

**Fundación EDUCA México, A. C.**

Financial Statements for the Years  
Ended December 31, 2022 and  
2021, and Independent Auditor's  
Report Dated October 11, 2023



**Fundación EDUCA México, A. C.**

# **Independent Auditor's Report and Financial Statements for 2022 and 2021**

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## Independent Auditors' Report to the Members' Assembly of EDUCA México, A. C.

### **Opinion**

We have audited the financial statements of Fundación EDUCA México, A. C., ("the Foundation"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the statements of activities and the statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Mexican Financial Reporting Standards ("NIF", for its acronym in Spanish) for entities with non-profit purposes, issued by the Mexican Financial Reporting Standards. ("CINIF" for its acronym in Spanish).

### **Basis for Opinion**

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and with the Ethics Code issued by the Mexican Institute of Public Accountants (IMCP Code, by its acronym in Spanish), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and IMCP Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Matter**

The accompanying financial statements have been translated from Spanish into English for the convenience of readers.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with NIF, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters, related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.



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

## ***Auditors' Responsibilities for the Audit of Financial Statements***

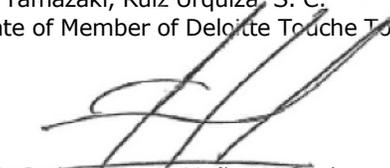
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA 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 taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate 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 override of internal control.
- Obtain an understanding of 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made 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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Galaz, Yamazaki, Ruiz Urquiza, S. C.  
Affiliate of Member of Deloitte Touche Tohmatsu Limited

  
C. P. C. Carlos Ignacio Muñoz Miranda  
Mexico City, Mexico,  
October 11, 2023



## Fundación EDUCA México, A. C.

# Statements of Financial Position

As of December 31, 2022 and 2021  
(In U.S.D. (see Note 2) and in MXN)

Assets	Notes	2022		2021
		(Convenience translation Note 2)	2022	
Current assets:				
Cash and cash equivalents	4	\$ 166,976	\$ 3,232,915	\$ 2,599,346
Restricted cash		1,041,352	20,162,131	20,333,276
Recoverable taxes, mainly value-added tax		8,050	155,864	81,813
Inventories from in-kind donations		18,347	355,222	112,633
Other current assets		<u>40,020</u>	<u>774,851</u>	<u>480,840</u>
Total current assets		1,274,745	24,680,983	23,607,908
Security deposits		-	-	80,000
Furniture and equipment, Net	5	20,875	404,162	477,396
Other assets		<u>11,981</u>	<u>231,976</u>	<u>313,137</u>
Total		<u>\$ 1,307,601</u>	<u>\$ 25,317,121</u>	<u>\$ 24,478,441</u>
<b>Liabilities and Members' Equity</b>				
Accrued expenses and tax payable		<u>\$ 37,204</u>	<u>\$ 720,340</u>	<u>\$ 571,674</u>
Total liabilities		<u>37,204</u>	<u>720,340</u>	<u>571,674</u>
Members' equity:	7			
Unrestricted equity		1,748	33,837	33,837
Accumulated carryover		<u>1,268,649</u>	<u>24,562,944</u>	<u>23,872,930</u>
Total members' equity		<u>1,270,397</u>	<u>24,596,781</u>	<u>23,906,767</u>
Total		<u>\$ 1,307,601</u>	<u>\$ 25,317,121</u>	<u>\$ 24,478,441</u>

See accompanying notes to financial statements.



## Fundación EDUCA México, A. C.

# Statements of Activities

For the years ended December 31, 2022 and 2021  
(In U.S.D. (see Note 2) and in MXN)

	Notes	2022 (Convenience translation Note 2)	2022	2021
Income:				
Donations received	7	\$ 2,405,773	\$ 46,579,369	\$ 41,582,543
Other income		<u>10,254</u>	<u>198,538</u>	<u>332,022</u>
		<u>2,416,027</u>	<u>46,777,907</u>	<u>41,914,565</u>
Expenses:				
Donations granted	7	1,146,736	22,202,523	24,346,982
Administrative expenses		16,952	1,404,516	810,287
Supporting programs expenses		<u>1,266,531</u>	<u>23,445,636</u>	<u>16,807,720</u>
		<u>2,430,219</u>	<u>47,052,675</u>	<u>41,964,989</u>
Comprehensive financing income:				
Interest income		<u>49,830</u>	<u>964,782</u>	<u>489,185</u>
Increase in restricted and unrestricted members' equity		35,638	690,014	438,761
Total members' equity:				
At the beginning of the year		<u>1,234,759</u>	<u>23,906,767</u>	<u>23,468,006</u>
At the end of the year		<u>\$ 1,270,397</u>	<u>\$ 24,596,781</u>	<u>\$ 23,906,767</u>

See accompanying notes to financial statements.



## Fundación EDUCA México, A. C.

# Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(In U.S.D. (see Note 2) and in MXN)

	2022 (Convenience translation Note 2)	2022	2021
Operating activities:			
Increase in members' equity	\$ 35,638	\$ 690,014	\$ 438,761
Items related to investing activities:			
Depreciation and amortization	10,227	198,015	178,965
Items related to financing activities:			
Interest income	(49,830)	(964,782)	(489,185)
(Increase) decrease in:			
Recoverable taxes, mainly value-added tax	(3,825)	(74,051)	107
Inventories for in-kind donations	(12,528)	(242,589)	2,869,972
Other current assets	(15,185)	(294,011)	(22,221)
Security deposits	4,132	80,000	-
Increase (decrease) in:			
Accrued expenses and tax payable	7,678	148,665	126,640
Net cash flows provided by operating activities	<u>23,693</u>	<u>458,739</u>	<u>3,103,039</u>
Investing activities:			
Acquisitions furniture and equipment	(2,253)	(43,619)	(158,668)
Interest received	<u>49,830</u>	<u>964,782</u>	<u>489,185</u>
Net cash flows provided by investing activities	<u>47,577</u>	<u>921,163</u>	<u>330,517</u>
Net increase in cash, cash equivalents and restricted cash	23,884	462,424	3,433,556
Cash, cash equivalents and restricted cash at the beginning of the year	<u>1,184,444</u>	<u>22,932,622</u>	<u>19,499,066</u>
Cash, cash equivalents and restricted cash at the end of the year	<u>\$ 1,208,328</u>	<u>\$ 23,395,046</u>	<u>\$ 22,932,622</u>

See accompanying notes to financial statements.



# Fundación EDUCA México, A. C.

## Notes to Financial Statements

For the years ended December 31, 2022 and 2021

(In U.S.D. (see Note 2) and in MXN)

### 1. Activities

Fundación EDUCA México, A.C. (the Foundation) was incorporated on March 28, 1996, according to Mexican laws. The main purpose of the Foundation is to provide financial or in-kind aid to entities authorized by law, that grant scholarships to individuals, are engaged in regularizing education studies, make efforts to prevent school drop-out rates, promote culture, develop educational projects aimed at the elementary, high-school, and university education levels; such entities must be non-political, non-religious, and non-profitable.

The Foundation received donations as follows:

	2022	2021
Number of donors:		
Entities	77	54
Individuals	<u>4,563</u>	<u>4,497</u>
Total	<u><u>4,640</u></u>	<u><u>4,551</u></u>

The Foundation allocates no more than 5% of the donations received, or income earned to cover its administrative expenses, which were \$1,404,516 (USD 72,541) and \$810,287 (USD 39,496) and in 2022 and 2021, respectively.

The Foundation is authorized to receive deductible donations, as determined by authorization number 600-04-05-2012-58224 of August 16, 2012, renewed on January 11, 2023.

### 2. Basis of presentation

- a. **Explanation for translation into English** - The accompanying financial statements have been translated from Spanish into English for use outside of Mexico. These financial statements are presented on the basis of Mexican Financial Reporting Standards (NIF, by its acronym in Spanish), which are comprised of accounting standards that are individually referred to as NIF. Certain accounting practices applied by the Foundation that conform with NIF may not conform with accounting principles generally accepted in the country of use.
- b. **Explanation for convenience translation into U.S. Dollars** - The translation of Mexican Peso amounts as of December 31, 2022 and for the year then ended into U.S. Dollar amounts is included solely for convenience of users and have been made at the rate of MXN19.3615 per U.S. Dollar, the approximate free rate of exchange as of December 31, 2022. Such translations should not be construed as representations that the Mexican Peso could have had or could have in the future to be converted into U.S. Dollars at this or any other exchange rate.
- c. **Financial Standards** - The Foundation applies the provisions of the NIF B-16 "Financial Statements of Entities with Non-profit purposes" and E-2 "Donations Received or Granted to Entities with Non-profit Purposes". The most important effects of the implementation of these provisions are reflected in the presentation of the financial statements. The Statement of Financial Position shows the assets classified according to the restrictions made by the sponsors on their donations, the statement of activities reports the amount of the total change in associates' equity during the year, providing relevant information on the outcome of transactions and other events that change the assets of the Foundation.



- d. **Monetary unit of the financial statements** - The financial statements and notes as of December 31, 2022 and 2021 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power. Cumulative inflation rates over the previous three-year periods ended December 31, 2022 and 2021 were 18.32% and 13.85%, respectively. Accordingly, the economic environment is not inflationary in either such period and no inflationary effects were recognized in the accompanying financial statements. Inflation rate for the three-year period ended December 31, 2021 was 15.60%. Inflation rates for the years ended December 31, 2022 and 2021 were 7.82% and 7.35%, respectively.

### 3. Summary of significant accounting policies

The accompanying financial statements have been prepared in conformity with NIF, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures; however, actual results may differ from such estimates. The Foundation's management, upon applying professional judgment, considers that estimates made and assumptions used were adequate under the circumstances.

The significant accounting policies of the Foundation are as follows:

- a. **Cash and cash equivalents** - Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments that a) are highly liquid and easily convertible into cash, b) mature within three months from their acquisition date and c) are subject to low risk of material changes in value. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in comprehensive financing (cost) income of the period.

Restricted cash is used for a specific purpose in a mutual fund investing primarily engaged in debt securities every 7 days; it is presented separately as restricted cash in current assets.

- b. **Inventories from in-kind donations**- Inventories are stated at the lower of cost or realizable value.
- c. **Furniture and equipment** - Furniture and equipment are recorded at acquisition cost. Depreciation is calculated using the straight-line method based on the remaining useful lives of the related assets, as follows:

	Average years 2022 and 2021
Furniture and equipment	10
Computers	3

- d. **Income from donations** - The Foundation records donations in cash at the time they are earned and due. Donations in-kind, goods or intangible services are recognized when received. Income from donations through credit and debit cards are recognized when cash enters the bank accounts. Temporary or permanent restricted contributions in cash or in-kind are recognized in restricted funds. When temporal restrictions are fulfilled, contributions are allocated to unrestricted funds. The Foundation received donations with temporary or permanent restrictions.
- e. **Income taxes** - In accordance with Title III of the Mexican Income Tax Law (LISR, by its acronym in Spanish), the Foundation is not subject to taxation, upon the fulfillment of certain requirements, as it constitutes a non-profit civil association.

In accordance with article 96 of the LISR, at the moment of liquidation, the Foundation shall provide the entirety of its resources to entities authorized to receive tax deductible donations by the Tax Administration Office (SAT, by its acronym in Spanish).



#### 4. Cash, cash equivalents and restricted cash

	2022 (Convenience translation Note 2)	2022	2021
Cash and bank deposits	\$ 166,976	\$ 3,232,915	\$ 2,599,346
Fixed investment funds	324,138	6,275,806	5,309,580
Restricted cash from donations <sup>(1)</sup>	70,589	1,366,705	1,372,063
Restricted cash program <sup>(1)</sup>	<u>646,625</u>	<u>12,519,620</u>	<u>13,651,633</u>
	<u>\$ 1,208,328</u>	<u>\$ 23,395,046</u>	<u>\$ 22,932,622</u>

(1) Restricted cash in a mutual fund investing primarily engaged in debt securities every 7 days.

#### 5. Furniture and equipment, Net

	2022 (Convenience translation Note 2)	2022	2021	January 1, 2021
a) Investment:				
Furniture and equipment	\$ 22,577	\$ 437,130	\$ 437,130	\$ 437,130
Computer equipment	<u>27,149</u>	<u>525,635</u>	<u>482,016</u>	<u>323,348</u>
	<u>\$ 49,726</u>	<u>\$ 962,765</u>	<u>\$ 919,146</u>	<u>\$ 760,478</u>
b) Accumulated Depreciation:				
Furniture and equipment	\$ (9,025)	\$ (174,736)	\$ (131,023)	\$ (87,310)
Computer equipment	<u>(19,826)</u>	<u>(383,867)</u>	<u>(310,727)</u>	<u>(256,638)</u>
	<u>(28,851)</u>	<u>(558,603)</u>	<u>(441,750)</u>	<u>(343,948)</u>
	<u>\$ 20,875</u>	<u>\$ 404,162</u>	<u>\$ 477,396</u>	<u>\$ 416,530</u>

Expenses recognized in the Statements of Activities for depreciation amounted to \$198,015 (USD 10,227) and \$178,965 (USD 8,723) in 2022 and 2021, respectively.

#### 6. Members' equity

The equity of the Foundation will be exclusively destined to comply with its social purpose and may not provide benefits on the accumulate carry-over to any individuals or their members.

The members' equity is comprised as follows:

- a. Members' fees.
- b. Donations in cash or in-kind received by individuals or entities which are identified with the purpose and activities of the Foundation.
- c. Furniture, common areas or properties and the rights acquired by any title.



Members' equity will be destined exclusively for the purposes of the Foundation, which are predominantly non-profitable purposes, in any case.

**Dissolution** - In case of dissolution, distributable dividends, if any, will be donated to organizations with the same social purpose as the Foundation or institutions authorized to receive donations.

## 7. Income and expenses for donations

The Foundation received donations for the following items:

	2022 (Convenience translation Note 2)	2022	2021
Cash	\$ 2,259,857	\$ 43,734,857	\$ 39,372,673
In-kind	<u>146,916</u>	<u>2,844,512</u>	<u>2,209,870</u>
	<u>\$ 2,405,773</u>	<u>\$ 46,579,369</u>	<u>\$ 41,582,543</u>

The Foundation granted donations to entities with similar social purposes, as follows:

	2022 (Convenience translation Note 2)	2022	2021
Cash	\$ 1,007,358	\$ 19,503,965	\$ 17,808,153
In-kind	<u>139,378</u>	<u>2,698,558</u>	<u>6,538,829</u>
	<u>\$ 1,146,736</u>	<u>\$ 22,202,523</u>	<u>\$ 24,346,982</u>

## 8. Supporting programs expenses

As part of the erogations that are included in the institutional strengthening or support costs necessary for the realization of the social object of the Foundation, EDUCA has three major institutional programs, which are implemented from projects. The objectives of each are described below:

Program	Objective
1) Institutional sustainability program	The objective is to improve the organizational and financial sustainability of the schools. This program has four projects: 1.- Financial strengthening. 2.- Institutional strengthening. 3.- Total commitment.
- Financial strengthening	The objective of this project is to increase recurring donations via credit or debit card from the schools through annual fundraising campaigns, as well as the delivery of financial incentives.
- Institutional strengthening	This project seeks to improve the educational, organizational, or fundraising areas of the schools through the advice and accompaniment of a coach.



Program	Objective
- Total commitment	This project aims to strengthen the Governing Bodies of RED EDUCA's schools by providing them with training and support
2) People Empowerment	The goal is to have students, principals and teachers make autonomous decisions and act assertively to meet their needs or solve problems. This program has 5 projects:
- Save and start a business	1.- Save and start a business.
- Educate mind and heart	2.- Educate mind and heart.
- Mathematics education	3.- Mathematics education.
- Educa congress	4.- Educa congress.
- Virtual community	5.- Virtual community .
- Competency Certification Entity	6.- Competency Certification Entity.
- Save and start a business	The objective of this project is to help children and young people from RED EDUCA to improve their economic and social reality through the exercise of socio-emotional, financial and entrepreneurial skills.
- Educate mind and heart	Girls, boys and young people improve their economic and social reality through the exercising empowerment, financial and entrepreneurial skills according to their age.
- Mathematics education	Promotes the development and application of logical thinking as the basis for reasoning and understanding mathematical concepts.
- Educa congress	Once a year through the EDUCA Congress, and permanently in the EDUCA Virtual Community, a distance education platform with its own educational content for the continuous training of students and teachers.
- Virtual community	Entity accredited before CONOCER by its acronym in Spanish (Consejo Nacional de Normalización y Certificación de Competencias Laborales), therefore, we can train, evaluate and certify the labor competencies of people based on the SEP/CONOCER Competence Standards. These certifications have official validity.
- Competency Certification Entity	EDUCA is an Evaluation and Certification Entity accredited to THE KNOWING. Through the entity, EDUCA aims to train, evaluate and certify the labor competencies of people based on Knowledge Competency Standards. This certification has national validity and is recognized by the Secretariat of Public Education (SEP).
3) Sustainable EDUCA	This project seeks to ensure that children and young people take action with environmental awareness. Promotes a sustainable lifestyle in SCHOOLS of THE EDUCATIONAL NETWORK, aligned with the Sustainable Development Goals 2030. This program has 2 projects:



Program	Objective
- Schools on Earth	<p>1.- Schools on Earth. 2.- School gardens EDUCA.</p> <p>Schools for the Earth is a comprehensive program that aims to have schools and universities incorporate environmental education processes and school practices aimed at developing institutional and personal competencies among students, teachers, managers, mothers and fathers. for environmental care and sustainable development. This project is carried out in collaboration with the Global Environmental Education Initiative of which IT IS a part.</p>
- School gardens EDUCA	<p>The objective of the project is for students to implement collaborative actions that combine knowledge, values and attitudes of respect toward nature, through the installation and maintenance of school gardens.</p>
4) Volunteers	<p>EDUCA promotes corporate volunteerism through a targeted strategy that seeks to meet the needs of THE EDUCA NETWORK and to sow the seed of Social Responsibility within each of the collaborators of the companies that collaborate and contribute to the Foundation's cause.</p>

**9. Commitments**

The Foundation leases the office where it is located; rental expense amounted to \$455,794 (USD 22,217) and \$576,181 (USD 28,085), in 2022 and 2021, respectively.

Institutional agreement - In order to support donations from the RED EDUCA, an agreement is signed with each of them when entering the network, in this way it has been possible to support more donors on a recurring basis.

Participants - The participants are each of the authorized grantees that form the Foundation network and the Foundation.

**10. Authorization to issue the financial statements.**

On October 11, 2023, the accompanying financial statements were approved for issuance by Dr. Mónica Georgina Cinco Basurto, Legal Representative, consequently these do not reflect subsequent events after this date and are subject to approval at the Members' Assembly of the Foundation.

\* \* \* \* \*

