

UNOFFICIAL TRANSLATION MADE BY SPP GLOBAL BASED ON SPANISH ORIGINAL

Símbolo de Pequeños Productores
Global, A.C.
AUDITOR'S REPORT

As of December 31, 2023 and 2022

SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.

AUDITED FINANCIAL STATEMENTS:

As of December 31, 2023 and 2022

| CONTENTS | PAGE |
|----------------------------------|------|
| Opinion of external auditors | 1 |
| Financial statements: | |
| Statements of financial position | 4 |
| Income Statements | 5 |
| Statements of cash flows | 6 |
| Notes to Financial Statements | 7 |

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DEAR GENERAL ASSEMBLY OF SPP MEMBERS,
SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.

Opinion.

We have audited the accompanying financial statements of **SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.** (the Association), which comprise: the statements of financial position as of December 31, 2023 and 2022, both the statements of activities and of cash flow corresponding to the fiscal year that ended on December 31, 2023 and 2022, as well as explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, as well as the related consolidated statements of activities and cash flow, present fairly, in all material respects, the financial position of **SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.**, as of December 31, 2023 and 2022, in compliance with applicable Mexican Financial Reporting Standards (NIF).

We conducted our audit in compliance with International Standards on Auditing (ISA). Our responsibilities in accordance with these standards are described below in the "Auditor's Responsibilities regarding financial statements audit" section of our report. We are independent from the Association in accordance with the provisions of the Code of Professional Ethics issued by the Mexican Institute of Public Accountants (Code of Professional Ethics), in addition to the ethical requirements that are applicable to our Financial Statements audits in Mexico, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. It is our belief that the audit evidence obtained provides a sufficient and appropriate basis for our opinion.

Emphasis of matter paragraph

As mentioned in note 6, most of the Association's total income comes from a single client, and this relationship has not been formalized through a long-term contract. As for 2023 and 2022 fiscal years, said client accounted for 70% and 60% of total income, respectively. These circumstances imply a high level of vulnerability for the Association with respect to its ability to guarantee its operation as a going concern.

Responsibilities of directors and those charged with the Governance of the Association for the consolidated financial statements

The Association's Management staff is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with NIF; for selecting a financial statement basis of preparation that is acceptable according to given circumstances; and for such internal control that Management staff determines to be necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance of the Association are responsible for overseeing the financial reporting process regarding the Association.

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material deviations, 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 does not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement, where one exists. Deviations 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material deviations on the consolidated 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 deviation resulting from fraud is higher than that resulting from an unintentional error, as fraud may involve collusion, forgery, intentional omissions, deliberate misrepresentation, or the override of internal controls.
- 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management staff.

- Conclude on the appropriateness of management staff'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to express a modified 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 Association to cease to be a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of the Association 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.

LOFTON SERVICIOS INTEGRALES, S.C.

[The document was signed by Raymundo del Río Sánchez – Audit Partner of LOFTON]

Professional License # 1466433

Mexico City, June 5, 2024

SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2023 AND 2022.

| | (Amounts expressed in Mexican pesos) | | | | |
|---------------------------------------|--------------------------------------|-----------------------------|------------------------------------------------|-----------------------------|-----------------------------|
| | Unrestricted <u>2023</u> | Unrestricted <u>2022</u> | | Unrestricted <u>2023</u> | Unrestricted <u>2022</u> |
| ASSETS | | | LIABILITIES | | |
| SHORT-TERM | | | SHORT-TERM | | |
| Cash (Note 4) | \$ 7,222,911 | \$ 4,745,258 | Taxes payable (Note 8) | \$ 221,149 | \$ 323,635 |
| Donors and subscribers, net (Note 5) | 1,039,805 | 607,597 | Advance fee payment | 153,419 | 438,814 |
| Related party (Note 6) | 958,660 | 10,000 | Sundry/Multiple creditors | 79,194 | 550,074 |
| Other debtors | 32,066 | 84,872 | | | |
| Value added tax credit | 462,404 | 254,965 | Total liabilities | <u>453,762</u> | <u>1,312,523</u> |
| Unpaid Value Added Tax | 18,570 | 82,349 | | | |
| | | | | | |
| Total short-term assets | <u>9,734,416</u> | <u>5,785,041</u> | | | |
| LONG-TERM | | | ACCOUNTING EQUITY (Note 9) | | |
| Furniture and equipment, net (Note 7) | 63,892 | 122,405 | Unrestricted | 9,356,673 | 4,605,923 |
| Security deposits | 12,127 | 11,000 | | | |
| | | | Total accounting equity | <u>9,356,673</u> | <u>4,605,923</u> |
| Other long-term assets | <u>76,019</u> | <u>133,405</u> | Contingencies and commitments (Note 11) | - | - |
| | | | | | |
| Total assets | <u>\$ 9,810,435</u> | <u>\$ 5,918,446</u> | Total liabilities and accounting equity | <u>\$ 9,810,435</u> | <u>\$ 5,918,446</u> |

Accompanying notes are an integral part of the financial statements.

[This was signed by]

Jeroen Josef Agnes Pruijn
Executive Director

SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.
INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

| | (Amounts expressed in Mexican pesos) | |
|------------------------------------------------|--------------------------------------|-----------------------------------|
| | Unrestricted 2023 | Unrestricted 2022 |
| Income: | | |
| Fees (Note 10) | \$ 10,401,479 | \$ 9,712,427 |
| Foreign exchange earnings | 219,118 | 891,858 |
| Other income | <u>6,465,939</u> | <u>745,220</u> |
| Total Income | 17,086,536 | 11,349,505 |
| Operating Expenses | | |
| Payroll | 4,249,355 | 5,497,108 |
| Regional Funds | 1,072,700 | 1,332,301 |
| EQ 2 Project | 1,064,546 | 953,577 |
| Fees | 854,321 | 643,781 |
| Payroll taxes | 717,928 | 885,385 |
| Marketing Expenses | 603,857 | 1,301,994 |
| Events and trade fairs | 580,427 | 935,142 |
| Travel Expenses | 485,208 | 812,404 |
| Account clean-up | 275,050 | 752,541 |
| Rents | 250,897 | 281,631 |
| Bank fees | 88,904 | 128,745 |
| Depreciation | 58,513 | 71,585 |
| ISR Provision | 43,453 | 35,862 |
| Other taxes and duties/rights | 28,560 | 12,351 |
| Translations | - | 4,450 |
| Financial Expenses: | | |
| Exchange Loss | 1,962,067 | 1,918,163 |
| Total expenses | <u>12,335,786</u> | <u>15,567,020</u> |
| Net change to financial equity | 4,750,750 | (4,217,515) |
| Financial equity at the beginning of the year | <u>4,605,923</u> | <u>8,823,438</u> |
| Financial equity at the end of the year | \$ <u><u>9,356,673</u></u> | \$ <u><u>4,605,923</u></u> |

Accompanying notes are an integral part of the financial statements.

[This was signed by]

Jeroen Josef Agnes Pruijn
 Executive Director

SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.

CASH FLOW STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Amounts expressed in Mexican pesos)

| | <u>2023</u> | <u>2022</u> |
|------------------------------------------------------------|----------------------------|----------------------------|
| Operating activities: | | |
| Net change in accounting equity | \$ 4,750,750 | \$ (4,217,515) |
| Items related to investment activities: | | |
| Depreciation | 58,513 | 71,585 |
| Items related to investment activities | <u>4,809,263</u> | <u>(4,145,930)</u> |
| Changes in operating assets and liabilities: | | |
| Donors and subscribers | (1,380,868) | (114,579) |
| Debtors and unpaid VAT | 116,585 | (16,025) |
| Taxes to be recovered | (207,439) | 449,337 |
| Security deposits | (1,127) | - |
| Sundry/Multiple creditors | (470,880) | 54,413 |
| Advance fee payment | (285,395) | 297,903 |
| Taxes payable | (102,486) | 18,653 |
| Net cash flows generated (used) in activities of operation | <u>2,477,653</u> | <u>(3,456,228)</u> |
| Investment activities: | | |
| Acquisition of furniture and equipment | - | (47,866) |
| Net cash flows used in investing activities | <u>-</u> | <u>(47,866)</u> |
| Net increase (decrease) in cash | 2,477,653 | (3,504,094) |
| Beginning of the year | 4,745,258 | 8,249,352 |
| End of the year | <u>\$ 7,222,911</u> | <u>\$ 4,745,258</u> |

Accompanying notes are an integral part of the financial statements.

[This was signed by]

Jeroen Josef Agnes Pruijn
Executive Director

SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.

FINANCIAL STATEMENTS NOTES

As of December 31, 2023 and 2022

(Figures expressed in Mexican pesos)

NOTE 1. HISTORY, NATURE AND ACTIVITY OF THE ASSOCIATION.

SIMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C. (hereinafter "the Association") was incorporated on August 1, 2006, under the legal name of Coordinadora Latinoamericana del Caribe de Pequeños Productores de Comercio Justo, A.C.

On January 29, 2010, it was decided to change legal name to Fundación de Pequeños Productores de Comercio Justo A.C., constituted under Mexican laws as a non-profit civil association with the purpose of improving the quality of life of the population, as well as developing service programs.

On September 6, 2016, an Extraordinary General Assembly was held where it was unanimously decided to change legal name to "Símbolo de Pequeños Productores Global, A.C." (SPP Global), to act as a non-profit Civil Association that brings together cooperative associations, whether formed by producers or consumers. Its main objective is to develop, manage and promote the system of standards, certification, licenses and promotion actions of the Small Producers' Symbol (SPP) to create an intercontinental network of organizations of small ecological producers that fight for the recognition of their high-quality products.

The address and main site of the Association is as follows: Calzada Acoxpa #524, Int. 305, Prado Coapa 1ra sección, Tlalpan, C.P. 14350, CDMX, México.

NOTE 2. BASIS OF PREPARATION.

The accompanying financial statements as of December 31, 2023 and 2022 have been prepared in compliance with the provisions of the Mexican NIF Financial Reporting Standards, to show a reasonable presentation of the financial situation of the Association and have been specifically prepared for presentation to the Association's General Assembly of Members and to comply with the legal provisions to which the Association is subject, as an independent legal entity.

For these purposes, the Association has prepared its statements of activities classifying them by the nature of their items, taking into account the specific essence of the type of cost or expense of the entity, that is, they are not grouped into generic rubrics.

The financial statements as of December 31, 2023 and 2022, which are attached, fully comply with the provisions of the NIF, to show a fair presentation of the financial situation of the Association.

NIF establish that the International Financial Reporting Standards (NIIF), International Accounting Standards (NIC), Interpretations to the NIIF (INIIF) and the Interpretations Committee (SIC) are supplementary to the NIF, when the absence of the latter so requires.

The amendments to the Accounting Criteria issued by the Commission that will enter into force in 2023 will not have a significant impact on the financial information presented by the Association.

The following describes a series of NIF and improvements to NIF in 2023 and 2022 that generate accounting changes: 2023

NIF B-11, Disposal of long-lived assets and discontinued operations - Long-lived assets held for distribution to owners. This NIF specifies the accounting recognition that would be generated by the difference that may exist between the amount to be distributed to owners and the value of said long-lived assets. It is established that said difference must also affect accumulated results and disclose certain information about these transactions

SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.

FINANCIAL STATEMENTS NOTES

As of December 31, 2023 and 2022

(Figures expressed in Mexican pesos)

NIF B-15 Conversion of foreign currencies - when the registration currency and the reporting currency are the same, although the functional currency is different from these, this NIF allows not to carry out the process of conversion to functional currency and present financial statements based on the registration information, provided that they meet a number of requirements.

2022

NIF B-10 "Effects of inflation": This NIF requires certain disclosures when the entity operates in a non-inflationary economic environment; however, the CINIF has concluded that such disclosures must be conditioned to the relevant situations, for example, when it is visualized that inflation is increasing and could lead to a change in the inflationary environment.

NIF C-6, Property, plant and equipment: This NIF requires the disclosure of the time in which it is planned to carry out constructions in process, when there are approved plans for them. Since IFRS does not provide for a similar disclosure, such a requirement will be eliminated.

NIF D-3 "Employee benefits": The treatment that must be given to worker profit share is added, following the entry into force of the Reform related to labor subcontracting.

Likewise, the Improvements to the NIF 2022 include improvements to the NIF that do not generate accounting changes, whose fundamental intention is to make the regulatory approach more precise and clear.

2023

NIF B-10 "Inflation Effects": The reference of 8% on annual average for inflation is eliminated, clarifying that what should be considered is whether the cumulative inflation of the three previous years is equal to or greater than 26%.

NIF C-2 "Investment in financial instruments": Valuation of an investment in financial instruments when the fair value is significantly different from the price of the consideration

NIF C-3 "Accounts Receivable": Reference to other accounts receivable and elimination of references to "commercial" accounts receivable

NIF D-6 "Capitalization of comprehensive income from financing": An introductory paragraph is added in order to point out the difference between NIF D-6 "Capitalization of comprehensive income from financing" and NIC 23 "Cost of loans", with respect to the capitalization of the cost of financing of production plants

2022

NIF B-6 "Statement of financial position": The items contained in the standards issued in recent years are added.

NIF C-3, "Accounts receivable", NIF C-16 "Impairment of financial instruments receivable" and NIF B-6 "Statement of financial position": The reference to trade receivables is deleted, to only leave accounts receivable.

SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.

FINANCIAL STATEMENTS NOTES

As of December 31, 2023 and 2022

(Figures expressed in Mexican pesos)

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The following summarizes the most significant accounting policies, which have been consistently applied in the years presented, unless otherwise specified.

FRS require the use of certain accounting estimates in the preparation of financial statements. It also requires management to exercise its judgment to define the accounting policies that apply to the Association. Items that involve a greater degree of critical judgment or complexity, or those in which the assumptions and estimates are significant for the separate financial statements.

Effects of inflation on financial reporting

In accordance with the guidelines of NIF B-10 "Effects of inflation", as of January 1, 2008 the Mexican economy is in a non-inflationary environment, maintaining a cumulative inflation rate of the past three years of less than 26% (maximum limit to define an economy as non-inflationary), therefore from that date recognition of the effects of inflation on financial information was suspended. As of December 31, 2023 and 2022, the accompanying financial statements are presented according to historical pesos, because the management of the Association considered these effects not relevant, since as of December 31, 2007, there were no significant non-monetary assets.

Below are the percentages of inflation, as indicated:

| | <u>December 31</u> | |
|---------------------------------------|--------------------|-------------|
| Country: | <u>2023</u> | <u>2022</u> |
| Of the year | 4.66 | 7.82 |
| Accumulated over the past three years | 19.83 | 18.32 |

a. Cash

Cash includes cash balances, highly liquid bank deposits, with minor risks regarding changes in their value.

b. Accounts Receivable

Accounts receivable represent amounts due for dues in the normal course of the Association's operations. When collectability is expected in a period of one year or less from the closing date (or in the normal operating cycle of the business in the event that this cycle exceeds this period), they are presented as short-term assets. Failure to meet the above are presented as long-term assets.

c. Furniture and equipment

Furniture and equipment are expressed at their acquisition cost. The acquisition cost of furniture and equipment is systematically depreciated using the straight-line method based on useful lives.

SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.

FINANCIAL STATEMENTS NOTES

As of December 31, 2023 and 2022

(Figures expressed in Mexican pesos)

d. Prepaid expenses

Prepayments represent expenditures made by the Association which benefits have not been transferred and risks inherent to goods to acquire or services receivable. Prepaid expenses are recorded at cost and presented in the balance sheet as current or non-current assets, depending on the category of the starting destination. Once the goods and/or services relating to advance payments have been received, they must be recognized as an asset or as an expense in the statement of activities for the period, depending on the respective nature.

e. Creditors

This item includes obligations with creditors for purchases of goods or services acquired in the normal course of the Association's operations. They are initially recognized at the price of the transaction for the goods and services received and include taxes and any other amount that the supplier has transferred to the entity on behalf of third parties. When collectability is expected in a period of one year or less from the closing date (or in the normal operating cycle of the business in the event that this cycle exceeds this period), they are presented as current assets. Failure to meet the above are presented in non-current liabilities.

f. Allowance.

Liability provisions represent current obligations arising from past events where an outflow of economic resources in the future is probable. These provisions have been recorded under the best estimate made by Management.

g. Employee benefits

As of December 31, 2023 and 2022, the Association has not recorded the accumulated effects derived from the labor obligations to which it is subject in accordance with legal and statutory provisions, including that of compensation for causes other than restructuring, in accordance with the rules established in Mexican Financial Reporting Standard NIF D-3 "Employee Benefits", because the Association considered these effects not relevant. The Association has no defined contribution employee benefit plans, except those required by social security laws.

h. Deferred income tax

In accordance with NIF B-16 "Financial statements of non-profit entities", income tax, in accordance with NIF D-4, is not applicable to non-profit entities, except for the operations that they carry out and that are subject to the payment of income tax in accordance with tax provisions.

i. Equity

Unrestricted equity: it is formed from the net assets of the Association and has no permanent or temporary restrictions to be used. That is, these are the net assets that result from:

- a) all income, costs and expenses that are not changes in permanently or temporarily restricted equity, and
- b) those arising from reclassifications to or from permanently or temporarily restricted assets.

The only limitation on unrestricted equity is the broad limit resulting from the nature of the organization and the purposes specified in its regulations and bylaws.

SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.

FINANCIAL STATEMENTS NOTES

As of December 31, 2023 and 2022

(Figures expressed in Mexican pesos)

j. Revenue recognition

i. Fees paid by members or associates

Fees are recognized as increases to equity when received in cash.

k. Exchange rate differentials

Transactions in foreign currencies are initially recorded in the recording currency by applying the exchange rate prevailing at the date of operation. Assets and liabilities denominated in such currencies are translated at exchange rates prevailing at the date of balance sheet. Differences arising from fluctuations in exchange rates between the dates of the transactions and their settlement or valuation at year end are recognized in income.

l. Rights of use for leased assets and Liabilities for leased assets

As of January 1, 2019, the Association adopted NIF D-5 "Leases" which stipulates the accounting recognition for the lessee establishes a single lease recognition model that eliminates the classification of leases as operational or capitalizable, so the assets and liabilities of all leases with a duration greater than 12 months are recognized (unless the underlying asset is of low value). Consequently, the most important impact on the statement of financial position was to recognize the rights of use of assets under lease and the financial liabilities for assets under lease that reflect the obligation of payments at present value.

Main aspects to consider when applying this NIF: (a) a lease is an agreement that conveys to the lessee the right to use an asset for a specific period of time in exchange for a consideration. Therefore, the right to control the use of an identified asset for a specific period of time should be assessed at the beginning of the agreement; b) it changed the nature of lease-related expenses by replacing the operating lease expense under Bulletin D-5 Lease for depreciation or amortization of right-of-use assets (in operating costs) and an expense for interest on lease liabilities in Overall Gains/Losses on Financing Activities; c) it modified the reporting in the (consolidated) statement of cash flows by reducing the cash outflows from operating activities and increasing the cash outflows from financing activities to reflect the payments of lease liabilities and interests; d) it modified the recognition of the gain or loss when a seller-lessee transfers an asset to another entity and leases that asset back.

As of December 31, 2023 and 2022, the Association has an agreement that corresponds to an office lease contract, which is considered as a low-value asset, so its cost is still recognized in results as it accrues.

SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.

FINANCIAL STATEMENTS NOTES

As of December 31, 2023 and 2022

(Figures expressed in Mexican pesos)

NOTE 4. CASH.

The cash balance as of December 31 is made up of cash funds and bank deposits, all of which are highly liquid and subject to insignificant risks of changes in their value. The integration of this balance is shown below.

| Item | Unrestricted | |
|------------|---------------------|---------------------|
| | 2023 | 2022 |
| Banks | \$ 7,222,911 | \$ 4,745,258 |
| Total cash | <u>\$ 7,222,911</u> | <u>\$ 4,745,258</u> |

NOTE 5. DONORS AND SUBSCRIBERS.

According to the figures shown in the Financial Statements, the total amount of donors and subscribers as of December 31, 2023 and 2022 is broken down as follows:

| Item | Unrestricted | |
|----------------------------------------------|---------------------|-------------------|
| | 2023 | 2022 |
| Just Us Coffee Roasters Cooperative | \$ 245,611 | \$ - |
| Comunidades Indigenas de la Region de | 154,018 | 1,252 |
| Café Orgánico Marcala | 70,638 | 39,590 |
| Equal Exchange | 66,722 | 66,722 |
| Certificadora Biotropico | 43,277 | 43,277 |
| Bcs Oko Guarante Gmbh | 41,587 | 41,587 |
| Control Unión Perú, A.C. | 39,225 | 39,225 |
| Mayacert | 38,949 | 38,949 |
| Certification of Enviromental Standards Gmbh | 37,908 | 37,908 |
| Cooperativa del Sur del Cauca-cosurca | 34,809 | 34,809 |
| Other Donors and Subscribers | 270,829 | 268,046 |
| Provision for bad debt | (3,768) | (3,768) |
| Total donors and subscribers | <u>\$ 1,039,805</u> | <u>\$ 607,597</u> |

SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.

FINANCIAL STATEMENTS NOTES

As of December 31, 2023 and 2022

(Figures expressed in Mexican pesos)

NOTE 6. RELATED PARTY

Most of the Association's income comes from one client (Ethiquable), and this relationship has not been formalized through a long-term contract. As for the 2023 and 2022 fiscal years, said client accounted for 70% and 60% of total income, respectively. These circumstances imply a high level of vulnerability for the Association with respect to its ability to guarantee its operation as a going concern.

During the years ended on December 31, 2023 and 2022, the Association carried out the following transactions with related parties:

| Item | Unrestricted | |
|-----------------------|---------------------|---------------------|
| | 2023 | 2022 |
| Income: | | |
| SPP User Fee | \$ 6,870,357 | \$ 5,809,049 |
| Annual Membership fee | 267,165 | 32,085 |
| Annual fee for Sales | 138,868 | - |
| Total income | <u>\$ 7,276,390</u> | <u>\$ 5,841,134</u> |

Of the total income from fees for the use of the symbol shown in note 10 of the financial statements, it is observed that during 2023 and 2022, 76% and 77% came from Ethiquable.

SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.

FINANCIAL STATEMENTS NOTES

As of December 31, 2023 and 2022

(Figures expressed in Mexican pesos)

NOTE 7. FURNITURE AND EQUIPMENT

According to the figures shown in the Financial Statements, the net amount of furniture and equipment available to the Association as of December 31, 2023 and 2022 is broken down as follows:

a. Amount break down:

| Item | Unrestricted Annual rate of depreciation | 2023 | 2022 |
|-------------------------------------|------------------------------------------------|------------------|-------------------|
| | | | |
| Components subject to depreciation: | | | |
| Computer Equipment | 30% | \$ 396,586 | \$ 396,586 |
| Furniture and office equipment | 10% | <u>73,210</u> | <u>73,210</u> |
| | | 469,796 | 469,796 |
| Accumulated depreciation | | \$ (405,904) | \$ (347,391) |
| Total furniture and equipment, net | | <u>\$ 63,892</u> | <u>\$ 122,405</u> |

b. The depreciation recorded in the results of 2023 and 2022 amounts to \$58,513 and \$71,585 respectively.

NOTE 8. PAYABLE TAXES

According to the figures shown in the Financial Statements, the total amount of payable taxes as of December 31, 2023 and 2022 is broken down as follows:

| Item | Unrestricted | |
|------------------------------------------------|-------------------|-------------------|
| | 2023 | 2022 |
| ISR withholding for wages and salaries | \$ 75,628 | \$ 115,334 |
| ISR payable for distributable remainder | 58,082 | 50,491 |
| Provision for SAR payable | 17,414 | 36,741 |
| ISR withholding: similar to wages and salaries | 14,486 | 3,320 |
| Provision for IMSS payable by employer | 10,850 | 26,759 |
| Provision for INFONAVIT payable | 10,541 | 51,905 |
| State payroll tax | 9,030 | 12,457 |
| Withholding tax on foreign payments | 8,404 | 1,890 |
| IMSS withholdings on workers | 7,581 | 12,993 |
| VAT Withholding | 5,579 | 8,664 |
| Withholding of ISR for professional services | 2,342 | 1,926 |
| Withholding of income tax by lease | 1,212 | 1,155 |
| Total taxes payable | <u>\$ 221,149</u> | <u>\$ 323,635</u> |

SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.

FINANCIAL STATEMENTS NOTES

As of December 31, 2023 and 2022

(Figures expressed in Mexican pesos)

NOTE 9. FINANCIAL EQUITY

- a. The assets of the Association are intended for the purposes of its corporate purpose, so no benefits can be granted on increases to the assets.
- b. In the event of liquidation of the Association, the assets owned by it will be allocated in their entirety to entities authorized to receive donations, in terms of applicable tax laws.
- c. Unrestricted It is constituted by the excesses or deficits resulting from the income from the provision of services, or donations minus the costs and expenses incurred in providing the services, or collecting donations.

NOTE 10. INCOME

The Association establishes its fee rates within its Cost Regulations; this document specifies the regulations, fees and calculation basis for the certification and registration costs of the Small Producers' Symbol with respect to the costs involved in the certification, registration, annual membership and use of the certification of the Small Producers' Symbol. These regulations are approved by the Board of Directors of SPP Global, Símbolo de Pequeños Productores Global, Asociación Civil, and are subject to changes. Income is as follows:

Fees paid by Small Producers' Organizations

Small producers' organizations pay for two cost items:

- a. Application Fees: It covers all the expenses that SPP Global incurs to carry out the Eligibility Process for new applicants and corresponds to 150 dollars. This Application Fee is independent of the Annual Membership Fee and is only paid when you make your request for SPP Certification for the first time
- b. Annual Membership Fee This fee covers all SPP Global expenses related to the maintenance, development, quality control of the standards system, certification and registration, the dissemination and promotion of the Small Producers' Symbol and its market. Which in turn is divided into basic fee (based on the number of members) and volume fee (based on the value of the volume traded)

Final Buyers, Collective Marketers of SPP Small Producers' Organizations, Intermediaries and Registered Maquila companies pay for the following costs:

- a. Application Fees: It covers all the expenses that SPP Global incurs to carry out the Eligibility Process for new applicants and corresponds to 150 dollars. This Application Fee is independent of the Annual Membership Fee and is only paid when you make your request for SPP registration for the first time
- b. Annual Membership Fee: Determined according to the total value of transactions made during the previous year (or estimated transactions during the first year)
- c. Use of the Small Producers' Symbol (Final Buyers Only). This fee refers both to the use of the Small Producers' Symbol logo in any of its presentations, and to the use of the reference to certification under the Small Producers' Symbol. The Cost of use is paid in relation to the value of the certified products purchased.

SÍMBOLO DE PEQUEÑOS PRODUCTORES GLOBAL, A.C.

FINANCIAL STATEMENTS NOTES

As of December 31, 2023 and 2022

(Figures expressed in Mexican pesos)

The Association received dues from its members as follows:

| Item | Unrestricted | |
|---------------------------------------|----------------------|---------------------|
| | 2023 | 2022 |
| SPP User Fee | \$ 9,030,497 | \$ 7,592,269 |
| SPO, FB and CE Annual Membership fees | 1,341,404 | 2,080,646 |
| New Member Application Fees | 29,578 | 39,512 |
| Total income | <u>\$ 10,401,479</u> | <u>\$ 9,712,427</u> |

NOTE 11. TAX POSITION.

The Association is registered as a non-profit entity for tax purposes and is exempt from the payment of income tax, in accordance with Title III of the relevant law and, in accordance with the provisions of its legal statutes, the Association may, at any time, begin the process of obtaining authorization to receive donations in terms of the Income Tax Law.

NOTE 12. CONTINGENCIES AND COMMITMENTS

The Association has the contingent responsibility for differences in taxes that the tax authorities intend to charge as a result of the possible review of the declarations submitted by the Association, if the criteria for interpreting the tax provisions applicable to it differ from those of the authorities.

NOTE 13. SUBSEQUENT EVENTS

At the date of issuance of these financial statements and notes, no subsequent events are identified that could have an effect on the Association and that are considered to be disclosed.

NOTE 14. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements and notes thereto were authorized for issue on June 5, 2024, by Jeroen Josef Agnes (Executive Director) who has the legal power to authorize the financial statements and notes thereto.