

THE ADELANTE FOUNDATION, INC.

***Report on the Review of Financial Statements
As of December 31, 2024 and 2023***

PKF - Tovar López & Co.
Auditors - Business Consultants

THE ADELANTE FOUNDATION, INC

Financial Statements as at 31 December 2024
with Report of the Independent Auditors

Content	Page
Independent auditors report	3
Statements of financial position	5
Statements of activities, functional expenses	6
Statement of cash flows	7
Notes to the financial statements	8-21



PKF - Tovar López & Co.

Edificio Metrópolis, Torre 2, Nivel 24

Tegucigalpa, Honduras 11101

(504)2270-7365, 2270-7366

www.pkf-central-america.com/Honduras

Tovarlopez@pkfhonduras.com

INDEPENDENT AUDITORS REPORT

To the Board of Directors

The Adelante Foundation, Inc.

San Francisco, California - USA

Opinion

We have audited the accompanying financial statements of The Adelante Foundation, Inc. (the “Organization”), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Adelante Foundation, Inc. as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Organization in accordance with the relevant ethical requirements relating to our audits, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America.

Tovar López & Co. SRL, es miembro de PKF Global, la red de firmas miembro de PKF International Limited, cada una de las cuales es una entidad legal separada e independiente y no acepta ninguna responsabilidad u obligación por las acciones o inacciones de cualquier miembro individual o firma(s) corresponsal(es).

This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern and to disclose, as applicable, matters related to going concern.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error.
- Design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the Organization's preparation and fair presentation of the financial statements 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We communicate with those charged with governance regarding 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.



PKF Tovar López

PKF-Tovar López & Co.

Signature Member of PKF International, Ltd.

Tegucigalpa, Honduras.

October 21, 2025

THE ADELANTE FOUNDATION, INC.

Statement of Financial Position

As of December 31, 2024 and 2023

(Expressed in United States dollars)

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Assets			
Cash and cash equivalents	4	603,667	511,418
Loans and receivables, accounts receivable net	5	<u>2,010,436</u>	<u>1,937,123</u>
Total Current Assets		<u>2,614,103</u>	<u>2,448,541</u>
Property and equipment, at cost:			
Vehicles, furniture and equipment, at cost		217,983	200,554
Less: Accumulated depreciation		<u>(153,195)</u>	<u>(158,318)</u>
Net Property and equipment		64,788	42,236
Other assets		<u>1,984</u>	<u>2,083</u>
Total, Assets		<u>2,680,875</u>	<u>2,492,860</u>
<u>Liabilities and net assets</u>			
<u>Liabilities:</u>			
Guaranteed deposits	6	427,302	441,614
Accounts payable and accrued expenses		31,019	25,963
Obligation for employee benefits		<u>35,455</u>	<u>29,424</u>
Total Liabilities		<u>493,776</u>	<u>497,001</u>
With donor restrictions:			
Without donor restrictions:			
Board designated		178,290	184,048
Undesignated		<u>2,008,809</u>	<u>1,811,811</u>
Total net assets without donor restrictions		<u>2,187,099</u>	<u>1,995,859</u>
Total net assets		<u>2,187,099</u>	<u>1,995,859</u>
Total Liabilities and net assets		<u>2,680,875</u>	<u>2,492,860</u>

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

The Organization had no net assets with donor restrictions as of December 31, 2024 and 2023.

THE ADELANTE FOUNDATION, INC.

Statements of Activities

For the Years ended December 31, 2024 and 2023

(Expressed in United States dollars)

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Support and Revenue:			
Loan Interest and fees		1,155,025	1,093,338
Grants, contributions, and events		188,067	154,252
Other operating revenue		<u>22,349</u>	<u>23,855</u>
Total support and revenue		<u>1,365,441</u>	<u>1,271,445</u>
Expenses:			
Program services		805,170	767,377
General and administrative		201,292	191,844
Fundraising		<u>110,687</u>	<u>112,250</u>
Total Expenses		<u>1,117,149</u>	<u>1,071,471</u>
Change in Net Assets Before Other Item		248,292	199,974
Other Item:			
Foreign exchange rate gain (loss)		<u>(57,051)</u>	<u>2,681</u>
Change in net assets		191,241	202,655
Net Assets without donor restrictions:			
Beginning of year		<u>1,995,858</u>	<u>1,793,204</u>
End of year		<u>2,187,099</u>	<u>1,995,859</u>

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

The Organization had no net assets with donor restrictions as of December 31, 2024 and 2023.

THE ADELANTE FOUNDATION, INC.

Statements of Functional Expenses

For the Years ended December 31, 2024 and 2023

(Expressed in United States dollars)

Description	Program Services	General and administrative	Fundraising	2024
Salaries and wages	361,938	90,485	67,211	519,634
Employee benefits and taxes	<u>117,373</u>	<u>29,343</u>	<u>27,301</u>	<u>174,017</u>
Total employee expenses	<u>479,311</u>	<u>119,828</u>	<u>94,512</u>	<u>693,652</u>
Bad debt expense	60,584	15,146	-	75,730
Other loan administrative expenses	39,822	9,956	-	49,778
Occupancy	48,938	12,234	-	61,172
Office expenses	65,431	16,358	8,571	90,361
Program costs	13,235	3,309	-	16,544
Vehicle cost	45,687	11,422	-	57,108
Professional fees	12,468	3,117	1,094	16,680
Depreciation and amortization	11,049	2,762	-	13,811
Travel	13,858	3,465	4,776	22,098
Financial expenses	<u>14,786</u>	<u>3,697</u>	<u>1,732</u>	<u>20,215</u>
Sub Total	<u>325,859</u>	<u>81,465</u>	<u>16,174</u>	<u>423,497</u>
Total expenses	<u>805,170</u>	<u>201,292</u>	<u>110,687</u>	<u>1,117,149</u>
Description				2023
Salaries and wages	316,449	79,112	65,792	461,353
Employee benefits and taxes	<u>104,831</u>	<u>26,208</u>	<u>27,175</u>	<u>158,214</u>
Total employee expenses	<u>421,280</u>	<u>105,320</u>	<u>92,967</u>	<u>619,567</u>
Bad debt expense	95,786	23,947	-	119,733
Other loan administrative expenses	26,544	6,636	-	33,180
Occupancy	43,531	10,883	-	54,414
Office expenses	63,557	15,889	5,131	84,578
Program costs	15,989	3,997	-	19,986
Vehicle cost	45,182	11,295	-	56,477
Professional fees	17,285	4,321	1,261	22,868
Depreciation and amortization	12,596	3,149	-	15,745
Travel	9,551	2,388	10,644	22,582
Financial expenses	<u>16,077</u>	<u>4,019</u>	<u>2,246</u>	<u>22,342</u>
Sub Total	<u>346,098</u>	<u>86,524</u>	<u>19,283</u>	<u>451,904</u>
Total expenses	<u>767,378</u>	<u>191,844</u>	<u>112,250</u>	<u>1,071,471</u>

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

The Organization had no net assets with donor restrictions as of December 31, 2024 and 2023.

THE ADELANTE FOUNDATION, INC.

Statements of cash flows

For the Years ended December 31, 2024 and 2023

(Expressed in United States dollars)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets Adjustments to reconcile the change in net assets to net cash flows from operating activities:	191,241	202,655
Foreign exchange rate (gain) loss	57,051	(2,681)
Bad debt and impairment expenses	91,508	119,733
Depreciation and amortization	13,811	15,745
(Gain) on disposal of assets	(841)	-
Retirement of fixed assets		979
Loans (Disturbed) to clients	(3,236,151)	(3,220,423)
Loans repaid by clients	3,020,163	2,717,165
(Increase) decrease in accounts receivable and other assets	(4,408)	15,736
(Decrease) increase in accounts payable and accrued expenses	11,087	(23,081)
Guaranteed deposits received	226,792	235,026
Guaranteed deposits (disbursed)	<u>(228,424)</u>	<u>(220,732)</u>
Net Cash Flows from Operating Activities	<u>141,829</u>	<u>(159,878)</u>
Cash flows from investing activities		
(Purchase) of property and equipment	(37,813)	(13,876)
Proceeds from the sale of assets	<u>1,078</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>(36,735)</u>	<u>(13,876)</u>
Effect of exchange rate changes on cash	<u>(12,845)</u>	<u>2,682</u>
Net change in cash and cash equivalents	92,249	(171,072)
Cash and cash at beginning of year	<u>511,418</u>	<u>682,490</u>
Cash and cash at end of year	<u><u>603,667</u></u>	<u><u>511,418</u></u>

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

The Organization had no net assets with donor restrictions as of December 31, 2024 and 2023.

THE ADELANTE FOUNDATION, INC

Notes to the financial statements

For the Years ended December 31, 2024 and 2023

(Expressed in United States dollars)

1. ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS.

General Information

The Adelante Foundation, Inc. (Adelante) is a Tennessee nonprofit corporation classified as a 501(c)(3) organization by the United States Internal Revenue Service, which is other than a private foundation. As such, it is exempt from income taxes in the United States, and contributions to it are deductible for income tax purposes as charitable donations. The Adelante Foundation, Inc. has obtained a permit to operate a branch in Honduras by resolution No. 158-2003 of 3 March 2003 issued by the Ministry of Interior and Justice recognizing it as a non-governmental development organization (NGO) of private nature, non-profit, apolitical.

The Foundation's mission is to empower women entrepreneurs of limited opportunities to achieve economic self-sufficiency by its vision "That no one live in poverty". Among its primary objectives is to assist in a responsible manner with the promotion of individual initiative and the strengthening of the poorest communities in Honduras and promote development through investment, Education, through solidarity loans using the Grameen Bank model. The Grameen methodology allows providing financial services with an educational component (organization training, credit administration, business, integral and preventive health, rights, etc.), the model becomes a vehicle for learning and development at personal, economic and social levels.

The institution does not seek to concentrate credit in a few hands, on the contrary, the model allows the granting of small credits to a large number of clients, for this reason the massification of the service ensures the institutional success and sustainability of the program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied in the preparation of the financial statements of The Adelante Foundation Inc. are described below:

a) Basis of presentation.

The financial statements include the accounts of both the U.S. and the Honduran operations of Adelante Foundation, Inc. The Honduran operations have been granted permission to operate

THE ADELANTE FOUNDATION, INC

Notes to the financial statements

For the Years ended December 31, 2024 and 2023

(Expressed in United States dollars)

pursuant to Resolution 158-2003 conferred by the Ministry of Governance and Justice in 2003.

The financial statements are presented on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other assets and liabilities.

Combination of Branch Operations

The financial statements include the accounts of the Organization and its foreign branch located in Honduras. The branch does not have a separate legal personality and is operated under the direct control of the Organization. The financial information of the branch is combined based on the unification of accounts, eliminating intercompany transactions. All branch balances and activity have been converted to US dollars in accordance with the foreign currency translation policy described below.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Adelante, and changes therein, are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions - Net assets subject to donor or certain grantor-imposed restrictions. Some donor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled. At December 31, 2024 and 2023, Adelante does not have any net assets with donor restrictions.

Classification of expenses

Program services include administrative and general expenses, fundraising, and membership development. Administrative and general expenses include those incurred that are not necessary for the direct conduct of program services; fundraising expenses include advertising, promotion, and conducting fundraising drives, maintaining donor lists, preparing and distributing instructional manuals and other materials used in fundraising.

THE ADELANTE FOUNDATION, INC

Notes to the financial statements

For the Years ended December 31, 2024 and 2023

(Expressed in United States dollars)

Correction of Cumulative Foreign Currency Translation Differences and Timing of Official Book Alignment

Management of the U.S.-based parent entity of the Foundation identified and quantified a cumulative foreign currency translation difference related to prior periods. This difference arose from the mismatch between the “Investment in Branch” account recorded by the parent and the reciprocal “Head Office Account” maintained by the foreign branch.

While the adjustment has been validated and appropriately incorporated into the audited financial statements for the years ended December 31, 2024 and 2023, management has opted to formally record the correction in the official accounting records during fiscal year 2025.

As a result, the audited financial statements for 2024 and 2023 fairly present the financial position and results of operations, including the retroactive correction of this translation difference, in accordance with U.S. generally accepted accounting principles. However, as of the issuance date of these financial statements, the official books of the Organization had not yet been updated to reflect these adjustments, resulting in temporary differences between the audited balances and the internal accounting records. These variances will be aligned in fiscal year 2025.

- b) Cash and Cash Equivalents. For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term investments with original maturity dates of ninety days or less.
- c) Loans and interest receivable on loans. Loans receivable is stated at cost, which corresponds to the amount initially valued, less any repayments of capital that may have occurred and the provision for doubtful loans and interest. Loans and receivables are stated at amortized cost using the effective interest method, less any impairment.
- d) Estimate for Doubtful Recovery Loans. The management has decided that to calculate and record the estimate for doubtful loans and interest take the evaluation and classification criteria established and required by the National Commission of Banks and Insurance (CNBS) of Honduras for each classification category. The percentages required for each of the classification categories are compiled according to criteria set out in a table and represent a calculation basis. The balance of this estimate is an amount that Finance Management considers sufficient to absorb losses arising from

THE ADELANTE FOUNDATION, INC

Notes to the financial statements

For the Years ended December 31, 2024 and 2023

(Expressed in United States dollars)

default by borrowers, to which the Foundation is exposed according to the level of risk assumed.

Recovery of receivables is determined on the basis of the debtor's payment behavior, capacity to pay and availability of collateral for credit. Loans considered uncollectible by the administration are cancelled against the estimate. The allowance for doubtful recovery loans is established through percentage calculations, which are charged to expenses.

- e) Interest and commission income on loans. Interest income on loans is recognized when collected; however, to be consistent with the accrual hypothesis, the organization recognizes as income at the end of the year the uncollected interest that has been accrued. Income from commissions and other services arising from the granting of loans and others is recognized on an accrual basis when the services have been provided to customers.
- f) Contribution Revenue. Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:
- An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
 - An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

THE ADELANTE FOUNDATION, INC

Notes to the financial statements

For the Years ended December 31, 2024 and 2023

(Expressed in United States dollars)

- g) Grant Revenue. Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards That Are Contributions - Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

- h) Employee Benefits. The Foundation recognizes a liability for employee benefit obligations in accordance with the provisions of the Labor Code of the Republic of Honduras. These benefits include statutory severance for unjustified termination and other compensations resulting from the termination of employment. The calculation of these benefits is performed using the individual method, taking into account the length of service from the third month after hiring. The liability is accrued monthly and may be settled annually under the supervision of the Ministry of Labor and Social Welfare. Payment of the accrued severance costs totaled approximately \$ 39, 000 and \$31,000, for the years ended December 31, 2024 and 2023, respectively. The average number of permanent employees during the years 2024 and 2023 was 54 and 48, respectively.
- i) Property and Equipment. Property and equipment are stated at cost. Betterments which materially add to the value of the related assets and materially extend the useful life of the assets are capitalized. Normal replacements and minor equipment purchases are included as expenses of the operating net assets without donor restrictions. Depreciation is recorded on the straight-line basis over the following estimated useful lives:
- | | |
|------------------------------------|------------|
| Furniture, fixtures, and equipment | 5-10 years |
| Vehicles | 5 years |
| Software | 5 years |
- j) Donated Services and In-Kind Contributions. Financial Accounting Standards Board Statements require that the value of services provided by individuals with specialized skill be recognized in

THE ADELANTE FOUNDATION, INC

Notes to the financial statements

For the Years ended December 31, 2024 and 2023

(Expressed in United States dollars)

Adelante's financial statements. No amounts have been recognized in the accompanying financial statements for such services. Other similar costs such as donated travel and out of pocket expenses by volunteers and members of the Board of Directors cannot be reasonable determined and therefore have not been recorded in these financial statements.

- k) Functional Allocation of Expenses. The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and fringes are allocated based upon estimations of time and effort. Indirect costs such as occupancy and office related expenses are allocated based upon time spent, utilization, and square footage.
- l) Use of Estimates. The preparation of the financial statements requires the management of the Honduras Branch to make certain estimates and assumptions that affect the balances of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, as well as income and expenses for the years reported. The estimate that is particularly susceptible to significant changes in the short term relates to provisions for doubtful loans. The Board of Directors, as the responsible body, periodically reviews such estimates when it deems appropriate.
- m) Provisions. Provisions are recognized when the branch has a present obligation (legal or constructive) as a result of a past event, where it is probable that the obligation will have to be settled, and a reliable estimate of the obligation can be made. The amount recognized as a provision is the best estimate of the amount required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. The provision that is particularly susceptible to significant changes in the short term is the provision for employee benefits.
- n) Combination Principles. There are significant transactions and relationships that have been eliminated in the preparation of the financial statements.
- o) Exchange Rate. Adelante's program activities take place in Honduras, where the currency is the lempira (L) Monetary Unit of the Republic of Honduras. As of December 31, 2024 and 2023, the average simple purchase price of the reference exchange rate of the Public Foreign Exchange Auction in the interbank system was L24.7208 and

THE ADELANTE FOUNDATION, INC

Notes to the financial statements

For the Years ended December 31, 2024 and 2023

(Expressed in United States dollars)

L24.5158 US\$1, respectively. Beginning and ending accumulated translation adjustments are as follows:

<u>For the year ended december 31</u>	<u>2024</u>	<u>2023</u>
Accumulated translation (loss) – beginning of year	(307,461)	(310,142)
Translation gain (loss)	<u>(57,051)</u>	<u>2,681</u>
Accumulated translation (loss) - end of year	<u>(364,512)</u>	<u>(307,461)</u>

3. MONETARY ASSETS AND LIABILITIES

As of December 31, total monetary assets and liabilities, expressed in US dollars and Lempiras, amounted to:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	409,920	279,648
Certificates of deposit	193,747	231,770
Loans receivable, net	1,964,370	1,894,274
Interest receivable and other assets	<u>46,066</u>	<u>42,849</u>
Total financial assets	2,614,103	2,448,541
Less: Guarantee deposits	<u>(427,303)</u>	<u>(441,614)</u>
Total financial assets available for general expenditure	<u>2,186,800</u>	<u>2,006,927</u>

Adelante does not have a formal liquidity policy. Adelante manages its liquidity position to meet expenditures, liabilities, and other obligations as they fall due and maintains sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

4. CASH AND CASH EQUIVALENTS

A breakdown of this availability as of December 31 is detailed below:

	<u>2024</u>	<u>2023</u>
Cash in foreign banks	269,290	169,375
Cash in banks National currency	140,630	110,273
Investments - Fixed-term certificates of deposits	<u>193,747</u>	<u>231,770</u>
	<u>603,667</u>	<u>511,418</u>

By directive of Adelante Foundations Inc., the branch in Honduras has established that 40% of the clients' guarantee deposits must be backed by a restricted cash reserve in a savings account in local currency and a fixed-term deposit certificate, the reserve amounts to

THE ADELANTE FOUNDATION, INC

Notes to the financial statements

For the Years ended December 31, 2024 and 2023

(Expressed in United States dollars)

\$ 178,290 and \$184,048 respectively. Fixed-term deposit maturing on April 09, 2025, renewable, interest rate 8.25% per year with monthly interest payments.

5. LOANS RECEIVABLE

Loans receivable as of December 31 accrue interest on average at 5.41% per month calculated on a level installment basis and are presented below:

	<u>2024</u>	<u>2023</u>
Current unrestricted loans	2,164,241	2,133,663
Less: Allowance for doubtful account	(199,871)	239,389
Loans receivable, net	1,964,370	1,894,274
Interest receivable	<u>46,066</u>	<u>42,849</u>
	<u>2,010,436</u>	<u>1,937,123</u>

For 2024 and 2023, the portfolio risk rate amounts to 12.40% and 14.59% respectively and corresponds to loans greater than 30 days. The terms of the solidarity group loans have maturity periods ranging from three to eight months, and payments are set on a biweekly, biweekly, fortnightly and monthly basis. The loans are guaranteed in their entirety by the solidarity of the members in a joint and indivisible manner, which means that there is no individualization of the debt among the members of the group, but rather they assume the total amount of the loan as their own debt. Individual loan terms range from three months to five years, and payments are made weekly, biweekly, monthly, and at maturity. When approved amounts exceed US\$4,000, a mortgage guarantee is required.

The movement of the estimate for Doubtful Recovery Loans as of December 31 is presented below:

<u>Current</u>	<u>2024</u>	<u>2023</u>
Opening balance as of December 31	239,389	206,930
Plus: Estimate charged to results	91,508	123,867
Less: Loans written off due to non-payment	103,666	89,520
Forgiveness of capitalized interest on readjusted debts from 2023 and 2024	20,487	1,438
Monetary differences by exchange rate	<u>6,873</u>	<u>450</u>
Closing balance as of December 31	<u>199,871</u>	<u>239,389</u>

6. GUARANTEE DEPOSITS

Each solidarity group constitutes a "Security Deposit" that backs the loans. The deposit is 10% of the loan amount, which is charged to the

THE ADELANTE FOUNDATION, INC

Notes to the financial statements

For the Years ended December 31, 2024 and 2023

(Expressed in United States dollars)

amount approved at the beginning of the loan. For subsequent loans, it is mandatory to make a deposit to complete 10% of the value of the current loan; if the client wants to continue saving, she can deposit 10% of the value of each loan requested in each cycle.

A client can withdraw his deposit once he has fully cancelled the loan granted (including all the debt of the solidarity group) and has cancelled his debts to his Assembly. In the event that a client or group does not withdraw his deposit immediately after cancelling his loan, the Foundation is obliged to find it and return it. The loan write-off policy has been implemented for those clients who have entered into arrears on their loan payments with a delinquency of more than 90 days.

7. INCOME TAX STATUS (ASC 740-10-50 / 958-740)

The Organization is a nonprofit corporation organized under the laws of the State of Tennessee and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, other than as a private foundation. Contributions are deductible by donors as provided by law.

The Organization is subject to tax on unrelated business income, if any, as defined under Section 511 of the Code. Management believes it has no uncertain tax positions that would require recognition in the financial statements.

8. COMMITMENTS AND CONTINGENCIES

Adelante provides microcredit and education to women in Honduras and, consequently, maintains a significant portion of its assets within Honduras. The future results of its programs could be adversely affected by factors such as currency devaluation or changes in the political climate. As of December 31, 2024 and 2023, approximately 53% and 54%, respectively, of the total assets of Adelante were located in Honduras.

9. MAIN FINANCIAL RISKS OF MICROCREDITS

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

THE ADELANTE FOUNDATION, INC

Notes to the financial statements

For the Years ended December 31, 2024 and 2023

(Expressed in United States dollars)

Adelante is exposed to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored monthly. The loans receivable and notes payable are at fixed interest rates. The loans receivable matures much faster than the related borrowings. Furthermore, the term of the loans receivable is typically less than one year which allows Adelante to adjust the fixed interest rates of the notes receivable to market conditions.

Market Risk

Market risk is defined as external influences, generally outside of the control of Adelante, but which can be identified, assessed, and mitigated via actions put into place to reduce any adverse impact.

Credit Risk

Credit risk is the risk of financial loss to Adelante if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from Adelante's lending activities. Adelante takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Allowances for impairment are accounted for where there is objective evidence that the loans and advances to customers are impaired.

Significant changes in the economy, depreciation of local currencies against the currencies of the indexed portfolios, or in the health of a particular industry segment could result in evidence that the expected future cash flows are different from those provided for at the end of the reporting period. Management, therefore, monitors and manages its exposure to credit risk.

Currency Risk

Adelante is exposed to currency risk through transactions in foreign currencies against the U.S. dollar. There is also a statement of financial position risk that the net monetary liabilities will take a higher value when translated into U.S. dollars as a result of currency movements.

Liquidity Risk

Liquidity risk is the risk that a company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry-up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with a liquidity approach, maintaining a healthy balance of cash and cash

THE ADELANTE FOUNDATION, INC

Notes to the financial statements

For the Years ended December 31, 2024 and 2023

(Expressed in United States dollars)

equivalents. Management monitors the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained. Adelante finances the loan portfolio with the income produced by the portfolio and with contributions received. The average loan term is less than 12 months.

Money Laundering Risk

This is the risk that the Foundation's services and products may be used to legitimize financial assets, so that they may be used without the illegal activity that produces them being detected. This could have legal implications or sanctions for failure to comply with the current claim for the prevention and detention of the misuse of financial products and services in money laundering, in addition to the deterioration that it could cause to the Foundation's image.

The compliance and risk department manages this risk by using good practices for the prevention and detection of the misuse of financial products and services in money laundering, which requires the application of procedures related to customer knowledge, staff training, transaction reporting and monitoring of atypical transactions.

LAW FOR THE REGULATION OF DESIGNATED NON-FINANCIAL ACTIVITIES AND PROFESSIONS

In order to prevent the institution from being used to promote the crime of money laundering, Fundación Adelante as a non-profit non-governmental organization, in 2018 acquired the obligation to comply with the guidelines established by the government of Honduras regarding the Prevention of Money Laundering and Financing of Terrorism.

The regulation and monitoring process is regulated by the Registration, Monitoring and Prevention Unit of Money Laundering and Financing of Terrorism (URMOPRELAFT), a unit dependent on the National Commission of Banks and Insurance (CNBS), in charge of keeping records of natural or legal persons who are engaged in Designated Non-Financial Activities and Professions (APNFD), their supervision, surveillance and establishment of the measures that, according to the level of risk, must be implemented by said natural and legal persons considered as Obligated Subjects.

On September 28, 2018, Fundación Adelante Honduras branch obtained registration certificate 09-02-51/2018 as compliant with the requirements established in the Rules for the Registration of Designated Non-Financial Activities and Professions, registered in the sector of natural or legal persons who regularly engage in non-banking loan services; and subsector Legal Entities Non-Bank Lenders under

THE ADELANTE FOUNDATION, INC

Notes to the financial statements

For the Years ended December 31, 2024 and 2023

(Expressed in United States dollars)

file No. UIFEX-AD-565/2018 of said Registry, which for such purpose is controlled by the National Commission of Banks and Insurance of Honduras (CNBS).