FINANCIAL STATEMENTS

Carcafe Foundation

Years ended December 31, 2022 and 2021 with Auditor's Report

Carcafe Foundation

Financial Statements

Years ended December 31, 2022 and 2021

Index

Abbreviations

The following abbreviations are used in these reference financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as part of the International Financial Reporting Standard for Small and Medium-sized Entities:

Section 11	Basic financial instruments.
Section 21	Provisions and contingencies.
Section 29	Income tax.
Section 35	Transition to IFRS for SMEs
GAAP	Generally Accepted Accounting Principles
AFRSA	Accounting and financial reporting standards accepted in Colombia
SCI	Standing Committee on Interpretations

Auditor’s Report

To the board of directors of
Carcafe Foundation
Cartago, Valle del Cauca

I have audited the accompanying financial statements of Carcafe Foundation comprising the statements of financial position as of December 31, 2022 and 2021 and the corresponding statements of activities, changes in net assets, cash flows for the years ended at that time and the summary of significant accounting policies and other explanatory notes.

The administration of Carcafe Foundation is responsible for the preparation and correct presentation of financial statements in accordance with generally accepted accounting principles in Colombia; to design, implement and maintain internal control relevant to the preparation and fair presentation of special purpose financial statements free from material misstatement, whether due to fraud or error; to select and apply appropriate accounting policies and to establish reasonable accounting estimates in the circumstances.

My responsibility is to express an opinion on the aforementioned financial statements based on my audits. I obtained the necessary information to fulfill my duties and carried out my examinations in accordance with generally accepted auditing standards in Colombia. The standards require that an audit be planned and performed to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes developing procedures for obtaining the evidence that supports figures and disclosures in financial statements. The procedures selected depend on the auditor's judgment, including assessing the risk of material error either due to fraud or error. In the process of assessing these risks, the auditor considers internal controls relevant to the preparation and presentation of financial statements, in order to design audit procedures that are appropriate in the circumstances. It also includes an evaluation of the accounting principles adopted and the material estimates made by management, as well as the presentation of the financial statements as a whole. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Carcafe Foundation, as of December 31, 2022 and 2021, the results of its operations and cash flows for the years ended on those dates, in accordance with generally accepted accounting principles in Colombia, promulgated by the National Government, uniformly applied.

In addition, based on the scope of my audits, I am not aware of situations indicative of non-compliance with the following obligations of the Foundation: 1) Keep the minute and accounting books, according to legal standards and accounting technique; 2) Develop operations in accordance with the statutes and decisions of the board of directors and comprehensive social security standards; 3) Keep correspondence and account records; and 4) Adopt measures of internal control and conservation and custody of the assets of the Foundation or third parties in its possession. Additionally, there is harmony between the accompanying financial statements and the accounting information included in the management report prepared by the Foundation's administration.

Original signed by: Camilo Andres Ramos Arrunategui, Auditor, Professional ID Card 79157 – T

Cartago, Valle March 16, 2023

Statement of Financial Position

	Notes	2022	2021
	Year ended in December 31		
	(In thousands of pesos)		
Assets			
Current assets:			
Cash		**$32,06,585**	$397,500
Restricted cash for the execution of projects	4	**$1,889,570**	$1,725,546
Trade debtors and other accounts receivable, net		**$356,733**	$246,700
Current tax assets		**$7,363**	$5,142
Total current assets		**$2,460,251**	$2,374,888
Non-current assets			
Property, plant and equipment		**$7,408**	$12,341
Investment Property	5	**$35,054**	$35,054
Total assets	6	**$2,502,714**	$2,422,283
Liabilities and equity			
Current liabilities:			
Other current financial liabilities		**$95,073**	$94,951
Payable trade accounts and other payable accounts	7	**$88,954**	$204,533
Current provisions for employee benefits		**$22,655**	$16,339
Grants pending implementation	8	**$1,965,760**	$1,858,005
Total current liabilities		**$2,172,442**	$2,173,828
Net assets			
Permanent contributions		**$53,471**	$53,471
Without restrictions		**$322,877**	$241,061
Other comprehensive income		**$(46,077)**	$(46,077)
Total assets		**$330,271**	$248,455
Total liabilities and equity		**$2,502,713**	$2,422,283

Original signed by: Camilo A. Ramos A., fiscal auditor, Professional card 79157-T	Original signed by: Sebastian Pinzon Gonzalez, Director	Original signed by: Jose Jairo Restrepo S., certified public accountant, professional card 38780-T

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

Fundación Carcafe

Certificación de los Estados Financieros

Activity status

	Notes	2022	2021
	Year ended in December 31		
		(In thousands of pesos)	
Main Activities			
Grants	11	**$4,820,930**	$2,951,141
Investments made in projects			
Purchase of agricultural goods and inputs	12.1	**($2,373,841)**	($855,666)
Technical staff associated with projects	12.2	**($407,142)**	($353,770)
Technical Services	12.3	**($660,214)**	($539,615)
Other associated expenses	12.4	**($253,886)**	($208,847)
Construction contracts	12.5	**($998,904)**	($868,785)
Support activities:		**$126,943**	$124,458
Administration (Note 9)	13	**($77,814)**	($86,117)
Other operating income		**$2,904**	($5,809)
Other operating expenses		**($39)**	($16)
Change in net assets for the operation		**$51,994**	$32,516
Other income (expenses):			
Non-operating income (expense), net of (expense)			
Other financial income		**$31,949**	$4,504
Financial costs		**($2,127)**	($1,360)
Change in net assets before income tax		**$81,816**	35,660
Change in net assets for the year		**$81,816**	$35,660
Net assets at the beginning of the year		**$248,455**	$212,795
Year-end net assets		**$330,271**	$248,455

Original signed by: Camilo A. Ramos A., fiscal auditor, Professional card 79157-T	Original signed by: Sebastian Pinzon Gonzalez, Director	Original signed by: Jose Jairo Restrepo S., certified public accountant, professional card 38780-T

Statement of change in net assets

	Permanent contributions	Unrestricted net assets	Other comprehensive income	Total
	(In thousands of pesos)			
Balance as of December 31, 2020	$53,471	$205,401	$(46,077)	$212,795
Excess (deficit) of income over expenses		$35,66		$35,660
Balance as of December 31, 2021	$53,471	$241,061	$(46,077)	$248,455
Excess (deficit) of income over expenses		$81,816		$81,816
Balance as of December 31, 2022	$53,471	$322,877	$(46,077)	$330,271

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

Original signed by: Camilo A. Ramos A., fiscal auditor, Professional card 79157-T	Original signed by: Sebastian Pinzon Gonzalez, Director	Original signed by: Jose Jairo Restrepo S., certified public accountant, professional card 38780-T

Cash flow statement

	Year ended December 31	
	2022	2021
	(In thousands of pesos)	
Operational activities	**$81,816**	$35,660
Adjustments to reconcile net (loss) income for the year and net cash provided by (used in)		
Depreciation	**$4,933**	$4,933
Net change in operating assets and liabilities:		
Restricted cash for project execution	**($164,024)**	($903,136)
Trade debtors and other accounts receivable, net	**($110,033)**	($231,268)
Current tax assets	**($2,221)**	($260)
Trade accounts payable and other accounts payable	**($115,457)**	($168,170)
Net cash provided by (used in) operating activities	**($304,986)**	($925,901)
Financial activities		
Grants pending implementation	**$107,755**	$1,140,963
Current provisions for employee benefits	**$6,316**	$3,056
Net cash provided by (used in) financial activities	**$114,071**	$1,144,019
Net increase (decrease) in cash	**($190,915)**	($218,118)
Cash and cash equivalents at the start of the year	**$397,500**	$179,382
Cash and cash equivalents at the end of the year	**$206,585**	$397,500

Carcafe Foundation

Original signed by: Camilo A. Ramos A., fiscal auditor, Professional card 79157-T	Original signed by: Sebastian Pinzon Gonzalez, Director	Original signed by: Jose Jairo Restrepo S., certified public accountant, professional card 38780-T

Notes to the Financial Statements

Years ended December 31, 2022 and 2021

(All values are expressed in thousands of Colombian pesos, except exchange rates)

1. Nature and Corporate Purpose

Carcafe Foundation was recognized according to Resolution No. 0348 of September 30, 1994, issued by the government of Valle and is subject to official surveillance in its operation; with an indefinite duration the social purpose of the Foundation is to finance programs that meet the basic needs of families with limited resources or who do not have them, within the object the Foundation may promote activities aimed at financing housing, health, education and culture; Finance with resources programs that promote non-profit entities oriented to the attention of needs to children and the elderly in distress.

Currently, the Foundation concentrates its activities on the development of support programs for Colombian coffee farming, directing its efforts to training in good agronomic practices of coffee production, the long-term sustainability of the coffee activity, its commitment to the environment and the improvement of the living conditions of coffee producers.

1. Main projects

1.1.2 Costa Foundation Project

Participants: Costa Foundation (United Kingdom)

Construction of 8 school classrooms at the San Carlos Agricultural Educational Institution, in Colon, Genova, Department of Nariño.

Budget data	
Value in thousands of pesos	$1,016,340
Theoretical rate of change:	$3,650
Value in dollars (USD):	$278,449

The objective of building a school in the Municipality of Colon, Genova, department of Nariño, is to contribute to improving the opportunity of children and young people to access an educational institution, in decent conditions, and a safe space, where the practice of sports and recreational activities, are developed in an environment of security, love, respect and principles.

These new classrooms, 8 in total, will replace facilities that were in a high degree of deterioration, which had been designated by the departmental authorities as a risk to the safety of students.

1.1.4 Lavazza Project, Sustainable development for Meta coffee producers – Phase Four

Participants: Foundazione Guiseppe E Pericle Lavazza (Italy), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Gmbh, Carcafe Ltda.

Budget Data

Budget data	
Value in thousands of pesos	$3,188,648
Theoretical rate of change:	$3,500
Value in dollars (USD):	$911,042

The project seeks to give continuity to the third phase of the project and foresees the improvement of quality, diversity and biodiversity in existing coffee plantations and improve coffee production, in regions of the department of Meta. It is aimed at working with 900 coffee farms, planting coffee in 300 farms, tissue management and renovation in 400 farms, implementation of agroforestry system in 100 farms and maintenance of 100 Rainforest Alliance farms.

1.1.5 Dutch Bros Foundation Project - Phase Three

Participants: Dutch Bros Foundation (United States of America), Volcafe Specialty Coffee (Switzerland).

Budget Data	
Value in thousands of pesos	$ 875.000
Theoretichal exchange rate	$ 3.500
Value in dollars (USD)	$ 250.000

There are two main objectives and activities in this third phase of the project: Coffee cultivation with a strategy to reduce the carbon footprint and consolidation of agroforestry systems as carbon reservoirs; At this stage, we are working with 400 farms. 200 beneficiaries are planting new coffee, 200 farms are implementing tissue management and renovation, 355 farms are implementing wastewater treatment system, 26 villages are implementing honeycombs for pollination and 100 farms are measuring carbon footprint.

1.1.6 People and Planet Positive Project (PPP)

Participants: Starbucks Coffee Trading Company SARL.

Budget Data	
Value in thousands of pesos	$ 5.819.709
Theoretical exchange rate	$ 3.500
Value in dollars (USD)	$ 1.763.548

The project seeks to support 100 coffee farmers under the age of 45 in Nariño to develop a profitable and sustainable coffee business by applying a holistic approach for 4 years.

Specific goals:

- Define and implement 100 agronomic plans based on the Volcafe Way methodology.
- Define and implement 100 fertilization plans based on 100 soil analysis.
- Donate 25% of the fertilizer formulated in fertilization plans every year for 4 years, the donated fertilizer is carbon neutral.
- Build 40 wet and dry processing stations with a capacity of 4 ha each, as on average the farm size is 1.8 ha, several stations will be for collective use.
- Assess and use the by-products generated in the 100 coffee producing farms (pulp, wastewater, biomass products of pruning) from the implementation of a pulp treatment system and the production of biochar.
- Measure the environmental footprint of the 100 farms before and after the interventions (carbon footprint and water footprint).
- Implement a commercial strengthening strategy that includes premium price, delivery of packaging and transportation of coffee from the 100 farms to the buying station.

1.1.7 Starbucks Sustainability Initiative Project (SSI)

Participants: Starbucks Coffee Trading Company SARI, Carcafe Ltda.

Budget data	
Value in thousands of pesos	$1,375,713
Theoretical rate of change:	$3,500
Value in dollars (USD):	$393,061

The main objective of the project is to reduce the environmental impact of 826 coffee farms in the departments of Cauca, Huila, Risaralda, Antioquia, Santander and Nariño.

Specific objectives:

- Deliver soil analysis and fertilization recommendations to 826 coffee farms.
- Install and commission 42 ecological wet processing modules to reduce water consumption in coffee processing.

2. Main Accounting Policies

2.1. Basis for Presentation of the Financial Statements

The Carcafe Foundation prepares its financial statements in accordance with the accounting and financial reporting standards accepted in Colombia (NCF), established by Law 1314 of 2009, regulated by the single regulatory decree 2420 of 2015 modified by decree 2496 of 2015. These accounting and financial reporting standards correspond to the International Financial Reporting Standards (IFRS) officially translated and authorized by the International Accounting Standards Board (IASB) as of December 31, 2012.

2.2. Preparation Bases

Until the year ended December 31, 2015, the Foundation prepared its financial statements in accordance with Colombian Generally Accepted Accounting Principles (GAAP). The financial information for prior periods, included in these separate financial statements for comparative purposes, has been modified and is presented in accordance with the bases described in the preceding paragraph.

These financial statements are presented in Colombian pesos and all values have been rounded to the nearest unit of one thousand (COPOOO) unless otherwise indicated.

When preparing these financial statements, Carcafe Foundation has applied the significant accounting policies and accounting judgments, estimates and assumptions described in sections 2.3 and 2.4 of these notes, respectively.

2.3. Main Judgments, Estimates and Accounting Assumptions

The preparation of financial statements in accordance with the NCIFs requires management to prepare and consider significant accounting judgments, estimates and assumptions that impact the reported balances of assets and liabilities, income and expenses, as well as the determination and disclosure of contingent assets and liabilities at the end date of the reporting period. In this regard, uncertainties associated with the estimates and assumptions adopted could lead in the future to final results that may differ from those estimates and require adjustments to the reported balances of affected assets and liabilities.

2.3.1. Judgements

In the application of accounting policies, judgments have been made, which have an effect on the value in the financial statements.

2.3.2. Significant Accounting Estimates and Assumptions

Key assumptions related to the future and other sources of estimates of uncertainties at the end of the reporting period can cause adjustments to the carrying amounts of assets and liabilities during the next period. These are described below.

Carcafe Foundation has based its accounting estimates and assumptions considering parameters available at the time of preparation of the financial statements. However, some circumstances and assumptions on future events could vary due to changes in the market or to circumstances beyond the control of the Foundation. Those changes are included at the time they occur.

2.3.3 Impairment of Property and Equipment

At the closing date, if there is any indication that an individual component or group of properties or equipment in use may have lost value, we carry out an analysis individually to establish the recoverable value of the impaired assets.

When the carrying value of an individual asset or cash-generating unit exceeds its recoverable value, the individual asset, or where applicable the cash-generating unit is, is considered impaired and its value is reduced to its recoverable value.

The cash-generating unit is the smallest identifiable group of assets, generating cash inflows to the Foundation that are largely independent of cash flows from other assets or groups of assets.

A previously recognized impairment loss is reversed only if there was a change in the assumptions used to determine the recoverable value of the individual asset or cash-generating unit since an impairment loss on that cash-generating asset or unit was last recognized.

The reversal is limited so that the value in books of the cash-generating asset or unit does not exceed its recoverable value, or exceed the determined value in books that would have been determined, net of the corresponding depreciation or amortization if an impairment loss had not been recognized for that cash-generating asset or unit in prior periods. Such reversal is recognized in the income statement on the same line in which the respective impairment charge was previously recognized (generally in cost of sales or other operating expenses).

2.3.4 Recovery of Deferred Income Tax

Deferred tax is applied to all temporary differences, to the extent that there is likely to be disposable taxable income against which the differences are deductible. The carrying value of deferred tax is reviewed at each balance sheet date and is reduced to the extent that it is no longer likely that there is sufficient taxable income to allow all or a portion of the deferred income tax to be used. Unrecognized deferred tax is revalued at each balance sheet date and is recognized to the extent that future taxable income has become likely to allow the tax to be recovered.

2.3.5 Contingencies

Contingent liabilities may arise in the ordinary course of operations as a result, inter alia, of legal, contractual and other claims against the Foundation. By their nature, contingencies can only be resolved when one or more future events occur or cease to occur. Estimating the existence and possible value of contingencies involves the application of judgments and the use of estimates about the results of future events.

2.4. Summary of Significant Accounting Policies

The following are the significant accounting policies applied by the Foundation in the preparation of these financial statements under NCIF:

2.4.1. Foreign Currency Conversion

Functional Currency and Presentation Currency

The Foundation determined that its functional and presenting currency is the Colombian peso under NCIF the financial statements are presented in pesos and all values have been rounded to the nearest unit of thousands, unless otherwise indicated.

Foreign Currency Transactions and Balances

Transactions in a currency other than the functional currency are considered foreign currency transactions. They are initially accounted for in their functional currency at the exchange rate in force on the date of the transaction.

The income statements and the financial situation of the Foundation are translated into the currency of presentation, following this procedure:

- Monetary assets and liabilities denominated in foreign currency are valued at the exchange rate prevailing on the date of submission.
- The equity will be converted at the exchange rates of the date the transaction occurs.
- Income and expenses for each statement presenting the result for the period and other comprehensive results (i.e., including comparative figures), shall be converted at the exchange rates of the date of the transactions and/or at the average exchange rates for each period.
- All resulting exchange differences will be recognized in another comprehensive result in the Foundation's equity.

Non-cash items measured by their historical cost in foreign currency are translated using the exchange rates in effect at the date of the original transactions.

Monetary assets and liabilities denominated in foreign currency are expressed in Colombian pesos at the representative exchange rates of $4,810.20 and $3,981.16 per US$I as of December 31, 2022 and 2021, respectively.

2.4.2 Classification of Items in Current and Non-Current

The Foundation presents assets and liabilities in the financial position classified as current and non-current. An asset is classified as current when the Foundation:

- The Foundation expects to realize the asset or intend to sell or consume it in your normal trading cycle.
- When it holds the asset primarily for trading purposes.
- When it expects to realize the asset within twelve months after the reporting period.
- When the asset is cash or cash equivalent unless cash is restricted and cannot be exchanged or used to cancel a liability for a minimum period of twelve months after the closure of the reporting period.

All other assets are classified as non-current.

A liability is classified as current when the Foundation:

- Expects to settle the liability in its normal operating cycle.
- Holds liabilities primarily for trading purposes.
- The liability must be settled within twelve months of the closing date of the reporting period.
- You do not have an unconditional right to defer the cancellation of the liability for at least twelve months from the closing date of the reporting period. The terms of a liability which may, at the option of the other party, give rise to its settlement by issuing an equity instrument do not affect its classification.

All other liabilities are classified as non-current.

2.4.3. Properties and Equipment

Property and equipment are tangible assets owned by the Foundation for its use, or for administrative purposes; and are expected to be used for more than one annual period.

Property and equipment are considered for their cost, net of accumulated depreciation and accumulated impairment losses, if any.

The initial cost includes the acquisition price and all costs directly attributable to the location of the asset in the place and conditions necessary for it to operate as intended by the general managers.

Expansion, modernization or improvement costs that represent an increase in useful life are capitalized as higher value of the corresponding goods. The periodic expenses of maintenance, conservation and repair, are charged to results in the period in which they are incurred.

The profit or loss on sale or retirement of property and equipment is recognized in the results of the year in which the transaction is made.

Depreciation begins when the assets are available for use, at the location and with the conditions necessary to operate in the manner intended by management. Depreciation is calculated by the straight-line method over the established economic useful life, the calculated value is recognized against results in the period in which they are realized.

The property and equipment asset classes and established useful lives are:

	Usefull Life
Asset Class	(%)
Buildings and constructions	5
Machines and equipment	10
Vehicles	20
Technology equipment	20

Useful lives and depreciation methods and rates of assets are reviewed at each year-end date and adjusted prospectively, if applicable.

At the end of each year, it is assessed whether there is any indication that any asset may have suffered an impairment loss. If any, an estimate of the recoverable value of said asset is made to determine the amount of possible impairment, which is obtained by comparing the recoverable value with the carrying value. If, in this analysis, it is determined that some assets did have impairment losses, the calculated values are recognized against impairment losses in the income statement.

As of December 31, 2022 and 2021, no losses have been recognized for this concept considering that there are no indications of impairment of the value of the assets.

2.4.4. Recognition of Income from Ordinary Activities

The income of the Foundation is derived mainly from cash contributions and subsidies received from private entities and non-governmental organizations, for the execution of projects focused on the protection of the environment and social development, through socialization and training in good agronomic practices to coffee producers, located in those regions in which the Foundation has influence, in order for farmers to achieve a profitable and sustainable coffee farming. A grant is a transfer of resources to an entity in exchange for past or future compliance with certain conditions related to the Foundation's activities. Contributions and grants are initially recognized as deferred income and are amortized and recognized as operating income to the extent that investments arising from project implementation (expenditure) are incurred. Income is measured at the fair value of consideration received or receivable, taking into account payment terms contractually defined with donors and excluding taxes and duties. The Foundation has concluded that it acts as an agent in all its revenue agreements.

The specific recognition criteria listed below must also be met for income to be recognized.

Sale of Services

Revenue from ordinary activities from the sale of services is recognized when the significant risks and benefits inherent in providing services have been substantially transferred to the buyer, which is generally the case at the time of issuance of invoices.

Interests

For all financial assets and financial liabilities measured at amortized cost, interest earned or lost is recorded using the effective interest rate method, which is the interest rate that accurately discounts future cash payment and collection flows over the expected life of the financial instrument or a shorter period, as appropriate, in relation to the net carrying amount of the financial asset or liability.

In general, interest earned and lost are included in the income and finance costs line in the statement of activities, respectively, except that they arise from operating items (trade receivables and other accounts receivable or trade accounts payable and other accounts payable) in which case they are included in the other operating income or expense line, as appropriate.

2.4.5. Taxation

2.4.5.1. Income Tax

Income tax expenses include current taxes and deferred taxes and are accounted for in accordance with Section 29, "Income Tax".

Current income tax assets and liabilities for the period in effect are measured as the amount that is expected to be recovered from the tax authorities or that would have to be paid. The tax rate and tax laws used to account for the amount are those in force, or nominally in effect, at the date of the report in the countries where the Foundation operates and generates taxable income.

Current income tax related to items that are recognized directly in equity or other comprehensive income is recognized in the statement of changes in equity or in the Statement of Comprehensive Income, respectively.

Management periodically evaluates the position taken in income tax returns with respect to situations where the tax regulations that apply are subject to interpretation and establishes provisions where appropriate.

2.4.5.2. Deferred Income Tax

Deferred income tax is when there are temporary differences between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax assets are recognized to the extent that temporary differences, the carrying amount of unused tax credits and unused tax losses are likely to be used.

Deferred taxes are measured at the tax rate expected to be applied to the differences temporary when these are reversed, based on laws that have been passed or are about to be approved as of the date of the report.

The carrying amount of deferred tax assets is reviewed at each filing date and reduced to the extent that it is no longer likely that there will be sufficient taxable profits to use all or part of the deferred tax asset. Unrecognized deferred tax assets are reviewed at each closing date and are recognized to the extent that future taxable earnings are likely to exist that allow the deferred tax asset to be recovered. Deferred tax related to items recognized outside of profit or loss are recognized in correlation to the underlying transaction, either in Other Comprehensive Income or directly in equity.

Deferred tax assets and liabilities are offset if there is an enforceable right to offset current tax assets and liabilities, and where deferred tax assets and liabilities arise from income taxes pertaining to the same tax authority and fall on the same tax entity or taxpayer, or on different tax entities or taxpayers, but the Foundation intends to settle current tax assets and liabilities for their net amount, or to simultaneously realize its tax assets and liabilities.

2.4.6. Financial Instruments: Presentation, Initial Recognition and Subsequent Measurement

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability in another entity. Financial instruments according to the contractual position for the Foundation can be Financial Assets or Financial Liabilities.

2.4.6.1 Financial Assets

Initial Recognition and Subsequent Measurement

Financial assets included within the scope of Section 11 are classified as financial assets at fair value through profit or loss, loans and accounts receivable, held-to-maturity investments, or as derivatives through profit or loss. The Foundation determines the classification of financial assets at the time of initial recognition.

All financial assets are initially recognized at fair value plus, for financial assets that are not carried at fair value through profit or loss, directly attributable transaction costs.

The Foundation's financial assets include cash and short-term placements, trade receivables, loans and other receivables, and effectively hedged and unhedged derivative financial instruments.

Loans and Receivable Accounts

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not listed on an active market. After initial recognition, these financial assets are measured at amortized cost using the effective interest rate method, less any impairment as appropriate.

The amortized cost is calculated by taking into account any discounts or premiums on the acquisition and commissions or costs that are an integral part of the effective interest rate.

The amortization of the effective interest rate is recognized in the income statement as financial income or as other operating income, depending on the nature of the asset that originates it. Losses resulting from impairment are recognized in the income statement as finance costs or other operating expenses, depending on the nature of the asset giving rise to the impairment.

Decommissioning of Financial Assets

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

The contractual rights to receive the cash flows generated by the asset have expired; contractual rights to cash flows generated by the asset have been transferred, or an obligation to pay all such cash flows to a third party without significant delay has been assumed through a transfer agreement, and (A) substantially all risks and rewards inherent in ownership of the asset have been transferred; or (B) not substantially all of the risks and rewards inherent in ownership of the asset have been transferred or retained, but control over the asset has been transferred.

Where the contractual rights to receive the cash flows generated by the asset have been transferred, or a transfer agreement has been concluded, but not substantially all the risks and rewards inherent in the ownership of the asset have been transferred or retained or control over the asset transferred, that asset shall continue to be recognized to the extent of the Foundation's continued involvement in the asset.

Impairment of the Value of Financial Assets

At the close of each reporting period, the Foundation assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired in value. A financial asset or group of financial assets is considered impaired in value only if there is objective evidence of impairment of that value as a result of one or more events occurring after the initial recognition of the asset (the "loss-causing event"), and that loss-causing event has an impact on the estimated future cash flows generated by the financial asset or group of financial assets, and that impact can be reliably estimated.

Evidence of impairment could include, but is not limited to, indications such as that debtors or a group of debtors are experiencing significant financial difficulties, default or default on principal or interest debt, the likelihood that they will file for bankruptcy or otherwise adopt a form of financial reorganization, or when observable data indicate that there is a measurable decrease in estimated future cash flows, as well as adverse changes in the status of overdue payments, or in economic conditions that correlate with defaults.

Impairment charges on financial assets, net of applicable recoveries, are presented in the income statement under the lines of finance costs and other operating expenses, as appropriate to the nature of the asset generating them.

Financial Assets carried at Amortized Cost

For financial assets carried at amortized cost, the Foundation first assesses whether there is objective evidence of impairment, individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Foundation determines that there is no objective evidence of impairment for an individually assessed financial asset, regardless of its significance, it includes that asset in a group of financial assets with similar credit risk characteristics, and evaluates them collectively to determine whether impairment exists.

Assets that are evaluated individually to determine whether there is impairment, and for which an impairment loss is recognized or continues to be recognized, are not included in the impairment assessment collectively.

If there is objective evidence that there has been an impairment loss, the amount of loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not yet occurred). The present value of estimated future cash flows is discounted to the original effective interest rate of the financial assets. If a loan accrues a variable interest rate, the discount rate to measure any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of a depreciation provision account and the amount of loss is recognized in the income statement as finance costs or other operating expenses, as appropriate to the nature of the asset giving rise to the depreciation. Interest earned continues to accrue on the reduced carrying amount of the asset, applying the interest rate used to discount future cash flows for the purpose of measuring impairment loss. Interest earned is recorded as finance income or other operating income in the income statement, as appropriate to the nature of the asset giving rise to it.

2.4.6.2. Financial Liabilities

Initial Recognition and Subsequent Measurement

Financial liabilities included within the scope of Section 11 are classified as financial liabilities at fair value with changes in results, loans and accounts payable, or as derivatives with changes in profit or loss, as applicable. The Foundation determines the classification of financial liabilities at the time of initial recognition.

Debts and Interest-Bearing Loans

After initial recognition, interest-bearing debts and loans are measured at amortized cost, using the effective interest rate method. Gains and losses are recognized as financial costs in the income statement when liabilities are written off, as well as through the amortization process, applying the effective interest rate method.

Amortized cost is calculated by taking into account any discounts or premiums on the acquisition and any commissions or costs that are an integral part of the effective interest rate. Amortization of the effective interest rate is recognized as finance costs in the income statement.

Decommissioning of Financial Liabilities

A financial liability is derecognized when the obligation specified in the relevant contract has been paid, cancelled or has fallen due.

Where an existing financial liability is replaced by another liability arising from the same lender under substantially different conditions, or if the terms of an existing liability are materially modified, such swap or modification is treated as a write-off of the original liability and recognition of a new liability, and the difference between the respective carrying amounts is recognized as those or finance costs in the income statement, as appropriate.

2.4.6.3. Clearing of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset in such a way that the net amount is presented in the statement of financial position, only if the Foundation (1) has a current legally enforceable right to offset the recognized amounts; and (2) intends to liquidate them for the net amount, or to realize the assets and cancel the liabilities simultaneously.

2.4.7. Cash and Cash Equivalents

Both cash funds and freely available bank demand deposits are considered cash. Cash equivalents are highly liquid and freely available short-term investments that, without notice or relevant cost, can easily be converted into a given amount of cash known with a high degree of certainty at the time of taxation, are subject to a negligible risk of changes in value, with maturities up to three months after the date of the respective impositions, and whose main destination is not the investment or similar, but the cancellation of short-term commitments. Bank overdrafts are interest-bearing loans, payable at sight, and are part of the Foundation's treasury management, so they are also assimilated to cash equivalents.

2.4.8. Provisions and Contingent Liabilities

2.4.8.1. Provisions

Recognition and Measurement

Provisions are recognized when (1) there is a present obligation (statutory or implied) as a result of a past event; (2) resources incorporating economic benefits may have to be divested to cancel the obligation; and (3) a reliable estimate of the amount can be made.

In cases where the provision is expected to be reimbursed in whole or in part, for example under an insurance contract, reimbursement is recognized as a separate asset only in cases where such reimbursement is virtually certain. The expense for any provision is presented in the income statement

on the line that best reflects the nature of the provision, net of any related reimbursement, to the extent that it is virtually true.
If the effect of the time value of money is significant, provisions are discounted using a current pre-tax market rate that reflects, where appropriate, the specific risks of the liability. When the discount is recognized, the increase in provision resulting from the passage of time is recognized as financial costs in the income statement.

2.4.8.2. Contingent Liabilities

A contingent liability is: (1) A possible obligation, arising from past events and the existence of which is to be confirmed only by the occurrence, or as the case may be, the non-occurrence of one or more uncertain future events that are not entirely within the control of the foundation; or (2) a present obligation, arising from past events, that has not been recognized in the accounts because it is unlikely that an outflow of resources incorporating economic benefits will be required to satisfy it; or the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not recognized in the financial statements, but is disclosed in notes, except in the case where the possibility of an eventual outflow of resources to settle it is remote. For each type of contingent liability at the respective closing dates, the institution discloses a brief description of the nature of the liability and, where possible, an estimate of its financial effects; an indication of uncertainties related to the amount or timing of the corresponding resource outflows; and the possibility of obtaining possible refunds.

2.4.8.3. Contingent Assets

A contingent asset is an asset of a possible nature, arising from past events, the existence of which has to be confirmed only by the occurrence, or where appropriate by the non-occurrence, of one or more uncertain events in the future, which are not entirely under the control of the entity.

A contingent asset is not recognized in the financial statements, but is disclosed in notes, but only in the case where the inflow of economic benefits is likely. For each type of contingent asset at the respective closing dates of the reporting periods, an entity discloses (1) a brief description of the nature of the contingent asset and, where possible, (2) an estimate of its financial effects.

As provided in Section 21, it is an entity's policy not to disclose in detail information related to disputes with third parties relating to situations involving provisions, contingent liabilities and contingent assets, to the extent that such information would seriously harm the entity's position. In these cases, the entity provides information of a generic nature and explains the reasons that have led to such a decision.

Fundación Carcafe

Certificación de los Estados Financieros

3.Cash and Cash equivalents:

Cash at the bank

2022	2021
(In thousands of pesos)	
$206,585	$397,500
$206,585	$397,500

4. Restricted cash for project implementation

	2022	2021
	(In thousands of pesos)	
Borderlands Revolving Fund	**$2,142**	$74,923
Project Costa Foundation	**$215,327**	$22,197
Project Lavazza	**$505,589**	$287,620
Project Love Abounds	**$225,996**	$152,859
Project PPP Starbucks	**$490,519**	$873,263
Project SSI Starbucks	**$446,024**	$24,738
GIZ Fundz Project Lavazza (P4)	**$3,972**	$289,946
	$1,889,570	$1,725,546

Loss in monetization of resources (Monetization rate lower than the theoretical rate): It is recorded as a higher value of this account.

5. Properties and Equipment, Net

	2022	2021
	(In thousands of pesos)	
Laboratory equipment	$ 38.650	$ 38.650
Computers	$ 11.625	$ 11.625
	$ 50.275	$ 50.275
Accumulated depreciation	-$ 42.867	-$ 37.934
	$ 7.408	$ 12.341

With the completion of the Borderlands Project, equipment linked to the project called "Mobile Laboratory" was received, likewise, computer and communication equipment was received, which will be managed by the Foundation and used in the development of future activities.

6. Investment Property

Reserve lot in the municipality of Montenegro (Quindio)

2022	2021
(In thousands of pesos)	
$35,054	$35,054

7. Bills to be paid

	2022	2021
	(In thousands of pesos)	
Payable costs and expenses	**$79,750**	$198,390
Withholdings and payroll contributions	**$9,204**	$6,143
	$88,954	$204,533

8. Grants to be executed

Although IFRS does not define the subsidy received from the private sector, but only from the government, the concept is similar. A grant is a transfer of resources to an entity in exchange for past or future compliance with certain conditions related to the entity's operating activities. The grant is also a form of contribution, but in exchange for it the Foundation incurs the obligation to meet certain requirements that if not carried out may imply the return of the resources received. Similarly, grants are net assets with restrictions. However, failure to comply with the restrictions does not necessarily imply the reimbursement of the resources received, but the consequences determined by the donor.

Because of the above, a restricted contribution affects net assets. But if it is a subsidy, it generates an obligation and must be carried as a deferred income.

The following is a detail of the behavior of the grants received with respect to the projects executed and/or pending execution:

2022

	Initial budget	Grants to receive	Subsidies received according to budget	Differential change in monetization of contributions	Income from transfers from other projects	Total sources received for projects	Reported execution	Resources pending execution
Costa Foundation Colon	$1,016,340	$523,801	$492,539	$75,297	$11,713	$579,549	$42,852	$536,697
Starbucks PPP Project	$5,819,709	$1,984,106	$3,835,603	$520,391		$4,355,994	$3,950,511	$405,483
Love Abounds third phase	$875	$140	$735	$121,826		$856,826	$645,865	$210,961
Lavazza Meta fourth phase	$3,188,647	$2,066,592	$1,122,065	$291,766		$1,413,821	$1,043,656	$370,165
Starbucks SSI Project	$1,375,713	$281,869	$1,093,844	$147,322		$1,242,166	$802,209	$438,957
Other minor projects	$15,21		$15,21		$11,713	$3,497		$3,497
	$12,290,619	$4,996,368	$7,294,252	$1,156,502		$8,450,853	$6,485,093	$1,965,760

Fundación Carcafe

Certificación de los Estados Financieros

2021

	Initial budget	Grants to receive	Subsidies received according to budget	Differential change in monetization of contributions	Income from transfers from other projects	Total sources received for projects	Reported execution	Resources pending execution
Lavazza Meta fourth phase	$1,024	($192,64)	$831,36	$113,525	($35,706)	$909,179	($909,179)	
Costa Foundation Taminango	$1,710,189	($937,324)	$$772,865	$54,328	$65,212	$892,405	($880,71)	$11,692
Love Abounds second phase	$246,867	($75,432)	$171,435	$9,165	$75,196	$256,796	($255,385)	$411
Starbucks PPP Project	$5,819,709	($3,454,804)	$2,364,905	$256,556		$2,621,461	($1,611,320)	$1,010,141
Love Abounds third phase	$875	($455)	$420	$42,496		$462,496	($141,746)	$320,75
Lavazza Meta fourth phase	$3,188,647	($2,739,375)	$449,27	$59,29	$70,565	$579,127	($92,063)	$487,064
Starbucks SSS Project	$1,375,713	($1,362,578)	$23,135	$1,705		$24,84		$24,84
Other minor projects	$154,601	($9,036)	$145,565	$6,394		$151,959	($148,855)	$3,104
	$14,394,726	($9,216,189)	$5,178,537	$543,459	$175,267	$5,897,263	($4,039,258)	$1,858,005

(1) It represents the budgeted value of the project and the pledges of donors to contribute to the implementation of the project. Its initial recognition is made for the budgeted value for the execution of each project, which is expressed in the contracts signed between the Foundation and the donors.

Budgets are prepared in Colombian pesos (COP) and if foreign donors exist, such budgets are converted into United States dollars (USD) using a theoretical rate agreed between the Foundation and donors. The differences, however, originated in the monetization of resources, are recognized as follows:

Utility in the monetization of resources (monetization rate higher than the theoretical rate): It is recorded as a higher value of the grants pending execution (liabilities).

9. Payable Taxes

Income Tax

The provision for income tax calculated at the official rate of 20%, by the accumulation method, on the net excess profit.

The Foundations must determine the net or surplus profit by taking the totality of the income, whatever its nature, and subtracting the value of the expenses of any nature, which have a causal relationship with the income or with the fulfillment of its corporate purpose, including in the expenses the investments made in compliance with the same. (1)

The Foundation allocates its surpluses in the programs and projects it develops and for this reason these are exempt from income tax in accordance with Article 358 of the Tax Statute. (2)

[1] Art.357 Tax Statute.

[2] Art. 358. Exemption on net or surplus profit.

The effect of temporary differences involving the payment of a lower or higher income tax in the current year is accounted for as a deferred tax credit or debit at the tax rates in effect when the differences are reversed will be 20%; provided that there is a reasonable expectation that such differences will be reversed in the future and in addition to the asset that sufficient taxable income will be generated at that time.

Income tax is presented net, after deducting advances paid and withholdings at source in favor.

Decrees 2649 and 2650 of 1993 as of January 1, 2015 will be valid only for tax aspects until 2016.

10. Net Assets

As of December 31, 2022, the Foundation's permanent contributions are $53,471.

1 1. Grants

	2022	2021
	(In thousands of pesos)	
Project Lavazza	$951,593	$628,474
Project Love Abounds	$504,119	$275,880
Project Costa Foundation	$42,852	$419,676
Project Starbucks	$3,141,397	$1,611,322

The net or surplus profit determined in accordance with article 357, will have the character of exempt when it is destined directly or indirectly, in the year following that in which it was obtained, to programs that develop the corporate purpose and the meritorious activity of the Foundation.

The part of the net profit or surplus that is not invested in the programs that develop its corporate purpose, will have the character of taxable in the year in which this occurs.

The income obtained by the entities admitted to the Special Tax Regime, corresponding to the execution of public works and auditing contracts, whatever the modality thereof, will be taxed at the general rate of income tax and complementary. The contracting State Foundation shall practice withholding at source at the time of payment or credit into account, the national government shall regulate the amounts and rates of the withholding referred to in this paragraph.

The surpluses described in this article will be exempt as long as the non-profit Foundation is qualified within the RUT as an entity of the Special Tax Regime and complies with the provisions of articles 19 to 23 and the provisions of Title 1, Chapter VI of the Book of this Statute.

PARAGRAPH 1. Surpluses identified as exempt should be duly supported in the system for recording differences in the new accounting regulatory frameworks.

PARAGRAPH 2. The legal representatives, the tax auditor, the accountant and all the members of the administrative body of the non-profit Foundation must certify due compliance with the requirements established by law to be a beneficiary of the exemption referred to in this article.

Borderlands Rotating Fund	$177,700	
Others	$3,269	$15,789
	$4,820,930	$2,951,141

12. Investments made in projects

12.1 Purchase of agricultural goods and inputs

	2022	2021
	(In thousands of pesos)	
Agricultural materials and input	$752,979	$316,012
Farm infrastructure equipment	$1,620,861	$539,654
	$2,373,840	$855,666

12.2 Technical staff associated with projects

	2022	2021
	(In thousands of pesos)	
Personnel expenses	$275,131,	$225,059
Fees	$132,011	$128,711
	$407,142	$353,770

12.3 Technical services

2022	2021
(In thousands of pesos)	
$660,214	$539,615

12.4 Other associated expenses

	2022	2021
	(In thousands of pesos)	
Various	$109,531	$134,740
Travel expenses (1)	$37,545	$40,450
Fees	$89,481	$24,762
Leases	$17,329	$8,785
Taxes		$35
Legal		$75
	$253,886	$208,847

(1) *Includes coordination expenses and tour of coffee growers*

12.5 Construction contracts

2022	2021
(In thousands of pesos)	
$998,904	$868,785

13. Administrative operating expenses

	2022	2021
	(In thousands of pesos)	
Personnel expenses	**$39,055**	$36,671
Fees	**$27,440**	$36,804
Taxes	**$2,589**	$1,859
Legal	**$2,296**	$2,566
Maintenance and repair	**$750**	$714
Depreciations	**$4,933**	$4,933
Services	**$0**	$2,090
Various	**$751**	$480
	$77,814	$86,117

14. Financial Risk Management Objectives and Policies

The director general reviews and approves the policies for the management of each of these risks, which are summarized below:

Cash deposits in banks

The credit risk of balances in banks and financial institutions is managed through the treasury area of the Foundation in accordance with the policy established by the administration, the Foundation annually reviews the credit limits of the counterparties, but these may be updated during the year subject to management approval. Limits are set to minimize the concentration of credit risk and thus mitigate the financial loss that may arise from potential counterparty defaults.

Liquidity Risk

The Foundation monitors the risk of a funding shortfall using periodic flow analysis.

The objective of the Foundation is to maintain the balance between continuity and flexibility of financing through the efficient use of its resources in bank accounts.

The Foundation has assessed as low the concentration of liquidity risk with respect to the possibility of default to its suppliers. Access to sources of financing is sufficiently assured thanks to the liquidity that your financial assets offer.

Credit Risk

The financial instruments that partially subject the Foundation to credit risk concentrations consist primarily of cash and cash equivalents and accounts receivable from related entities.

In order to mitigate exposure to credit risk in cash and cash equivalents, the Foundation has adopted the policy of carrying out its operations with institutions of recognized solvency in the national market.

Credit risk exposures related to investments in other financial assets are limited due to the risk ratings of the issuers of such financial instruments, The carrying value of financial assets represents the maximum exposure to credit risk at the end of the reporting period, such maximum exposure is as follows:

	2022	2021
	(In thousands of pesos)	
Cash and cash equivalents *(Note 3)*	**$206,585**	$397,500
Restricted cash for project execution *(Note)*	**1,889,570**	$1,725,546
Debtors and other accounts receivable	**$356,733**	$246,700
	$2,452,888	$2,369,746

Debtors, Net of Provision for Bad Debts

The credit risk of customers and suppliers is managed individually and subject to the related policies, procedures and controls, established by the Foundation. The credit quality of a debtor is evaluated on a case-by-case basis where necessary, taking into account the counterparty, economic solvency and the volume of transactions carried out. There is no significant concentration of credit risk at the date of the statement of financial position.

Financial Instruments and Bank Deposits

The credit risk associated with balance sheets with financial institutions such as banking entities is managed by the director of the Foundation in accordance with the policies of the entity. Management regularly reviews the rating of entities to mitigate the risk of potential third-party payment failure.

Net Asset Management

During the years ended December 31, 2022 and 2021, there were no changes to the objectives, policies or processes related to the management of net assets.

15. Events After the Reporting Period

No material events were presented after the closure of the financial statements that could materially affect the financial position of the Foundation reflected in the financial statements as of December 31, 2022.

16. Approval of the Financial Statements

The issuance of the financial statements of Carcafe Foundation, corresponding to the year ended December 31, 2022, was authorized by the director, on March 16, 2023, to be presented to the board of directors in accordance with the requirements of the Commercial Code.

The undersigned director and public accountant, under whose responsibility the financial statements were prepared, certify:

That for the issuance of the statement of financial position as of December 31, 2022, and the income statement for the year and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, which in accordance with the regulations are made available to the board of directors, Surveillance and control entities and interested third parties, the statements contained therein and the figures taken faithfully from the books have been previously verified.

These statements, explicit and implicit, are as follows:

Existence: The assets and liabilities of the Carcafe Foundation exist on the cut-off date and the transactions recorded have been made during the year.

Integrity: All economic facts made have been recognized.

Rights and obligations: The assets represent probable future economic benefits and the liabilities represent probable future economic sacrifices, obtained or borne by the Carcafe Foundation on the cut-off date.

Valuation: All items have been recognized for appropriate amounts.

Presentation and disclosure: Economic facts have been correctly classified, described, and disclosed.

Original signed by: Sebastian Pinzon Gonzalez, Director

Original signed by: Jose Jairo Restrepo S., certified public accountant, professional card 38780-T