 - MAIN ACTIVITY OF THE ASSOCIATION

Inroads de México, A.C. (The Association) is a non-profit organization incorporated on March 8, 1996, under Mexican law. Its mission is to detect talent among young Mexicans with limited economic resources, to promote their integral formation as leaders committed to society and to channel opportunities for their development.

It offers a comprehensive training plan to support selected university students to obtain a meaningful practical experience, in areas related to their professional career, in a first level company.

The purpose of the Association is:

- a. Attend to young people of any sex, who due to their socioeconomic circumstances require incentives in the labor and educational area and training, with the purpose of seeking their entry to various companies to obtain a better development. The aim of the training will be to ensure that young people with low socio-economic resources have the opportunity to develop in the fields of work related to the profession they are studying, so that they can be surpassed not only in classrooms but also in practice.
- b. Obtain resources through contributions, donations, inheritances, legacies or any other type of assistance, from natural or moral persons, national and foreign.
- c. Promote the integral development of the young people who participate in the program.
- d. To publish information about the programs and parties in order to disclose the work carried out by the organization.
- e. Establish contact points between the Association among others with similar purposes.
- f. To get contact between other institutions that have the same or similar object.
- g. Acquire, dispose of, lease or take on an endless supply of commercial speculation, all kinds of furniture or real estate as they are convenient and / or necessary for the development of its object.

- h. The celebration and execution of all acts, agreements, contracts and operations, whether with individuals or corporations, public or private and governmental or decentralized entities, national and foreign, suitable for carrying out their activities and their social object.
- i. In general, the performance of all kinds of acts, operations, agreements, contracts and securities necessary for the realization of its social purpose.

The object must be achieved without obtaining a profit or equity benefit directly or indirectly for its associates and board members.

Consequently, the purpose of the Association will not be predominantly economic or commercial speculation, since it is a non-profit association independent from civil association with any political, religious, ideological or economic groups or parties.

In order to achieve the purposes described above, the Association will have assets that will be constituted as follows:

- I. Partners contributions.
- II. Donations, inheritances, legacies or other contributions that for any reason receive,
- III. Earned income,
- IV. Goods acquired
- V. Any type of rights granted in favor of the Association or acquired by it, by virtue of donations, assignments or any other means permitted by law.

All of its income and assets will be used exclusively for the purposes of the Association, and it cannot grant benefits on a surplus distributable to any natural person or to their natural or legal persons, except in the latter case of moral persons referred to in article 97 of the Mexican Income Tax Law (LISR).

NOTE 3 - PREPARATION AND PRESENTATION BASIS

The financial statements are presented in accordance with Mexican Financial Reporting Standards (MFRS), specifically observing the pronouncements of the financial information based on MFRS B-16 "Non-Profit Financial Statements" and MFRS E- 2 "Donations Received and Granted by Entities with Non-Profit Purposes".

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by Inroads de México, A.C, for the preparation of its financial statements are summarized as follows.

a) Use of estimates

The preparation of the financial statements requires management to make certain estimates and to use certain assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of income and expenses during the year. Important items subject to these estimates and assumptions include the book value of furniture and equipment. Actual results may differ from these estimates and assumptions.

b) Recognition of the effects of inflation

Cumulative inflation for the three fiscal years prior to December 31, 2022 and 2021 was 19.39% and 13.87%, respectively; therefore, the Mexican economy is in a non-inflationary economic environment in both years and consequently the figures as of December 31, 2022 and 2021 of the accompanying financial statements are presented in historical pesos. The inflation percentages for the years ended December 31, 2022 and 2021 were 7.81% and 7.35%, respectively.

c) Cash and cash equivalents

Cash and cash equivalents include deposits in bank accounts in Mexican pesos and US dollars. Cash is valued at nominal value and the foreign currency is translated at the interbank rate at the date of the financial statements.

d) Accounts receivable

Accounts receivable from sponsors are recognized at the nominal values of invoices or receipts.

e) Furniture and computer equipment

Furniture and computer equipment are valued at their historical cost of acquisition as of December 31, 2022 and 2021.

Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets over the cost of acquisition.

f) Suppliers

This caption includes obligations with suppliers for purchases of goods and services acquired in the normal course of the Association's operations. When purchases of goods and services acquired are expected to be paid within one year or less from the closing date, they are presented as current liabilities on the financial reports. In case of not complying with the aforementioned, they are presented as non-current liabilities.

g) Provisions

The Association recognizes, based on Management's estimates, provisions for liabilities for those present obligations in which the transfer of assets or the rendering of services are virtually unavoidable and arises as a result of past events, mainly bonuses, salaries and other payments to personal.

h) Taxes on income

Income tax (ISR by its acronym in Spanish) will only be recorded when the distributable amount (whether or not delivered in cash or in assets to its members or partners) is determined (see Note 12).

i) Equity

In order to achieve the objectives above mentioned, the Association has assets constituted by the economic fund that has ordinary and extraordinary quotas of the associates, the donations granted by the associates or third parties, the subsidies that are obtained, the property owned by the Association, and income from festivities, raffles, sweepstakes, collections, etc., which are carried out in the places and with the requirements that the laws permit, with prior authorization from the Board.

j) Recognition of income

Sponsorship revenues are recognized when they are performed and invoiced.

Proceeds from donations received in cash are recognized for the cash or cash equivalents received and for the amount of unconditional donations received that are accrued and payable.

k) Transactions in foreign currency

Transactions in foreign currency are recorded at the exchange rates prevailing on the dates of their respective settlements. Assets and liabilities in these currencies are expressed in local currency at the exchange rates prevailing at the balance sheet date. Differences due to fluctuations in the exchange rates between the settlement dates of the transactions and their settlement or valuation at the year-end are applied to the results.

NOTE 5 - POSITION OF THE ASSOCIATION IN FOREIGN CURRENCY

The figures in this note are expressed in US dollars (USD \$).

As of December 31, 2022 and 2021, the Association had monetary assets in foreign currency for USD \$317,051 and USD \$135,677, respectively, and monetary liabilities in foreign currency for USD \$150,000 and USD \$136,413, respectively.

As of December 31, 2022, the exchange rate was \$19.36 per dollar (\$20.51 as of December 31, 2021). As of March 11, 2022, the date of issuance of the audited financial statements, the exchange rate was \$17.97 per US dollar.

NOTE 6 – CASH AND CASH EQUIVALENTS

The balance of the cash and cash equivalents account is as follows:

	December 31 of	
	<u>2022</u>	<u>2021</u>
Bank accounts in local currency	\$ 4,013,567	\$ 2,564,398
Bank accounts in dollars	<u>6,138,578</u>	<u>2,783,515</u>
	<u>\$ 10,152,145</u>	<u>\$ 5,347,913</u>

NOTE 7 – ACCOUNTS RECEIVABLE

The balances of the accounts receivable corresponding to sponsors, at year-end, are as follows:

	December 31 of	
	<u>2022</u>	<u>2021</u>
Sponsors	\$ 552,294	\$ 72,384
Taxes to recover	70,312	544
Donations	205	500
Other accounts receivable	<u>2,758</u>	<u>264</u>
	<u>\$ 625,569</u>	<u>\$ 73,692</u>

NOTE 8 - FURNITURE AND COMPUTER EQUIPMENT

As of December 31, 2022 and 2021, furniture and equipment are as follows:

	% annual <u>depreciation</u>	December 31 of	
		<u>2022</u>	<u>2021</u>
Furniture	10	\$ 284,275	\$ 284,275
Computer equipment	30	<u>287,842</u>	<u>256,811</u>
		572,117	541,086
Accumulated depreciation		<u>(336,734)</u>	<u>(278,620)</u>
Total furniture and computer equipment - Net		<u>\$ 235,383</u>	<u>\$ 262,466</u>

The depreciation recorded in the results for 2022 and 2021 amounts to \$58,114 and \$32,506, respectively, which is recognized under operating expenses.

NOTE 9 - SPONSORSHIP ADVANCES

Sponsorship advances correspond to donations received during the year, which are initially recognized as deferred income in liabilities for the amount of cash received, and will be applied to results at the time the programs for which these resources are intended are implemented and executed.

As of December 31, 2022, sponsorship advances are integrated as follows:

	<u>December 31 of</u>	
	<u>2022</u>	<u>2021</u>
JP Morgan Chase Fundation	\$ 2,904,225	
Fibra Macquiarie México		\$ 2,798,601
Mmreit Property Administration Services		<u>372,054</u>
	<u>\$ 2,904,225</u>	<u>\$ 3,170,654</u>

NOTE 10 - SALARIES AND BENEFITS PAYABLE

In 2019, the relationship with some senior and high salaries employees was finished. With those personnel, the settlement payment was negotiated in monthly payments. The liability as of December 31, 2022 and 2021, corresponds mainly to the part that had not been paid to the employees at that date. This liability is recorded in 2019, because the Association does not recognize a labor liability in accordance with MFRS D-3 "Employee Benefits", considering that the Association does not have many employees.

As of December 31, 2022, the liability corresponds to a labor lawsuit filed by a former employee, which concluded on March 15, 2023, reaching a payment agreement in the amount of \$ 863,571.

NOTE 11 - EQUITY

The equity of the Association was done from contributions of its members and, in accordance with its by-laws, the income and income obtained are not distributed to its members and must be reinvested in order to continue carrying out their activities as a non-profit Civil Association. Profit, and is integrated as follows:

<u>Description</u>	<u>Amount</u>
Results of 1997	\$ 23,856
Results of 1998	(23,856)
Results of 1999	170,936
Results of 2003	397,619
Results of 2004	358,013
Results of 2005	(336,259)
Results of 2006	110,950
Results of 2007	455,073
Inflation (until 2007)	131,974
Results of 2008	(293,619)
Results of 2009	(732,089)
Results of 2010	83,087
Results of 2011	118,825
Results of 2012	302,102
Results of 2013	11,706

Results of 2014	367,023
Results of 2015	(256,224)
Results of 2016	826,949
Results of 2017	(1,368,920)
Results of 2018	497,786
Results of 2019	(2,143,122)
Results of 2020	1,331,439
Results of 2021	<u>1,552,256</u>
Equity as of December 31, 2021	1,585,505
Results of 2022	<u>4,434,257</u>
Equity as of December 31, 2022	<u>\$ 6,019,762</u>

If at the time of its liquidation and because of the same, the Association allocates all of its assets to entities authorized to receive deductible donations, the income tax will not be calculated in accordance with article 79 of the Tax Income (ISR).

Restricted Assets:

On November 17, 2022 the Association signed a Grant agreement with JP Morgan Chase Foundation in the amount of \$300,000 dollars, in support of the "Job skills for a better future".

On December 14, 2022 the Association received the first grant in the amount of US\$150,000 (\$2,904,225 Mexican pesos).

The Grant agreement mentions that all grant funds must be dedicated to the "Job skills for a better future".

NOTE 12 - INCOME TAX

As it is an authorized association to receive donations, the Association is not a taxpayer of Income Tax (ISR).

Notwithstanding the foregoing, in accordance with article 80 of the Mexican Income Tax Law (LISR), in case of income greater than 10% of the total income, for activities other than the purposes for which it was authorized to receive donations, must determine the ISR on the surplus of said percentage applying for this purpose the rate of 30%. The referred tax income law did not apply to the exercises of 2022 and 2021.

Likewise, in accordance with article 79 of the LISR, the Association is obliged to enter as tax to its charge the tax that results from applying to the distributable remaining amount that determines, the maximum rate to be applied to the excess of the lower limit that establishes the rate contained in article 152 of the LISR (35%). It is considered as distributable remnant, even if it has not been delivered in cash or in assets to its members or partners, the following:

- a) The amount of the omissions of income or purchases not made and unduly recorded.
- b) Expenses that they make and are not deductible.
- c) Loans made to their partners or members, or spouses, relatives in straight line ascendant or descendant of said partners or members.

Pursuant to Article 138 of the Rules of the LISR, donations and their income must be used solely and exclusively for the corporate purposes of the Association; in no case may they allocate more than 5% of the donations and, if applicable, the income they receive to cover their administration expenses.

Also in accordance with article 86, Fraction V of the LISR, the Association shall be required to withhold and receive the tax and require documentation that meets the tax requirements when making payments to third parties and are obliged to do so in terms of said law.

As of December 31, 2022 and 2021, the Association determined an income tax of \$70,888 and \$7,939, respectively.

NOTE 13 – NEW ACCOUNTING PRONOUNCEMENTS

The following is a description of a series of improvements to the MFRS that the CINIF has issued as of December 2022, which will become effective in 2023 and do not generate accounting changes in the financial statements. It is considered that these MFRS will not have a significant impact on the financial information presented by the Association:

Accounting precisions MFRS B-10, Effects of inflation- References to the annual average inflation rate of 8%, which were contained in the MFRS, are eliminated in order to avoid confusion in its application.

Accounting precisions MFRS C-3, Accounts receivable, - It is specified in the scope that MFRS C-3 is also applicable to other accounts receivable.

Accounting precisions MFRS C-4, Inventories- It is mentioned that inventories comprise acquired items, tangible or intangible. The example referring to spare parts for maintenance as part of raw materials and/or direct materials is eliminated. It is specified that when there is a difference between the price paid and the cash price, this should be recognized as financial expense. Items received for processing (e.g., inventory for machining) are added to the list of items received that should not be recognized in the statement of financial position. The standard cost should be reviewed periodically and adjusted to the extent that it differs substantially from the acquisition cost (formerly real cost). The reference to the term "expense" is eliminated to refer to the income statement term: "The amount of inventories recognized in income during the period, generally referred to as cost of sales".

Various specific standards and Glossary MFRS A- 1 Conceptual Framework The terminology is changed to maintain consistency with the new Conceptual Framework. The references to the new qualitative characteristics are modified. The references to the different valuation bases are modified, adjusting them according to the new classification. The description of the basic postulates is homologated. The description of the definitions of the different elements of the financial statements is homologated. All references to the Conceptual Framework in the particular standards are adjusted.

Ms. Beatriz Coll
Managing Director
